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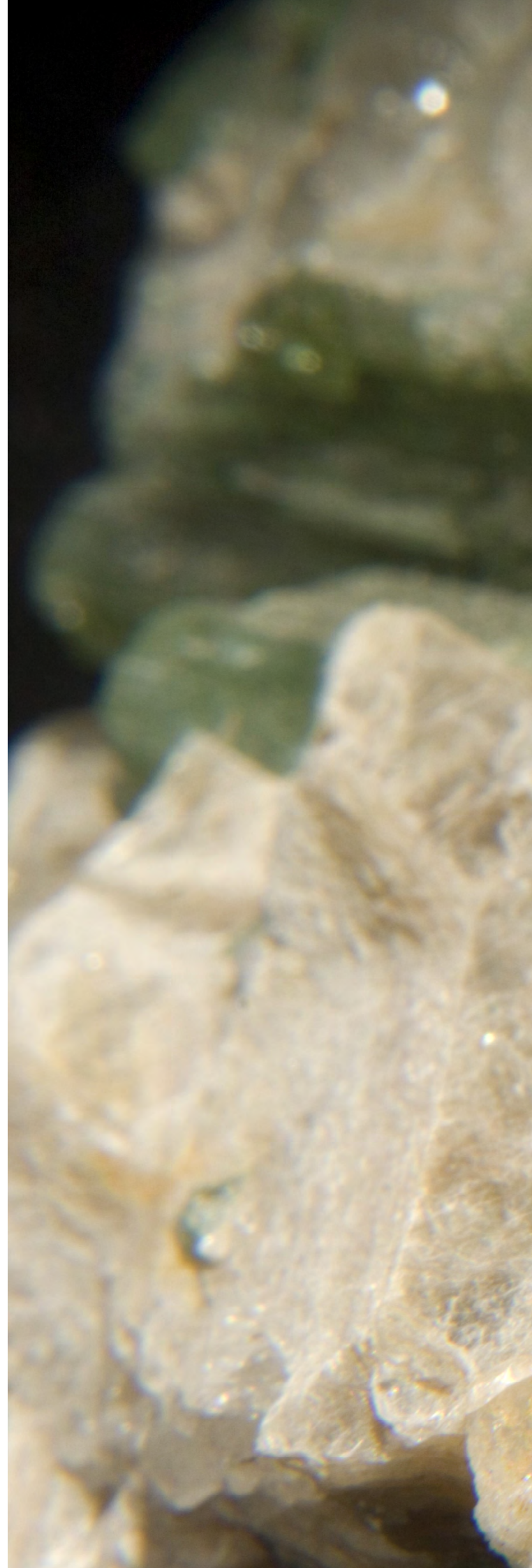
The image shown on the cover of the current annual report highlights the precious emerald stone in its attractive green color. It is one of the rare gemstones discovered in the Kingdom of Saudi Arabia. It is one of the types of corundum minerals with beautiful and attractive colors. Beryl is the mineral family of green emerald gemstones.

Beryl stones were found in the Bisha region, 12 kilometers southeast of Bisha Castle. Beryl is the mineral family of emerald green stones that are characterized by hardness, strength, and prestige. It is the stone of kings.

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

zamilindustrial.com





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Board of Directors



Abdulla Mohammed Al Zamil

- Chairman of the Board



Bander Abdulrahman Al Zamil

- Vice Chairman
- Nomination and Remuneration Committee Member



Sattam Abdulaziz Al Zamil

- Board Member
- Audit Committee Member



Mohammed Sulaiman Al Harbi

- Board Member
- Audit Committee Chairman



Khalid Mohammad Al Fuhaid

- Board Member
- Audit Committee Member



Saud Ghassan Al Sulaiman

- Board Member
- Nomination & Remuneration Committee Member



Adel Saleh Al Ghassab

- Board Member
- Nomination & Remuneration Committee Chairman



Mohammed Ali Al-Sahib

- 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 2022 on the company's overall performance and the outcome of its activities and investments inside the Kingdom of Saudi Arabia and abroad.

Zamil Industrial recorded good 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 improve efficiency across the company's sectors.

On the organizational level, the company's general assembly in 2022 approved the formation of the new Board of Directors in its ninth term. Consequently, the Board reformed its specialized committees to support it in performing its duties effectively, represented by the Audit Committee and the Nomination and Remuneration Committee.





Chairman's Message (continued)

Corporate governance has also been an integral part of our core values. Throughout 2022, Zamil Industrial's Board of Directors was keen to fulfill its duties and ensure that the company's operations were conducted according to the best corporate governance methods. We are determined to adhere to governance and transparency principles by means of guiding the company's Internal Audit Department, which works continuously to ensure that the best available practices and the highest transparency and governance standards are observed across all sectors and fields of our business.

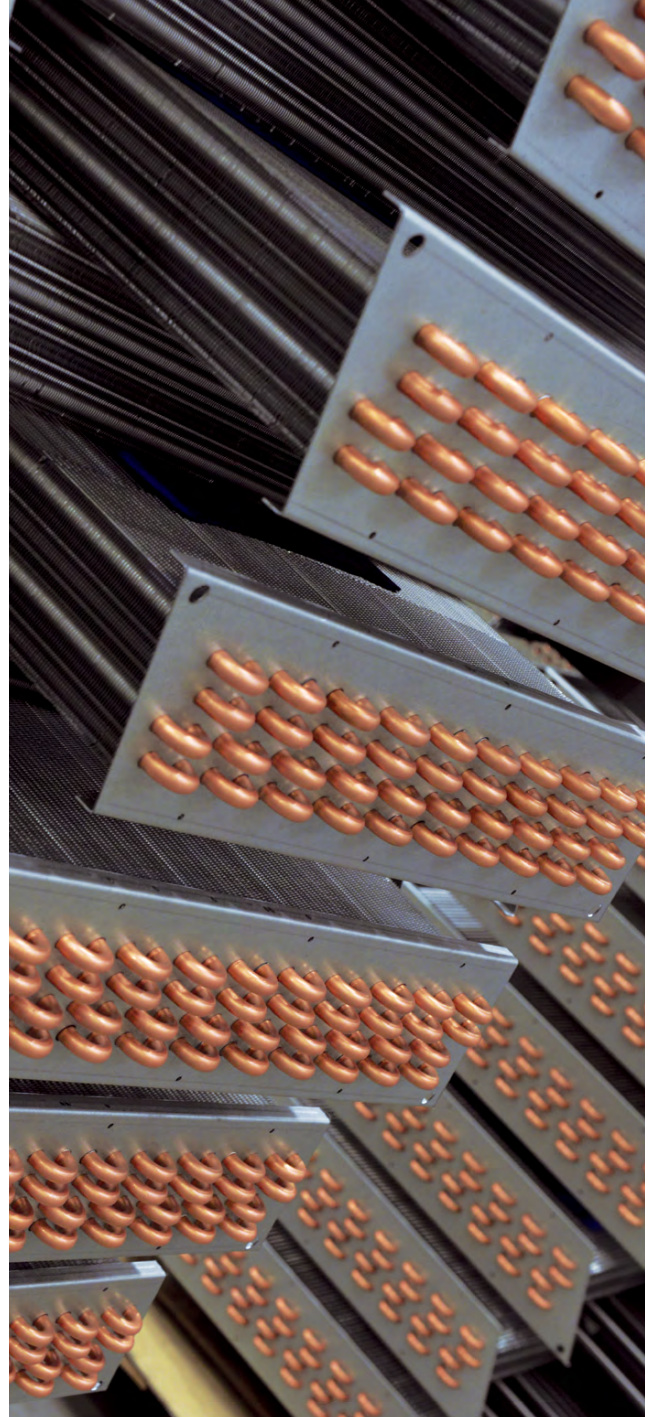
In this regard, we pay detailed attention to the recommendations of the Ministry of Commerce and Saudi Exchange (Tadawul) in the pursuit of a sound investment environment for shareholders.

Furthermore, the Board of Directors has elected to seek social achievements and prioritize social responsibility. The company has taken on several social initiatives to enhance its role in serving our community. We will make progress in this field with our dedication to social responsibility.

In conclusion, I would like to say that we are confident in our ability to maintain and increase the growth of the company, but only with joint efforts and trust. I would not like to forget to thank our shareholders for their support, as well as my colleagues on the Board of Directors and the members of the executive management team for their responsible actions in managing Zamil Industrial and setting the company's goals and strategic policies.

My grateful thanks and appreciation are also extended to all Zamil Industrial affiliates for their dedicated efforts and contributions to the company's success, our customers for their trust in our ability and products, and our suppliers for their support. Together we have enjoyed success over many years, and together we pursue further success and prosperity for your company.

Abdulla Mohammed Al Zamil
Chairman of the Board



Board of **Directors'** **Report** for 2022



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 2022 by looking at its sectors: Air Conditioning, Steel, Insulation, and other industries.

The report also comprises the audited consolidated financial statements and notes for the fiscal year that ended on 31 December 2022, 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.

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 three major industrial sectors – Steel, HVAC, and Insulation Materials. We are majority shareholders in joint venture companies and own several subsidiaries. Our companies employ about 9,000 people worldwide.

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



Dammam

19**98**
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 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



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.





QUALITY CONTROL



STRUCTURAL STEEL

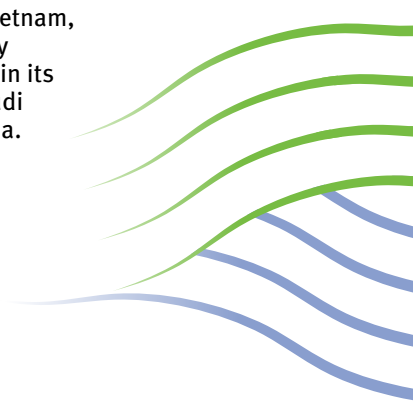


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Zamil Steel engineers and produces fabricated steel of low-rise and high-rise steel buildings and structures for diverse industrial, commercial, agricultural, aviation, entertainment, and military applications and in support of infrastructure and development 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 large network of area offices located around the globe, as well as many 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 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 a 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.





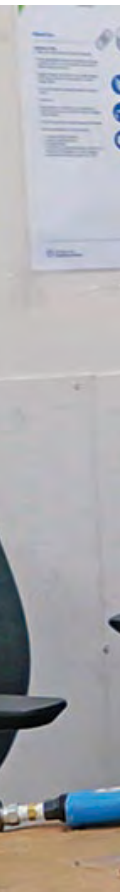
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Currently ranked as the region's leading air conditioning equipment service and maintenance provider, the company employs more than 2,500 qualified technicians spread across 21 branches in Saudi Arabia and the GCC countries. The company owns and maintains nearly

2,500 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 courses for the company's own technicians and engineers, as well as for those employed by dealers and large corporate clients.

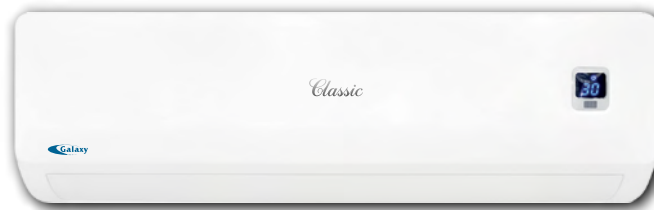


Moreover, Zamil Air Conditioners owns and operates Ikhtebar, the first independent laboratory created specifically for testing climate control solutions in the Middle East. Ikhtebar, which was constructed in 1984 by Intertek Testing Services and certified by Electrical Testing Laboratories (ETL), offers 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 for 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 help them to substantially reduce costs and produce a healthier bottom line.





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 presses, 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 the 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.



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
	Ikhteban 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
	• Gulf Insulation Group (CJSC)	SAR 21.1 million	51%	Holdings	KSA	KSA
	• Saudi Preinsulated Pipes Industries.	SAR 7.2 million	51%	Pre-insulated pipes		
4	Zamil Steel Buildings Co.	EGP 100 million	100%	Steel buildings	Egypt	Egypt
5	Zamil Steel Buildings (Shanghai) Co. Ltd.	RMB 12.5 million	100%	Steel buildings	China	China
6	Zamil Steel Buildings India Pvt. Ltd	INR 886.1 million	100%	Steel buildings	India	India
7	Zamil Steel Engineering India Pvt. Ltd.	INR 51.2 million	100%	Engineering office	India	India
8	Zamil Industrial Investment Co. (LLC)	AED 5 million	100%	Holdings	UAE	UAE
9	Zamil Steel Industries (LLC)	AED 20 million	100%	Steel buildings	UAE	UAE
10	Zamil Structural Steel Co. Ltd.	USD 10 million	100%	Structural steel	Egypt	Egypt
11	Zamil Construction India Pvt. Ltd.	INR 13.7 million	100%	Steel industry project management	India	India
12	Zamil Information Technology Global Pvt. Ltd.	INR 23.5 million	100%	Information technology	India	India
13	Zamil Higher Institute for Industrial Training	SAR 8.14 million	100%	Industrial training	KSA	KSA
14	Zamil Air Conditioners India Pvt. Ltd.	INR 1,372.7 million	100%	Air conditioners	India	India
15	Saudi Central Energy Co. Ltd.	SAR 1 million	100%	District cooling project management	KSA	KSA
16	Zamil Industrial Investment Co. Asia Pvt. Ltd.	SGD 1	100%	Holdings	Singapore	Singapore
17	Zamil Steel Buildings Vietnam Co. Ltd.	SAR 13.2 million	100%	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:

- | | |
|---|---|
| <p>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.</p> | <p>will enable the company to improve its financial position and earn higher returns for owners.</p> |
| <p>B) Continue to rationalize expenditures and increase production efficiency and cash management, which</p> | <p>C) Right-size a selection of activities in an effort to maximize yields and mitigate costs.</p> |



Performance Highlights

Revenues amounted to SAR 3,926 million as of 31 December 2022, an increase of SAR 402.4 million (11.4%) from SAR 3,523 million in 2021. Net loss for the year, after deducting Zakat and tax, was SAR (178) million, compared with a net loss of SAR (159.4) million in 2021, an increase

of 11.7%. Loss per share, after deducting Zakat and tax, was SAR (2.97), compared with SAR (2.66) during the same period in 2021. 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	2022	2021	Change
Air Conditioning Industry	37.3%	38.1%	9%
Steel Industry	57.7%	56.7%	13.5%
Insulation Industry	5.7%	5.9%	7.4%
Head Office and Others	(0.7%)	(0.7%)	9.1%
	100%	100%	

A) Statement of Income:

Item (SAR '000)	2022	2021	2020	2019	2018
Sales	3,926,186	3,523,817	3,382,962	4,038,583	4,313,649
Cost of sales	3,374,758	3,036,385	2,936,601	3,451,737	3,598,279
Gross profit	551,428	487,432	446,361	586,846	715,370
Total expenses	710,716	659,636	654,470	738,568	843,864
Other income, net	9,959	28,674	63,256	30,735	2,292
Zakat	28,740	15,887	15,020	17,822	13,631
Net income	(178,069)	(159,417)	(159,873)	(138,809)	(139,833)

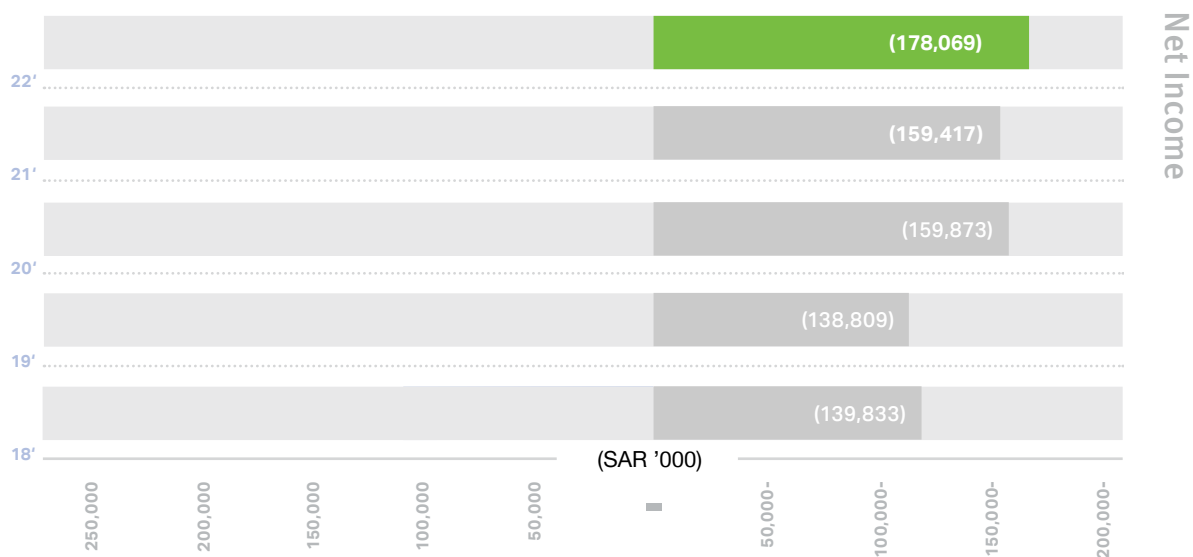
B) Balance Sheet:

Item (SAR '000)	2022	2021	2020	2019	2018
Current assets	4,737,036	4,423,205	3,867,073	4,100,238	4,241,708
Current liabilities	4,665,369	4,267,462	3,647,001	3,696,223	3,848,401
Working capital	71,667	155,743	220,072	404,015	393,307
Other long-term assets	427,888	486,966	539,794	582,452	502,992
Fixed assets	738,549	804,853	868,553	960,708	1,018,511
Total assets	5,903,471	5,715,024	5,275,420	5,643,398	5,763,211
Current liabilities	4,665,369	4,267,462	3,647,001	3,696,223	3,848,401
Long-term loans	13,862	7,040	14,510	144,986	38,734
Other long-term liabilities	276,382	290,898	279,001	322,354	251,961
Total liabilities	4,955,616	4,565,400	3,940,512	4,163,563	4,139,096
Paid capital	600,000	600,000	600,000	600,000	600,000
Reserves and retained earnings	170,883	366,724	533,469	678,767	815,946
Minority interest	176,975	182,900	201,439	201,068	208,169
Shareholders' equity	947,858	1,149,624	1,334,908	1,479,835	1,624,115
Total liabilities and shareholders' equity	5,903,471	5,715,024	5,275,420	5,643,398	5,763,211

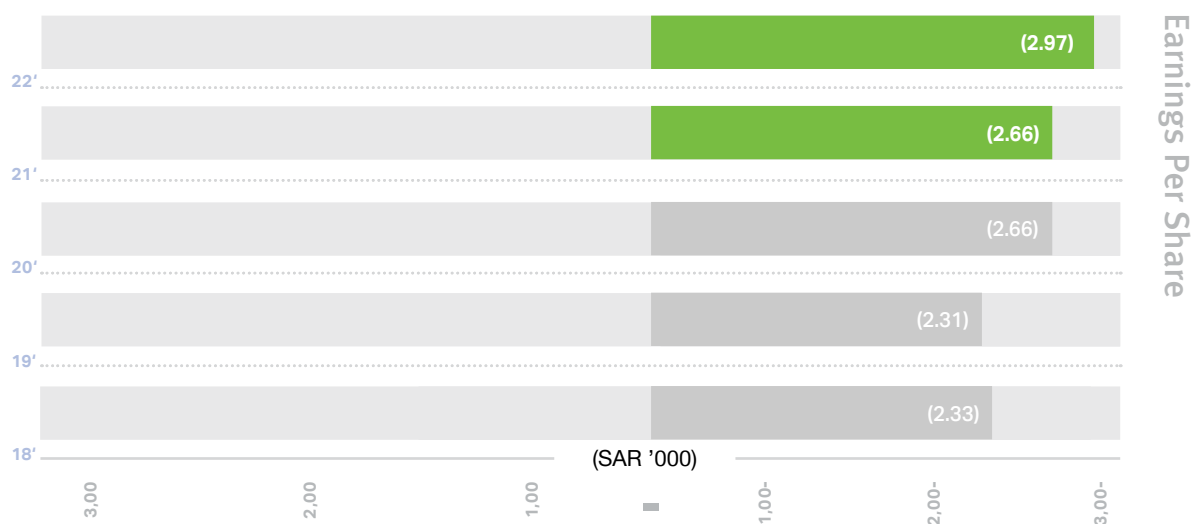
C) Outcome of Operation Activities:

Item (SAR '000)	2022	2021	Change	%
Sales	3,926,186	3,523,817	402,369	11.4%
Cost of sales	3,374,758	3,036,385	338,373	11.1%
Total operating profits (loss)	(41,449)	(110,419)	68,970	(62.5%)
Expenses of main operations	592,877	597,851	(4,974)	(0.8%)
Losses of main operations	-	-	-	-
Other revenue/expenses	107,880	33,111	74,769	225.8%
Deductions: Zakat or tax	28,740	15,887	12,853	80.9%
Net profits (loss)	(178,068)	(159,417)	(18,652)	11.7%

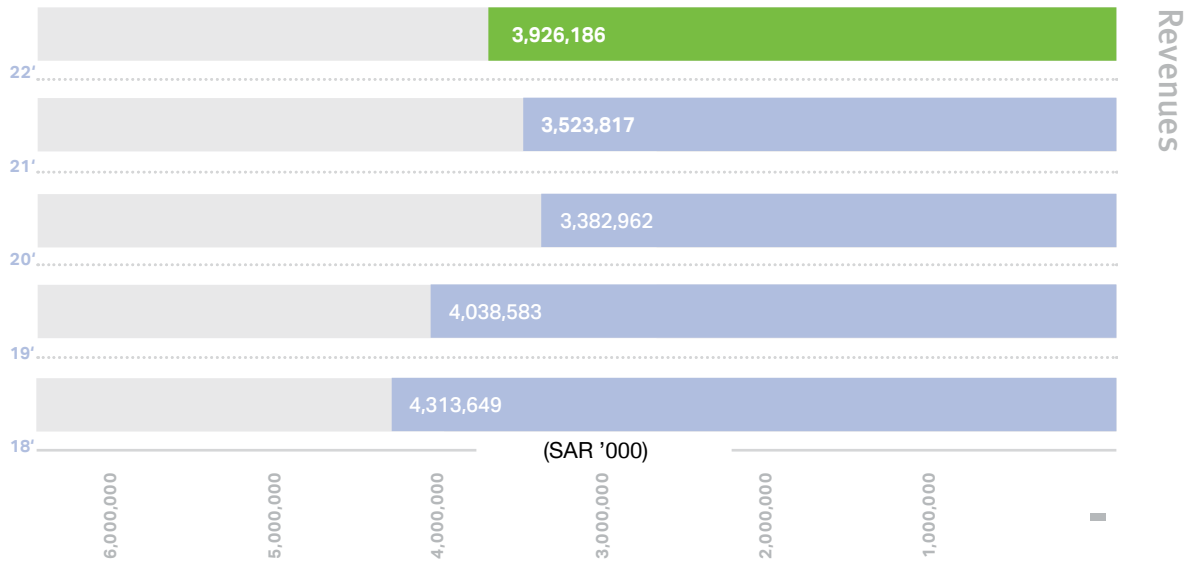
The following chart shows net incomes between 2018 and 2022:



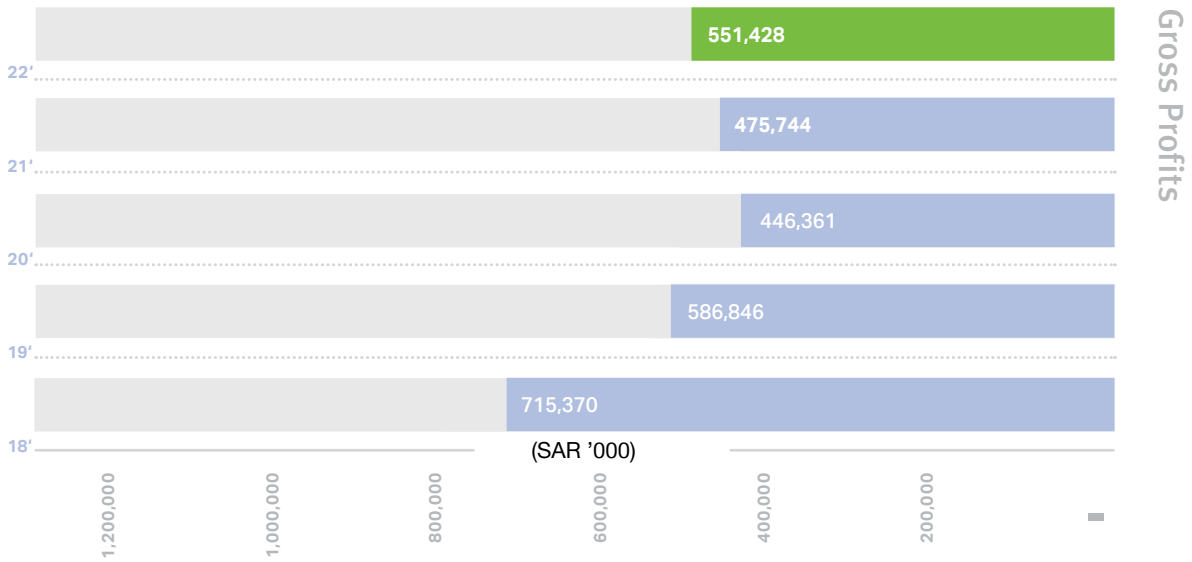
The following chart shows earnings (losses) per share between 2018 and 2022:



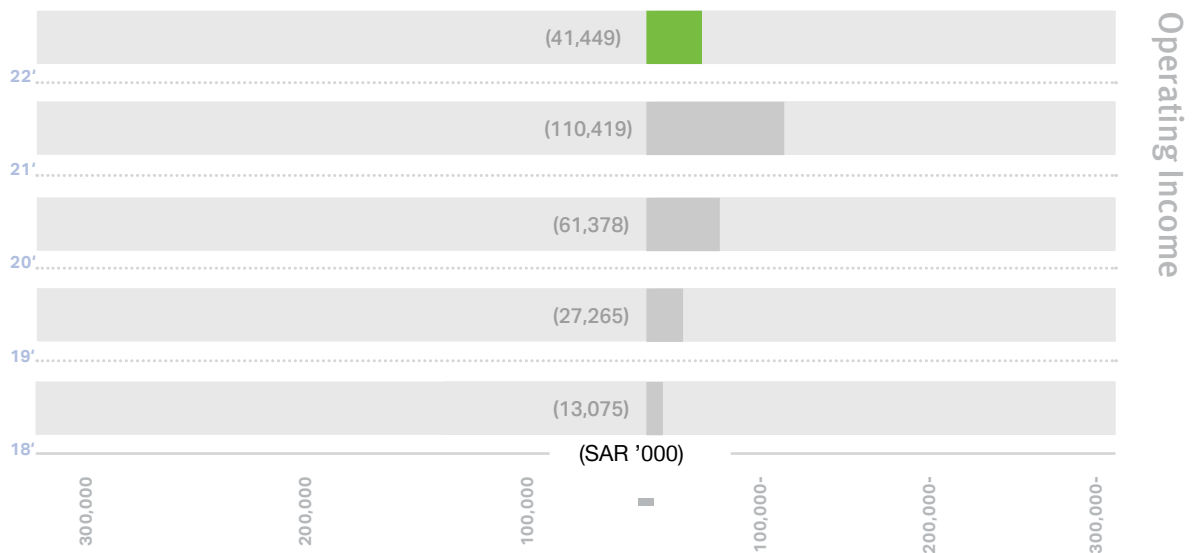
The following chart shows consolidated revenues over the past five years:



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

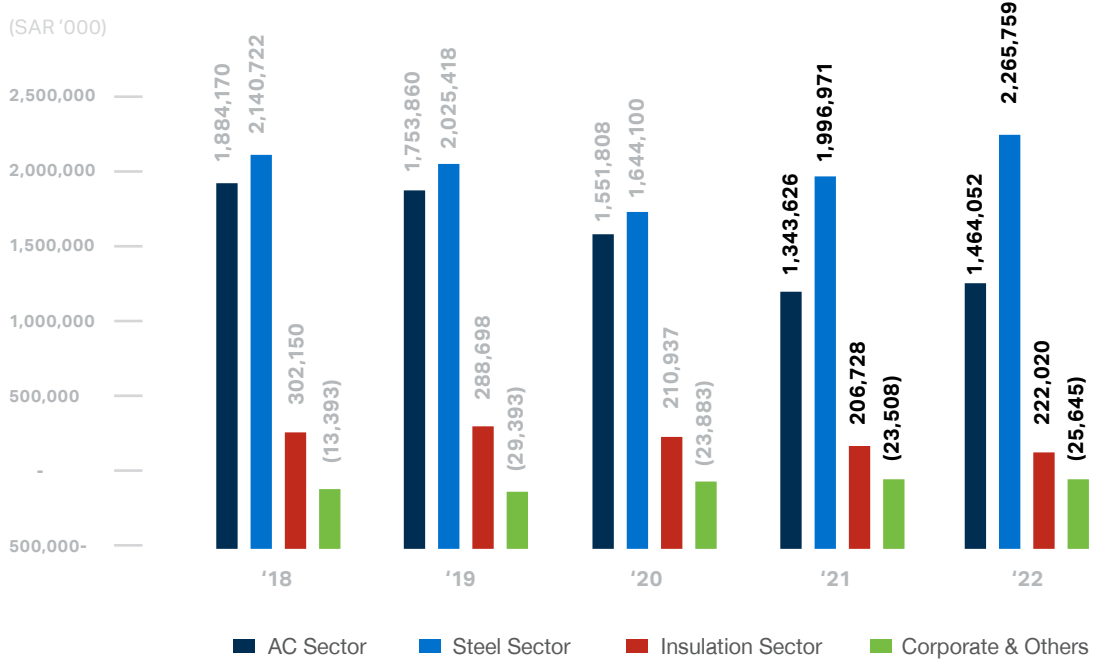


The following chart shows operating incomes over the past five years:



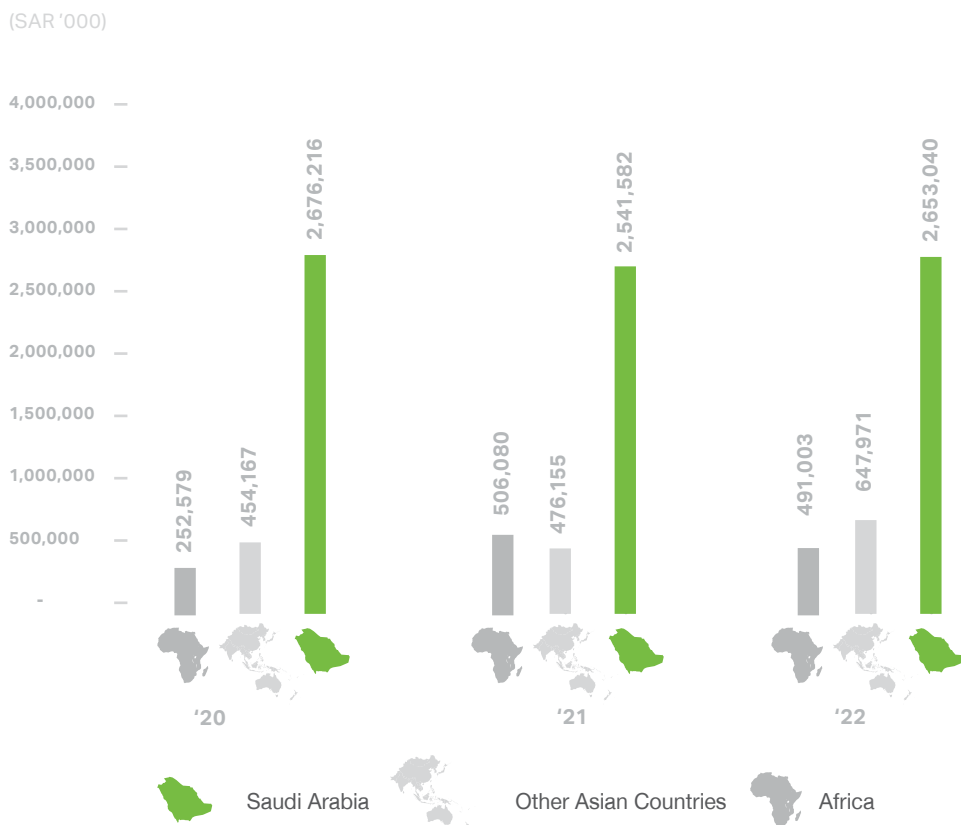
The Steel sector's revenue in 2022 was SAR 2,265.8 million, an increase of 13.5%. The AC sector's revenue increased by 9% to SAR 1,464.1 million. The Insulation sector's revenue also saw a 7.2% increase to SAR 222 million, as shown in the following chart:

Sales by Business Segments

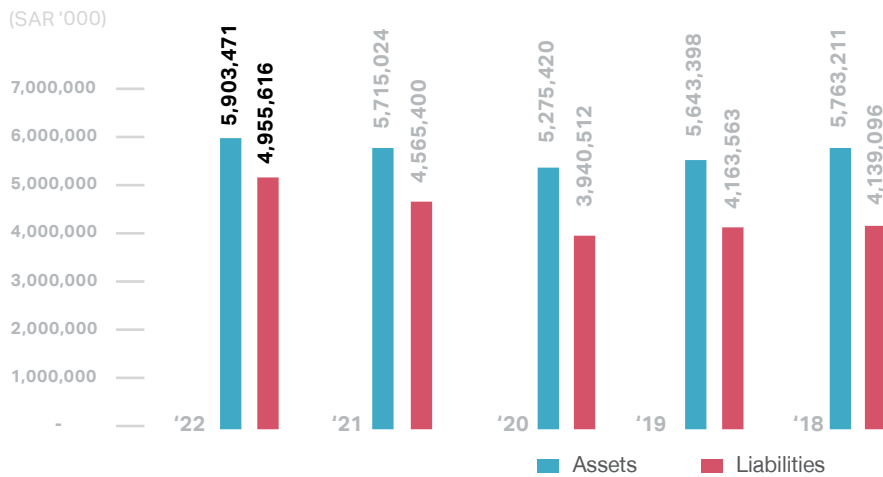


Geographically, the company's revenues based on operations in the Kingdom of Saudi Arabia totaled SAR 2,653 million. Revenues of the company's subsidiary factories outside the Kingdom of Saudi Arabia totaled SAR 1,138.9 million. This analysis, however, does not include exports, which are detailed in the exports section of the report.

Sales by Geographic Area

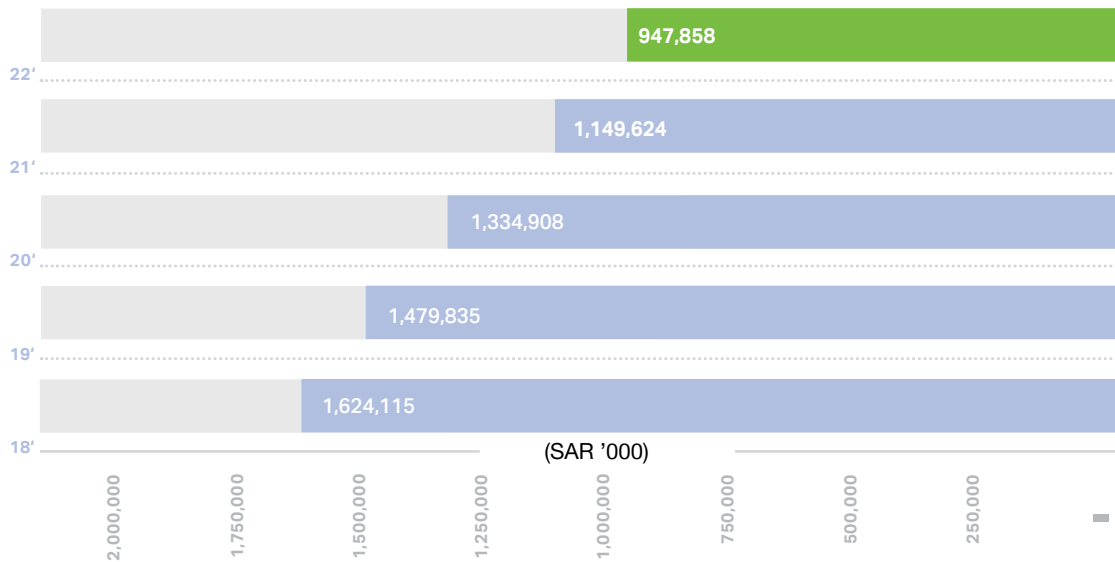


The following chart shows the company's assets and liabilities over the past five years.



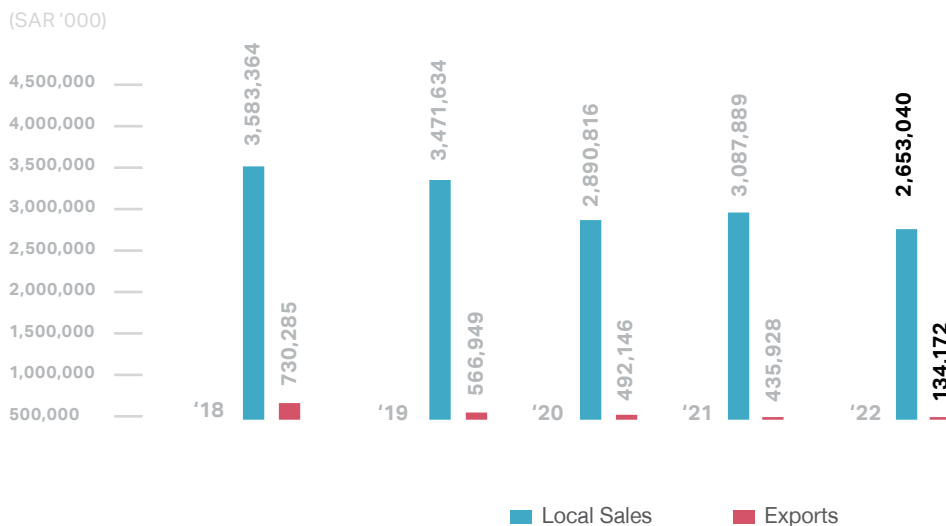
Assets & Liabilities

Shareholders' equity saw a drop of 17.5% to SAR 947.8 million, compared with SAR 1,149.6 million in 2021, as shown in the following chart:



Shareholders' Equity

The company's exports amounted to about SAR 134.2 million in 2022, compared with SAR 435.9 million in 2021. The company's products are exported to more than 90 countries by means of a network of sales and representative offices around the world.



Exports

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	2022	2021	Date Obtained	Due Date	Base Loan Amount	
	(SAR '000)	(SAR '000)			(SAR '000)	Lender
Loan No. 1	5,500	8,600	29/08/2012	24/04/2024	128,037	Saudi Industrial Development Fund
Loan No. 2	-	6,800	10/10/2019	11/10/2022	11,600	Saudi Industrial Development Fund
Loan No. 3	20,000	30,000	30/11/2021	01/12/2024	30,000	SABB - Saudi British Bank
Loan No. 4	2,882	2,265	31/03/2021	07/04/2025	2,265	HDFC Bank India
	28,382	47,665				
Less: Current installment	(14,145)	(40,208)				
Less SIDF Front-End Fees	(150)	(417)				
	14,087	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 cash equivalents that derive directly from its operations. The Group also holds investment in unquoted shares that is classified as equity investment at fair value.

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 2022 and 2021.

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 2022 and 2021, 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 2022 and 2021, 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.

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.

- 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.

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.

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.

Due Statutory Payments

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

Item	2022	2021
	(SAR '000)	
Custom charges	78,521	34,151
Visas and passports	21,120	22,204
Zakat and tax	287,619	214,707
General Organization for Social Insurance	40,637	38,318
Other	-	-
Total government charges:	427,897	309,380

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, ISO 14001 Environmental Management System (EMS) certification, and other international standard certificates. The Information Technology Department (IT) at Zamil Industrial has also obtained ISO/IEC 20000 certification for providing IT management services.

In March, Zamil Central Air Conditioners Company received TÜV SÜD certification for its Double-Skin Air Handling Units – Hygienic Design Range (TWH Series) products. The positive results of the tests conducted demonstrate compliance with the requirements of the certification program. TÜV SÜD conducted an on-site audit and a detailed data assessment. The TÜV SÜD certification mark indicates that Zamil Central Air Conditioners' products meet the highest international standards for performance, durability and safety.

In April, Zamil Steel Buildings Vietnam marked a great year of achievement by being awarded the prestigious Golden Dragon Award 2021 for the 18th consecutive year, marking its 25 years of excellence in Vietnam and Southeast Asia. The Golden Dragon Awards have been presented by the Vietnam Economic Times since 2001 to recognize the contribution of foreign-invested enterprises to the Vietnamese economy.

In July, Zamil Central Air Conditioners Company received AHRI 1360/ASHRAE 127 certification for its in-house manufactured precision cooling units (miniDPM series) in accordance with the latest edition of AHRI Standard 1360 and/or ASHRAE 127. The certificates were granted based on the positive results and passing tests for locally manufactured precision refrigeration units. The ANSI/ASHRAE 127 standard applies to air-conditioning units used to air condition data centers and other information technology equipment spaces.

In September, Zamil Central Air Conditioners completed the certification process of its air-cooled condensing units (CTXN Series) and air-cooled remote condenser units to industry standard UL 1995:2011, as tested and certified by Intertek. The ETL Listed Mark demonstrates compliance with the requirements of product safety standards, as determined through independent testing and periodic follow-up inspections by Intertek. Achieving such an internationally recognized certification guarantees our customers the highest standard of safety and quality.

In December, Zamil Steel Buildings Vietnam was recognized in the top 10 enterprises with two flagship products: pre-engineered steel buildings and structural steel solutions. The award ceremony was organized by the Hanoi Department of Industry and Trade and the Hanoi People's Committee to honor the key industrial products of Hanoi in 2022.

In 2022, 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.



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 2022, Zamil Industrial employed a total of nearly 7,000 people in Saudi Arabia, down 8.7% from the previous year. The company is committed to achieving greater operational efficiency with less workforce while encouraging greater participation by Saudi nationals.

The overall Saudization ratio of Zamil Industrial was 3.7% higher in 2022, increasing from 29.5% to 33.2% year-on-year. This trend is also reflected in the individual sectors. Saudization in the HVAC sector increased from 31% to 34%, while Saudis in the insulation sector remained at 25%. The total number of Saudi nationals increased by 3%, while the total number of expatriate employees decreased by 14.5%, 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 divisions and departments has increased to 128. Attention was paid to fully comply with the Nitaqat nationalization program when hiring new employees, which ensures an increasing number of Saudi employees in the companies.

Corporate Human Capital has decentralized its operations into four focused HR units that focus on the needs and requirements of the business sectors. The newly established HR units have taken over the Personnel and Government Relations functions to provide a comprehensive service with the goal of improving the quality and efficiency of the service. On the other hand, strategies, frameworks, programs, and other corporate functions remain under the reformed Corporate Human Capital.

As an integral part of Zamil Industrial's commitment to diversity in the workplace, the company has developed 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 appropriate awareness sessions conducted internally. In addition, the company 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.

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 its employees and all of the company's business units.

Corporate Human Capital continued to organize a number of social events for Zamil Industrial employees last year. These events included entertainment and educational programs, health and wellness campaigns, programs to celebrate national occasions, and other programs and events, the best known of which is the "Tistahil" program, which aims to provide employees with special discounts at merchants and services in all areas of life, from healthy lifestyles to children's entertainment to resorts and accommodations and more, as well as the launch of the "iCare" platform, an employee grievance and whistle-blowing platform that all employees around the world can access to have their voices heard and responded to with the utmost confidentiality.

Zamil Industrial's Human Capital conducted a series of virtual workshops throughout the year. Hundreds of 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 certain 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, as well as support key skill development



and employee credibility. The workshops were tailored to the needs of the business to increase team effectiveness and productivity and maximize return on investment.

In this context, several groups of Zamil Industrial employees representing a cross-section of Zamil Industrial's sectors, business units and functional areas have successfully completed the Leadership Skills Advancement Program under the sponsorship and support of the Saudi Basic Industries Corporation (SABIC). The training program aims to qualify promising leaders in the industry by providing them with the latest knowledge in the field of leadership and equipping them with leadership skills and behaviors that meet the requirements and practices of typical modern work environments through scientific means and methods. A variety of training and development methods are used, which have been proven to contribute to the development of talent and human resources.

Additionally, Corporate Human Capital has developed a transformational, role-specific assessment and development program for Procurement and Sales. These programs are aimed at improving and developing the competencies and skills of employees in these two critical functions. These programs have been made available to the HVAC sector.



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 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.

On the other hand, Zamil Industrial sponsored some activities of Forsan Al-Sharqiya for Search and Rescue, an official association under the umbrella of the Ministry of Human Resources and Social Development.

In February, Zamil Steel Buildings Vietnam participated as a Silver Sponsor in the annual Vietnam Business Forum (VBF) 2022 held in Hanoi. The forum was organized by the Ministry of Planning and Investment in cooperation with the World Bank, the International Finance Corporation (IFC), and the Vietnam Business Forum Alliance. Furthermore, the company co-sponsored the Vietnam Industrial Property Forum 2022, organized by the Vietnam Investment Review in Ho Chi Minh City. The forum was attended by more than 250 delegates, including heads of state administrative agencies, business associations, investors and developers of industrial parks across the country, manufacturers, investment consultants and others.

In March, Zamil Industrial sector businesses participated in The Big 5 Saudi 2022, the International Building and Construction Show in Riyadh. At this year's exhibition, about 400 companies from 30 countries presented the latest products, materials and solutions for the building and construction industry.

Additionally, Zamil Industrial showcased its latest products, services and innovative solutions at the World Defense Show 2022, the global stage for defense interoperability, held in Riyadh, Saudi Arabia. The first edition of the show featured a wide range of military equipment and advanced engineering and industrial technologies. This year's event brought together more than 590 global companies from 42 countries and many national government agencies from the defense, military, and security sectors.

In June, Zamil Industrial participated in the 4th edition of The Big 5 Construct Egypt, a leading international building and construction event supported by Egypt's Ministry of Housing, Utilities and Urban Communities and the Egyptian Armed Forces Engineering Authority. The event was held at the Egypt International Exhibition Center in Cairo.

In 2022, Zamil Air Conditioning and Refrigeration Services Company, in cooperation with the National Labor Gateway (Taqat) in Jeddah, organized a recruitment campaign 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 citizens in the Saudi industrial sector. One of the main goals of Saudi Vision 2030 is to increase the employment of Saudi nationals in all sectors and regions.

In September, Zamil Steel Buildings Vietnam celebrated its 25th anniversary at the Lotte Hanoi Hotel. The event was attended by the Ambassador of the Kingdom of Saudi Arabia to Vietnam, Mohammed Ismaeil A. Dahlwy, Director of the Department of Middle East-Africa at Vietnam's Ministry of Foreign Affairs, Bui Ha Nam, and more than 200 distinguished guests, including leading companies, representatives of ministries and government bodies, and over 30 press and media representatives.

The anniversary was celebrated to look back at the development of Zamil Steel over the past 25 years in Vietnam, with many outstanding historical milestones in production, business development, and expansion activities. Under the theme "25 Years of Trust and Quality", Zamil Steel Vietnam thanked its customers and partners throughout the Asia-Pacific region for their support, cooperation, and trust in the Zamil Steel brand.

Furthermore, Zamil Steel Buildings India members celebrated the company's 14th anniversary with great energy and enthusiasm to share the company's success and achievements with employees. The company has gone through remarkable developments in recent years. Since 2008, the company has been providing high-quality and sustainable pre-engineered steel buildings and steel structures to customers across India and neighboring countries and has successfully completed more than 2,000 projects.

In October, His Royal Highness Prince Saud bin Naif bin Abdulaziz, Governor of the Eastern Province, honored Zamil Industrial in recognition of its support of the initiative of the Ministry of Human Resources and Social Development in the Eastern Province. The honoring ceremony was held at the Emirate's Court. The initiative involved preparing 100 Saudi men and women for careers in occupational safety and health (OSH) in partnership and collaboration with the SABIC Employees Charitable Fund Foundation.

As part of ongoing recruitment efforts aimed at increasing the number of Saudis employed by the company, Zamil Industrial participated in the Wadaef Job Fair 2022, held in October 2022 at Dhahran Expo, under the patronage of HRH Prince Saud bin Naif bin Abdulaziz, Governor of the Eastern Province. The event, which showcased more than 5,000 job opportunities from nearly 120 participating companies across the Kingdom, provided an important opportunity for job seekers of both genders, especially the most qualified, to meet with various national and international companies to discuss their professional goals and learn about available career opportunities.

Moreover, the Chief Executive Officer of Zamil Industrial, Mohammed Al-Sahib, accompanied by several officials in the company's various sectors, met with the Governor of the Saudi Standards, Metrology and Quality Organization (SASO), Dr. Saad Bin Othman Al-Qasabi, at the SASO headquarters in Riyadh, in the presence of SASO representatives and sector heads. The purpose of the meeting was to activate effective partnerships with the private sector, promote business development, and exchange experiences between the private sector and SASO in order to improve business productivity. The various obstacles and challenges faced by the private sector were also addressed. Zamil Industrial is a strategic partner of SASO, and they collaborate on the development of various standards and technical specifications.

Additionally, Zamil Industrial participated in the Saudi Pipeline International Conference and Exhibition 2022 (SPICONX), which was held at Dhahran Expo in October 2022 in partnership with Saudi Aramco.

As part of their continued branding and networking efforts, Zamil Industrial sector businesses participated in the Big 5 International Building and Construction Show 2022, held in Dubai, United Arab Emirates, in December 2022, at the Dubai World Trade Center.

In 2022, Zamil Central Air Conditioners Company and Arabian Fiberglass Insulation Co. (AFICO) welcomed a group of students from Qassim University to the companies' facilities in the Second Industrial City of Dammam. The visit took place as part of an initiative aimed at showcasing national factories and various local products, as well as demonstrating the diverse capabilities and processes of factories in the Kingdom of Saudi Arabia.

Zamil Industrial, in cooperation with Zamil Group, organized a field trip for students of Al Forsan International Schools to the facilities of Zamil Central Air Conditioners and Zamil Process Equipment Company in Dammam Second Industrial City. The students aimed to explore the engineering services, industrial operations, and manufacturing facilities, as well as the specific processes, products, and capabilities of Zamil Industrial companies.

In related developments, Zamil Steel Buildings Vietnam welcomed a group of 45 students from the Vietnam National University - International School in Hanoi to the company's factory in Noi Bai. The purpose of the visit was to provide students with an insight into the manufacturing process and quality control of Zamil Steel Vietnam's end products, as well as broaden their knowledge of the industry, which could be helpful in their future careers.

In October, Zamil Industrial, in collaboration with the Saudi German Hospital in Dammam, organized an awareness program for its female employees about the early detection of breast cancer during Breast Cancer Awareness Month. The program aimed to define breast cancer types, identify their dangers, and educate female employees on methods of self-examination and the need to prevent the disease through regular screenings.

Additionally, 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. Also, Zamil Industrial's Human Capital 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. With a team of professional medical service providers from Bupa Arabia, the Health Lounge focuses on raising employee awareness of good health.

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 November 2022 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	2022	2021
Authorized and fully paid share capital	SAR 600 million	SAR 600 million
Issued shares	60 MILLION SHARES	60 MILLION SHARES
Nominal value	SAR 10	SAR 10

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 (90) of the Corporate Governance Regulations according to the table contained in paragraph (3) of Clause (28) of this report.

15 Board of Directors' Composition

The Board of Directors comprises seven 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
Abdulla Mohammed Abdullah Al Zamil	Chairman of the Board of Directors	Non-executive
Bander Abdulrahman Abdullah Al Zamil	Vice Chairman	Non-executive
Mohammed Sulaiman Mohammed Al Harbi	Member	Non-executive
Sattam Abdulaziz Abdullah Al Zamil	Member	Non-executive
Khalid Mohammad Saleh Al Fuhaid	Member	Independent
Adel Saleh Mohsen Al Ghassab	Member	Independent
Saud Ghassan Ahmed Al Sulaiman	Member	Independent

The members of the Board of Directors were elected for the ninth term during the company's general assembly meeting on 21/04/2022, at which a vote was taken on the election of a new Board of Directors from among the candidates for Board membership for the next term, which runs from 01/05/2022 through 30/04/2025.

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

The membership of the aforementioned members of the Board ended at the end of the eighth term of the Board on 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:

Name	At year's beginning		At year's end		Net change	Change percentage
	Number of shares	Debt instruments	Number of shares	Debt instruments		
* 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	1,000	0	0	0%
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%
Adel Saleh Mohsen Al Ghassab	1,000	0	1,000	0	0	0%
Sattam Abdulaziz Abdullah Al Zamil	10	0	10	0	0	0%
Bander Abdulrahman Abdullah Al Zamil	1,000	0	1,000	0	0	0%
Saud Ghassan Ahmed Al Sulaiman	30	0	30	0	0	0%

* His membership ended at the end of the eighth term of the Board on 30/04/2022.

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

Name	At year's beginning		At year's end		Net change	Change percentage
	Number of shares	Debt instruments	Number of shares	Debt instruments		
Mohammed Ali Al-Sahib	0	0	0	0	0	0%
Said Fahad Al Daajani	0	0	0	0	0	0%
George Eapen	0	0	0	0	0	0%

There are no interest, contractual securities, or subscription rights belonging to relatives of board members and senior executives in the company's shares or debt instruments.

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

Name	At year's beginning		At year's end		Net change	Change percentage
	Number of shares	%	Number of shares	%		
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%

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
Abdulla Moham-med Abdullah Al Zamil	<ul style="list-style-type: none"> Chairman of the Board, Zamil Industrial Investment Co. (Zamil Industrial) 	<ul style="list-style-type: none"> CEO, Zamil Industrial COO, Zamil Industrial Various positions in Zamil Air Conditioners including EVP 	<ul style="list-style-type: none"> Master's in Finance and Business Administration Bachelor's in Industrial Engineering 	Professional experience since 1987
Khalid Mohammed Saleh Al Fuhaid	<ul style="list-style-type: none"> Chairman of the Board of Directors, Manafea Arabia Holding Co. 	<ul style="list-style-type: none"> CEO, Midad Holding Co. Technical and management positions in Aluminium Products Company (ALUPCO) 	<ul style="list-style-type: none"> Bachelor's in Mechanical Engineering 	Professional experience since 1989
Mohammad Sulaiman Mohammad Al Harbi	<ul style="list-style-type: none"> Freelance 	<ul style="list-style-type: none"> Chairman, Mohamed Al-Harbi Consulting Co. CEO, Takween Advanced Industries Chairman, Saudi German Company for Nonwoven Products Project Manager, Saudi Industrial Development Fund 	<ul style="list-style-type: none"> Bachelor's in Industrial Engineering 	Professional experience since 1992
Bander Abdulrahman Abdullah Al Zamil	<ul style="list-style-type: none"> President, Zamil Real Estate Co. VP, Zamil Group Holding Co. 	<ul style="list-style-type: none"> VP, Zamil Group Holding Co. General Manager of Real Estate Investment and Development at Zamil Group Holding Co. Project Engineer, Zamil Architectural Industries 	<ul style="list-style-type: none"> Bachelor's in Industrial Engineering, KSU, 2001 	Professional experience since 2001
Adel Saleh Mohsen Al Ghassab	<ul style="list-style-type: none"> Freelance 	<ul style="list-style-type: none"> Chairman and member of the Board of Directors of Zamil Plastic Industries Managing Director of Zamil Plastic Industries Sales Manager, Tasnee Sales and Marketing Manager, FIPCO Sales and Marketing Manager, Al Sharq Plastic Industries Sales and Marketing Manager, Zamil Plastic Industries Sales Manager, SABIC - Headquarters in Riyadh 	<ul style="list-style-type: none"> Bachelor's in Industrial Management, KFUPM, 1986 	Professional experience since 1987
Sattam Abdulaziz Abdullah Al Zamil	<ul style="list-style-type: none"> EVP for Financial Affairs at Zamil Group Holding Co. 	<ul style="list-style-type: none"> Financial Analyst, Zamil Group Holding Co. EVP Financial Affairs, Zamil Group Holding Co. 	<ul style="list-style-type: none"> Bachelor's in Accounting, KFUPM, 1995 	Professional experience since 1996
Saud Ghassan Ahmed Al Sulaiman	<ul style="list-style-type: none"> CEO, Alsulaiman Group 	<ul style="list-style-type: none"> CEO, IKEA KSA & Bahrain since 2013 	<ul style="list-style-type: none"> Masters in Change from INSEAD in France, 2017 Executive MBA from the University of Hull in the United Kingdom, 2008 Bachelor's degree in Interior Design from the Design Institute of San Diego in the United States, 2003 	Professional experience since 2013

2 | Executives:

Name	Current positions	Previous positions	Qualifications	Experience
Mohammed Ali Al-Sahib	<ul style="list-style-type: none"> CEO, Zamil Industrial Investment Co. 	<ul style="list-style-type: none"> General Manager, Zamil Steel VP, Zamil Industrial Investment Co. EVP, Zamil Industrial 	<ul style="list-style-type: none"> Executive MBA from KFUPM Bachelor's in Business Statistics and Operations Management 	Professional experience since 2000
George Eapen (Acting)	<ul style="list-style-type: none"> Chief Financial Officer (Acting), Zamil Industrial Investment Co. 	<ul style="list-style-type: none"> Corporate Finance Manager, Zamil Industrial Investment Co. Financial Analyst, Zamil Industrial Cost Accountant, Zamil Steel 	<ul style="list-style-type: none"> Bachelor of Commerce degree from Mahatma Gandhi University, India Member of the Institute of Cost Accountants of India and the Institute of Management Accountants in the United States 	Professional experience since 1999
Said Fahad Al Daajani	<ul style="list-style-type: none"> Director, Corporate Affairs; Corporate Secretary 	<ul style="list-style-type: none"> Public and Investor Relations Manager Administrative Assistant 	<ul style="list-style-type: none"> BA in Administrative Sciences and Political Science Certification in Governance Certification in Investor Relations 	Professional experience since 1998

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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
Abdulla Mohammed Abdullah Al Zamil	Gulf Insulation Group	In KSA	Unlisted	Arabian Fiberglass Insulation Co.	In KSA	Limited Liability
	Zamil Steel Holding Co.	In KSA	Holding	Zamil Air Conditioning & Refrigeration Services (Bahrain)	Abroad	Limited Liability
	Zamil Air Conditioners Holding Co.	In KSA	Holding	Zamil Steel Buildings (Egypt)	Abroad	Limited Liability
	Middle East Air Conditioners Co.	In KSA	Limited Liability	Zamil Structural Steel (Egypt)	Abroad	Limited Liability
	Energy Central Saudi Arabia	In KSA	Limited Liability	Zamil Steel Buildings and Contracting Co.	Abroad	Limited Liability
	Saudi Rock Wool Factory	In KSA	Limited Liability	Zamil Steel Buildings Co. (China)	Abroad	Limited Liability
	Saudi Preinsulated Pipes Industries	In KSA	Limited Liability	Zamil Steel Buildings Co. (India)	Abroad	Limited Liability
	Second Insulation Company	In KSA	Limited Liability	Zamil Steel	Abroad	Limited Liability
	Arabian Stonewool Insulation Co.	In KSA	Limited Liability	Zamil Engineering India Private Ltd.	Abroad	Limited Liability
	Rabiah & Nassar and Zamil Concrete Industries Co.	In KSA	Limited Liability	Zamil Construction India Private Ltd.	Abroad	Limited Liability
	Gulf International Bank – KSA	In KSA	Limited Liability	Zamil Information Technology Global Pvt. Ltd. (India)	Abroad	Limited Liability
	Gulf International Bank – Bahrain	Abroad	Limited Liability	Zamil Air Conditioners India Private Ltd.	Abroad	Limited Liability
	Gulf International Bank – UK	Abroad	Limited Liability	Zamil Steel Buildings Vietnam Co. Ltd.	Abroad	Limited Liability
	Zamil Gulf LLC (UAE)	Abroad	Limited Liability	Dammam Airport Co.	In KSA	Government
	Zamil Steel Holding Co. (Bahrain)	Abroad	Limited Liability	VIVA Bahrain	Abroad	Unlisted
	Saudi Global Ports	In KSA	Holding	GACA	In KSA	Government
	Eastern Province Council	In KSA	Government	Neom Industrial City	In KSA	Government
	Awqaf Sulaiman Al Rajhi Holding Co.	In KSA	Holding			
	Health Cluster in Eastern Province	In KSA	Government			

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
Mohammad Sulaiman Mohammad Al Harbi	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> In KSA In KSA In KSA In KSA In KSA In KSA Abroad 	<ul style="list-style-type: none"> Listed Limited Liability Limited Liability Unlisted Unlisted Limited Liability Limited Liability 	<ul style="list-style-type: none"> Hail Agricultural Development Co. Takween Advanced Industries 	<ul style="list-style-type: none"> In KSA In KSA 	<ul style="list-style-type: none"> Listed (formerly) Listed
	Khalid Mohammed Saleh Al Fuhaid	<ul style="list-style-type: none"> Manafea Arabia Holding Co. Manafea Indus-trial Co. Manafea Hold-ing (Health Care) First United Medical Co. Smart Gates Ltd. Gateway Door Experts Ltd. 	<ul style="list-style-type: none"> In KSA In KSA In KSA In KSA In KSA In KSA In KSA 	<ul style="list-style-type: none"> Limited Liability Limited Liability Limited Liability Limited Liability Limited Liability Limited Liability Limited Liability 	<ul style="list-style-type: none"> Midad Holdings Manafea Al-Bahr Co. Manafea Al Sharq Co. Aluminum Rolling Shutter Co. Designs and IT Co. Cherish Cosmetics Manafea Gulf Co. Manafea Medical Co. Manafea Al-Jazeera Co 	<ul style="list-style-type: none"> In KSA In KSA In KSA In KSA In KSA In KSA Abroad In KSA In KSA
Bander Abdulrahman Abdullah Al Zamil	<ul style="list-style-type: none"> National Com-pany for Glass Saudi Advanced Technologies Co. Yamama Com-pany for Red Bricks & Clay Products Zamil Group Real Estate Mashareq In-vestment Co. Akwaan Real Estate Co. Saudi Venture Capital Co. Kinan Real Es-tate Unaizah En-dowment Co. / Unaizah Invest-ment Co. Al Azm Devel-opment and Real Estate Invest-ment Co. Economic Gate Fund Emirates Com-pany for Industrial Cities (UAE) Polaris Al Zamil Co. (Egypt) 	<ul style="list-style-type: none"> In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA Abroad 	<ul style="list-style-type: none"> Listed Limited Liability Unlisted Limited Liability Limited Liability Unlisted Unlisted Unlisted Unlisted Limited Liability Real Estate Fund Unlisted Unlisted 	<ul style="list-style-type: none"> VP, Zamil Group Holding Co. General Manager of Real Estate Investment and Development at Zamil Group Holding Co. Project Engineer, Zamil Architectural Industries 	<ul style="list-style-type: none"> In KSA In KSA In KSA 	<ul style="list-style-type: none"> Unlisted Limited Liability Limited Liability
	Adel Saleh Mohsen Al Ghassab	<ul style="list-style-type: none"> Zamil Chemical and Plastic Industries Zamil Plastic Industries Gulf Stabilizers Industries Saudi German Co. Al-Tawfiq Co. For Plastic & Woven Sacks Methanol Chemicals Co. 	<ul style="list-style-type: none"> In KSA In KSA In KSA In KSA In KSA In KSA 	<ul style="list-style-type: none"> Limited Li-ability Limited Li-ability Limited Li-ability Limited Li-ability Limited Li-ability Limited Li-ability 	<ul style="list-style-type: none"> Zamil Plastic Industries Tasnee FIPCO Al Sharq Plastic Industries SABIC HQ 	<ul style="list-style-type: none"> In KSA In KSA In KSA In KSA In KSA
Sattam Abdulaziz Abdullah Al Zamil	<ul style="list-style-type: none"> Electrical Industries Co. Saudi German Company for Nonwoven Products Advanced Flexible Packaging Co. Zamil Offshore Services Co. United Carton Industries Co. 	<ul style="list-style-type: none"> In KSA In KSA In KSA In KSA In KSA 	<ul style="list-style-type: none"> Listed Limited Liability Limited Liability Unlisted Unlisted 	<ul style="list-style-type: none"> Zamil Group Holding Co. 	<ul style="list-style-type: none"> In KSA 	<ul style="list-style-type: none"> Unlisted
Saud Ghassan Ahmed Al Sulaiman	<ul style="list-style-type: none"> Salasa Holding Co. IKEA Global Strategic Sus-tainability Council IKEA Global Innovation Coun-cil Saudi Angel Investors FLOW Progres-sive Logistics L'azurde Jewerly Logistics Part-nership Council of the Saudi Ministry of Transport Board Member of the Commercial Sector Board at Jeddah Chamber Board Member of the Logistics Committee at the Riyadh Chamber of Commerce & Industry Board Member of Athath Coop-erative Society Saudi-Swedish Business Council, Council of Saudi Chambers Livespace Inte-rior Design Co. Cartlo for Resale Co. 	<ul style="list-style-type: none"> In KSA Abroad Abroad In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA In KSA 	<ul style="list-style-type: none"> Limited Liability Limited Liability Limited Liability Limited Liability Limited Liability Listed Listed Government Government Government Charity Government Liability Limited Liability 	<ul style="list-style-type: none"> IKEA KSA & Bahrain 	<ul style="list-style-type: none"> In KSA 	<ul style="list-style-type: none"> Limited Liability

22 Board Meeting Attendance Record

In 2022, the Board of Directors convened (1) time during its eighth term, while it convened (5) times during its ninth 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.

Name	8 th Term		9 th Term				Total
	No. (12/8) on 21/03	No. (1/9) on 08/05	No. (2/9) on 23/06	No. (0/9) on 26/09	No. (4/9) on 03/11	No. (5/9) on 19/12	
Abdulla Mohammed Abdullah Al Zamil	✓	✓	✓	✓	✓	✓	6
Mohammad Sulaiman Mohammad Al Harbi	✓	×	✓	✓	✓	✓	5
Khalid Mohammed Saleh Al Fuhaid	✓	✓	✓	✓	✓	✓	6
Adel Saleh Mohsen Al Ghassab		✓	✓	✓	✓	✓	5
Bander Abdulrahman Abdullah Al Zamil		✓	✓	✓	✓	✓	5
Sattam Abdulaziz Abdullah Al Zamil		✓	✓	✓	✓	✓	5
Saud Ghassan Ahmed Al Sulaiman		✓	✓	✓	✓	✓	5
* Khalid Abdullah Hamad Al Zamil	✓						1
* Abdallah Saleh Jum'ah Al Dossari	×						0
* Ahmed Abdullah Hamad Al Zamil	✓						1
* Adib Abdullah Hamad Al Zamil	✓						1
* Mohammed Ahmed Mahmoud Al-Ghaith	✓						1

* His membership ended at the end of the eighth term of the Board of Directors on 30/04/2022.

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.

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 21 April 2022.

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 2022, the committee convened twice during the Board's eighth term, while it convened (4) times during its ninth term. An attendance sheet is shown below:

Name	8 th Term			9 th Term			Total
	No. (16/8) on 19/01	No. (17/8) on 20/03	No. (1/9) on 19/05	No. (1/9) on 12/06	No. (1/9) on 11/08	No. (1/9) on 02/11	
Mohammad Sulaiman Mohammad Al Harbi	✓	✓	✓	✓	✓	✓	6
Khalid Mohammed Saleh Al Fuhaid	✓	✓	✓	✓	✓	✓	6
Sattam Abdulaziz Abdul-lah Al Zamil			✓	✓	✓	✓	4
* Mohammed Ahmed Mahmoud Al-Ghaith	✓	✓					2

* His membership ended at the end of the eighth term of the Board of Directors on 30/04/2022.

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 2022 during the Board's eighth term, while it convened (4) times during its ninth term. An attendance sheet is shown below:

Name	8 th Term			9 th Term			Total
	No. (16/8) on 19/01	No. (17/8) on 20/03	No. (1/9) on 19/05	No. (1/9) on 12/06	No. (1/9) on 11/08	No. (1/9) on 02/11	
Adel Saleh Mohsen Al Ghassab			✓	✓	✓	✓	4
Bander Abdulrahman Abdullah Al Zamil			✓	✓	✓	✓	4
Saud Ghassan Ahmed Al Sulaiman			✓	✓	✓	✓	4
* Abdallah Saleh Jum'ah Al Dossari	✓	✓					2
* Khalid Abdullah Al Zamil	✓	✓					2
* Mohammad Sulaiman Mohammad Al Harbi	✓	✓					2

* His membership ended at the end of the eighth term of the Board of Directors on 30/04/2022.

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 2022, 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 2022. 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 Mhammed Al Fuhaid	133	15	12	0	0	0	160	0	0	0	0	0	0	0	160	0
Adel Saleh Al Ghassab	133	15	12	0	0	0	160	0	0	0	0	0	0	0	160	0
Saud Ghassan Al Sulaiman	133	15	12	0	0	0	160	0	0	0	0	0	0	0	160	0
Second: Non-Executive Directors																
Abdulla Mohammed Al Zamil	133	15	0	0	0	0	148	0	0	0	0	0	0	0	148	0
Mohammad Sulaiman Al Harbi	133	12	12	0	0	0	157	0	0	0	0	0	0	0	157	0
Bander Abdulrahman Al Zamil	133	15	12	0	0	0	160	0	0	0	0	0	0	0	160	0
Sattam Abdulaziz Al Zamil	133	15	12	0	0	0	160	0	0	0	0	0	0	0	160	0

The (ninth) term of the Board of Directors began on 01/05/2022 and ends on 30/04/2025.

21 Members of the Board of Directors (Eighth Term)

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 Mohammed Al Fuhaid	67	3	6	0	0	0	76	0	0	0	0	0	0	0	76	0
Khalid Abdullah Al Zamil	67	3	6	0	0	0	76	0	0	0	0	0	0	0	76	0
Abdallah Saleh Al Dosari	67	0	6	0	0	0	73	0	0	0	0	0	0	0	73	0
Ahmed Abdullah Al Zamil	67	3	0	0	0	0	70	0	0	0	0	0	0	0	70	0
Mohammad Sulaiman Al Harbi	67	3	12	0	0	0	82	0	0	0	0	0	0	0	82	0
Second: Non-Executive Directors																
Mohammed Ahmed Al-Ghaith	67	3	6	0	0	0	76	0	0	0	0	0	0	0	76	0
Adib Abdullah Al Zamil	67	3	0	0	0	0	70	0	0	0	0	0	0	0	70	0
Third: Executive Directors																
Abdulla Mohammed Abdullah Al Zamil	67	3	0	0	0	0	70	0	0	0	0	0	0	0	70	0

The (eighth) term of the Board of Directors ended on 30/04/2022.

2 | Committee members (Ninth Term):

Member	Fixed remuneration	Allowance for attending meetings	Total
Audit Committee members:		(SAR '000)	
Mohammad Sulaiman Al Harbi	0	12	12
Khalid Mohammed Saleh Al Fuhaid	0	12	12
Sattam Abdulaziz Al Zamil	0	12	12

The (ninth) term of the Board of Directors began on 01/05/2022 and ends on 30/04/2025.

Nomination and Remuneration Committee members:

Adel Saleh Al Ghassab	0	12	12
Bander Abdulrahman Al Zamil	0	12	12
Saud Ghassan Al Sulaiman	0	12	12

The (ninth) term of the Board of Directors began on 01/05/2022 and ends on 30/04/2025.

3 | Committee members (Eighth Term):

Member	Fixed remuneration	Allowance for attending meetings	Total
Audit Committee members:		(SAR '000)	
Mohammad Sulaiman Al Harbi	0	6	6
Khalid Mohammed Al Fuhaid	0	6	6
Mohammed Ahmed Al-Ghaith	0	6	6

Nomination and Remuneration Committee members:

Abdallah Saleh Al Dosari	0	6	6
Khalid Abdullah Al Zamil	0	6	6
Mohammad Sulaiman Al Harbi	0	6	6

The (eighth) term of the Board of Directors ended on 30/04/2022.

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
3,900	1,167	0	5,567	0	0	0	0	0	0	490	67	5,624

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 (90) of the Corporate Governance Regulations.

Remuneration policy

In compliance with Article (90) 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 2022, 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 Transactions with relevant bodies

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 2022, which is represented by **Mr. Adib A. Al Zamil**. His membership ended at the end of the eighth term of the Board of Directors on 30/04/2022.

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 2022:

A) 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	11,363,042
Arabian Gulf Construction Company	Affiliated with a shareholder	189,536

B) 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	32,761,278
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 Share Buy Back

On March 26, 2020, the Board of Directors announced its recommendation to the General Assembly that the company buy its own shares. The recommendation was for the company to purchase up to a maximum of three million shares, or no more than 5% of the issued shares, with a value not exceeding 50 million riyals. They would be retained as Treasury Shares, with the purpose of maintaining the stability of the share price, as the Board of Directors saw at that time that the share price was lower than its fair value. The Board indicated that the financing of the purchase would be from the company's internal sources, through the cash available to the company. The General Assembly authorized the Board of Directors, or whomever the Board authorizes, to complete the purchase within twelve months from the date of the Extraordinary General Assembly's decision. The General Assembly also authorized the retention of Treasury Shares, without selling them or allocating them to the Employee Shares Program, for a maximum period of five years. The Extraordinary General Assembly held on 7 May 2020 approved this recommendation.

The company appointed a financial advisor to manage the portfolio. However, by the end of the fiscal year on 31 December 2021, the company's purchase of its shares had not been completed.

35 Company announcements and disclosures in 2022

During 2022, 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	02/02/2022	The company invited shareholders to attend the Ordinary General Assembly (First Meeting)
2	27/02/2022	The company announced the results of the Ordinary General Assembly (First Meeting)
3	24/03/2022	The company's announcement of its annual financial results for the fiscal year ending 31 December 2021
4	31/03/2022	The company invited shareholders to attend the Extraordinary General Assembly (First Meeting)
5	17/04/2022	The company announced the start of electronic voting on the items of the Extraordinary General Assembly meeting (First Meeting)
6	08/05/2022	The company announced the results of the Extraordinary General Assembly (First Meeting)
7	08/05/2022	The company announced the resignation and appointment of the CEO
8	08/05/2022	The company announced the appointment of the Chairman, Vice Chairman, and Committees
9	19/05/2022	The company announced its interim condensed financial results for the three-month period ending 31 March 2022
10	11/08/2022	The company announced its interim condensed financial results for the six-month period ending 30 June 2022
11	03/11/2022	The company announced its interim condensed financial results for the nine-month period ending 30 September 2022

- 36 Numbers of the company's requests of shareholder records and the dates and reasons thereof**
In 2022, the company's Investor Relations Department requested shareholder records (15) times using the **Tadawulaty service**, in the following manner and for the following reasons.

Req.	Date of request	Date of ownership	Reason
1	30/12/2021	03/01/2022	Preparation of annual analysis report
2	03/02/2022	02/02/2022	Preparation of monthly analysis report
3	24/02/2022	24/02/2022	Attendance record of the General Assembly meeting
4	28/02/2022	02/03/2022	Preparation of monthly analysis report
5	31/03/2022	04/04/2022	Preparation of monthly analysis report
6	19/04/2022	21/04/2022	Attendance record of the General Assembly meeting
7	08/05/2022	09/05/2022	Preparation of monthly analysis report
8	22/05/2022	22/05/2022	Preparation of monthly analysis report
9	31/05/2022	02/06/2022	Preparation of monthly analysis report
10	04/07/2022	04/07/2022	Preparation of monthly analysis report
11	28/07/2022	02/08/2022	Preparation of monthly analysis report
12	29/08/2022	04/09/2022	Preparation of monthly analysis report
13	06/11/2022	02/11/2022	Preparation of monthly analysis report
14	28/11/2022	04/12/2022	Preparation of monthly analysis report
15	29/12/2022	02/01/2023	Preparation of monthly analysis report

- 37 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 2022, the company convened two General Assembly meetings. The following is a list of the members of the Board of Directors present at the meetings.

Board member	Ordinary General Assembly (24/02/2022)
Khalid Abdullah Hamad Al Zamil	✓
Abdallah Saleh Jum'ah Al Dossari	✓
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	✓
Board member	Extraordinary General Assembly (21/04/2022)
Khalid Abdullah Hamad Al Zamil	✓
Abdallah Saleh Jum'ah Al Dossari	✓
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	✓

38 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 in 2022.

39 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 2022.
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 2022.
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 2022.
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.
17. The Company acknowledges that no member of the Board of Directors, committee member, senior executive, or Chief Executive Officer is in competition with the Company or any of the businesses conducted by the Company.

40 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 that the company has received to stimulate the economic development process and promote national industries that will enable the company to compete with international companies and achieve the goals of Vision 2030. The Board of Directors would also like to thank the staff of the Ministry of Commerce, the Capital Market Authority, the Saudi Exchange (Tadawul), and the Securities Depository Center Company (Edaa) for their cooperation and efforts in serving national companies.

The Board of Directors would also like to thank the management and employees of Zamil Industrial Investment Company and its subsidiaries in all industries, branches, factories, and internal and external offices for their dedication and commitment to achieving the company's goals. The Board of Directors urges them to continue their devoted efforts despite all challenges. Also, thanks are extended to the company's customers inside and outside the Kingdom of Saudi Arabia for the trust they have placed in the company and its products and for their continued support.

Board of Directors



Consolidated Financial Statements and Independent Auditors' Report

31 December 2022

Independent Auditor's Report on the Consolidated Financial Statement

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"), a Saudi Joint Stock Company, and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 the International Code of Ethics for Professional Accountants (including International Independence Standards) that is endorsed in the Kingdom of Saudi Arabia, that is relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with this Code. 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 auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each 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 1,966.63 million as at 31 December 2022 against which the Group has recorded a provision for expected credit losses amounting to SR 339.3 million.

Assessment of provision 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 21 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 2020, 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 million. The Group had filed an appeal against the assessments.

The Group's management believes that the available provision is sufficient for any zakat liability that may arise on finalization of these assessments.

The accounting for this uncertain zakat provisions comprises significant judgement by the management mainly in the areas whether to recognize 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 2022 Annual Report

Other information consists of the information included in the Group's 2022 annual report, other than the consolidated financial statements and our auditor's report thereon. The Board of Directors is responsible for the other information in its annual report. The Group's 2022 annual report is expected to be made available to us after the date of this auditors' 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 2022 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

The Board of Directors 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 the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is 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 the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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.

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



Marwan S. AlAfalig
Certified Public Accountant
 License No. 422

14 Ramadhan 1444H
 5 April 2023

Al Khobar



Consolidated Statement of Profit or Loss

For the year ended 31 December 2022

Continuing Operations	Notes	SR'000	SR'000
REVENUES		2022	2021
Revenue from contracts with customers	6	3,914,271	3,510,837
Finance lease income		11,915	12,980
		3,926,186	3,523,817
DIRECT COSTS			
Cost of sales	7	(2,832,369)	(2,477,848)
Contracts cost	8	(542,389)	(558,537)
		(3,374,758)	(3,036,385)
GROSS PROFIT		551,428	487,432
EXPENSES			
Selling and distribution	9	(175,513)	(169,674)
General and administration	10	(417,364)	(428,177)
		(41,449)	(110,419)
OPERATING LOSS		(41,449)	(110,419)
Share in results of associates and a joint venture	17	(729)	2,382
Other income, net	11	10,688	26,292
Finance costs	12	(109,630)	(51,959)
LOSS BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		(141,120)	(133,704)
Zakat and income tax	33	(28,740)	(15,887)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		(169,860)	(149,591)
Discontinued Operations			
Loss after zakat and income tax for the period from discontinued operations	13	(3,801)	(3,274)
NET (LOSS) INCOME FOR THE YEAR		(173,661)	(152,865)
NET LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the parent company		(178,069)	(159,417)
Non-controlling interests		4,408	6,552
		(173,661)	(152,865)
EARNINGS PER SHARE			
Basic and diluted earnings per share attributable to the shareholders of the parent company	14	(2.97)	(2.66)
EARNINGS PER SHARE FOR CONTINUING OPERATIONS			
Basic and diluted earnings per share attributable to the shareholders of the parent company	14	(2.90)	(2.60)

The attached notes 1 to 41 form part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income

For the year ended 31 December 2022

	Notes	SR'000	SR'000
		2022	2021
NET LOSS FOR THE YEAR		(173,661)	(152,865)
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		(30,479)	(1,585)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(30,479)	(1,585)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Net gains on equity instruments at fair value through other comprehensive income	18	6,762	9,111
Remeasurement gain / (loss) on employees' defined benefit liabilities	28	6,027	(15,281)
Share in other comprehensive income (loss) of an associate		579	(856)
Net other comprehensive (loss) income that will not be reclassified to profit or loss in subsequent periods		13,368	(7,026)
Other comprehensive (loss) income for the year		(17,111)	(8,611)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(190,772)	(161,476)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Shareholders of the parent company		(195,841)	(166,745)
Non-controlling interests		5,069	5,269
		(190,772)	(161,476)

Consolidated Statement of Financial Position

As at 31 December 2022

	Notes	SR'000	SR'000
ASSETS		2022	2021
NON-CURRENT ASSETS			
Property, plant and equipment	15	738,547	804,853
Right-of-use assets	16	57,987	71,336
Investments in associates and a joint venture	17	63,312	91,264
Equity instruments at fair value through other comprehensive income	18	59,121	52,359
Net investments in finance lease	19	240,073	266,844
Deferred tax assets	33	7,395	5,163
TOTAL NON-CURRENT ASSETS		1,166,435	1,291,819
CURRENT ASSETS			
Inventories	20	1,696,360	1,435,348
Accounts receivable	21	1,666,816	1,770,163
Contract assets	22	712,301	655,397
Advances, other receivables and prepayments	23	312,295	237,737
Current portion of net investment in finance lease	19	26,772	25,662
Cash and cash equivalents	24	304,055	280,461
		4,718,599	4,404,768
Asset held for sale	13	18,437	18,437
TOTAL CURRENT ASSETS		4,737,036	4,423,205
TOTAL ASSETS		5,903,471	5,715,024

Consolidated Statement of Financial Position (continued)

As at 31 December 2022

	Notes	SR'000	SR'000
		2022	2021
EQUITY AND LIABILITIES			
EQUITY			
Share capital	25	600,000	600,000
Statutory reserve		180,000	180,000
Retained earnings		28,653	200,777
Foreign currency translation reserve		(60,707)	(30,228)
Fair value of equity instrument at FVOCI		22,937	16,175
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		770,883	966,724
NON-CONTROLLING INTERESTS	26	176,975	182,900
TOTAL EQUITY		947,858	1,149,624
NON-CURRENT LIABILITIES			
Term loans	27	13,862	7,040
Employees' defined benefit liabilities	28	224,856	229,134
Lease liabilities	16	44,934	54,612
Deferred tax liabilities	33	6,593	7,152
TOTAL NON-CURRENT LIABILITIES		290,245	297,938
CURRENT LIABILITIES			
Accounts payable	29	438,644	479,495
Accruals and provisions	30	602,018	612,042
Short term loans	31	2,826,598	2,435,369
Current portion of term loans	27	14,145	40,208
Current portion of lease liabilities	16	7,974	16,763
Contract liabilities	32	718,080	636,256
Zakat and income tax provision	33	57,909	47,329
TOTAL CURRENT LIABILITIES		4,665,368	4,267,462
TOTAL LIABILITIES		4,955,613	4,565,400
TOTAL EQUITY AND LIABILITIES		5,903,471	5,715,024

The attached notes 1 to 41 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

Attributed to
shareholders of the
parent company

	Share capital	Statutory reserve	Retained earnings	Foreign currency translation reserve	Fair value of equity instrument at FVOCI	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	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 income (loss)	-	-	(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)
Additional equity contribution	-	-	-	-	-	-	3,734	3,734
Dividend	-	-	-	-	-	-	(27,542)	(27,542)
Balance at 31 December 2021	600,000	180,000	200,777	(30,228)	16,175	966,724	182,900	1,149,624
Net (loss) profit for the year	-	-	(178,069)	-	-	(178,069)	4,408	(173,661)
Other comprehensive (loss) income	-	-	5,945	(30,479)	6,762	(17,772)	661	(17,111)
Total comprehensive (loss) income	-	-	(172,124)	(30,479)	6,762	(195,841)	5,069	(190,772)
Acquisition of non-controlling interest	-	-	-	-	-	-	(7,564)	(7,564)
Dividend	-	-	-	-	-	-	(3,430)	(3,430)
Balance at 31 December 2022	600,000	180,000	28,653	(60,707)	22,937	770,883	176,975	947,858

SR'000

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

	Notes	SR'000	SR'000
		2022	2021
OPERATING ACTIVITIES			
Loss before zakat and income tax from continuing operations		(141,120)	(133,704)
Loss before zakat and income tax from discontinued operations		(3,801)	(3,274)
Loss before zakat and income tax		(144,921)	(136,978)
Adjustments to reconcile loss before zakat and income tax to net cash flows:			
Depreciation of property, plant and equipment	15	88,362	94,481
Depreciation of right-of-use assets	16	10,415	21,154
Provision for employees' defined benefit liabilities	28	29,570	26,487
Finance costs	12	111,588	54,100
Dividend income		(818)	(446)
Loss (gain) on disposal of property, plant and equipment	11	(59)	1,570
Share in results of associates and a joint venture		729	(2,382)
Gain on sale of investment in an associate	11	(1,072)	-
Gain on derecognition of leases		(249)	(7,977)
		93,545	50,009
Working capital adjustments:			
Inventories		(261,012)	(267,563)
Accounts receivable		103,347	(51,534)
Contract assets		(56,904)	(39,182)
Advances, other receivables and prepayments		(74,558)	(53,983)
Net investment in finance lease		25,661	24,599
Accounts payable		(40,851)	22,904
Accruals and provisions		(10,024)	225,904
Contract liabilities		81,824	233,485
Cash (used in) from operations		(138,972)	144,639
Financial charges paid		(101,739)	(44,743)
Zakat and income tax paid		(19,409)	(12,539)
Employees' defined benefit liabilities paid		(33,906)	(30,579)
Net cash (used in) from operating activities		(294,026)	56,778

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2022

		SR'000	SR'000
	Notes	2022	2021
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(31,027)	(53,329)
Proceeds from disposal of property, plant and equipment		913	1,858
Proceeds from reduction in share capital of equity investment		-	10,402
Proceeds from sale of investment in an associate	11	1,072	-
Acquisition of non-controlling interest		(7,564)	-
Dividends received		28,620	5,446
Net cash used in investing activities		(7,986)	(35,623)
FINANCING ACTIVITIES			
Net movement in short term loans		391,229	273,819
Net movement in term loans		(19,508)	(133,577)
Payments against lease liabilities	16	(18,781)	(12,323)
Dividend paid to non-controlling interests		(3,430)	(23,808)
Net cash from financing activities		349,510	104,111
INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the year		280,461	156,092
Movement in foreign currency translation reserve, net		(23,904)	(897)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	304,055	280,461
NON-CASH TRANSACTIONS			
Share in other comprehensive income of an associate		(579)	856
Exchange differences on property, plant and equipment		8,117	683
Additions on right-of-use assets and lease liabilities	16	-	188
Exchange differences on deferred tax assets	33	1,532	4
Exchange differences on zakat and income tax provision	33	(3,074)	1
Remeasurement (loss) gain on employees' defined benefit liabilities	28	6,027	(15,281)

Notes to the Consolidated Financial Statements

At 31 December 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' 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	
	2022	2021
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*	100%	92.27%

*During the year, 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.

Notes to the Consolidated Financial Statements

At 31 December 2022

The Company and its subsidiaries (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 2022 were authorised for issuance in accordance with the Board of Directors' resolution on 29 March 2023 (corresponding to 7 Ramadhan 1444H).

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 2022. 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.

Profit or loss 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 2022

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 profit or loss. 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.

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).

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

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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.

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 profit or loss.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 profit or loss 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 profit or loss 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 profit or loss.

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 profit or loss, 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 profit or loss 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 profit or loss.

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 profit or loss 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	Machinery	Furniture, fixtures and equipment	Motor vehicles
20 to 40 years	5 to 20 years	3 to 5 years	3 years

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 profit or loss 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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 profit or loss 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 profit or loss 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 profit or loss. 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 profit or loss.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

Net investment in finance lease

Where the Group determines an 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.

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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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.

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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 profit or loss.

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 profit or loss.

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 profit or loss.

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 profit or loss 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 profit or loss.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 transit	- 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.

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 profit for the year 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, lease liabilities and term loan.

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 profit or loss 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 profit or loss. This category generally applies to interest-bearing loans and borrowings

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 profit or loss.

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 profit or loss 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 profit or loss.

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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

The Group offsets deferred 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.

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 ; an
- 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.

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

Revenue from contracts with customers

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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 profit or loss.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

3 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.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

Capital management	Note 38
Financial risk management objectives and policies	Note 37
Sensitivity analyses disclosures	Note 37

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

Impairment exists when the carrying value of an asset or cash generating unit 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 of 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 performance of the assets of the CGU being tested. The recoverable amount is 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. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed.

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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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.

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 ZATCA 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.

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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Company cannot avoid because it has 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 including 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 and 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.

This amendment had no impact on the consolidated financial statements of the Company.

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. 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. In accordance with the transitional provisions, the Company applies the amendments prospectively, i.e., to business combinations occurring after the beginning of the annual reporting period in which it first applies the amendments (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.



Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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

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. In accordance with the transitional provisions, the Company applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the consolidated financial statements of the Company as it is not a first-time adopter.

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. In accordance with the transitional provisions, the Company 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 date of initial application).

These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's consolidated financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurement

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41. These amendments had no impact on the consolidated financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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 amendment is not expected to have any impact on consolidated financial statements of the Company.

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 Company's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 Company is currently assessing the impact of the amendments to determine the impact they will have on the Company's accounting policy disclosures.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are not expected to have a material impact on the Company's consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

6	REVENUE FROM CONTRACTS WITH CUSTOMERS	SR'000	SR'000
		2022	2021
Set out below is the disaggregation of the Group's revenue from contracts with customers:			
	Sale of goods	2,931,154	2,587,236
	Revenue from long-term contracts	656,607	666,702
	Rendering of services	326,510	256,899
	Total revenue from contracts with customers	3,914,271	3,510,837

Reconciliation of the Group's disaggregate revenue for its reportable segments and timing of revenue recognition is disclosed in note 36.

Contract balances		SR'000	SR'000
		2022	2021
Group's contract balances comprise of the followings:			
	Accounts receivable (note 21)	1,666,816	1,770,163
	Contract assets (note 22)	712,301	655,397
	Contract liabilities (note 32)	718,080	636,256

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	SR'000
		2022	2021
	Cost of inventories recognised as expense	1,841,519	1,578,082
	Employees' and labour costs	469,428	418,203
	Sub-contracting costs	76,931	135,103
	Depreciation (note 15)	56,881	62,703
	Depreciation of right-of-use assets (note 16)	7,180	9,074
	Others direct costs	380,430	274,683
		2,832,369	2,477,848

8	CONTRACTS COST	SR'000	SR'000
		2022	2021
	Cost of project materials	235,462	203,084
	Employees' and labour costs	144,924	142,102
	Sub-contracting costs	127,153	171,846
	Depreciation (note 15)	7,071	7,887
	Others direct costs	27,779	33,618
		542,389	558,537

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

9	SELLING AND DISTRIBUTION EXPENSES	SR'000	SR'000
		2022	2021
	Employees' costs	85,578	92,997
	Warranties	27,432	15,381
	Transportation	27,121	19,979
	Rent and utilities	8,757	8,521
	Advertising and sales promotion	7,292	4,688
	Depreciation (note 15)	3,673	4,839
	Business travel	2,058	2,030
	Communication and IT services	1,945	1,206
	Repairs and maintenance	1,566	859
	Depreciation of right-of-use assets (note 16)	180	8,013
	Support services	54	1,811
	Others	9,857	9,350
		175,513	169,674
10	GENERAL AND ADMINISTRATION EXPENSES	2022	2021
	Employees' costs	237,890	220,519
	Allowance for expected credit losses (notes 21 and 22)	72,294	112,512
	Communication and IT services	26,197	23,175
	Depreciation (note 15)	20,737	19,052
	Professional and legal fees	10,876	7,852
	Rent and utilities	7,594	9,883
	Business travel	3,313	2,031
	Repairs and maintenance	3,074	3,055
	Advertising and sales promotion	1,334	193
	Office supplies	1,037	552
	Depreciation of right-of-use assets (note 16)	498	1,757
	Others	32,520	27,596
		417,364	428,177
11	OTHER INCOME, NET	SR'000	SR'000
		2022	2021
	Foreign currency exchange gains	8,433	1,247
	Gain of sale in investment in associate	1,072	-
	Gain (loss) on disposal of property, plant and equipment	59	(1,570)
	Others	1,124	26,615
		10,688	26,292
12	FINANCE COSTS	2022	2021
	Interest on debts and borrowings	101,731	44,743
	Interest cost on employees' defined benefit obligation (note 28)	6,085	4,623
	Interest on lease liabilities (note 16)	1,547	2,081
	Amortisation of loan upfront fees (note 27)	267	512
		109,630	51,959

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

13 DISCONTINUED OPERATIONS

During 2021, 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
	2022	2021
Revenues	-	12,221
Expenses	(1,843)	(13,354)
Operating loss	(1,843)	(1,133)
FINANCE COSTS		
Employees' defined benefit liabilities (note 28)	(8)	(86)
Lease liability (note 16)	(1,950)	(2,055)
Loss from discontinued operations	(3,801)	(3,274)
AMOUNT INCLUDED IN OTHER COMPREHENSIVE INCOME		
Remeasurement gain (loss) on employees' defined benefit liabilities	27	(21)
The net cash flows incurred are as follows:		
Operating	7,267	(1,570)
Investing	-	268
Financing	(7,038)	(474)
Net cash inflow/ (outflow)	229	(1,776)

As at the reporting date, the net carrying value of the building amounting to SR 18.4 million (2021: SR 18.4 million) is classified as assets held for sale. During the year, the management had entered into an agreement to sell the building. Subsequent, to the year end the agreement expired as the cash consideration was not received and the Company is in negotiation with the buyer to extend the period for payment of the cash consideration. The sale is expected to completed 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 asset and lease liability are amounting to SR 29.3 million and SR 29.6 million, respectively. The depreciation charge and interest expense for right-of-use assets and leases are amounting to SR 2.3 million (2021: SR 2.3 million) and SR 1.95 million (2021: SR 2 million), respectively. All other assets and liabilities are immaterial to the consolidated financial statements of the Group.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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:

	2022	2021
Net loss for the year attributable to the shareholders of the parent company (SR '000):		
Continuing operations	(174,268)	(156,143)
Discontinued operations	(3,801)	(3,274)
	(178,069)	(159,417)
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	(2.97)	(2.66)
Earning per share for continuing operations		
Basic and diluted earnings per share attributable to the shareholders of the parent company	(2.90)	(2.60)

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 2021	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)	-
Disposals	(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
Additions	-	4,229	12,366	5,280	2,135	7,017	31,027
Transfer	-	459	2,334	1,197	153	(4,143)	-
Disposal	-	(3,248)	(17,788)	(419)	(394)	-	(21,849)
Foreign currency translation	(845)	(6,244)	(8,653)	(5,955)	(833)	(466)	(22,996)
At 31 December 2022	96,266	820,657	1,490,944	233,249	104,649	4,272	2,750,037

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 2021	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 2021	-	502,745	1,155,734	203,858	96,665	-	1,959,002
Charge for the year	-	27,520	46,345	10,438	4,059	-	88,362
Disposals	-	(2,364)	(17,619)	(630)	(382)	-	(20,995)
Foreign currency translation	-	(2,589)	(6,434)	(5,118)	(738)	-	(14,879)
At 31 December 2022	-	525,312	1,178,026	208,548	99,604	-	2,011,490
Net book amounts:							
At 31 December 2022	96,266	295,345	312,918	24,701	5,045	4,272	738,547
At 31 December 2021	97,111	322,716	346,951	29,288	6,923	1,864	804,853

- 15.1 During 2020, 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 20.6 million 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. During 2021, the building was transferred to asset held for sale refer to note 13.
- 15.2 The majority of the buildings are constructed on plots of land leased from The Saudi Industrial Property Authority (MODON) in Riyadh and 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 Property, plant and equipment amounting to SR 5.5 million (2021: 15 SR million) net book value are mortgaged as a security against the loans obtained from the financial institutions (notes 27 and 31).

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 2021	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
Additions	-	-	-
Derecognition	(2,934)	-	(2,934)
Depreciation expense	(8,067)	(2,348)	(10,415)
As at 31 December 2022	57,987	-	57,987

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	2022	2021
	SR'000	SR'000
At the beginning of the year	71,375	91,238
Interest expense	3,497	4,136
Additions	-	188
Derecognition	(3,183)	(11,864)
Payments	(18,781)	(12,323)
At the end of the year	52,908	71,375
Analysed as:		
Current	7,974	16,763
Non-current	44,934	54,612
	52,908	71,375

The maturity analysis of lease liabilities are disclosed in note 37.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

The following are the amounts recognised in consolidated statement of profit or loss:

	2022	2021
	SR'000	SR'000
Depreciation expense of right-of-use assets	10,415	21,154
Interest expense on lease liabilities	3,497	4,136
Expense relating to short-term leases	1,118	1,218
Gain on derecognition of leases	249	7,977
Total amount recognised in consolidated statement of profit or loss	15,279	34,485

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:

	2022	2021	2022	2021
	Percentage of ownership		SR'000	SR'000
Associates				
Rabiah Nassar and Zamil Concrete Industries Company Limited - Saudi Arabia ("RANCO") (note 17.1)	50%	50%	58,819	85,144
IIB Paper Company Limited - Cayman Islands (note 17.2)	-	20.83%	-	-
			58,819	85,144
			2022	2021
Joint venture			SR'000	SR'000
Middle East Air Conditioners Company Limited (note 17.3)	51%	51%	4,493	6,120
			4,493	6,120
			63,312	91,264

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 2022			
Current assets	227,537	-	227,537
Non-current assets	143,149	-	143,149
Current liabilities	(196,346)	-	(196,346)
Non-current liabilities	(56,703)	-	(56,703)
Net assets	117,637	-	117,637
Proportion of the Group's ownership	50%	-	
Group's share of net assets	58,819	-	58,819
Group's carrying amount of the investment	58,819	-	58,819
31 December 2021			
Current assets	197,907	2	197,909
Non-current assets	142,618	-	142,618
Current liabilities	(143,448)	(1,179)	(144,627)
Non-current liabilities	(26,790)	-	(26,790)
Net assets	170,287	(1,177)	169,110
Proportion of the Group's ownership	50%	20.83%	
Group's share of net assets	85,144	-	85,144
Group's carrying amount of the investment	85,144	-	85,144

RANCO's banker had provided guarantees to various third parties, amounting to SR 66 million (2021: SR 66 million).

Summarised statements of comprehensive profit or loss	RANCO	IIB Paper Company Limited - Cayman Islands	Total
31 DECEMBER 2022			
Revenue	164,048	-	164,048
Operating profit	5,252	-	5,252
Net profit for the year	1,796	-	1,796
Other comprehensive income	1,159	-	1,159
Total comprehensive income for the year	2,955	-	2,955
Group's share of total comprehensive income	1,477	-	1,477

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

Summarised statements of comprehensive profit or loss for associates (continued)	RANCO	IIB Paper Company Limited - Cayman Islands	Total
31 DECEMBER 2021			
Revenue	224,469	-	224,469
Operating profit	13,739	-	13,739
Net profit (loss) for the year	15,783	(173)	15,610
Other comprehensive loss	(1,711)	-	(1,711)
Total comprehensive income (loss) for the year	14,072	(173)	13,899
Group's share of total comprehensive income (loss)	7,036	(36)	7,000

Summarised statement of financial position for joint venture	2022	2021
	SR'000	SR'000
Current assets	10,510	22,751
Non-current assets		-
Current liabilities	(1,312)	(10,380)
Non-current liabilities	-	(15)
Net assets	9,198	12,356
Proportion of the Group's ownership	51%	51%
Group's share of net assets	4,691	6,302
Other adjustments	(198)	(182)
Group's carrying amount of the investment	4,493	6,120

Summarised statement of comprehensive income for joint venture	2022	2021
	SR'000	SR'000
Revenues	591	20,293
Cost of sales	(1,572)	(20,487)
Selling and distribution expenses	(792)	(1,486)
General and administrative expenses	(1,057)	(6,897)
Other income	-	40
Loss before zakat and income tax	(2,830)	(8,537)
Zakat and income tax	(360)	(588)
Total comprehensive loss for the year	(3,190)	(9,125)
Group's share of total comprehensive loss for the year	(1,627)	(4,654)

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

- 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:

18 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Percentage of ownership		2022	2021
	2022	2021	SR'000	SR'000
Kinan International For Real Estate Development Company	2.11%	2.11%	59,121	52,359

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

	2022	2021
	SR'000	SR'000
At the beginning of the year	52,359	53,650
Remeasurements recognised in consolidated statement of comprehensive income	6,762	9,111
Reduction in share capital	-	(10,402)
At the end of the year	59,121	52,359

Kinan International For Real Estate Development Company Limited, a company which is registered in Saudi Arabia and is engaged in real estate activities.

During 2021, the shareholders of Kinan International For Real Estate Development Company Limited passed a resolution to reduce the number of shares of the Company from 169,400 thousands to 120,000 thousands and 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 in 2021.

Notes to the Consolidated Financial Statements (continued)

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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:	2022	2021
	SR'000	SR'000
Gross investments in lease (see (b) below)	316,325	353,901
Less: Unearned finance income	(49,480)	(61,395)
	266,845	292,506
Analysed as:		
Net investment in finance lease, current	26,772	25,662
Net investment in finance lease, non-current	240,073	266,844
	266,845	292,506
b) The future minimum lease payments to be received consists of:		
Within one year	37,578	37,577
After one year but not more than five years	187,888	187,888
More than five years	90,858	128,436
	316,324	353,901

20 INVENTORIES

	2022	2021
	SR'000	SR'000
Raw materials	1,148,911	822,406
Finished goods	437,583	379,861
Work in progress	164,762	166,377
Goods in transit	22,372	138,931
Spares	61,821	64,280
	1,835,449	1,571,855
Less: allowance for slow moving and obsolete inventory	(139,089)	136,507)
	1,696,360	1,435,348

21 ACCOUNTS RECEIVABLE

	2022	2021
	SR'000	SR'000
Trade accounts receivable	1,686,198	1,894,343
Retentions receivable	280,432	238,812
	1,966,630	2,133,155
Less: allowance for expected credit losses	(339,303)	(412,039)
	1,627,327	1,721,116
Receivables from related parties (note 34)	39,489	49,047
	1,666,816	1,770,163

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

For terms and conditions related to related parties receivables, refer to note 34.

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:

	2022	2021
	SR'000	SR'000
At the beginning of the year	412,039	313,668
Allowance for expected credit losses - continuing operations	44,285	102,652
Written-off during the year	(111,141)	(3,859)
Exchange differences	(5,880)	(422)
At the end of the year	339,303	412,039

Information about the credit exposures on accounts receivable is disclosed in note 37.

22 CONTRACT ASSETS	2022	2021
	SR'000	SR'000
Value of the work executed to date	615,640	565,215
Unbilled revenues	96,661	90,182
	712,301	655,397
Value of the work executed to date	2,887,581	2,404,537
Less: Amounts received and receivable as progress billings	(2,246,716)	(1,820,390)
	640,865	584,147
Less: allowance for expected credit losses	(25,225)	(18,932)
	615,640	565,215

Information about the credit exposures on contract assets is disclosed in note 37.

23 ADVANCES, OTHER RECEIVABLES AND PREPAYMENTS	2022	2021
	SR'000	SR'000
Advances to suppliers	168,245	125,299
Prepaid expenses	28,280	21,919
Other receivables	115,770	90,519
	312,295	237,737

CASH AND CASH EQUIVALENTS

	2022	2021
24 Bank balances and cash	270,410	229,412
Short-term deposits	33,645	51,049
	304,055	280,461

The average interest rate on the short-term deposits during the year was 4.35% to 9% per annum (2021: 3.3% to 5% per annum).

25 SHARE CAPITAL

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

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

26 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	2022	2021
Gulf Insulation Group	Kingdom of Saudi Arabia	49%	49%
Accumulated balances of material non-controlling interest:			
Gulf Insulation Group		161,710	161,505
Profit allocated to material non-controlling interest:		2022	2021
Gulf Insulation Group		3,038	5,714

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:	2022	2021
Revenues	192,791	177,509
Cost of sales	(134,412)	(115,956)
Other operating expenses	(50,745)	(46,258)
Other income (expense)	517	(1,859)
Finance costs	(3,394)	(2,119)
Profit before zakat	4,757	11,317
Zakat and income tax	(1,012)	(160)
Net profit for the year	3,745	11,157
Other comprehensive (loss) income for the year	1,030	(2,069)
Total comprehensive income for the year	4,775	9,088
Attributable to non-controlling interests	3,038	5,714
Dividends paid to non-controlling interests	3,430	27,541
Summarised statement of financial position:	2022	2021
Non-current assets	265,389	284,328
Current assets	131,987	121,947
Non-current liabilities	(37,607)	(28,684)
Current liabilities	(104,590)	(120,187)
Total Equity	255,179	257,404
Attributable to:		
Shareholders of the parent company	93,469	95,899
Non-controlling interests	161,710	161,505
Summarised cash flow information for year ended:	2022	2021
Cash flows from operating activities	11,716	43,782
Cash used in investing activities	(3,121)	(19,892)
Cash used in financing activities	(17,691)	(13,292)
Net (decrease) increase in the cash and cash equivalents	(9,096)	10,598

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

27 TERM LOANS	SR'000	SR'000
	2022	2021
Term loan	22,657	32,265
Saudi Industrial Development Fund ("SIDF")	5,500	15,400
	28,157	47,665
Less: SIDF prepaid financial charges	(150)	(417)
	28,007	47,248
Less: Current portion:		
Term loan	(10,645)	(30,456)
Saudi Industrial Development Fund ("SIDF")	(3,500)	(9,752)
	(14,145)	(40,208)
Non-current portion:		
Term loan	12,012	1,809
Saudi Industrial Development Fund ("SIDF")	1,850	5,231
	13,862	7,040

During 2021, the Group obtained non-conventional term loan of SR 32.3 million from banks to finance working capital of its subsidiaries. The loans are secured by a mortgage of certain of 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 329 thousands (2021: SR 512 thousands) in respect of prepaid financing cost.

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

Year	2023	2024	2025 and onwards	
SR'000	14,145	12,883	1,129	28,157

28 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 2022 and 31 December 2021 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:

	2022	2021
Discount rate	4.65%	2.20%
Expected rate of salary increase		
- Short term	2.50%	2.30%
- Long term	4.15%	2.15%

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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

	SR'000	SR'000
	2022	2021
Current service cost	29,570	26,487
Interest cost on benefit obligation	6,085	4,709
Net benefit expense	35,655	31,196

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

	SR'000	SR'000
	2022	2021
At the beginning of the year	229,134	213,236
Net benefit expense	35,655	31,196
Benefits paid	(33,906)	(30,579)
Remeasurement loss (gain) on employees' defined benefit liabilities	(6,027)	15,281
At the end of the year	224,856	229,134

Employees' defined benefit obligations due to a reasonable possible change in the significant actuarial assumptions, as at 31 December 2022 and 2021 is, as show below:

	SR'000	SR'000
	2022	2021
Discount rate:		
0.5% increase	214,032	214,023
0.5% decrease	226,127	235,067
Future salary increase:		
0.5% increase	224,675	234,541
0.5% decrease	215,360	214,408

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

	SR'000	SR'000
	2022	2021
Within the next 12 months (next annual reporting period)	32,794	16,203
Between 2 and 5 years	135,557	81,508
Beyond 5 years but less than 10 years	157,934	137,539

The average duration of the defined benefit plan obligation at the end of the reporting period is 5.4 years (2021: 9.29 years).

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

29	ACCOUNTS PAYABLE	SR'000	SR'000
		2022	2021
	Trade accounts payable	384,007	429,504
	Retentions payable	23,990	30,336
	Related parties (note 34)	30,647	19,655
		438,644	479,495

Trade payables are non-interest bearing and are normally settled on 30 to 120 days terms. For terms and conditions with related parties, refer to note 34. For explanations on the Group's liquidity risk management processes. Also, refer note 37.

30	ACCRUALS AND PROVISIONS	SR'000	SR'000
		2022	2021
	Accrued expenses	498,734	453,847
	Accrued contract costs	93,789	146,907
	Warranties provision	9,495	11,288
		602,018	612,042

31	SHORT TERM LOANS	SR'000	SR'000
		2022	2021
	Murabaha and tawarruq finances	2,745,917	2,360,673
	Short term loans - conventional	80,681	74,696
		2,826,598	2,435,369

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. These loans carry commission charges at prevailing market borrowing rates. The effective commission rate for the year ended 31 December 2022 is 3.24 % per annum (2021: 1.7% per annum).

32	CONTRACT LIABILITIES	SR'000	SR'000
		2022	2021
	Advances from customers	617,951	540,042
	Billings in excess of value of work executed	100,129	96,214
		718,080	636,256

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

	SR'000	SR'000
	2022	2021
Progress billings received or receivable	1,604,196	1,693,024
Less: value of work executed	(1,504,067)	(1,596,810)
	100,129	96,214

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

33 ZAKAT AND INCOME TAX

The major components of zakat and income tax expense in the consolidated statement of profit or loss for the year ended 31 December 2022 and 2021 are as follows:

Consolidated statement of income	SR'000	SR'000
Zakat and current income tax:	2022	2021
Current year income tax charge	7,830	9,584
Zakat charge	25,233	7,685
Deferred tax (credit) charge	(4,323)	(1,382)
	28,740	15,887

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

	2022	2021
At the beginning of the year	47,329	42,598
Current year provision	33,063	17,269
Payments during the year	(19,409)	(12,539)
Exchange differences	(3,074)	1
At the end of the year	57,909	47,329

33.1 Zakat

Charge for the year	SR'000	SR'000
The zakat charge consists of:	2022	2021
Current year provision	25,233	7,685

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**

During 2020, the Company received a zakat assessment for years 2014 to 2018 from the Zakat, Tax and Customs Authority (ZATCA) with total additional zakat liability amounting to SR 229 million. The Company submitted an objection letter against the mentioned Zakat assessment and ZATCA issued revised assessment in 2021 amounting to SR 225.62 million and Company submitted an escalation letter against the revised assessment to the Tax Violations and Disputes Resolution Committee (TVDRC). During the year, TVDRC issued its resolution with revised zakat liability amounting to SR 194.82 million. The Company submitted an appeal against the TVDRC resolution with Tax Violations and Disputes Appellate Committee (TVDAC) and the same is under review.

Zakat declarations for years 2019 to 2021 have been filed with ZATCA. However, the assessments have not yet been raised by ZATCA.

(ii) **Partially owned subsidiaries**

Saudi Preinsulated Pipes Industries

Zakat assessments have been agreed with the ZATCA up to 2019. The zakat declarations for the years 2019, 2020 and 2021 have been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA.

Gulf Insulation Group

Zakat and income tax assessments have been agreed with the ZATCA up to 2018. The zakat declarations for the years 2019, 2020 and 2021 have been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

33.2 Income tax

Charge for the year	SR'000	SR'000
The income tax charge consists of:	2022	2021
Current year provision	7,830	9,584

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 2022 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 2019. The income tax returns for the years ended 31 March 2020, 2021 & 2022 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 & 2021 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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

33.3 Deferred tax

Deferred tax assets

The deferred tax assets relate to foreign subsidiaries in Vietnam, Egypt and India. 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	2022	2021
Provisions	8,018	6,197
Total deferred tax assets	8,018	6,197
	SR'000	SR'000
Deferred tax liability	2022	2021
Accelerated depreciation for tax purposes	(623)	(1,034)
Total deferred tax liability	(623)	(1,034)
Net deferred tax asset	7,395	5,163

Reconciliation of deferred tax assets, net was as follows:

	SR'000	SR'000
	2022	2021
At the beginning of the year	5,163	2,710
Credit during the year	3,764	2,457
Exchange differences	(1,532)	(4)
At the end of the year	7,395	5,163

Deferred tax liabilities

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

	SR'000	SR'000
Deferred tax liability	2022	2021
Accelerated depreciation for tax purposes	8,682	9,284
Total deferred tax liability	8,682	9,284
	SR'000	SR'000
Deferred tax asset	2022	2021
Employees' defined benefit liabilities	780	785
Allowance for expected credit losses	1219	1,256
Allowance for slow moving inventories	90	91
Total deferred tax assets	2,089	2,132
Net deferred tax liability	6,593	7,152

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

Reconciliation of deferred tax liabilities, net was as follows:

	SR'000	SR'000
	2022	2021
At the beginning of the year	7,152	6,077
(Credit) charge during the year	(559)	1,075
At the end of the year	6,593	7,152

The Group offsets deferred 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.

34 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
		SR'000	SR'000	SR'000	SR'000
Entity with significant influence over the Group					
Zamil Group Holding Company	2022	11,363	32,761	17,862	27,715
	2021	48,907	23,486	14,922	18,890
Arabian Gulf Construction Company	2022	190	-	1,183	-
	2021	563	-	6,637	-
Joint venture					
Middle East Air Conditioners Co. Ltd.	2022	-	-	205	-
	2021	467	-	6,213	-
Associates					
Rabiah Nasser & Zamil Concrete Industries Company Limited	2022	-	-	16,580	-
	2021	-	-	12,938	-
ZNA Infra Private Limited - India	2022	-	-	2,946	-
	2021	-	-	8,220	-
Other related parties	2022	90	3,213	712	2,931
	2021	443	23	117	765
Total					
	2022	11,643	35,974	39,489	30,647
	2021	50,380	23,509	49,047	19,655

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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

	SR'000	SR'000
	2022	2021
Short-term employee benefits	5,067	5,484
Post-employment benefits	490	343
Total compensation	5,557	5,827

The directors' remuneration for the year ended 31 December 2022 amounted to SR 1.6 million (2021: SR 1.6 million).

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 21 and 29).

35 CONTINGENCIES AND COMMITMENTS

Guarantees

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,441 million (2021: SR 1,253 million).

Capital commitments

The Board of Directors have approved future capital expenditure amounting to SR 83.8 million (2021: SR 34.4 million), relating to certain expansion projects.

36 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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 2022 (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	1,449,179	2,252,304	211,763	1,025	3,914,271	-	3,914,271
Inter-segment	2,958	13,455	10,257	-	26,670	(26,670)	-
	1,452,137	2,265,759	222,020	1,025	3,940,941	(26,670)	3,914,271
Finance lease income	11,915	-	-	-	11,915	-	11,915
Total revenue	1,464,052	2,265,759	222,020	1,025	3,952,856	(26,670)	3,926,186
Timing of revenue recognition:							
At a point in time	1,091,458	1,969,832	222,020	1,025	3,284,334	(26,670)	3,257,664
Over time	360,679	295,927	-	-	656,607	-	656,607
	1,452,137	2,265,759	222,020	1,025	3,940,941	(26,670)	3,914,271
Gross profit (loss)	176,897	302,865	68,250	805	548,817	2,611	551,428
Operating (loss) profit	(93,452)	53,711	11,486	(18,427)	(46,682)	5,233	(41,449)
Unallocated income (expenses):							
Share in results of associates and a joint venture							(729)
Other income, net							10,688
Finance costs							(109,630)
Loss before zakat and income tax and discontinued operations							(141,120)
Zakat and income tax							(28,740)
Discontinued operations							(3,801)
Net loss for the year							(173,661)

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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	140,645	267,037	70,006	6,837	484,525	2,907	487,432
Operating (loss) profit	(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 2022

At 31 December 2022 (SR '000)

Business segments	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
Total assets	2,884,475	2,422,052	440,826	706,886	6,454,239	(550,768)	5,903,471
Total liabilities	2,491,004	1,748,359	154,497	1,112,521	5,506,381	(550,768)	4,955,613
Others:							
Investment in associates and a joint venture	-	-	-	63,312	63,312	-	63,312
Capital expenditure	6,546	18,476	3,947	2,058	31,027	-	31,027

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	2,701,947	2,282,580	451,340	440,755	5,876,622	(161,598)	5,715,024
Total liabilities	2,177,541	1,607,483	165,372	776,602	4,726,998	(161,598)	4,565,400
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

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

Geographic information

	2022	2021
	SR '000	SR '000
Revenue from external customers:		
Saudi Arabia	2,787,212	2,541,582
Egypt	491,003	506,080
Other Asian countries	647,971	476,155
	3,926,186	3,523,817
Non-current operating assets:		
Saudi Arabia	650,382	713,671
Egypt	60,684	67,144
Other Asian countries	85,468	95,374
	796,534	876,189

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 2022

37 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 cash equivalents 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 2022 and 2021.

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 2022 and 2021, 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 2022 and 2021, 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.

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

	Change in Egyptian Pound rate	Effect on other components in equity SR '000
31 December 2022	+3%	1,288
	-3%	(1,288)
31 December 2021	+3%	1,574
	-3%	(1,574)

	Change in Indian Rupee rate	Effect on other components in equity SR '000
31 December 2022	+2%	1,189
	-2%	(1,189)
31 December 2021	+2%	955
	-2%	(955)

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 59,121 thousands (2021: SR 52,359 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:

	2022 SR '000	2021 SR '000
Bank balances	269,038	226,728
Short-term deposits	33,645	51,049
Accounts receivable	1,666,816	1,770,163
Contract assets	712,301	655,397
Net investments in finance lease	266,845	292,506
Other receivables	115,770	90,519
	3,064,415	3,086,362

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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 2022, the Group has obtained letter of credits as collateral over its receivables amounting to SR 81.1 million (2021: 50.4 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 2022 on the Group's accounts receivable and contract assets:

Accounts Receivable	Gross Carrying Amount	Loss Rate	Expected Credit Losses
	SR '000	%	SR '000
Current	597,105	1%	6,152
Less than 30 days	141,360	2%	3,173
31 - 60 days	76,368	2%	1,873
61 - 90 days	71,236	3%	1,949
91 - 180 days	79,128	6%	4,871
181-360 days	91,995	15%	13,624
More than 360 days	547,993	55%	301,300
Retentions receivable	280,432	2%	6,359
	1,885,617		339,301
Contract assets	737,524	3%	25,225
	2,623,141		364,526

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

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	629,723	57%	357,283
Retentions receivable	239,394	1%	2,269
	2,083,365		412,039
Contract assets	674,329	3%	19,605
	2,757,694		431,644

Based on a provision matrix, the Group's expected credit losses at 31 December 2022 against its accounts receivable and contract assets exposed to credit risk amounted to SR 339.3 million and SR 25.2 million (2021: SR 412.03 million and SR 18.93 million) respectively. Accordingly, the Group recognised an amount of SR 72.29 million (2021: SR 112.5 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 (2021: SR nil) attributable to discontinued operations. The Group recognised an amount of SR nil (2021: nil) 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 2022

	on demand	< 6 months	6 to 12 months	1 to 5 years	> 5 years	Total
As at 31 December 2022						
SR '000						
Accounts payable	30,647	407,997	-	-	-	438,644
Lease liabilities	-	2,822	5,152	32,427	33,231	73,632
Other financial liabilities	-	592,523	-	-	-	592,523
Short term loans	-	2,826,598	-	-	-	2,826,598
Term loans	-	6,922	7,222	14,013	-	28,157
	30,647	3,836,862	12,374	46,440	33,231	3,959,554

	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	459,840	-	-	-	479,495
Lease liabilities	-	8,818	7,945	39,674	38,078	94,515
Other financial liabilities	-	600,754	-	-	-	600,754
Short term loans	-	2,422,243	13,126	-	-	2,435,369
Term loans	30,000	3,900	6,456	7,309	-	47,665
	49,655	3,495,555	27,527	46,983	38,078	3,657,798

Changes in liabilities arising from financing activities:

As at 31 December 2022

	1 January 2022	Cash inflow/ others	(Cash outflow)	31 December 2022
	SR '000	SR '000	SR '000	SR '000
Short term loans	2,435,369	15,384,894	(14,993,665)	2,826,598
Term loans	47,248	1,020	(20,261)	28,007
Lease liabilities	71,375	314	(18,781)	52,908
Total liabilities from financing activities	2,553,992	15,386,228	(15,032,707)	2,907,513

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

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

38 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 2022 and the year ended 31 December 2021. Capital comprises share capital, statutory reserve, retained earnings and other reserves and is measured at SR 778,913 thousands as at 31 December 2022 (2021: SR 966,724 thousands).

39 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.

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:

	Carrying value	Fair value	Fair value measurement using		
			Level 1	Level 2	Level 3
31 December 2022			SR '000		
Equity instruments at fair value through other comprehensive income					
At fair value	59,121	59,121	-	-	59,121
	59,121	59,121	-	-	59,121
	Carrying value	Fair value	Fair value measurement using		
			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

Notes to the Consolidated Financial Statements (continued)

At 31 December 2022

The fair value of the Group's investments in unquoted equity shares at 31 December 2022 and 2021 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 2022 and 2021. 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.

40 COMPARATIVE FIGURES

Certain of the prior year numbers have been reclassified to conform with the presentation in the current period.

41 SUBSEQUENT EVENTS

On 3 March 2023 (corresponding to 11 Sha'ban 1444H), one of the factory of Zamil Air Conditioners and Home Appliances Company, a subsidiary was partially damaged by fire. Surveyors are in the process of assessing the extent of the loss, following which the Group will file a claim for reimbursement with the insurance company.