

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
NINE MONTH PERIOD ENDED 30 SEPTEMBER 2023 AND INDEPENDENT
AUDITORS' REVIEW REPORT**

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

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

For the nine-month period ended 30 September 2023

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Zamil Industrial Investment Company, A Saudi Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Group") as at 30 September 2023, and the related interim condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and explanatory notes. Board of Directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

for Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. 422



Al Khobar: 29 Rabi Al-Thani 1445H
13 November 2023

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the nine-month period ended 30 September 2023

	Notes	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
		<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
CONTINUING OPERATIONS					
REVENUES					
Revenue from contracts with customers	3	1,223,225	1,008,411	3,382,351	2,856,320
Finance lease income		2,659	2,945	8,211	9,039
		<u>1,225,884</u>	<u>1,011,356</u>	<u>3,390,562</u>	<u>2,865,359</u>
DIRECT COSTS					
Cost of sales		(721,639)	(717,309)	(2,107,112)	(2,079,384)
Contract costs		(340,814)	(138,346)	(818,402)	(408,230)
		<u>(1,062,453)</u>	<u>(855,655)</u>	<u>(2,925,514)</u>	<u>(2,487,614)</u>
GROSS PROFIT		<u>163,431</u>	<u>155,701</u>	<u>465,048</u>	<u>377,745</u>
EXPENSES					
Selling and distribution		(48,319)	(44,590)	(131,035)	(123,739)
General and administration		(114,449)	(77,559)	(304,559)	(250,339)
Provision for impairment on inventory and non-current assets related to fire incident	6 & 7	-	-	(171,040)	-
OPERATING (LOSS) / PROFIT FROM CONTINUING OPERATIONS		<u>663</u>	<u>33,552</u>	<u>(141,586)</u>	<u>3,667</u>
Share in results of associates and a joint venture		9,817	1,541	13,477	(3,295)
Other income, net		24,216	1,555	39,436	10,107
Finance costs		(47,560)	(27,414)	(135,385)	(66,234)
(LOSS) / PROFIT BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		<u>(12,864)</u>	<u>9,234</u>	<u>(224,058)</u>	<u>(55,755)</u>
Zakat and income tax	4	(11,797)	(5,650)	(30,289)	(15,956)
(LOSS) / PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		<u>(24,661)</u>	<u>3,584</u>	<u>(254,347)</u>	<u>(71,711)</u>
DISCONTINUED OPERATIONS					
Profit/(loss) after zakat and income tax for the period from discontinued operations	5	154	(515)	39,574	(3,372)
NET (LOSS) / PROFIT FOR THE PERIOD		<u>(24,507)</u>	<u>3,069</u>	<u>(214,773)</u>	<u>(75,083)</u>
ATTRIBUTABLE TO:					
Shareholders of the parent company		(33,169)	2,435	(231,075)	(78,479)
Non-controlling interests		8,662	634	16,302	3,396
		<u>(24,507)</u>	<u>3,069</u>	<u>(214,773)</u>	<u>(75,083)</u>
EARNINGS PER SHARE:					
Basic and diluted earnings per share attributable to the shareholders of the parent company		<u>(0.55)</u>	<u>0.04</u>	<u>(3.85)</u>	<u>(1.31)</u>
EARNINGS PER SHARE FOR CONTINUING OPERATIONS:					
Basic and diluted earnings per share attributable to the shareholders of the parent company		<u>(0.56)</u>	<u>0.05</u>	<u>(4.51)</u>	<u>(1.25)</u>

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2023

	<i>For the three-month period ended 30 September</i>		<i>For the nine-month period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
NET (LOSS) / PROFIT FOR THE PERIOD	(24,507)	3,069	(214,773)	(75,083)
OTHER COMPREHENSIVE INCOME				
<i>Other comprehensive income that may be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translation of foreign operations	(950)	(4,276)	(9,428)	(17,508)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods	(950)	(4,276)	(9,428)	(17,508)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(25,457)	(1,207)	(224,201)	(92,591)
ATTRIBUTABLE TO:				
Shareholders of the parent company	(34,119)	(1,841)	(240,503)	(95,987)
Non-controlling interests	8,662	634	16,302	3,396
	(25,457)	(1,207)	(224,201)	(92,591)







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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

		30 September 2023 SR'000 (Unaudited)	31 December 2022 SR'000 (Audited)
	Notes		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	686,019	738,547
Right-of-use assets		33,686	57,987
Investments in associates and joint ventures		93,043	63,312
Equity instrument at FVOCI	15	59,121	59,121
Net investments in finance lease		211,025	240,073
Deferred tax assets, net		6,934	7,395
TOTAL NON-CURRENT ASSETS		1,089,828	1,166,435
CURRENT ASSETS			
Inventories	7	1,422,804	1,696,360
Accounts receivable	9	1,878,904	1,770,372
Contract assets	9	817,599	712,301
Advances, other receivables and prepayments		322,795	312,295
Current portion of net investment in finance lease		27,636	26,772
Cash and cash equivalents		645,584	304,055
		5,115,322	4,822,155
Asset held for sale	5	-	18,437
TOTAL CURRENT ASSETS		5,115,322	4,840,592
TOTAL ASSETS		6,205,150	6,007,027
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	600,000	600,000
Statutory reserve		10,747	180,000
(Accumulated losses)/retained earnings		(33,169)	28,653
Foreign currency translation reserve		(70,135)	(60,707)
Fair value of equity instrument at FVOCI		22,937	22,937
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		530,380	770,883
NON-CONTROLLING INTERESTS		193,277	176,975
TOTAL EQUITY		723,657	947,858
NON-CURRENT LIABILITIES			
Term loans		3,970	13,862
Employees' defined benefit liabilities		236,541	224,856
Lease liabilities		21,141	44,934
Deferred tax liabilities, net		6,593	6,593
TOTAL NON-CURRENT LIABILITIES		268,245	290,245
CURRENT LIABILITIES			
Accounts payable		493,497	438,644
Accruals and provisions		680,672	602,018
Short term loans		2,509,505	2,826,598
Current portion of term loans		10,699	14,145
Current portion of lease liabilities		6,904	7,974
Contract liabilities		1,435,569	821,636
Zakat and income tax provision	4	76,402	57,909
TOTAL CURRENT LIABILITIES		5,213,248	4,768,924
TOTAL LIABILITIES		5,481,493	5,059,169
TOTAL EQUITY AND LIABILITIES		6,205,150	6,007,027

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2023

	<i>Attributed to shareholders of the parent company</i>							<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>(Accumulated losses)/ retained earnings</i>	<i>Foreign currency translation reserve</i>	<i>Fair value of equity instrument at FVOCI</i>	<i>Total</i>			
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	
Balance at 1 January 2023 <i>(Audited)</i>	600,000	180,000	28,653	(60,707)	22,937	770,883	176,975	947,858	
Net (loss) profit for the period	-	-	(231,075)	-	-	(231,075)	16,302	(214,773)	
Other comprehensive loss	-	-	-	(9,428)	-	(9,428)	-	(9,428)	
Total comprehensive (loss)/income for the period	-	-	(231,075)	(9,428)	-	(240,503)	16,302	(224,201)	
Absorption of losses against statutory reserve (note 10)	-	(169,253)	169,253	-	-	-	-	-	
Balance at 30 September 2023 <i>(Unaudited)</i>	600,000	10,747	(33,169)	(70,135)	22,937	530,380	193,277	723,657	
Balance at 1 January 2022 <i>(Audited)</i>	600,000	180,000	200,777	(30,228)	16,175	966,724	182,900	1,149,624	
Net (loss) profit for the period	-	-	(78,479)	-	-	(78,479)	3,396	(75,083)	
Other comprehensive loss for the period	-	-	-	(17,508)	-	(17,508)	-	(17,508)	
Total comprehensive (loss)/income for the period	-	-	(78,479)	(17,508)	-	(95,987)	3,396	(92,591)	
Acquisition of non-controlling interest	-	-	-	-	-	-	(7,564)	(7,564)	
Dividends	-	-	-	-	-	-	(3,430)	(3,430)	
Balance at 30 September 2022 <i>(Unaudited)</i>	600,000	180,000	122,298	(47,736)	16,175	870,737	175,302	1,046,039	

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023

	<i>For the nine-month period ended 30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Loss before zakat and income tax from continuing operations	(224,058)	(55,755)
Profit /(loss) before zakat and income tax from discontinued operations	39,574	(3,372)
<i>Adjustments to reconcile (loss)/profit before zakat and income tax to net cash flows:</i>		
Depreciation and impairment of property, plant and equipment	71,232	66,374
Depreciation of right-of-use assets	4,343	8,461
Provision for employees' defined benefit liabilities	4,691	954
Provision for impairment loss on inventories related to fire incident	162,788	-
Finance costs	136,158	67,702
Share in results of associates and joint ventures	(13,477)	3,295
Dividend received from an associate	(1,516)	(818)
Reversal of impairment loss on property, plant and equipment	(22,056)	-
Gain from disposal of investment in an associate	-	(1,072)
Gain on derecognition of lease	(2,806)	-
(Profit)/loss on disposal of property, plant and equipment	(25,290)	147
	129,583	85,916
<i>Working capital adjustments:</i>		
Inventories	110,768	(298,889)
Accounts receivable	(108,532)	(56,987)
Contract assets	(105,298)	(67,031)
Advances, other receivables and prepayments	(3,300)	(101,996)
Net investment in finance lease	28,184	28,183
Accounts payable	56,948	(22,662)
Accruals and provisions	78,654	40,013
Contract liabilities	613,933	45,350
Cash from/(used in) operations	800,940	(348,103)
Financial charges paid	(128,000)	(60,533)
Zakat and income tax paid	(10,947)	(19,771)
Net cash from /(used in) operating activities	661,993	(428,407)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(53,201)	(21,679)
Proceeds from disposal of property, plant and equipment	74,910	1,375
Proceeds from disposal of investment in an associate	-	1,072
Dividends received from an associate	1,516	25,818
Acquisition of non-controlling interests	-	(7,564)
Net cash from / (used in) investing activities	23,225	(978)
FINANCING ACTIVITIES		
Net movement in short term loans	(317,093)	434,963
Net movement in term loans	(13,172)	(10,468)
Payments against lease liabilities	(5,308)	(5,458)
Dividend paid to non-controlling interest	-	(3,430)
Net cash (used in)/from financing activities	(335,573)	415,607
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	349,645	(13,778)
Cash and cash equivalents at the beginning of the period	304,055	280,461
Movement in foreign currency translation reserve, net	(8,116)	(12,761)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	645,584	253,922
NON-CASH TRANSACTION:		
Proceed from transfer of property, plant and equipment to joint venture	16,254	-

The attached notes 1 to 17 form part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 30 September 2023

1 CORPORATE INFORMATION

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

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

The Company has investment in the following subsidiaries:

	<i>Effective ownership percentage</i>	
	<i>30 September 2023</i>	<i>31 December 2022</i>
Zamil Steel Holding Company Limited - Saudi Arabia	100%	100%
- Zamil Steel Pre-Engineered Buildings Company Limited - Saudi Arabia	100%	100%
- Zamil Structural Steel Company Limited - Saudi Arabia	100%	100%
- Zamil Towers & Galvanizing Company - Saudi Arabia	100%	100%
- Zamil Process Equipment Company Limited - Saudi Arabia	100%	100%
- Building Component Solutions Company Limited - Saudi Arabia	100%	100%
- Zamil Steel Construction Company Limited - Saudi Arabia	100%	100%
- Zamil Inspection & Maintenance of Industrial Projects Company Limited - Saudi Arabia	100%	100%
- Metallic Construction and Contracting Company Limited - Egypt	100%	100%
Zamil Air Conditioners Holding Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioners & Home Appliances Company Limited - Saudi Arabia	100%	100%
- Zamil Central Air Conditioners Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioning & Refrigeration Services Company Limited - Saudi Arabia	100%	100%
- Ikhteban Company Limited - Saudi Arabia	100%	100%
- Eastern District Cooling Company Limited - Saudi Arabia	100%	100%
- Zamil Energy Services Company Limited - Saudi Arabia	100%	100%
- Zamil Air Conditioning and Refrigeration Services Company W.L.L - Bahrain	100%	100%
Arabian Stonewool Insulation Company - Saudi Arabia	100%	100%
- Second Insulation Company Limited - Saudi Arabia	100%	100%
- Saudi Preinsulated Pipes Industries - Saudi Arabia	51%	51%
Gulf Insulation Group - Saudi Arabia	51%	51%
Zamil Steel Building Company - Egypt	100%	100%
Zamil Steel Buildings (Shanghai) Company Limited - China	100%	100%
Zamil Steel Buildings India Private Limited - India	100%	100%
Zamil Steel Engineering India Private Limited - India	100%	100%
Zamil Industrial Investment Company - UAE	100%	100%
Zamil Steel Industries Abu Dhabi (LLC) - UAE	100%	100%
Zamil Structural Steel Company - Egypt	100%	100%
Zamil Construction India Private Limited - India	100%	100%
Zamil Information Technology Global Private Limited - India	100%	100%
Zamil Higher Institute for Industrial Training - Saudi Arabia	100%	100%
Zamil Air Conditioners India Private Limited - India	100%	100%
Saudi Central Energy Company Limited - Saudi Arabia	100%	100%
Zamil Industrial Investment Company Asia Pte. Limited - Singapore	100%	100%
Zamil Steel Buildings Vietnam Company Limited - Vietnam	100%	100%

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

1 CORPORATE INFORMATION (continued)

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

The interim condensed consolidated financial statements of the Group as of 30 September 2023 were authorised for issuance in accordance with the Board of Directors resolution on 11 November 2023 (corresponding to 27 Rabi Al-Thani 1445H).

2 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia (KSA). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2022. In addition, the results of the operations for the period ended 30 September 2023 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2022.

These interim condensed consolidated financial statements are prepared using historical cost convention except for the remeasurement of equity instruments at fair value through other comprehensive income (FVOCI), using the accrual basis of accounting.

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

2.2 Material accounting policy information

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed by the Group in its annual consolidated financial statements for the year ended 31 December 2022.

2.3 New standards, interpretation and amendments adopted by the Group

The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The following new standards and amendments became effective as at 1 January 2023, which did not have an impact on the Interim Condensed Consolidated Financial Statements of the Group:

- Insurance Contracts – Amendments to IFRS 17;
- Definition of Accounting Estimates - Amendments to IAS 8;
- Disclosure of accounting policies – Amendments to IAS 1 and IFRS Practice Statement 2;
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12.

3 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

	<i>For nine-month period ended 30 September (Unaudited)</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR '000</i>	<i>SR '000</i>
Sale of goods	2,315,098	2,163,441
Revenue from long-term contracts	826,146	470,413
Rendering of services	241,107	222,466
Total revenue from contracts with customers	3,382,351	2,856,320

Reconciliation of the Group's disaggregate revenue for its reportable segments and timing of revenue recognition is disclosed in note 14.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

4 ZAKAT AND INCOME TAX

a) Zakat

The provision for the period is based on zakat base of the Company and its wholly owned Saudi subsidiaries as a whole and individual zakat base of other Saudi subsidiaries (2022: same).

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 2022 have been filed with ZATCA. However, the assessments have not yet been raised by ZATCA.

b) Income tax

Income tax provision is provided for in accordance with authorities in which the Group's subsidiaries operate outside the Kingdom of Saudi Arabia. Income tax has been computed based on the managements' understanding of the income tax regulations enforced in their respective countries.

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

c) Deferred tax

During the period, the Group has recorded a net deferred tax benefit of SR 341 thousands (30 September 2022: net deferred tax benefit of SR 9 thousands).

5 DISCONTINUED OPERATIONS

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

	<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
Revenues	-	-
Expenses	(2,294)	(1,904)
Operating loss	(2,294)	(1,904)
Finance costs	(773)	(1,468)
Profit on disposal of property, plant and equipment	15,669	-
Gain on derecognition of lease	3,458	-
Other income, net	1,458	-
Reversal of impairment loss on asset held for sale	22,056	-
Profit/(loss) for the period from discontinued operations	39,574	(3,372)
The net cash flows generated/(incurred) from discontinued operations are, as follows:		
Operating	(55,701)	2,644
Investing	56,161	-
Financing	(144)	(3,105)
Net cash inflow (outflow)	316	(461)
<i>Earnings per share:</i>		
	<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>SR'000</i>	<i>SR'000</i>
Basic and diluted loss for the period from discontinued operations	0.66	(0.06)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

5 DISCONTINUED OPERATIONS (continued)

During the previous year, the management had entered into a sale and purchase agreement to sell its building that was constructed on a leasehold land for a consideration of SR 55 million. However, the sale agreement expired during the period and was renewed further. During the period, the Company had obtained the sale consideration in full. The legal formalities for transfer of leasehold rights from the Company to the buyer has not yet been completed as of period end.

During the period ended 30 September 2023, the impairment losses that was previously recognised amounting to SR 22.06 million was reversed and gain on sale of building amounting to SR 32.94 million was recognised in the profit or loss. As the Company had completed the process for transfer of leasehold rights to the buyer, the Company derecognized the right-of-use asset and the related lease liability amounting to SR 28.4 million and SR 31.8 million respectively and net gain of SR 3.4 million was recognised in the profit or loss.

6 PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 September 2023, the Group has acquired assets with a cost of SR 53.2 million (nine-month period ended 30 September 2022: SR 21.6 million) and charged depreciation to the interim condensed consolidated statement of income of SR 62.9 million (nine-month period ended 30 September 2022: SR 66.37 million). Assets with a net book value of SR 73 million were disposed by the Group during the nine months ended 30 September 2023 (30 September 2022: SR 1.52 million), resulting in profit of SR 25.2 million (30 September 2022: loss of SR 147 thousands).

During the period ended 30 September 2023, Zamil Higher Institute for Industrial Training Company, a subsidiary, sold building that constructed on leasehold land with a net book value of SR 12.7 million for a consideration of SR 24 million and the resulting gain on sale amounting to SR 11.3 million was recorded in the profit or loss. The legal formalities for transfer of leasehold rights to the buyer is completed.

Also refer note 7 for details of impairment loss on property, plant and equipment damaged by fire.

7 IMPAIRMENT OF ASSETS

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. During the period, the Group has made an assessment of the loss caused by the fire incident to the property, plant and equipment and inventories at the factory and recorded impairment losses of SR 8.2 million and SR 162.8 million, respectively. The Group maintains insurance policies that cover such incidents. The Group filed a claim with the insurance company and believe that the proceeds from the insurance claim will be adequate to cover the incurred losses. Subsequent to the period, the group has received an amount of SR 40 million, from the insurer, as a payment on account based on the insurance claim submitted to the insurance company. The claim submitted by the company is still under the review by the insurance company.

8 INVESTMENT IN A JOINT VENTURE

During the period, Gulf Insulation Group, a subsidiary of Zamil Industrial Investment Company had entered into a joint venture agreement with Perma Pipe Saudi Arabia LLC for manufacturing of pre-insulated pipes and related products in the Kingdom of Saudi Arabia. The legal formalities in connection with formation has been completed and the joint venture has commenced its operations. During the period, the Group had contributed certain plant and equipments to the joint venture company with a net book value of SR 17.9 million and has recorded the loss amounting to SR 1.69 million. The Group has also recorded share of results in joint venture for the period amounting to SR 7.1 million. As at reporting date, the Group's carrying value of investment in joint venture is amounted to SR 23.4 million.

9 ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

During the period, Zamil Air Conditioning & Refrigeration Services Company Limited, a subsidiary of the parent company, received a notice for immediate termination of a contract from a customer (contractor) mainly due to project delays and violation of certain technical specification as per contract. The Company rejected the termination notice on grounds that the termination notice was not served in line with the contractual terms, failure to provide proper technical design, lack of clarity in the scope of work and time.

The Company filed a legal case against the contractor in the Court for settlement of the amount due to the Company. The Court appointed an external independent expert to review and assess the value of the work executed by the Company and the same is in progress.

As of the end of the reporting period, the total due from customer amounted to SR 152.7 million, which includes SR 51 million billed to the customer, retention receivables of SR 8.7 million and a value of work executed of SR 93 million. Based on the management assessment and considering the contractual rights confirmed by the management's legal advisor, the management believe that that the amounts due from customer are expected to be fully recoverable.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

10 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (31 December 2022: same) of SR 10 each.

11 STATUTORY RESERVE

The shareholders of the Parent Company, at their Extraordinary General Assembly, held on 28 September 2023, approved the recommendation of the Board of Directors to use a portion of the statutory reserve to absorb the Parent Company's accumulated losses of SR 169.25 million. As at period ended 30 September 2023, accumulated losses amounted to SR 33.1 million represents the 5.53% of its share capital.

12 CONTINGENCIES

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 2.13 billion (31 December 2022: SR 1.4 billion).

13 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

<i>Relationship and name of related party</i>	<i>Nature of transactions</i>	<i>Nine-month period ended 30 September (Unaudited)</i>	
		<i>2023</i>	<i>2022</i>
		<i>SR '000</i>	<i>SR '000</i>
<i>Entity with significant influence over the Group</i>			
Zamil Group Holding Company	Sales	5,845	8,404
	Purchases	15,344	27,258
<i>Other related parties</i>	Sales	856	472
	Purchases	-	212

The compensation to the key management personnel during the period amounted to SR 3.5 million (30 September 2022: SR 3.36 thousands).

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

Amounts due from related parties at 30 September 2023 amounting to SR 44.9 million (31 December 2022: SR 39.5 million) have been included in the accounts receivable in interim condensed consolidated statement of financial position. Amounts due to related parties at 30 September 2023 amounting to SR 37.9 million (31 December 2022: SR 30.6 million) have been included in the accounts payable in interim condensed consolidated statement of financial position.

14 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.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

14 SEGMENTAL INFORMATION (continued)

The Board of Directors monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on income and is measured consistently in the interim condensed consolidated financial statements.

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliation presented further below.

Business segments

For the nine-month period ended 30 September 2023 (SR '000)

	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Insulation industry</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
<i>Revenue from contracts with customers:</i>							
External customer	1,152,149	1,995,682	233,751	769	3,382,351	-	3,382,351
Inter-segment	-	21,866	9,669	-	31,535	(31,535)	-
	1,152,149	2,017,548	243,420	769	3,413,886	(31,535)	3,382,351
Finance lease income	8,211	-	-	-	8,211	-	8,211
Total revenue	1,160,360	2,017,548	243,420	769	3,422,097	(31,535)	3,390,562
<i>Timing of revenue recognition:</i>							
At a point in time	754,559	1,588,992	243,420	769	2,587,740	(31,535)	2,556,205
Over time	397,590	428,556	-	-	826,146	-	826,146
	1,152,149	2,017,548	243,420	769	3,413,886	(31,535)	3,382,351
Gross profit/(loss)	134,535	252,184	78,180	(2,050)	462,849	2,199	465,048
Operating (loss) profit	(202,020)	52,575	28,434	(24,293)	(145,304)	3,718	(141,586)
<i>Unallocated (expenses)/profit:</i>							
Share in results of associates and a joint ventures							13,477
Other income, net							39,436
Finance costs							(135,385)
Loss before zakat and income tax and discontinued operations							(224,058)
Zakat and income tax							(30,289)
Discontinued operations							39,574
Net loss for the period							(214,773)

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

14 SEGMENTAL INFORMATION (continued)

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

	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
<i>Revenue from contracts with customers:</i>							
External customer	1,084,450	1,617,714	153,392	764	2,856,320	-	2,856,320
Inter-segment	2,821	3,406	10,564	-	16,791	(16,791)	-
	1,087,271	1,621,120	163,956	764	2,873,111	(16,791)	2,856,320
Finance lease income	9,039	-	-	-	9,039	-	9,039
Total revenue	1,096,310	1,621,120	163,956	764	2,882,150	(16,791)	2,865,359
<i>Timing of revenue recognition:</i>							
At a point in time	816,131	1,421,847	163,956	764	2,402,698	(16,791)	2,385,907
Over time	271,140	199,273	-	-	470,413	-	470,413
	1,087,271	1,621,120	163,956	764	2,873,111	(16,791)	2,856,320
Gross profit	134,919	190,177	49,814	764	375,674	2,071	377,745
Operating profit/(loss)	(10,984)	14,917	10,202	(14,420)	(285)	3,952	3,667
<i>Unallocated (expenses)/profit:</i>							
Share in results of associates and a joint ventures							(3,295)
Other income, net							10,107
Finance costs							(66,234)
Loss before zakat and income tax and discontinued operations							(55,755)
Zakat and income tax							(15,956)
Discontinued operations							(3,372)
Net loss for the period							(75,083)

At 30 September 2023 (SR '000)

	Air conditioner industry	Steel industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
Total assets	3,059,580	2,702,066	437,327	1,275,046	7,474,019	(1,268,869)	6,205,150
Total liabilities	2,933,181	1,963,660	146,475	1,730,495	6,773,811	(1,292,318)	5,481,493
<i>Others:</i>							
Investment in associates and a joint venture	-	-	-	93,043	93,043	-	93,043
Capital expenditure	8,276	36,859	4,531	3,535	53,201	-	53,201

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

14 SEGMENTAL INFORMATION (continued)

At 31 December 2022 (SR '000)

	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Insulation industry</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations</i>	<i>Consolidated</i>
Total assets	2,884,475	2,525,608	440,826	706,886	6,557,795	(550,768)	6,007,027
Total liabilities	2,491,004	1,851,915	154,497	1,112,521	5,609,937	(550,768)	5,059,169
<i>Others:</i>							
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

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliation presented further below. Capital expenditure consist of additions of property, plant and equipment.

Geographic information

	<i>For the nine-month ended 30 September</i>	
	<i>2023</i>	<i>2022</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Revenue from external customers:</i>		
Saudi Arabia	2,524,425	2,036,337
Other Asian countries	504,399	460,652
Egypt	361,738	368,370
	3,390,562	2,865,359
		<i>51</i>
	<i>30 September</i>	<i>December</i>
	<i>2023</i>	<i>2022</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Non-current operating assets:</i>		
Saudi Arabia	602,319	650,382
Other Asian countries	57,585	60,684
Egypt	59,801	85,468
	719,705	796,534

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 30 September 2023

15 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	<i>Carrying value</i>	<i>Fair value</i>	<i>Fair value measurement using</i>		
	<i>SR '000</i>	<i>SR '000</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
30 September 2023					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	59,121	59,121	-	-	59,121
	59,121	59,121	-	-	59,121
31 December 2022					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	59,121	59,121	-	-	59,121
	59,121	59,121	-	-	59,121

The fair value of the Group's investment in unquoted equity shares at 30 September 2023 and 31 December 2022 was measured using Level 3 (significant unobservable inputs). The Group estimated the fair value of the investment using adjusted net asset method. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities. The management believes that there have been no significant changes in the value of investment from 31 December 2022.

16 COMPARATIVE FIGURES

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

17 SUBSEQUENT EVENTS

In the opinion of management, there have been no further significant subsequent events since the period ended 30 September 2023 that would have a material impact on the interim condensed consolidated financial statements.