

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

Consolidated Financial Statements

for the Year Ended **31 December 2024**
and Independent Auditors' Report



Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024

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**INDEPENDENT AUDITOR'S REPORT
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 2024, 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 material accounting policy information.

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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting 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 (collectively referred to as "IFRS as endorsed in KSA").

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 that 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Key Audit Matters

Key audit matters	How our audit addressed the key audit matter
<p><i>Impairment of accounts receivable</i></p> <p>The Group has gross accounts receivable of SR 2,513.7 million as at 31 December 2024 against which the Group has recorded a provision for expected credit losses amounting to SR 614.9 million.</p> <p>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.</p> <p>The assessment of the correlation between historical observed loss rates, forecast economic conditions and expected future cash flows is a significant estimate.</p> <p>Given the judgements particularly related to the calculation of expected credit losses we considered this area as a key audit matter.</p> <p>Refer to note 22 of the accompanying financial statements for further details.</p>	<p>In order to assess the appropriateness of the management's judgment and estimates, following procedures were performed:</p> <ul style="list-style-type: none"> • 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Key Audit Matters (continued)

Key audit matters	How our audit addressed the key audit matter
<p><i>Revenue recognition of long-term contracts</i></p> <p>One of the Group's significant revenue stream is long-term contracts. The Group recognizes 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.</p> <p>Refer to notes 2 and 6 of the accompanying financial statements for the accounting policy and other related information related to revenue from long-term contracts.</p> <p>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.</p> <p>Considering the above, revenue recognition from construction contracts has been determined as a key audit matter.</p>	<p>Our audit procedures in relation to revenue recognition of long-term contracts included:</p> <ul style="list-style-type: none"> • 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 projects stage of completion and milestones achieved) used in determining the amounts of revenue and costs recognized in the consolidated financial statements. • On a sample basis, reviewed the contractual terms and work status of the customer contracts, along with discussion with management and checked that contract revenue was recognized 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 the estimation of contract costs, on a sample basis, arising from contract modification 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 the disclosures in assessing the areas of judgement and estimation uncertainties involving revenue recognition and work executed in excess of billings.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Other information included in the Group's 2024 Annual Report

Other information consists of the information included in the Group's 2024 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting 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 applicable provisions of the Regulations for Companies' and Company's By-laws, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY
(A SAUDI JOINT STOCK COMPANY)**

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision review of the audit work performed for the purposes 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF ZAMIL INDUSTRIAL INVESTMENT COMPANY
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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

for Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. 422



Al Khobar: 10 Shawwal 1446H
8 April 2025

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2024

	Notes	2024 SR'000	2023 SR'000
CONTINUING OPERATIONS			
REVENUES			
Revenue from contracts with customers	6	6,080,849	4,673,622
Finance lease income		9,647	10,805
		<u>6,090,496</u>	<u>4,684,427</u>
DIRECT COSTS			
Cost of sales	7	(3,095,791)	(3,082,607)
Contract costs	8	(1,936,053)	(1,029,585)
		<u>(5,031,844)</u>	<u>(4,112,192)</u>
GROSS PROFIT		1,058,652	572,235
EXPENSES			
Selling and distribution	9	(199,398)	(177,536)
General and administration	10	(685,448)	(553,202)
Write-off of inventory	16	-	(162,788)
Impairment of property, plant and equipment	16	-	(8,252)
OPERATING PROFIT/(LOSS)		173,806	(329,543)
Income from insurance claim, net	16	-	183,240
Finance costs	12	(173,067)	(187,754)
Other income, net	11	73,309	41,617
Share in results of an associate and joint ventures	18	24,123	20,641
PROFIT/(LOSS) BEFORE ZAKAT AND INCOME TAX FROM CONTINUING OPERATIONS		98,171	(271,799)
Zakat and income tax	36	(31,522)	(45,938)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		66,649	(317,737)
DISCONTINUED OPERATIONS			
Gain after zakat and income tax for the year from discontinued operations	13	111	39,329
NET PROFIT/(LOSS) FOR THE YEAR		66,760	(278,408)
ATTRIBUTABLE TO:			
Shareholders of the parent company		26,805	(297,843)
Non-controlling interests		39,955	19,435
		<u>66,760</u>	<u>(278,408)</u>
EARNINGS PER SHARE:			
Basic and diluted earnings per share attributable to the shareholders of the parent company	14	<u>0.45</u>	<u>(4.96)</u>
EARNINGS PER SHARE FOR CONTINUING OPERATIONS:			
Basic and diluted earnings per share attributable to the shareholders of the parent company	14	<u>0.44</u>	<u>(5.62)</u>





The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2024

	Notes	2024 SR'000	2023 SR'000
NET PROFIT/(LOSS) FOR THE YEAR		66,760	(278,408)
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:</i>			
Foreign currency differences on translation of foreign operations		(26,615)	(9,663)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(26,615)	(9,663)
<i>Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:</i>			
Net gain / (loss) on equity instruments at fair value through other comprehensive income	19	6,420	(1,701)
Remeasurement loss on employees' defined benefit liabilities	31	(19,617)	(9,872)
Share in other comprehensive income /(loss) of an associate	18	207	(658)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods		(12,990)	(12,231)
Other comprehensive loss for the year		(39,605)	(21,894)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		27,155	(300,302)
ATTRIBUTABLE TO:			
Shareholders of the parent company		(12,646)	(319,080)
Non-controlling interests		39,801	18,778
		27,155	(300,302)





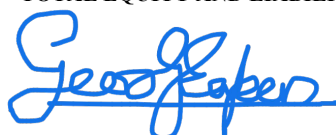


Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		2024	2023
	Notes	SR'000	SR'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	15	691,280	692,971
Right-of-use assets	17	35,222	31,660
Investments in an associate and joint ventures	18	106,058	89,228
Equity instruments at FVOCI	19	63,840	57,420
Net investments in finance lease	20	183,002	212,142
Amount due from a joint venture		10,324	10,324
Deferred tax assets, net	36	10,211	9,201
TOTAL NON-CURRENT ASSETS		1,099,937	1,102,946
CURRENT ASSETS			
Inventories	21	1,438,895	1,371,235
Accounts receivable	22	1,923,695	1,891,347
Contract assets	23	697,543	698,506
Advances, prepayments and other receivables	24	258,949	359,457
Current portion of net investment in finance lease	20	29,139	27,930
Short term deposits	25	33,223	193,094
Cash and cash equivalents	26	551,735	427,813
TOTAL CURRENT ASSETS		4,933,179	4,969,382
TOTAL ASSETS		6,033,116	6,072,328
EQUITY AND LIABILITIES			
EQUITY			
Share capital	27	600,000	600,000
Statutory reserve	28	-	10,747
Accumulated losses		(52,153)	(109,810)
Foreign currency translation reserve		(96,985)	(70,370)
Fair value of equity instrument at FVOCI		27,656	21,236
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		478,518	451,803
NON-CONTROLLING INTERESTS	29	190,669	195,753
TOTAL EQUITY		669,187	647,556
NON-CURRENT LIABILITIES			
Term loans	30	21,335	1,150
Employees' defined benefit liabilities	31	289,784	250,209
Lease liabilities	17	24,474	22,534
Deferred tax liability, net	36	6,654	6,389
TOTAL NON-CURRENT LIABILITIES		342,247	280,282
CURRENT LIABILITIES			
Accounts payable	32	570,224	499,732
Accruals and provisions	33	835,473	673,188
Short term loans	34	2,112,308	2,316,022
Current portion of term loans	30	5,783	10,851
Current portion of lease liabilities	17	6,786	4,567
Contract liabilities	35	1,402,594	1,548,043
Zakat and income tax provision	36	88,514	92,087
TOTAL CURRENT LIABILITIES		5,021,682	5,144,490
TOTAL LIABILITIES		5,363,929	5,424,772
TOTAL EQUITY AND LIABILITIES		6,033,116	6,072,328





The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	<i>Attributed to shareholders of the parent company</i>						<i>Non-controlling interests</i>	<i>Total equity</i>
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings/ (accumulated losses)</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	600,000	180,000	28,653	(60,707)	22,937	770,883	176,975	947,858
Net (loss) profit for the year	-	-	(297,843)	-	-	(297,843)	19,435	(278,408)
Other comprehensive loss	-	-	(9,873)	(9,663)	(1,701)	(21,237)	(657)	(21,894)
Total comprehensive (loss)/income	-	-	(307,716)	(9,663)	(1,701)	(319,080)	18,778	(300,302)
Absorption of losses against statutory reserve (note 28)	-	(169,253)	169,253	-	-	-	-	-
Balance at 31 December 2023	600,000	10,747	(109,810)	(70,370)	21,236	451,803	195,753	647,556
Net profit for the year	-	-	26,805	-	-	26,805	39,955	66,760
Other comprehensive (loss)/income	-	-	(19,256)	(26,615)	6,420	(39,451)	(154)	(39,605)
Total comprehensive (loss)/income	-	-	7,549	(26,615)	6,420	(12,646)	39,801	27,155
Transfer from statutory reserve	-	(10,747)	10,747	-	-	-	-	-
Dividend paid by GIG	-	-	-	-	-	-	(34,924)	(34,924)
Additional investment by minority	-	-	-	-	-	-	29,400	29,400
Excess of consideration received over book value of net assets of the partial disposal of a subsidiary (note 1.1)	-	-	39,361	-	-	39,361	(39,361)	-
Balance at 31 December 2024	600,000	-	(52,153)	(96,985)	27,656	478,518	190,669	669,187





The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2024

	Notes	2024 SR'000	2023 SR'000
OPERATING ACTIVITIES			
Profit/(loss) before zakat and income tax from continuing operations		98,171	(271,799)
Profit before zakat and income tax from discontinued operations		111	39,329
Profit/(loss) before zakat and income tax		98,282	(232,470)
<i>Adjustments to reconcile loss before zakat and income tax to net cash flows:</i>			
Depreciation of property, plant and equipment	15	83,630	83,860
Impairment of property, plant and equipment	15	-	8,252
Depreciation of right-of-use assets	17	6,130	6,377
Reversal of impairment loss on property, plant and equipment	15	(475)	-
Reversal of impairment loss on asset held for sale	13	-	(22,056)
Provision for employees' defined benefit liabilities	31	29,598	26,855
Finance costs	12 & 13	173,067	188,527
Dividend income from equity instruments at FVOCI	11	(1,642)	(1,516)
Loss/(gain) on disposal of property, plant and equipment	11	11,556	(26,339)
Share in results of associate and joint ventures	18	(24,123)	(20,641)
Write-off of inventory	16	-	162,788
Gain on derecognition of leases		-	(3,170)
		376,023	170,467
<i>Working capital adjustments:</i>			
Inventories		(67,660)	162,337
Accounts receivable		(32,348)	(120,975)
Contract assets		963	13,795
Advances, prepayments and other receivables		100,508	(44,945)
Net investment in finance lease		27,931	26,773
Accounts payable		70,492	64,080
Accruals and provisions		162,350	71,170
Contract liabilities		(145,449)	726,407
Cash from operations		492,810	1,069,109
Financial charges paid		(160,273)	(176,165)
Zakat and income tax paid		(33,658)	(13,292)
Employees' defined benefit liabilities paid		(20,671)	(23,639)
Net cash flows from operating activities		278,208	856,013
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(116,346)	(80,799)
Proceeds from disposal of property, plant and equipment		19,043	82,882
Dividend from associate and subsidiary	11	7,500	-
Net movement in short term deposits		159,871	(193,094)
Additional investment by non-controlling interest		29,400	-
Dividend income from equity instruments at FVOCI	11	1,642	1,516
Net cash flows from/(used in) investing activities		101,110	(189,495)
FINANCING ACTIVITIES			
Net movement in short term loans		(203,714)	(510,576)
Net movement in term loans		15,117	(16,142)
Payments against lease liabilities	17	(7,361)	(7,860)
Dividend paid to non-controlling interests		(34,924)	-
Net cash flows used in financing activities		(230,882)	(534,578)
NET INCREASE IN CASH AND CASH EQUIVALENTS		148,436	131,940

The accompanying notes from 1 to 44 form an integral part of these consolidated financial statements

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

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2024

	<i>Notes</i>	2024 SR'000	2023 SR'000
Cash and cash equivalents at the beginning of the year		427,813	304,055
Movement in foreign currency translation reserve, net		(24,514)	(8,182)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	551,735	427,813



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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At 31 December 2024

1 CORPORATE INFORMATION

Zamil Industrial Investment Company ("the Company") ("Parent 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 registered address of the Company is street 11, 1st Industrial District, P.O Box 32234, Dammam, Kingdom of Saudi Arabia. The Company is registered in the Kingdom of Saudi Arabia under Commercial Registration number 2050004215 dated 19 Ramadan 1396H (corresponding to 14 September 1976).

The Company has investment in the following subsidiaries:

Name of subsidiaries	Country of incorporation	Effective ownership percentage	
		2024	2023
- Zamil Steel Holding Company Limited (refer note 1.1)	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 (refer note 1.1)	Saudi Arabia	-	100%
- Advanced Building Solutions for Projects Company (formerly Zamil Steel Construction Company Limited) (refer note 1.2)	Saudi Arabia	-	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%
- Ikhtebare 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%
- Advanced Building Solutions for Projects Company (formerly Zamil Steel Construction Company Limited) (refer note 1.2)	Saudi Arabia	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 (refer note 1.1 and 1.3)	Saudi Arabia	51%	51%
- Saudi Rockwool Factory Company	Saudi Arabia	51%	51%
- Arabian Fibreglass Insulation Company Limited (refer note 1.3)	Saudi Arabia	26%	26%
- Building Component Solutions Company Limited (refer note 1.1)	Saudi Arabia	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) (refer note 1.4)	UAE	-	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 CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

1 CORPORATE INFORMATION (continued)

- 1.1 Effective from 31 December 2024, Gulf Insulation Group, has acquired 100% ownership of Building Component Solutions Company Limited, one of the subsidiaries under Zamil Steel Holding Company Limited at the net consideration of SR 120 million. This has resulted in partial loss of control and Parent Company have recognized the excess of consideration received over book value of net assets of the partial disposal of ownership in the subsidiary amounted to SR 39.36 million in consolidated statement of changes in equity. The legal formalities in respect of change in ownership have been completed.
- 1.2 Effective from 31 December 2024, the Ownership of Zamil Steel Construction Company, one of the subsidiaries under Zamil Steel Holding Company Limited, has been changed to Parent Company. Also, legal name of the Company has changed from 'Zamil Steel Construction Company' to 'Advanced Building Solutions For Projects Company'. The legal formalities in this respect have been completed.
- 1.3 During the year, Gulf Insulation Group, has signed the Share purchase agreement (SPA) with the foreign shareholder of Arabian Fibreglass Insulation Company Limited "AFICO" amounting to SR 123.75 million to acquire its full ownership. As at year end, legal formalities were not yet completed.
- 1.4 During the year ended 31 December 2024, Zamil Steel Industries Abu Dhabi (LLC), a subsidiary, management decided to close the Company. Legal formalities has been completed.

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 2024 were authorised for issuance in accordance with the Board of Directors' resolution on 26 March 2025 (corresponding to 26 Ramadhan 1446H).

2 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation

These consolidated financial statements have been prepared in accordance with the IFRS Accounting 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").

The Group has prepared these consolidated financial statements on the basis that it will continue to operate as a going concern.

Basis of measurement

These consolidated financial statements are prepared using historical cost convention unless otherwise stated in the accounting policy information below.

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 2024. 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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Basis of consolidation (continued)

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.

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.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Revenue recognition (continued)

b) Rendering of services (continued)

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

c) Revenue from long-term contracts

The Group has determined that for its long-term contracts for turnkey projects in its steel and air conditioner segments and for made-to-order equipment in its steel segment, the customer controls all of the work in progress as the project progresses and equipment is manufactured.

This is because under those contracts the works are performed and equipment are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin.

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

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

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

The value of work completed but not billed at the date of consolidated statement of financial position is classified as "contract assets" under current assets in the consolidated statement of financial position. Amounts billed in excess of work completed and advances received at the consolidated statement of financial position date is classified as "contract liabilities" under current liabilities in the consolidated statement of financial position. Invoices are issued according to contractual terms and are usually payable within 30 to 180 days.

Cost to obtain a contract

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

d) Finance income

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

e) Dividend income

Dividends are recognised when the Group's right to receive the payment is established, which is generally when dividends are approved.

f) Other income

Any other income is recognised when the realisation of income is virtually certain and earned by the Group on its own account. Non-cash consideration received from customers is initially recognized at fair value. Subsequent to initial recognition, non-cash consideration is recognized as revenue over the expected period over which related performance obligations are satisfied.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Contract balances

Contract assets

A contract asset is initially recognised for revenue earned from installation services because the receipt of consideration is conditional on successful completion of the installation.

Upon completion of the installation and acceptance by the customer, the amount recognised as contract assets is reclassified to trade receivables.

Accounts receivable

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 recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

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.

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.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Property, plant and equipment/depreciation (continued)

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 | 20 to 40 years |
| - Machinery | 5 to 20 years |
| - Furniture, fixtures and equipment | 3 to 5 years |
| - Motor vehicles | 3 years |

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of 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 | 5 to 30 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.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Leases (continued)

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 and accommodations that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Extension and termination options

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

Borrowing costs

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

Investments in an associate and joint ventures

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.

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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.

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 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 account receivable and certain other receivables.

Financial assets designated at fair value through OCI (equity instruments)

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

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

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

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Financial assets (continued)

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.

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.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Business combination and goodwill (continued)

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Inventories

Inventories are stated at the lower of cost and net realisable 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.

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

In accordance with the Company's by-laws, 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.

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.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 recognised 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 recognised 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 recognised 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 recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Zakat and 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.

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

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

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Zakat and tax (continued)

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.

Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

Fair value measurement

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

2 MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 are not depreciated 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.

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 41
Financial risk management objectives and policies	Note 40
Sensitivity analyses disclosures	Note 40

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 recognised 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.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

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 receivable, contract assets and net investment in finance lease

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

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

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

Zakat and 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.

As part of the process of preparing consolidated financial statements, the Group estimates income tax in each of the jurisdictions it operates. This process involves estimating current and deferred tax expenses. Temporary differences result in deferred tax assets and liabilities, which are included in the consolidated statement of financial position. Significant judgement is required in assessing the recoverability of deferred tax assets recognised on deductible temporary differences, tax credits and tax losses carried forward.

Estimated cost to complete

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

Leases - Estimating the incremental borrowing rate

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

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS (continued)

Determining the lease term of contracts with renewal and termination options – Group as lessee (continued)

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.

4 NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback

The amendments in IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 1 - Classification of Liabilities as Current or Non-current

The amendments to IAS 1 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

In addition, an entity is required to disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments had not an impact on the classification of the Group's liabilities.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

The amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments had no impact on the Group's consolidated financial statements.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

At 31 December 2024

5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Lack of exchangeability - Amendments to IAS 21

In August 2023, the IASB issued amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2025. Early adoption is permitted, but will need to be disclosed. When applying the amendments, an entity cannot restate comparative information.

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.

It also requires disclosure of newly defined management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements (PFS) and the notes.

In addition, narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.

IFRS 18, and the amendments to the other standards, is effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively.

The Group is currently working to identify all impacts the amendments will have on the primary consolidated financial statements and notes to the consolidated financial statements.

IFRS 19 Subsidiaries without Public Accountability: Disclosure

In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards.

IFRS 19 will become effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

As the Group's equity instruments are publicly traded, it is not eligible to elect to apply IFRS 19.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2024

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

6.1 Disaggregated revenue information

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

	2024	2023
	SR '000	SR '000
<i>Type of goods or service</i>		
Sale of goods	3,512,794	3,262,433
Revenue from long-term contracts	2,255,620	1,091,052
Rendering of services	312,435	320,137
Total revenue from contracts with customers	6,080,849	4,673,622
<i>Geographical markets</i>		
Kingdom of Saudi Arabia	4,958,399	3,415,131
Egypt	466,999	538,901
Other Asian countries	655,451	719,590
Total revenue from contracts with customers	6,080,849	4,673,622
<i>Timing of revenue recognition</i>		
At a point in time	3,825,229	3,582,570
Over time	2,255,620	1,091,052
Total revenue from contracts with customers	6,080,849	4,673,622
<i>Customer wise revenue recognition</i>		
Third parties	6,060,801	4,650,071
Related parties	20,048	23,551
Total revenue from contracts with customers	6,080,849	4,673,622

Information related to segments disclosure, refer to note 39.

6.2 Contract balances

Group's contract balances comprise of the following:

	2024	2023
	SR '000	SR '000
Accounts receivable (note 22)	2,513,730	2,297,268
Contract assets (note 23)	697,543	698,506
Contract liabilities (note 35)	1,402,594	1,548,043

Accounts receivable are non-interest bearing and are generally on terms of 30 to 180 days. In 2024, SR 614.9 million (2023: SR 439.6 million) was recognised as provision for expected credit losses on accounts receivable. Refer note 22 for the details.

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.

In 2024, SR 111.4 million (2023: SR 70.5 million) was recognised as provision for expected credit losses on contract assets. Refer note 23 for the details.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

7 COST OF SALES

	2024	2023
	SR'000	SR'000
Cost of inventories recognised as expense	1,914,294	1,911,034
Employees' and labour costs	534,063	495,594
Sub-contracting costs	107,043	256,442
Depreciation (note 15)	56,891	55,867
Depreciation of right-of-use assets (note 17)	3,405	3,841
Other direct costs	480,095	359,829
	3,095,791	3,082,607

8 CONTRACT COSTS

	2024	2023
	SR'000	SR'000
Cost of project materials	1,050,080	539,927
Sub-contracting costs	546,689	186,266
Employees' and labour costs	256,171	239,051
Depreciation (note 15)	7,529	6,615
Depreciation of right-of-use assets (note 17)	248	248
Other direct costs	75,336	57,478
	1,936,053	1,029,585

9 SELLING AND DISTRIBUTION EXPENSES

	2024	2023
	SR'000	SR'000
Employees' costs	100,864	91,796
Transportation	44,349	31,343
Warranties	11,826	15,495
Advertising and sales promotion	11,610	9,055
Rent and utilities	10,789	9,960
Business travel	3,814	2,419
Depreciation (note 15)	1,372	2,863
Depreciation of right-of-use assets (note 17)	59	127
Others	14,715	14,478
	199,398	177,536

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

10 GENERAL AND ADMINISTRATION EXPENSES

	2024	2023
	SR'000	SR'000
Employees' costs	295,688	269,248
Allowance for expected credit losses (notes 22 and 23)	250,806	157,094
Communication and IT services	34,778	30,535
Depreciation (note 15)	17,838	18,267
Professional and legal fees*	14,557	10,849
Rent and utilities	11,945	7,425
Business travel	5,663	4,577
Repairs and maintenance	4,063	3,241
Depreciation of right-of-use assets (note 17)	2,418	1,446
Others	47,692	50,520
	685,448	553,202

*Professional and legal fees includes the auditor's fee for the statutory audit and review of the Group's consolidated financial statements (including financial statement of certain subsidiaries) for the year ended 31 December 2024 amounting to SR 2.7 million (2023: SR 2.52 million). Auditor's fee for the provision of other services is amounting to SR 1.1 million (2023: SR1.07 million).

11 OTHER INCOME, NET

	2024	2023
	SR'000	SR'000
Scrap sales related to fire incident	33,027	-
Finance income	26,785	17,739
Foreign currency exchange gain/(loss)	12,199	(1,380)
Dividend income from equity instruments at FVOCI	1,642	1,516
(Loss)/gain on disposal of property, plant and equipment	(11,556)	10,670
Write back of balances and advances	-	15,086
Others	11,212	(2,014)
	73,309	41,617

12 FINANCE COSTS

	2024	2023
	SR'000	SR'000
Interest on debts and borrowings	160,273	176,148
Interest cost on employees' defined benefit obligation (note 31)	11,031	10,041
Interest on lease liabilities (note 17)	1,763	1,415
Amortisation of loan upfront fees (note 30)	-	150
	173,067	187,754

Finance costs amounting to SR nil (2023: SR 0.773 million) related to discontinued operations is shown separately under note 13.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

13 DISCONTINUED OPERATIONS

In prior years, 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 consolidated statement of profit or loss. The results of the discontinued operations for the year are presented below:

	2024 SR'000	2023 SR'000
Revenues	-	-
Expenses	-	(2,336)
Operating loss	-	(2,336)
Profit on disposal of property, plant & equipment	-	15,669
Gain on derecognition of lease	-	3,161
Other income, net	111	1,552
Reversal of impairment loss on asset held for sale	-	22,056
<i>Finance costs:</i>		
Employees' defined benefit liabilities (note 31)	-	(7)
Lease liability (note 17)	-	(766)
	-	(773)
Profit for the year from discontinued operations	111	39,329
<i>Amount included in other comprehensive income:</i>		
Remeasurement loss on employees' defined benefit liabilities	-	(18)
The net cash flows generated from discontinued operations are as follows:		
Operating	-	(54,054)
Investing	-	56,161
Financing	-	(1,793)
Net cash inflow	-	314

During 2022, 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 56 million. During 2023, the Company had obtained the sale consideration in full. The legal formalities for transfer of leasehold rights from the Company to the buyer had completed.

During the year ended 31 December 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 15.67 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 derecognised the right-of use asset and the related lease liability amounting to SR 28.4 million and SR 31.5 million respectively and net gain of SR 3.1 million was recognised in the consolidated statement of profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

14 EARNINGS PER SHARE

Basic and diluted earnings per share is calculated by dividing the net profit/(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:

	2024 (SR '000)	2023 (SR '000)
<i>Net profit/(loss) for the year attributable to the shareholders of the parent company :</i>		
Continuing operations	26,694	(337,172)
Discontinued operations	111	39,329
	26,805	(297,843)
	2024 (share '000)	2023 (share '000)
Weighted average number of outstanding shares during the year	60,000	60,000
	2024 SR	2023 SR
Earning per share		
Basic and diluted earnings per share attributable to the shareholders of the parent company	0.45	(4.96)
	2024 SR	2023 SR
Earning per share for continuing operations		
Basic and diluted earnings per share attributable to the shareholders of the parent company	0.44	(5.62)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

15 PROPERTY, PLANT AND EQUIPMENT

	<i>Freehold land</i>	<i>Buildings</i>	<i>Machinery</i>	<i>Furniture, fixtures and equipment</i>	<i>Motor vehicles</i>	<i>Capital work-in- progress</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>Cost:</i>							
At 1 January 2023	96,266	820,657	1,490,944	233,249	104,649	4,272	2,750,037
Additions	-	4,662	39,113	8,542	5,348	23,134	80,799
Transfer	-	(28)	26,591	(13,789)	4,293	(17,067)	-
Disposals	-	(52,515)	(123,461)	(17,810)	(1,896)	(12)	(195,694)
Foreign currency translation	(292)	(1,410)	(1,822)	(1,394)	(271)	(285)	(5,474)
At 31 December 2023	95,974	771,366	1,431,365	208,798	112,123	10,042	2,629,668
Additions	-	25,764	57,142	10,186	11,331	11,923	116,346
Transfer	-	1,663	4,706	1,604	-	(7,973)	-
Disposals	(22,102)	(23,046)	(173,666)	(17,776)	(7,159)	-	(243,749)
Write off	-	(10,271)	-	-	-	-	(10,271)
Foreign currency translation	(461)	(3,382)	(3,845)	(2,674)	(497)	(180)	(11,039)
At 31 December 2024	73,411	762,094	1,315,702	200,138	115,798	13,812	2,480,955
<i>Depreciation and impairment:</i>							
At 1 January 2023	-	525,312	1,178,026	208,548	99,604	-	2,011,490
Charge for the year	-	26,120	44,030	9,402	4,308	-	83,860
Impairment	-	1,537	5,991	724	-	-	8,252
Transfer	-	2,074	12,382	(15,230)	774	-	-
Disposals	-	(33,265)	(110,509)	(17,719)	(1,897)	-	(163,390)
Foreign currency translation	-	(601)	(1,427)	(1,239)	(248)	-	(3,515)
At 31 December 2023	-	521,177	1,128,493	184,486	102,541	-	1,936,697
Charge for the year	-	24,666	42,697	12,030	4,237	-	83,630
Disposals	-	(23,029)	(165,253)	(17,755)	(7,113)	-	(213,150)
Write off	-	(10,271)	-	-	-	-	(10,271)
Impairment reversal	-	-	(475)	-	-	-	(475)
Foreign currency translation	-	(1,240)	(2,888)	(2,235)	(393)	-	(6,756)
At 31 December 2024	-	511,303	1,002,574	176,526	99,272	-	1,789,675
<i>Net book amounts:</i>							
At 31 December 2024	73,411	250,791	313,128	23,612	16,526	13,812	691,280
At 31 December 2023	95,974	250,189	302,872	24,312	9,582	10,042	692,971

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

15 PROPERTY, PLANT AND EQUIPMENT (continued)

- 15.1 During 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 were completed.
- 15.2 During the year, Group has sold its piece of land located in Jeddah at a consideration of SR 17.2 million. Carrying value of the land was SR 22.1 million with the loss on disposal amounting to SR 4.8 million.
- 15.3 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 ranging from 4 to 25 years with various commencing dates from 2010. The Group has a right to renew these lease agreements.
- 15.4 Property, plant and equipment amounting to SR nil (2023: SR nil) net book value are mortgaged as a security against the loans obtained from the financial institutions. (notes 30 and 34).
- 15.5 Allocation of depreciation charge of property, plant and equipment is as follows:

	2024 SR'000	2023 SR'000
Cost of sales (note 7)	56,891	55,867
Contract costs (note 8)	7,529	6,863
Selling and distribution expenses (note 9)	1,372	2,863
General and administration expenses (note 10)	17,838	18,267
	83,630	83,860

Also refer note 16 for details of impairment loss on property, plant and equipment damaged by fire.

16 FIRE INCIDENT AND INSURANCE CLAIM

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 damaged by fire. In 2023, the Group had made an assessment of the loss caused by the fire incident to the property, plant and equipment and recorded an impairment loss of SR 8.2 million and inventories damaged by fire amounting to SR 162.8 million was written off. The Group filed a claim with the insurance company and the total claim amount, that was accepted and acknowledged by the insurance company amounted to SR 183 million (net of insurance expenses), was recognised in statement of profit or loss as the Company had an unconditional right to receive the amount in full from the insurance company. The Company has received the remaining amount of SR 121.1 million from insurance company during the year.

17 LEASES

The Group has lease contracts for plots of land and buildings used in its operations. Leases of plots of land 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:

	2024 SR'000	2023 SR'000
At 1 January	31,660	57,987
Additions	9,692	9,388
Derecognition	-	(29,338)
Depreciation expense	(6,130)	(6,377)
At 31 December	35,222	31,660

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

17 LEASES (continued)

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

	2024 SR'000	2023 SR'000
At the beginning of the year	27,101	52,908
Interest expense	1,763	2,181
Additions	9,757	12,380
Derecognition	-	(32,508)
Payments	(7,361)	(7,860)
At the end of the year	31,260	27,101
	2024 SR'000	2023 SR'000
Analysed as:		
Current	6,786	4,567
Non-current	24,474	22,534
	31,260	27,101

The maturity analysis of lease liabilities are disclosed in note 40.

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

	2024 SR'000	2023 SR'000
Depreciation expense of right-of-use assets (as disclosed below)	6,130	6,377
Interest expense on lease liabilities (note 12)	1,763	2,181
Expense related to short-term leases (note 7, 8, 9 and 10)	24,825	15,889
Gain on derecognition of leases	-	3,170
Total amount recognised in consolidated statement of profit or loss	32,718	27,617

Allocation of depreciation expense of right-of-use assets is as follows:

	2024 SR'000	2023 SR'000
Cost of sales (note 7)	3,405	3,640
Contracts cost (note 8)	248	248
Selling and distribution expenses (note 9)	59	126
General and administration expenses (note 10)	2,418	2,363
	6,130	6,377

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

18 INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES

Carrying values of the Group's share for investment in an associate and joint ventures are as follows:

	<i>Effective ownership percentage</i>			
	<i>2024</i>	<i>2023</i>	<i>2024</i>	<i>2023</i>
			<i>SR'000</i>	<i>SR'000</i>
<i>Associate</i>				
Rabiah Nasser and Zamil Concrete Industries Company Limited - Saudi Arabia ("RANCO") (note 18.1)	50%	50%	72,157	67,428
			72,157	67,428
<i>Joint ventures</i>				
Perma Pipe Gulf Arabia Industry Company Limited (note 18.2)	20.4%	-	30,329	17,995
Middle East Air Conditioners Company Limited (note 18.3)	51%	51%	3,572	3,805
			33,901	21,800
			106,058	89,228

Movement of the investment in an associate and joint ventures

	<i>2024</i> <i>SR'000</i>			<i>2023</i> <i>SR'000</i>		
	<i>Associate</i>	<i>Joint ventures</i>	<i>Total</i>	<i>Associate</i>	<i>Joint ventures</i>	<i>Total</i>
As at 1 January	67,428	21,800	89,228	58,819	4,493	63,312
Capital contribution	-	-	-	-	5,933	5,933
Share in results - profit or loss	12,022	12,101	24,123	9,267	11,374	20,641
Share in results - OCI	207	-	207	(658)	-	(658)
Dividend	(7,500)	-	(7,500)	-	-	-
As at 31 December	72,157	33,901	106,058	67,428	21,800	89,228

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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18 INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES (continued)

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

	2024 SR'000	2023 SR'000
<i>Summarised statement of financial position of an associate</i>		
Current assets	222,215	224,652
Non-current assets	137,130	148,291
Current liabilities	(177,546)	(190,618)
Non-current liabilities	(37,488)	(47,471)
Net assets	144,311	134,854
Proportion of the Group's ownership	50%	50%
Group's share of net assets	72,157	67,428
<i>Group's carrying amount of the investment</i>	72,157	67,428

RANCO's banker had provided guarantees to various third parties, amounting to SR 59.2 million (2023: SR 84.31 million).

The tables below provide the summarised financial information of an associate of the Group. The information disclosed reflects the amounts presented in the financial statements of the associate and not Group's share of those amounts.

	2024 SR'000	2023 SR'000
<i>Summarised statement of profit or loss and other comprehensive income of an associate</i>		
Revenue	224,209	289,955
Operating profit	30,148	26,456
Net profit for the year	24,044	18,531
Other comprehensive income/(loss)	413	(1,315)
Total comprehensive income for the year	24,457	17,216
<i>Group's share of total comprehensive income</i>	12,229	8,609

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18 INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES (continued)

The tables below provide the summarised financial information of material joint venture of the Group. The information disclosed reflects the amounts presented in the financial statements of the joint venture and not Group's share of those amounts.

Summarised statement of financial position for joint venture

	2024 SR'000	2023 SR'000
Current assets	184,578	90,739
Non-current assets	51,464	38,967
Current liabilities	(132,254)	(56,715)
Non-current liabilities	(29,750)	(29,790)
Net assets	74,038	43,201
Proportion of the Group's ownership	20.4%	20.4%
Group's effective share of net assets	15,468	9,177
Group's effective carrying amount of the investment	15,468	9,177

Summarised statement of comprehensive income for joint venture

	2024 SR'000	2023 SR'000
Revenues	129,524	86,144
Cost of sales	(80,638)	(51,106)
Selling and distribution expenses	-	(990)
General and administrative expenses	(12,689)	(3,003)
Other income	-	272
Finance cost	(1,601)	(83)
Profit before zakat and income tax	34,596	31,234
Zakat	(366)	(431)
Income tax	(4,234)	(4,396)
Total comprehensive income for the year	29,996	26,407
Group's share of total comprehensive income for the year	6,871	6,152

- 18.1 Rabiah Nasser and Zamil Concrete Industries Company Ltd ("RANCO") which is registered in Kingdom of Saudi Arabia and engaged in the production of concrete products, asphalt and polystyrene.
- 18.2 During 2023, 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 2023, the Group had contributed certain plant and equipments to the joint venture company with a net book value of SR 17.9 million and had recorded the loss amounting to SR 1.69 million. The Group had also recorded share of results in joint venture for the period amounting to SR 12.06 million. As at reporting date, the Group's carrying value of investment in joint venture is amounted to SR 30.3 million (2023: SR 17.9 million).
- 18.3 Middle East Air Conditioners Company Limited is registered in Kingdom of Saudi Arabia and is engaged in sale of air conditioners. During the year, the management entered into an agreement with the foreign shareholder, who holds a 49% interest in Middle East Air Conditioner Company, a joint venture, to acquire their ownership stake in the joint venture. The agreed consideration for this acquisition amounts to SAR 3.59 million. Subsequent to the year, the legal formalities necessary to finalize this transaction has been completed.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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19 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<i>Percentage of ownership</i>		<i>2024</i>	<i>2023</i>
	<i>2024</i>	<i>2023</i>	<i>SR'000</i>	<i>SR'000</i>
Kinan International For Real Estate Development Company Limited	2.11%	2.11%	63,840	57,420

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

	<i>2024</i>	<i>2023</i>
	<i>SR '000</i>	<i>SR '000</i>
At the beginning of the year	57,420	59,121
Remeasurements recognised in consolidated statement of other comprehensive income	6,420	(1,701)
At the end of the year	63,840	57,420

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

20 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:

	<i>2024</i>	<i>2023</i>
	<i>SR'000</i>	<i>SR'000</i>
Gross investments in finance lease (see (b) below)	241,169	278,747
Less: Unearned finance income	(29,028)	(38,675)
	212,141	240,072

	<i>2024</i>	<i>2023</i>
	<i>SR'000</i>	<i>SR'000</i>
Analysed as:		
Net investment in finance lease, current	29,139	27,930
Net investment in finance lease, non-current	183,002	212,142
	212,141	240,072

b) The future minimum lease payments to be received consists of:

	<i>2024</i>	<i>2023</i>
	<i>SR'000</i>	<i>SR'000</i>
Within one year	37,578	37,578
After one year but not more than five years	187,888	187,888
More than five years	15,703	53,281
	241,169	278,747

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At 31 December 2024

21 INVENTORIES

	2024 SR'000	2023 SR'000
Raw materials	1,006,764	919,953
Finished goods	369,460	365,480
Work-in-progress	67,620	83,046
Goods in transit	80,316	68,942
Spares	62,377	60,086
	1,586,537	1,497,507
Less: allowance for slow moving and obsolete inventory	(147,642)	(126,272)
	1,438,895	1,371,235

During 2023, the Group had written off the inventories amounting to SR 162.8 million that was damaged by the fire incident.

The movement in the provision for obsolete and slow moving inventory is as follows;

	2024 SR'000	2023 SR'000
At the beginning of the year	126,272	139,043
Charge during the year	35,932	181,524
Written-off during the year	(14,403)	(194,300)
Exchange difference	(159)	5
At the end of the year	147,642	126,272

22 ACCOUNTS RECEIVABLE

	2024 SR'000	2023 SR'000
Accounts receivable	2,071,934	1,983,069
Retentions receivable	441,796	314,199
	2,513,730	2,297,268
Less: allowance for expected credit losses	(614,940)	(439,672)
	1,898,790	1,857,596
Receivables from related parties (note 37)	24,905	33,751
	1,923,695	1,891,347

During 2023, Zamil Air Conditioning & Refrigeration Services Company Limited, a subsidiary of the parent company, had 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 had 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 had 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.

As of the end of the reporting period, the total due from customer amounted to SR 115.1 million, which includes SR 38.3 million billed to the customer, retention receivables of SR 8.7 million and a value of work executed of SR 68.1 million. Based on the management assessment and considering the contractual rights confirmed by the management's legal advisor, the management believe that the amounts due from customer are expected to be fully recoverable.

For terms and conditions related to related parties receivables, refer to note 37.

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22 ACCOUNTS RECEIVABLE (continued)

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

	2024 SR'000	2023 SR'000
At the beginning of the year	439,672	339,303
Allowance for expected credit losses - continuing operations	209,939	111,749
Written-off during the year	(30,950)	(9,908)
Exchange differences	(3,721)	(1,472)
At the end of the year	614,940	439,672

Information about the credit exposures on accounts receivable is disclosed in note 40.

23 CONTRACT ASSETS

	2024 SR'000	2023 SR'000
Value of the work executed to date (refer below)	596,081	629,252
Unbilled revenues	101,462	69,254
	697,543	698,506

	2024 SR'000	2023 SR'000
Value of the work executed to date	3,582,081	3,123,691
Less: Amounts received and receivable as progress billings	(2,874,562)	(2,423,868)
	707,519	699,823
Less: allowance for expected credit losses	(111,438)	(70,571)
	596,081	629,252

Movement in the allowance for expected credit losses of value of work executed to date is as follows:

	2024 SR'000	2023 SR'000
At the beginning of the year	70,571	25,225
Allowance for expected credit losses	40,867	45,346
At the end of the year	111,438	70,571

Also refer note 22 for details of termination of a contract from customer. Information about the credit exposures on contract assets is disclosed in note 40.

24 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	2024 SR'000	2023 SR'000
Advances to suppliers	138,344	123,594
Prepaid expenses	35,735	31,315
Insurance claim receivable (note 16)	-	121,174
Other receivables	84,870	83,374
	258,949	359,457

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
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25 SHORT TERM DEPOSITS

	2024 SR'000	2023 SR'000
Short term deposits	<u>33,223</u>	<u>193,094</u>

Short-term deposits represents the amounts deposited with commercial banks that has the maturity date between more than three months to less than twelve months, earn interest at the respective short-term deposit rates and is subject to insignificant risk of change in value.

26 CASH AND CASH EQUIVALENTS

	2024 SR'000	2023 SR'000
Bank balances and cash	315,848	303,476
Short-term deposits	<u>235,887</u>	<u>124,337</u>
	<u>551,735</u>	<u>427,813</u>

Short-term deposits represents the amounts deposited with commercial banks that has the maturity date upto three months and is subject to insignificant risk of change in value. The average interest rate on the short-term deposits during the year was 3% to 6% per annum (2023: 3.6% to 7.7% per annum).

27 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (2023: same) of SR 10 each (2023: same).

28 STATUTORY RESERVE

On 23 May 2024, at their Extraordinary General Assembly, the Company's shareholders approved amending the Company's by-laws to comply with the New Companies' Law issued on 1 Dhul-Hijjah 1443H (corresponding to 30 June 2022), whereby Article No. 41 of the bylaws relating to the statutory reserve was amended and accordingly the balance of the statutory reserve amounting to SR 10.7 million has been transferred to the retained earnings/(accumulated losses).

In 2023, 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.

29 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:

<u>Name</u>	<u>Country of incorporation</u>	2024	2023
Gulf Insulation Group	Kingdom of Saudi Arabia	49%	49%
Saudi Pre Insulated Pipe Company	Kingdom of Saudi Arabia	49%	49%

Accumulated balances of non-controlling interest:

	2024 SR'000	2023 SR'000
Gulf Insultaion Group (note 1.1)	185,908	190,447
Saudi Pre Insulated Pipe Company	<u>4,761</u>	<u>5,306</u>
	<u>190,669</u>	<u>195,753</u>

Profit allocated to material non-controlling interest:

	2024 SR'000	2023 SR'000
Gulf Insulation Group	40,347	21,082

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

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29 MATERIAL PARTIALLY-OWNED SUBSIDIARIES (continued)

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:

	2024 SR'000	2023 SR'000
Revenues	323,101	268,782
Cost of sales	(186,444)	(168,493)
Other operating expenses	(71,057)	(64,681)
Share in results of a joint venture	12,334	12,063
Other (expense) income	742	(1,444)
Finance costs	(4,243)	(4,850)
Profit before zakat	74,433	41,377
Zakat and income tax	(6,199)	(3,096)
Net profit for the year	68,234	38,281
Other comprehensive income /(loss) for the year	-	(1,233)
Total comprehensive income for the year	68,234	37,048
Attributable to non-controlling interests	40,347	21,082
Dividends paid to non-controlling interests	12,250	-

Summarised statement of financial position:

	2024 SR'000	2023 SR'000
Non-current assets	277,570	259,675
Investments in a joint venture	40,654	17,995
Current assets	225,209	146,521
Non-current liabilities	(60,940)	(31,013)
Current liabilities	(174,569)	(85,329)
Total equity	307,924	307,849
Attributable to:		
Shareholders of the parent company	122,016	117,402
Non-controlling interests	185,908	190,447

Summarised cash flow information for year ended:

	2024 SR'000	2023 SR'000
Cash flows from operating activities	92,928	30,806
Cash used in investing activities	(133,601)	(6,230)
Cash generated from/(used in) financing activities	36,363	(24,858)
Net decrease in the cash and cash equivalents	(4,310)	(282)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

30 TERM LOANS

	2024	2023
	SR'000	SR'000
Term loan	27,118	12,001
	27,118	12,001
Less: current portion:		
Term loan	(5,783)	(10,851)
Non-current portion:		
Term loan	21,335	1,150
	21,335	1,150

The term loans obtained by the Group's subsidiaries for working capital and for certain capital expenditures. The loans are repayable in unequal instalments. The loans carry financial charges at prevailing market borrowing rates. As at 31 December 2024, the Group was in compliance with certain loan covenants as per the agreement with the bank.

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

	SR'000
2025	5,783
2026	5,735
2027 and onwards	15,600
	27,118

31 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 2024 and 31 December 2023 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:

	2024	2023
Discount rate	5.25%	4.60%
Expected rate of salary increase		
- short term	6.00%	2.50%
- long term	4.75%	4.20%

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

	2024	2023
	SR'000	SR'000
Current service cost	29,598	26,855
Interest cost on benefit obligation	11,031	10,048
Net benefit expense	40,629	36,903

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

	2024	2023
	SR'000	SR'000
At the beginning of the year	250,209	224,856
Net benefit expense	40,629	36,903
Benefits paid	(20,671)	(23,639)
Advance payments made as at beginning of the year	-	2,217
Remeasurement loss on employees' defined benefit liabilities	19,617	9,872
At the end of the year	289,784	250,209

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

31 EMPLOYEES' DEFINED BENEFIT LIABILITIES (continued)

Employees' defined benefit obligations due to a reasonable possible change in the significant actuarial assumptions, as at 31 December 2024 and 2023 is, as shown below:

	2024 SR'000	2023 SR'000
<i>Discount rate:</i>		
0.5% increase	271,319	237,473
0.5% decrease	290,167	250,809
<i>Future salary increase:</i>		
0.5% increase	289,477	250,203
0.5% decrease	271,884	237,990

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:

	2024 SR'000	2023 SR'000
Within the next 12 months (next annual reporting period)	29,181	35,980
Between 2 and 5 years	160,631	150,327
Beyond 5 years but less than 10 years	215,350	176,149
Total expected payments	405,162	362,456

The average duration of the defined benefit plan obligation at the end of the reporting period is 6.72 years (2023: 5.39 years).

32 ACCOUNTS PAYABLE

	2024 SR'000	2023 SR'000
Trade accounts payable	524,006	429,127
Retentions payable	34,604	28,813
Related parties (note 37)	11,614	41,792
	570,224	499,732

Trade payables are non-interesting bearing and are normally settled on 30 to 120 days terms. For terms and conditions with related parties, refer to note 37. For explanations on the Group's liquidity risk management processes. Also, refer note 40.

33 ACCRUALS AND PROVISIONS

	2024 SR'000	2023 SR'000
Accrued expenses	592,623	535,325
Accrued contract costs	230,773	124,955
Warranties provision	12,077	12,908
	835,473	673,188

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2024

34 SHORT TERM LOANS

	<i>2024</i>	<i>2023</i>
	<i>SR'000</i>	<i>SR'000</i>
Murabaha and tawarruq finances	2,070,033	2,235,800
Short term loans - conventional	42,275	80,222
	<u>2,112,308</u>	<u>2,316,022</u>

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 2024 is 7.2 % per annum (2023: 6.14% per annum).

35 CONTRACT LIABILITIES

	<i>2024</i>	<i>2023</i>
	<i>SR'000</i>	<i>SR'000</i>
Advances from customers	922,069	1,359,231
Billings in excess of value of work executed (refer below)	480,525	188,812
	<u>1,402,594</u>	<u>1,548,043</u>

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

	<i>2024</i>	<i>2023</i>
	<i>SR'000</i>	<i>SR'000</i>
Amounts received and receivable as progress billings	2,979,190	2,450,575
Less: Value of the work executed to date	(2,498,665)	(2,261,763)
	<u>480,525</u>	<u>188,812</u>

36 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 2024 and 2023 are as follows:

	<i>2024</i>	<i>2023</i>
	<i>SR'000</i>	<i>SR'000</i>
<i>Zakat and income tax:</i>		
Current year income tax charge	19,493	15,073
Zakat charge	15,727	33,544
Deferred tax credit	(3,698)	(2,679)
	<u>31,522</u>	<u>45,938</u>

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

	<i>2024</i>	<i>2023</i>
	<i>SR '000</i>	<i>SR '000</i>
At the beginning of the year	92,087	57,909
Current year provision	35,220	48,617
Payments during the year	(33,658)	(13,292)
Exchange differences	(5,135)	(1,147)
At the end of the year	<u>88,514</u>	<u>92,087</u>

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

36 ZAKAT AND INCOME TAX (continued)

36.1 Zakat

Charge for the year

The zakat charge consists of:

	2024	2023
	SR '000	SR '000
Current year provision	<u>15,727</u>	<u>33,544</u>

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). The Company submitted an appeal against the TVDRC resolution with Tax Violations and Disputes Appellate Committee (TVDAC). Subsequent to the year end, the TVDAC resolution was issued partially in favour of the Company and the revised assessment is awaited. The Group's management believes that the available provision is sufficient for any zakat liability that may arise on finalization of these assessments.

During June 2024, the Company received the decision for the year 2014, issued by the General Secretariat of the Zakat, Tax and Customs Committees reducing the additional liability from SR 46 million to SR 7.3 million, the additional liability was accepted by the Company and settled during the July 2024. Furthermore, the Company received a separate decision that reduced the additional tax liability for the years 2015 to 2018 from SAR 185.5 million to SAR 61 million. Management has accepted this decision and agreed settlement of the revised liability in eleven equal monthly installments starting from November 2024.

Zakat declarations for years 2019 to 2023 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 2020. The zakat declarations for the years 2020 to year 2023 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 2019. The zakat declarations for the year 2019 to year 2023 have been filed with the ZATCA. However, the assessments have not yet been raised by the ZATCA.

36.2 Income tax

Charge for the year

The income tax charge consists of:

	2024	2023
	SR '000	SR '000
Current year provision	<u>19,493</u>	<u>15,073</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

36 ZAKAT AND INCOME TAX (continued)

36.2 Income tax (continued)

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 2024 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 2022. The income tax returns for the years ended 31 March 2023 to 31 March 2024 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 2022. The income tax returns for the years ended 31 March 2023 & 31 March 2024 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 2022. The income tax returns of the company for the year ended 31 March 2023 and 31 March 2024 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 2024.

Zamil Steel Buildings Vietnam Company Limited

Income tax return & assessments have been agreed with the tax authorities ("the TA") of Vietnam up to the year 2022. However, tax returns has been filed upto year 2024.

Zamil Structural Steel - S.A.E - Private Free Zone

The subsidiary, was established under the free zone system according to the provision of Investment Guarantees and Incentive Law number 8 of 1997. Accordingly, the subsidiary is exempted from corporate taxes and withholding taxes and these privileges will continue to apply for the lifetime of the subsidiary.

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 & 2022 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 subsidiaries.

36.3 Deferred tax

Deferred tax asset

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:

	2024 SR'000	2023 SR'000
<i>Deferred tax asset</i>		
Provisions	10,730	9,760
Total deferred tax assets	10,730	9,760

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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36 ZAKAT AND INCOME TAX (continued)

36.3 Deferred tax (continued)

	2024 SR'000	2023 SR'000
<i>Deferred tax liability</i>		
Accelerated depreciation for tax purposes	(519)	(559)
Total deferred tax liability	(519)	(559)
Net deferred tax asset	10,211	9,201

Reconciliation of deferred tax assets, net was as follows:

	2024 SR '000	2023 SR '000
At the beginning of the year	9,201	7,395
Charge during the year	3,963	2,475
Exchange differences	(2,953)	(669)
At the end of the year	10,211	9,201

Deferred tax liability

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:

	2024 SR'000	2023 SR'000
<i>Deferred tax liability</i>		
Accelerated depreciation for tax purposes	8,688	8,827
Total deferred tax liability	8,688	8,827

	2024 SR'000	2023 SR'000
<i>Deferred tax asset</i>		
Employees' defined benefit liabilities	1,027	-
Allowance for expected credit losses	-	1,242
Provisions	1,007	1,196
Total deferred tax assets	2,034	2,438
Net deferred tax liability	6,654	6,389

Reconciliation of deferred tax liability, net was as follows:

	2024 SR'000	2023 SR'000
At the beginning of the year	6,389	6,593
Credit during the year	265	(204)
At the end of the year	6,654	6,389

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.

37 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.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2024

37 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

<i>Relationship and name of related party</i>		<i>Sales to related parties</i>	<i>Purchases from related parties</i>	<i>Amounts owed by related parties</i>	<i>Amounts owed to related parties</i>
		<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
<i>Entity with significant influence over the Group</i>					
Zamil Group Holding Company	2024	8,280	31,749	18,099	3,182
	2023	7,398	25,779	17,617	25,221
Arabian Gulf Construction Company	2024	253	-	386	-
	2023	1,655	-	1,413	-
<i>Joint venture</i>					
Middle East Air Conditioners Company Limited	2024	-	-	-	6,965
	2023	-	-	-	7,234
<i>Associates</i>					
Rabiah Nasser & Zamil Concrete Industries Company Limited	2024	1,179	-	5,837	-
	2023	1,179	-	11,264	-
ZNA Infra Private Limited - India	2024	-	-	-	-
	2023	-	-	2,946	-
Other related parties	2024	10,336	418	583	1,467
	2023	13,319	26,565	511	9,337
Total	2024	20,048	32,167	24,905	11,614
	2023	23,551	52,344	33,751	41,792

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

	2024	2023
	SR'000	SR'000
Short-term employee benefits	5,561	4,459
Post-employment benefits	381	338
Total compensation	5,942	4,797

The directors' remuneration for the year ended 31 December 2024 amounted to SR 1.6 million (2023: SR 1.7 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 22 and 32).

38 CONTINGENCIES AND COMMITMENTS

Guarantees

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,715 million (2023: SR 2,166 million).

Capital commitments

The Board of Directors have approved future capital expenditure amounting to SR 204.2 million (2023: SR 162.9 million), relating to certain expansion projects.

39 SEGMENTAL INFORMATION

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

The air conditioners industry, which is engaged in production of window, split and central air conditioners, electrical and gas ovens, automatic dryers, microwave ovens, air-conditioning ducts/channels, household refrigerators, automatic washing machines and installation, maintenance, operation and leasing of air conditioning and refrigeration systems.

The steel industry, which is engaged in construction, managing and operating industrial projects, constructing, managing and operating airports and warehouses, constructing and providing fire protection services for building and structures, building, repairing and maintaining the communication towers, business of steel sheets works, heavy equipment and its spare parts, storage tanks, installation containers and pumps and implementation of electric works.

The insulation industry, which is engaged in production of complete line of insulation products including fiberglass for using in thermal insulation of central air conditioners, pre-insulated pipes, glass wool, rock wool and engineering plastic foam insulations.

Corporate and others, which are engaged in providing corporate and shared services, training and investment activities.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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39 **SEGMENTAL INFORMATION (continued)**

Business segments

For the year ended 31 December 2024 (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	2,491,018	3,290,746	298,060	1,025	6,080,849	-	6,080,849
Inter-segment	3,064	-	26,927	-	29,991	(29,991)	-
	2,494,082	3,290,746	324,987	1,025	6,110,840	(29,991)	6,080,849
Finance lease income	9,647	-	-	-	9,647	-	9,647
Total revenue	2,503,729	3,290,746	324,987	1,025	6,120,487	(29,991)	6,090,496
<i>Timing of revenue recognition:</i>							
At a point in time	1,198,276	2,330,932	324,987	1,025	3,855,220	(29,991)	3,825,229
Over time	1,295,806	959,814	-	-	2,255,620	-	2,255,620
	2,494,082	3,290,746	324,987	1,025	6,110,840	(29,991)	6,080,849
Gross profit	365,332	552,464	136,905	1,025	1,055,726	2,926	1,058,652
Operating (loss)/profit	(44,930)	191,230	64,342	(41,042)	169,600	4,206	173,806
<i>Unallocated (expenses)/income:</i>							
Income from insurance claim							-
Finance costs							(173,067)
Other income, net							73,309
Share in results of an associate and joint ventures							24,123
Profit before zakat and income tax and discontinued operations							98,171
Zakat and income tax							(31,522)
Discontinued operations							111
Net profit for the year							66,760

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

39 **SEGMENTAL INFORMATION (continued)**

Business segments (continued)

For the year ended 31 December 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	1,494,562	2,863,352	314,683	1,025	4,673,622	-	4,673,622
Inter-segment	3,062	28,524	13,042	-	44,628	(44,628)	-
	1,497,624	2,891,876	327,725	1,025	4,718,250	(44,628)	4,673,622
Finance lease income	10,805	-	-	-	10,805	-	10,805
Total revenue	1,508,429	2,891,876	327,725	1,025	4,729,055	(44,628)	4,684,427
<i>Timing of revenue recognition:</i>							
At a point in time	1,016,123	2,282,325	327,725	1,025	3,627,198	(44,628)	3,582,570
Over time	481,501	609,551	-	-	1,091,052	-	1,091,052
	1,497,624	2,891,876	327,725	1,025	4,718,250	(44,628)	4,673,622
Gross profit/(loss)	89,127	374,727	107,270	(1,795)	569,329	2,906	572,235
Operating (loss)/profit	(366,751)	37,726	30,717	(35,654)	(333,962)	4,419	(329,543)
<i>Unallocated (expenses)/income:</i>							
Income from insurance claim							183,240
Finance costs							(187,754)
Other income, net							41,617
Share in results of associates and a joint venture							20,641
Loss before zakat and income tax and discontinued operations							(271,799)
Zakat and income tax							(45,938)
Discontinued operations							39,329
Net loss for the year							(278,408)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

39 **SEGMENTAL INFORMATION (continued)**

Business segments (continued)

<i>At 31 December 2024 (SR '000)</i>							
	<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	3,984,389	2,960,536	554,404	760,310	8,259,639	(2,226,523)	6,033,116
Total liabilities	3,907,070	2,142,005	236,766	1,304,611	7,590,452	(2,226,523)	5,363,929
<i>Others:</i>							
Investment in an associate and joint ventures	-	-	-	116,382	116,382	-	116,382
Capital expenditure	18,754	82,139	14,004	1,449	116,346	-	116,346
<i>At 31 December 2023 (SR '000)</i>							
	<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	2,966,340	2,727,549	443,499	1,274,241	7,411,629	(1,339,301)	6,072,328
Total liabilities	2,862,467	2,065,063	124,821	1,711,722	6,764,073	(1,339,301)	5,424,772
<i>Others:</i>							
Investment in an associate and joint ventures	-	-	17,995	71,233	89,228	-	89,228
Capital expenditure	11,586	58,677	6,289	4,247	80,799	-	80,799

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

39 SEGMENTAL INFORMATION (continued)

Geographic information

	2024 SR '000	2023 SR '000
<i>Revenue from external customers:</i>		
Kingdom of Saudi Arabia	4,968,046	3,425,936
Egypt	466,999	538,901
Other Asian countries	655,451	719,590
	6,090,496	4,684,427
	2024 SR '000	2023 SR '000
<i>Non-current operating assets:</i>		
Kingdom of Saudi Arabia	607,262	603,923
Egypt	54,349	58,313
Other Asian countries	64,891	62,395
	726,502	724,631

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

40 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 receivable, 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 summarised 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 2024 and 2023.

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 2024 and 2023, 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

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 2024 and 2023, 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 Indian Rupees. The following tables demonstrate the sensitivity to a reasonably possible change in Egyptian Pound and Indian Rupee exchange rates, with all other variables held constant. The impact on the Group's pre-tax equity is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in Egyptian Pound rate	Effect on other components in equity SR '000
31 December 2024	3%	1,530
	-3%	(1,530)
31 December 2023	+3%	1,560
	-3%	(1,560)
	Change in Indian Rupee rate	Effect on other components in equity SR '000
31 December 2024	2%	1,440
	-2%	(1,440)
31 December 2023	+2%	1,336
	-2%	(1,336)

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 63,840 thousands (2023: SR 57,420 thousands).

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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:

	2024	2023
	SR '000	SR '000
Cash and cash equivalents	551,735	427,813
Short-term deposits	33,223	193,094
Accounts receivable	1,923,695	1,891,347
Contract assets	697,543	698,506
Net investments in finance lease	212,141	240,072
Other receivables	84,870	83,374
	3,503,207	3,534,206

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 2024, the Group has obtained letter of credits as collateral over its receivables amounting to SR 164.83 million (2023: SR 176.5 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit risk (continued)

Set out below is the information about the credit risk exposure at 31 December 2024 on the Group's accounts receivable and contract assets:

	<i>Gross carrying amount SR'000</i>	<i>Loss rate %</i>	<i>Expected credit losses SR'000</i>
Accounts receivable:			
Current	1,057,421	2%	22,107
Less than 30 days	140,266	3%	3,685
31- 60 days	79,207	4%	2,993
61 - 90 days	71,893	7%	5,181
91 - 180 days	102,002	11%	11,675
181 - 360 days	70,173	33%	22,940
More than 360 days	550,972	86%	475,804
Retentions receivable	441,796	16%	70,555
	2,513,730		614,940
Contract assets	808,981	14%	111,438
	3,322,711		726,378

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

Set out below is the information about the credit risk exposure at 31 December 2023 on the Group's accounts receivable and contract assets:

	<i>Gross carrying amount SR'000</i>	<i>Loss rate %</i>	<i>Expected credit losses SR'000</i>
Accounts receivable:			
Current	905,623	1%	5,288
Less than 30 days	200,684	1%	2,527
31- 60 days	133,609	3%	4,430
61 - 90 days	41,233	6%	2,268
91 - 180 days	121,131	4%	4,772
181 - 360 days	73,267	20%	14,575
More than 360 days	507,522	77%	388,493
Retentions receivable	314,199	6%	17,319
	2,297,268		439,672
Contract assets	769,077	9%	70,571
	3,066,345		510,243

Based on a provision matrix, the Group's expected credit losses at 31 December 2024 against its accounts receivable and contract assets exposed to credit risk amounted to SR 614.9 million and SR 111.4 million (2023: SR 439.6 million and SR 70.5 million) respectively. Accordingly, the Group recognised an amount of SR 250.86 million (2023: SR 157.09 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 (2023: SR nil) attributable to discontinued operations. The Group recognised an amount of SR nil (2023: SR nil) as provision for expected credit losses as part of its net loss on discontinued operations in the consolidated statement of profit or loss.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

b) Credit risk (continued)

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:

As at 31 December 2024

	<i>on demand</i>	<i>< 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>> 5 years</i>	<i>Total SR' 000</i>
Accounts payable	11,614	558,610	-	-	-	570,224
Lease liabilities	-	7,111	116	16,869	8,760	32,856
Other financial liabilities	-	823,396	-	-	-	823,396
Short term loans	-	2,112,308	-	-	-	2,112,308
Term loans	-	2,892	2,891	21,335	-	27,118
	11,614	3,504,317	3,007	38,204	8,760	3,565,902

As at 31 December 2023

	<i>on demand</i>	<i>< 6 months</i>	<i>6 to 12 months</i>	<i>1 to 5 years</i>	<i>> 5 years</i>	<i>Total SR' 000</i>
Accounts payable	41,792	457,940	-	-	-	499,732
Lease liabilities	-	2,263	2,440	17,722	9,638	32,063
Other financial liabilities	-	660,280	-	-	-	660,280
Short term loans	-	2,316,022	-	-	-	2,316,022
Term loans	-	5,425	5,425	1,151	-	12,001
	41,792	3,441,930	7,865	18,873	9,638	3,520,098

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
At 31 December 2024

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Changes in liabilities arising from financing activities:

	<i>As at 31 December 2024</i>			
	<i>1 January 2024 SR' 000</i>	<i>Cash inflow/others SR' 000</i>	<i>(Cash outflow) SR' 000</i>	<i>31 December 2024 SR' 000</i>
Short term loans	2,316,022	9,728,025	(9,931,739)	2,112,308
Term loans	12,001	26,000	(10,883)	27,118
Lease liabilities	27,101	4,159	-	31,260
Total liabilities from financing activities	2,355,124	9,758,184	(9,942,622)	2,170,686

	<i>As at 31 December 2023</i>			
	<i>1 January 2023 SR' 000</i>	<i>Cash inflow/others SR' 000</i>	<i>(Cash outflow) SR' 000</i>	<i>31 December 2023 SR' 000</i>
-	-	-	-	-
Short term loans	2,826,598	14,294,302	(14,804,878)	2,316,022
Term loans	28,007	-	(16,006)	12,001
Lease liabilities	52,908	6,701	(32,508)	27,101
Total liabilities from financing activities	2,907,513	14,301,003	(14,853,392)	2,355,124

41 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 2024 and the year ended 31 December 2023. Capital comprises share capital, statutory reserve, retained earnings and other reserves and is measured at SR 478,518 thousands as at 31 December 2024 (2023: SR 451,803 thousands).

42 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.

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

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.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 December 2024

42 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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:

	<i>Carrying value SR '000</i>	<i>Fair value SR '000</i>	<i>Fair value measurement using</i>		
			<i>Level 1 SR '000</i>	<i>Level 2 SR '000</i>	<i>Level 3 SR '000</i>
31 December 2024					
<i>Equity instruments at fair value through other comprehensive income</i>					
At fair value	63,840	63,840	-	-	63,840
	63,840	63,840	-	-	63,840
	<i>Carrying value SR '000</i>	<i>Fair value SR '000</i>	<i>Fair value measurement using</i>		
			<i>Level 1 SR '000</i>	<i>Level 2 SR '000</i>	<i>Level 3 SR '000</i>
31 December 2023					
<i>Equity instruments at fair value through other comprehensive income</i>					
At fair value	57,420	57,420	-	-	57,420
	57,420	57,420	-	-	57,420

The fair value of the Group's investments in unquoted equity shares at 31 December 2024 and 2023 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 2024 and 2023. 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.

43 COMPARATIVE FIGURES

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

44 SUBSEQUENT EVENTS

Subsequent to the year end, the group has acquired 49% ownership of Middle East Air Conditioner Company (MEAC). Accordingly, the group share in Middle East Air Conditioner Company has increased from 51% to 100%. The legal formalities has been completed subsequent to the yearend and settled the consideration.

Subsequent to the year end, Gulf Insulation Group "GIG" has finalized the share purchase agreement with Arabian Fibreglass Insulation Company Limited "AFICO" foreign sharehodler and settled amounting to SR 123.75 million which results in effective ownership of Zamil Industrial Investment Company changes from 26% to 51% in Arabian Fibreglass Insulation Company Limited "AFICO". Legal formalities has been completed.

In the opinion of management, there have been no other significant subsequent events since the year ended 31 December 2024 that would have a material impact on the consolidated financial position of the Group as reflected in these consolidated financial statements.