

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

Interim Condensed Consolidated Financial Statements

for the Three-Month Period Ended **31 March 2025**
and Independent Auditors' Review Report



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

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

For the three-month period ended 31 March 2025

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Zamil Industrial Investment Company ("the Company") and its subsidiaries (collectively referred to as "the Group" as at 31 March 2025, and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended, and explanatory notes. The management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

for Ernst & Young Professional Services



Marwan S. AlAfaliq
Certified Public Accountant
License No. (422)



Al Khobar: 21 Thul-Qi'dah 1446H
19 May 2025

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the three-month period ended 31 March 2025

		For the three-month period ended	
	Notes	31 March	
		2025	2024
		SR'000	SR'000
		(Unaudited)	(Unaudited)
REVENUES			
Revenue from contracts with customers	4	1,517,805	1,301,897
Finance lease income		2,233	2,522
		1,520,038	1,304,419
DIRECT COSTS			
Cost of sales		(784,103)	(761,217)
Contract costs		(487,968)	(343,749)
		(1,272,071)	(1,104,966)
GROSS PROFIT		247,967	199,453
EXPENSES			
Selling and distribution		(50,215)	(47,600)
General and administration		(128,072)	(130,418)
OPERATING PROFIT		69,680	21,435
Share in results of an associate and joint ventures		6,179	4,297
Other income, net		12,705	43,981
Finance costs		(40,026)	(45,290)
PROFIT BEFORE ZAKAT AND INCOME TAX		48,538	24,423
Zakat and income tax	5	(12,605)	(7,433)
PROFIT FOR THE PERIOD		35,933	16,990
ATTRIBUTABLE TO:			
Shareholders of the parent company		21,813	5,427
Non-controlling interests		14,120	11,563
		35,933	16,990
EARNINGS PER SHARE:			
Basic and diluted earnings per share attributable to the shareholders of the parent company		0.36	0.09

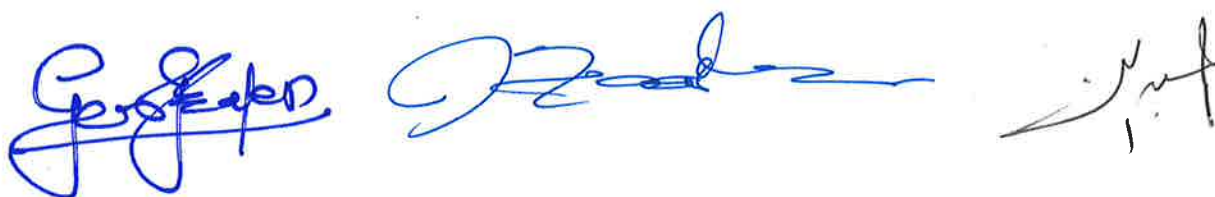




The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three-month period ended 31 March 2025

	<i>For the three-month period ended 31 March</i>	
	2025	2024
	SR'000	SR'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	35,933	16,990
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	438	(20,886)
Net other comprehensive income / (loss) that may be reclassified to profit or loss in subsequent periods	438	(20,886)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	36,371	(3,896)
ATTRIBUTABLE TO:		
Shareholders of the parent company	22,251	(15,459)
Non-controlling interests	14,120	11,563
	36,371	(3,896)



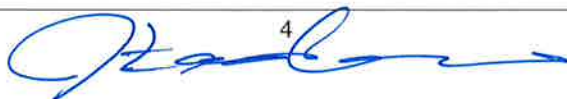
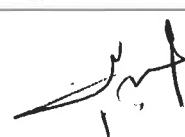
Zamil Industrial Investment Company (A Saudi Joint Stock Company) and its Subsidiaries

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2025

		31 March 2025 SR'000 (Unaudited)	31 December 2024 SR'000 (Audited)
	Notes		
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	707,323	691,280
Right-of-use assets		33,947	35,222
Investments in an associate and joint ventures	8	108,663	106,058
Equity instrument at FVOCI	16	63,840	63,840
Net investments in finance lease		175,527	183,002
Amount due from a joint venture		10,324	10,324
Deferred tax assets, net		10,259	10,211
TOTAL NON-CURRENT ASSETS		1,109,883	1,099,937
CURRENT ASSETS			
Inventories		1,387,446	1,438,895
Accounts receivable	9	1,802,621	1,923,695
Contract assets		712,494	697,543
Advances, prepayments and other receivables		347,286	258,949
Current portion of net investment in finance lease		29,452	29,139
Short term deposits		-	33,223
Cash and cash equivalents		503,823	551,735
TOTAL CURRENT ASSETS		4,783,122	4,933,179
TOTAL ASSETS		5,893,005	6,033,116
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	600,000	600,000
Accumulated losses		(56,526)	(52,153)
Foreign currency translation reserve		(96,547)	(96,985)
Fair value of equity instrument at FVOCI		27,656	27,656
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		474,583	478,518
NON-CONTROLLING INTERESTS		107,219	190,669
TOTAL EQUITY		581,802	669,187
NON-CURRENT LIABILITIES			
Term loans		120,857	21,335
Employees' defined benefit liabilities		298,600	289,784
Lease liabilities		25,541	24,474
Deferred tax liabilities, net		6,654	6,654
TOTAL NON-CURRENT LIABILITIES		451,652	342,247
CURRENT LIABILITIES			
Accounts payable		671,747	570,224
Accruals and provisions		825,365	835,473
Short term loans	11	2,014,277	2,112,308
Current portion of term loans		31,333	5,783
Current portion of lease liabilities		5,463	6,786
Contract liabilities		1,229,826	1,402,594
Zakat and income tax provision	5	81,540	88,514
TOTAL CURRENT LIABILITIES		4,859,551	5,021,682
TOTAL LIABILITIES		5,311,203	5,363,929
TOTAL EQUITY AND LIABILITIES		5,893,005	6,033,116

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three-month period ended 31 March 2025

	Attributed to shareholders of the parent company					Non-controlling interests	Total equity
	Share capital	Statutory reserve	Accumulated losses	Foreign currency translation reserve	Fair value of equity instrument at FVOCI		
	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000	SR '000
Balance at 1 January 2025 (Audited)	600,000	-	(52,153)	(96,985)	27,656	478,518	190,669
Net profit for the period	-	-	21,813	-	-	21,813	14,120
Other comprehensive income	-	-	-	438	-	438	-
Total comprehensive income for the period	-	-	21,813	438	-	22,251	14,120
Acquisition of non-controlling interest in a subsidiary (note 1.1)	-	-	(26,186)	-	-	(26,186)	(97,570)
Balance at 31 March 2025 (Unaudited)	600,000	-	(56,526)	(96,547)	27,656	474,583	107,219
Balance at 1 January 2024 (Audited)	600,000	10,747	(109,810)	(70,370)	21,236	451,803	195,753
Net profit for the period	-	-	5,427	-	-	5,427	11,563
Other comprehensive loss	-	-	-	(20,886)	-	(20,886)	-
Total comprehensive income/(loss) for the period	-	-	5,427	(20,886)	-	(15,459)	11,563
Balance at 31 March 2024 (Unaudited)	600,000	10,747	(104,383)	(91,256)	21,236	436,344	207,316



The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three-month period ended 31 March 2025

	<i>For the three-month period ended 31 March</i>	
	<i>2025</i>	<i>2024</i>
	<i>SR'000</i>	<i>SR'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
OPERATING ACTIVITIES		
Profit before zakat and income tax	48,538	24,423
<i>Adjustments to reconcile profit before zakat and income tax to net cash flows:</i>		
Depreciation of property, plant and equipment	21,740	18,880
Depreciation of right-of-use assets	1,294	1,409
Provision for employees' defined benefit liabilities	8,384	12,742
Finance costs	40,026	45,290
Share in results of an associate and joint ventures	(6,179)	(4,297)
Gain on disposal of property, plant and equipment	-	(2)
	113,803	98,445
<i>Working capital adjustments:</i>		
Inventories	51,449	76,703
Accounts receivable	127,157	67,195
Contract assets	(14,951)	(133,315)
Advances, prepayments and other receivables	(88,337)	(59,697)
Net investment in finance lease	7,162	6,873
Accounts payable	78,551	16,638
Accruals and provisions	(10,586)	(22,675)
Contract liabilities	(172,768)	122,727
Cash from operations	91,480	172,894
Financial charges paid	(35,926)	(44,368)
Employees' defined benefit liabilities paid	(3,278)	(3,862)
Zakat and income tax paid	(19,896)	(3,195)
Net cash flows from operating activities	32,380	121,469
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(37,644)	(21,071)
Proceeds from disposal of property, plant and equipment	-	151
Addition of right-of-use asset	(19)	-
Acquisition of subsidiaries, net of cash acquired	(102,814)	-
Proceeds from short term deposits	33,223	165,961
Net cash flows (used in) / from investing activities	(107,254)	145,041
FINANCING ACTIVITIES		
Net movement in short term loans	(98,031)	(29,679)
Net movement in term loans	125,072	(2,607)
Payments against lease liabilities	(649)	(1,775)
Net cash flows from / (used in) financing activities	26,392	(34,061)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(48,482)	232,449
Cash and cash equivalents at the beginning of the period	551,735	427,813
Movement in foreign currency translation reserve, net	570	(19,599)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	503,823	640,663

Significant non-cash transaction:

Payable for purchase of a subsidiary

22,300

The attached notes 1 to 18 form part of these interim condensed consolidated financial statements.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2025

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:

	<i>Country of incorporation</i>	<i>Effective ownership Percentage</i>	
		31 March 2025	31 December 2024
- Zamil Steel Holding Company Limited	Saudi Arabia	100%	100%
- Zamil Steel Pre-Engineered Buildings Company Limited	Saudi Arabia	100%	100%
- Zamil Structural Steel Company Limited	Saudi Arabia	100%	100%
- Zamil Towers & Galvanizing Company	Saudi Arabia	100%	100%
- Zamil Process Equipment Company Limited	Saudi Arabia	100%	100%
- Zamil Inspection & Maintenance of Industrial Projects Company Limited	Saudi Arabia	100%	100%
- Metallic Construction and Contracting Company Limited	Egypt	100%	100%
- Zamil Air Conditioners Holding Company Limited	Saudi Arabia	100%	100%
- Zamil Air Conditioners & Home Appliances Company Limited	Saudi Arabia	100%	100%
- Zamil Central Air Conditioners Company Limited	Saudi Arabia	100%	100%
- Zamil Air Conditioning & Refrigeration Services Company Limited	Saudi Arabia	100%	100%
- Ikhtebar Company Limited	Saudi Arabia	100%	100%
- Eastern District Cooling Company Limited	Saudi Arabia	100%	100%
- Zamil Energy Services Company Limited	Saudi Arabia	100%	100%
- Zamil Air Conditioning and Refrigeration Services Company W.L.L	Bahrain	100%	100%
- Advanced Building Solutions for Projects Company (formerly Zamil Steel Construction Company Limited)	Saudi Arabia	100%	100%
- Arabian Stonewool Insulation Company	Saudi Arabia	100%	100%
- Second Insulation Company Limited	Saudi Arabia	100%	100%
- Saudi Preinsulated Pipes Industries	Saudi Arabia	51%	51%
- Gulf Insulation Group (refer note 1.1)	Saudi Arabia	51%	51%
- Saudi Rockwool Factory Company	Saudi Arabia	51%	51%
- Arabian Fiberglass Insulation Company Limited (refer note 1.1)	Saudi Arabia	51%	26%
- Building Component Solutions Company Limited	Saudi Arabia	51%	51%
- Middle East Air Conditioners Company Limited (refer note 7)	Saudi Arabia	100%	-
- 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 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%

1 CORPORATE INFORMATION (continued)

- 1.1 On 18 Jumada al-Alkhirah 1446H (corresponding to 19 December 2024), Gulf Insulation Group ("GIG") has signed the share purchase agreement (SPA) with the foreign shareholder of Arabian Fiberglass Insulation Company Limited ("AFICO") amounting to SR 123.75 million to acquire the remaining 49% shareholding in AFICO from the foreign shareholder. During the period, the legal formalities have been completed and effective from 18 March 2025, Gulf Insulation Group, has acquired 100% ownership of AFICO and this resulted in decrease of non-controlling interest by SR 97.57 million. This has resulted in partial gain of control and Parent Company have recognized the excess of consideration paid over book value of net assets of the partial acquisition of ownership amounting to SR 26.1 million in consolidated statement of changes in equity.

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

The interim condensed consolidated financial statements of the Group as of 31 March 2025 were authorised for issuance in accordance with the Board of Directors resolution on 19 May 2025 (corresponding to 21 Thul-Qi'dah 1446H).

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

2.1 Basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia (KSA). The Group has prepared the interim condensed consolidated financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2024. In addition, the results of the operations for the period ended 31 March 2025 do not necessarily represent an indicator for the results of the operations for the year ending 31 December 2025.

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

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

2.2 New standards, interpretation and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of new standards effective as of 1 January 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

One amendment applies for the first time in 2025, but does not have an impact on the interim condensed consolidated financial statements of the Group.

Lack of exchangeability - Amendments to IAS 21

The amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates 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 are effective for annual reporting periods beginning on or after 1 January 2025. When applying the amendments, an entity cannot restate comparative information.

The amendments did not have a material impact on the Group's interim condensed consolidated financial statements.

3 SIGNIFICANT ACCOUNTING ESTIMATES, JUDGEMENTS AND ASSUMPTIONS

The preparation of the Group's interim condensed 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

4 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

Type of revenue from contracts with customers	<i>For three-month period ended</i>	
	<i>31 March (Unaudited)</i>	
	<i>2025</i>	<i>2024</i>
	<i>SR '000</i>	<i>SR '000</i>
Sale of goods	919,210	838,131
Revenue from long-term contracts	517,971	376,519
Rendering of services	80,624	87,247
Total revenue from contracts with customers	<u>1,517,805</u>	<u>1,301,897</u>

Reconciliation of the Group's disaggregate revenue for its reportable segments, geographical markets, and timing of revenue recognition is disclosed in note 15.

5 ZAKAT AND INCOME TAX

a) Zakat

The provision for the period is based on zakat base of the Company and its wholly owned Saudi subsidiaries as a whole and individual zakat base of other Saudi subsidiaries (2024: same).

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

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 43.6 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 2024 have been filed with ZATCA. However, the assessments have not yet been raised by ZATCA.

b) Income tax

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2025

5 ZAKAT AND INCOME TAX (continued)

c) *Deferred tax*

During the period, the Group has recorded a net deferred tax benefit of SR 0.48 million (31 March 2024: net deferred tax loss of SR 1.4 million).

6 PROPERTY, PLANT AND EQUIPMENT

During the three-month period ended 31 March 2025, the Group has acquired assets with a cost of SR 37.6 million (three-month period ended 31 March 2024: SR 21.1 million) and charged depreciation to the interim condensed consolidated statement of profit or loss of SR 21.7 million (three-month period ended 31 March 2024: SR 18.8 million). There have been no disposals during the three-month period ended 31 March 2025 (three-month period ended 31 March 2024: assets with a net book value of SR 149 thousand were disposed of, resulting in profit of SR 2 thousand).

7 BUSINESS COMBINATION

7.1 Acquisition of Middle East Air Conditioners Company Limited

On 6 Shawwal 1445H (corresponding to 15 April 2024), the Parent company entered into an agreement with the foreign shareholder of Middle East Air Conditioners Company Limited ("MEAC"), pursuant to which the Parent company has agreed to acquire the remaining 49% shareholding in MEAC from the foreign shareholder. Middle East Air Conditioners Company Limited ("MEAC") is a limited liability company registered in Dammam, Kingdom of Saudi Arabia under commercial registration number 2050032242 dated 20 Thul-Hijjah 1417H (corresponding to 27 April 1997). The registered office of the Company is P.O Box 14441, Dammam 31424, Kingdom of Saudi Arabia. The Company is engaged in manufacturing and trading of room and split air conditioners.

During the period, on 26 Shaban 1446H (corresponding to 25 February 2025), the Parent company acquired the control of MEAC and all legal formalities have been completed. As a result, the ownership of Zamil Industrial Investment Company increased from 51% to 100%, transforming MEAC from a joint venture into a wholly-owned subsidiary.

The acquisition has been accounted for using the acquisition method under IFRS 3 – Business Combinations (the "Standard") with Parent company being the acquirer and subsidiary being the acquiree. As required by the Standard, the Parent company is in the process of allocating the purchase consideration to the identifiable assets and liabilities till the date of interim condensed consolidated financial statements were authorized for issue. Accordingly, the Parent company has accounted for the acquisition based on the provisional fair values of the acquired assets and liabilities as at the acquisition date as the independent valuations have not been finalized. Adjustments to those provisional values will be finalized within twelve months of the date of acquisition as allowed by the Standard.

The provisional fair value of assets acquired and liabilities assumed at the acquisition date 25 February 2025 are as follows :

	<u>Amounts</u> <u>SR '000</u>
Assets	
Due from related parties	6,083
Bank balances and cash	2,227
Total assets	<u>8,310</u>
Liabilities	
Trade payables	-
Accrued expenses and other payables	672
Total liabilities	<u>672</u>
Total identifiable net assets	<u>7,638</u>
Total identifiable net assets attributable to the Company before acquisition @ 51%	<u>3,895</u>
Total identifiable net assets attributable to the Company for the acquisition @ 49%	<u>3,743</u>
Gain arising on bargain purchase	<u>(152)</u>
Purchase consideration transferred	<u><u>3,591</u></u>

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2025

7 BUSINESS COMBINATION (continued)

7.1 Acquisition of Middle East Air Conditioners Company Limited (continued)

Analysis of cash flows on acquisition

	<u>Amounts</u> <u>SR '000</u>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	2,227
Cash paid*	<u>(3,591)</u>
Net cash flow expected on acquisition	<u>(1,364)</u>

* Represents the cash paid during 2025.

8 INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES

In 2024, the Parent company entered into an agreement with the foreign shareholder, who owned 49% interest in Middle East Air Conditioner Company ("MEAC"), a joint venture, to acquire their ownership stake in the joint venture. The agreed consideration for this acquisition amounted to SAR 3.59 million. During the period, the Parent company has acquired the shares and legal formalities have been completed. Refer to note 7 for more details.

9 ACCOUNTS RECEIVABLE

	<i>31 March</i> <i>2025</i> <i>SR'000</i>	<i>31 December</i> <i>2024</i> <i>SR'000</i>
Trade accounts receivable	1,958,741	2,071,934
Retentions receivable	<u>466,770</u>	<u>441,796</u>
	2,425,511	2,513,730
Less: allowance for expected credit losses	<u>(643,685)</u>	<u>(614,940)</u>
Receivables from related parties (note 14)	<u>20,795</u>	<u>24,905</u>
	<u>1,802,621</u>	<u>1,923,695</u>

10 SHARE CAPITAL

The authorised, issued and fully paid share capital of the Company is divided into 60 million shares (31 December 2024: same) of SR 10 each.

11 SHORT TERM LOANS

	<i>31 March</i> <i>2025</i> <i>SR'000</i>	<i>31 December</i> <i>2024</i> <i>SR'000</i>
Murabaha and tawarruq loans	1,977,617	2,070,033
Short term loans - conventional	<u>36,660</u>	<u>42,275</u>
	<u>2,014,277</u>	<u>2,112,308</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 period ended 31 March 2025 is 6.6% per annum (2024: 7.2% per annum).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2025

12 TERM LOANS

	31 March 2025	31 December 2024
	SR'000	SR'000
Term loan	152,190	27,118
Current portion	31,333	5,783
Non-current portion	120,857	21,335
	152,190	27,118

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 at SIBOR plus 1.2% per annum. As at 31 March 2025 and 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:

	31 March 2025	31 December 2024
	SR'000	SR'000
2025	25,300	5,783
2026	32,987	5,735
2027 and onwards	93,903	15,600
	152,190	27,118

13 CONTINGENCIES

The Group's bankers have issued performance and payments guarantees, on behalf of the Group, amounting to SR 1,508 million (31 December 2024: SR 1,715 million).

14 RELATED PARTY TRANSACTIONS AND BALANCES

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

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

<i>Relationship and name of related party</i>	<i>Nature of transactions</i>	Three-month period ended 31 March (Unaudited)	
		2025	2024
		SR '000	SR '000
<i>Ultimate parent company</i>			
Zamil Group Holding Company	Sales	947	2,968
	Purchases	4,237	7,517
<i>Other related parties</i>			
	Sales	188	866
	Purchases	1,006	1,082

The compensation to the key management personnel during the period amounted to SR 1.53 million (31 March 2024: SR 0.915 million).

The compensation to the Board of Directors during the period amounted to SR 0.425 million (31 March 2024: SR 0.425 million).

14 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Amounts due from related parties at 31 March 2025 amounting to SR 20.8 million (31 December 2024: SR 24.9 million) have been included in accounts receivable in interim condensed consolidated statement of financial position. Amounts due to related parties at 31 March 2025 amounting to SR 26.8 million (31 December 2024: SR 11.6 million) have been included in the accounts payable in interim condensed consolidated statement of financial position.

15 SEGMENTAL INFORMATION

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

The air conditioners industry, which is engaged in the manufacture and sale of residential, commercial, and industrial HVAC equipment, including window, split, and central air-conditioners, as well as fabrication of air-conditioning ducts and channels, and the installation, leasing, operation, and after-sales maintenance of air-conditioning and refrigeration systems.

The steel industry, which is engaged in engineering, manufacturing, and supplying pre-engineered steel buildings, structural steel, and plate work; fabricating steel sheets, storage tanks, pressure vessels, silos, heavy-equipment parts, installation containers, and pumps; and providing related design, detailing, galvanizing, erection, and after-sales services for industrial, commercial, and infrastructure projects.

The construction industry, which is engaged in turnkey industrial and commercial projects, encompassing civil, structural, mechanical, electrical, and plumbing (MEP) works; engineering, procurement, and construction (EPC) contracting; project management; the construction and operation of airports, warehouses, logistics parks, and specialised facilities; the installation of fire-protection and communication-tower systems; and the provision of integrated building solutions from concept design through commissioning.

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2025

15 SEGMENTAL INFORMATION (continued)

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

Business segments

	<i>For the three-month period ended 31 March 2025 (SR '000)</i>						
	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Construction industry</i>	<i>Insulation industry</i>	<i>Corporate and others</i>	<i>Total segments</i>	<i>Adjustments and eliminations Consolidated</i>
<i>Revenue from contracts with customers:</i>							
External customers	358,228	727,357	325,503	106,460	257	1,517,805	-
Inter-segment	-	442	-	25,683	-	26,125	(26,125)
	358,228	727,799	325,503	132,143	257	1,543,930	(26,125)
Finance lease income	2,233	-	-	-	-	2,233	-
Total revenue	360,461	727,799	325,503	132,143	257	1,546,163	(26,125)
<i>Timing of revenue recognition:</i>							
At a point in time	274,556	619,003	-	132,143	257	1,025,959	(26,125)
Over time	83,672	108,796	325,503	-	-	517,971	-
	358,228	727,799	325,503	132,143	257	1,543,930	(26,125)
Gross profit	56,228	109,598	36,015	45,136	257	247,234	733
Operating profit/(loss)	4,475	29,115	18,572	25,601	(9,259)	68,504	1,176
<i>Unallocated (expenses)/profit:</i>							
Share in results of an associate and a joint venture							6,179
Other income, net							12,705
Finance costs							(40,026)
Profit before zakat and income tax							48,538
Zakat and income tax							(12,605)
Net profit for the period							35,933

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2025

15 SEGMENTAL INFORMATION (continued)

Business segments (continued)

For the three-month period ended 31 March 2024 (SR '000)								
	Air conditioner industry	Steel industry	Construction industry	Insulation industry	Corporate and others	Total segments	Adjustments and eliminations	Consolidated
Revenue from contracts with customers:								
External customer	297,232	678,519	251,668	76,064	256	1,303,739	(1,842)	1,301,897
Inter-segment	-	49	-	5,688	-	5,737	(5,737)	-
	297,232	678,568	251,668	81,752	256	1,309,476	(7,579)	1,301,897
Finance lease income	2,522	-	-	-	-	2,522	-	2,522
Total revenue	299,754	678,568	251,668	81,752	256	1,311,998	(7,579)	1,304,419
Timing of revenue recognition:								
At a point in time	256,626	592,481	-	81,752	256	931,115	(5,737)	925,378
Over time	40,606	86,087	251,668	-	-	378,361	(1,842)	376,519
	297,232	678,568	251,668	81,752	256	1,309,476	(7,579)	1,301,897
Gross profit	61,107	98,622	3,680	35,056	256	198,721	732	199,453
Operating profit/(loss)	(13,090)	32,065	(8,750)	18,004	(7,822)	20,407	1,028	21,435
Unallocated (expenses)/profit:								
Share in results of an associate and joint ventures								4,297
Other income, net								43,981
Finance costs								(45,290)
Profit before zakat and income tax								24,423
Zakat and income tax								(7,433)
Net profit for the period								16,990

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2025

15 SEGMENTAL INFORMATION (continued)

<i>At 31 March 2025 (SR '000)</i>								
	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Construction 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	1,743,762	2,575,139	1,161,271	606,625	1,308,819	7,395,616	(1,502,611)	5,893,005
Total liabilities	1,456,282	1,740,754	1,267,648	387,810	1,961,320	6,813,814	(1,502,611)	5,311,203
<i>Others:</i>								
Investments in an associate and joint venture	-	-	-	-	108,663	108,663	-	108,663
Capital expenditure	5,222	29,046	1,874	1,502	-	37,644	-	37,644
<i>At 31 December 2024 (SR '000)</i>								
	<i>Air conditioner industry</i>	<i>Steel industry</i>	<i>Construction 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	1,621,970	2,514,074	1,331,311	554,404	760,310	6,782,069	(748,953)	6,033,116
Total liabilities	1,329,728	1,707,788	1,448,989	236,766	1,389,611	6,112,882	(748,953)	5,363,929
<i>Others:</i>								
Investments in an associate and joint venture	-	-	-	-	116,382	116,382	-	116,382
Capital expenditure	18,711	82,097	85	14,004	1,449	116,346	-	116,346

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

At 31 March 2025

15 SEGMENTAL INFORMATION (continued)

Geographic information

	<i>For the three-month ended 31 March (Unaudited)</i>	
	2025 SR '000	2024 SR '000
<i>Revenue from external customers:</i>		
Kingdom of Saudi Arabia	1,213,366	1,028,191
Other Asian countries	179,749	140,062
Egypt	126,923	136,166
	1,520,038	1,304,419
	<i>31 March 2025</i>	<i>31 December 2024</i>
	<i>SR '000</i>	<i>SR '000</i>
<i>Non-current operating assets:</i>		
Kingdom of Saudi Arabia	616,886	607,262
Other Asian countries	54,116	54,349
Egypt	70,268	64,891
	741,270	726,502

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

16 FAIR VALUES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

	<i>Carrying value</i>	<i>Fair value</i>	<i>Fair value measurement using</i>		
	<i>SR '000</i>	<i>SR '000</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
			<i>SR '000</i>	<i>SR '000</i>	<i>SR '000</i>
31 March 2025					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	63,840	63,840	-	-	63,840
	63,840	63,840	-	-	63,840

16 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

	<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>
<i>31 December 2024</i>					
<i>Equity instrument at fair value through other comprehensive income</i>					
At fair value	63,840	63,840	-	-	63,840
	<u>63,840</u>	<u>63,840</u>	<u>-</u>	<u>-</u>	<u>63,840</u>

The fair value of the Group's investment in unquoted equity shares at 31 March 2025 and 31 December 2024 was measured using Level 3 (significant unobservable inputs). The Group estimated the fair value of the investment using adjusted net asset method. The adjusted net asset method involves deriving the fair value of an investee's equity instruments by reference to the fair value of its assets and liabilities. The management believes that there have been no significant changes in the value of investment from 31 December 2024.

17 COMPARATIVE FIGURES

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

18 SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events since the period ended 31 March 2025 that would have a material impact on the interim condensed consolidated financial statements.