



البابطين للطاقة و الاتصالات  
AL-BABTAIN POWER & TELECOM

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**  
(A Saudi Joint Stock Company)  
**Consolidated Financial Statements**  
**and the Independent Auditor's Report**  
**for the Year Ended 31 December 2022**

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**Consolidated Financial Statements****For the Year Ended 31 December 2022**

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	<b>Pages</b>
Independent Auditor's Report on consolidated Financial Statements	1-6
Consolidated Statement of Financial Position as at 31 December 2022	7
Consolidated Statement of Profit or Loss for the year ended 31 December 2022	8
Consolidated Statement of Other Comprehensive Income for the year ended 31 December 2022	9
Consolidated Statement of Changes in Equity for the year ended 31 December 2022	10
Consolidated Statement of Cash Flows for the year ended 31 December 2022	11
Notes to the consolidated Financial Statements for the year ended 31 December 2022	12-60

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF AL-BABTAIN POWER AND TELECOMMUNICATION COMPANY (A Saudi Joint Stock Company) (1/6)

#### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

##### OPINION

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Al-Babtain Power and Telecommunication Company (the "Company") and its subsidiaries (together the "Group"), as at 31 December 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

We have audited the consolidated financial statements of the Group, which comprise of the following:

- The consolidated statement of financial position as at 31 December 2022;
- The consolidated statements of profit or loss for the year then ended;
- The consolidated statement of other comprehensive income for the year then ended;
- The consolidated statement of changes in equity for the year then ended;
- The consolidated statement of cash flows for the year then ended, and;
- The notes to the consolidated financial statements, including a summary of significant accounting policies.

##### 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 from the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF AL-BABTAIN POWER AND TELECOMMUNICATION COMPANY (A Saudi Joint Stock Company) (2 / 6)

#### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### KEY AUDIT MATTERS

Key Audit Matters	How our audit addressed the key audit matter
<b>Revenue Recognition</b>	
<p>With reference to the accounting policy relating to the revenue recognition, the Group's revenues for the year ended 31 December 2022 amounted to 2.205 million Saudi Riyals (2021: SR 1,502 million ).</p> <p>Revenue is a key indicator of performance measurement, resulting in inherent risks in the revenue recognition process through revenue overstatements or inappropriately recognized before the Group fulfills the performance obligation as well as improperly evaluating the Group's relationship to its contracts with clients as principal or agent.</p> <p>Revenue is recognized when services are provided to customer.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>■ Assessing of the appropriateness of the Goup's revenue recognition policy based on IFRS 15 "Revenue from contracts with customer".</li> <li>■ Evaluation of the design and impelmenetion of the internal control over revenue recognition.</li> <li>■ Performing a test of a sample of recorded revenue transactions and compared them with supporting documents to verify the existence of recorded revenue.</li> <li>■ Peformed procdure to test the reliability and integrity of customers and sales mastr dada provided to us.</li> <li>■ Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases.</li> <li>■ Assessing the adequacy of the made in the consolidated financial statements.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF AL-BABTAIN POWER AND TELECOMMUNICATION COMPANY**  
 (A Saudi Joint Stock Company) (3 /6)

**REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

**KEY AUDIT MATTERS (continued)**

Inventory Valuation	
<p>This item was considered a key audit matter due to the nature and value of the account balance and the significant judgments and key assumptions applied by the management in determining the provision of obsolete inventory, as at 31 December 2022, the Group's inventories balance was 833.5 milion Saudi Riyals net of provision for obsolete inventory of 11.6 milion Saudi Riyal (2021 SR: 674.9 milion net of provision for obsolete inventory of SR 9.4 milion).</p> <p>Inventory are stated at the lower of cost and net realizable value and provision is made by the Group, where necessary, for obsolete inventory. The management determines the level of obsolescence of inventory considering the nature, aging profile and sales expectations using historical trends and other qualitative factors.</p> <p>Further, at each reporting date, management reviews the valuation of inventory and costs of inventory is written down where inventory is forecasted to be sold at below cost.</p> <p>Refer to note 5-5 of the consolidated financial statements for accounting policy and note 14 for the related disclosures in the accompanying consolidated financial statements.</p>	<p>We have performed the following procedures:</p> <ul style="list-style-type: none"> <li>■ Evaluation of the design and impelmenetion of the internal control over inventory valuation.</li> <li>■ Assessed the adequacy of impairment considerations in trade receivables in accordance with the Group's policies and assessed compliance with the applicable accounting standards.</li> <li>■ Asses management's assumptions used in determining the impairment loss .</li> <li>■ Identification of trade debtors exposed to credit risk and checking whether they have been correctly included in management's assessment of impairment .</li> <li>■ Recalculating the decline in the value of trade receivables based on the group's policies to ensure that the decline is appropriate at the date of the statement of financial position</li> <li>■ Assessing the adequacy of the made in the consolidated financial statements.</li> </ul>

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF AL-BABTAIN POWER AND TELECOMMUNICATION COMPANY (A Saudi Joint Stock Company) (4/6)

#### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

##### OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the Annual Report of the Group but does not include the consolidated financial statements and our auditor's report thereon, which is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. 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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA and Regulations for Companies and the Company's Bylaws 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, 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 the management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors, are responsible for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF AL-BABTAIN POWER AND TELECOMMUNICATION COMPANY (A Saudi Joint Stock Company) (5 /6)

#### REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

#### 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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's 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF AL-BABTAIN POWER AND TELECOMMUNICATION COMPANY  
(A Saudi Joint Stock Company) (6/6)

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

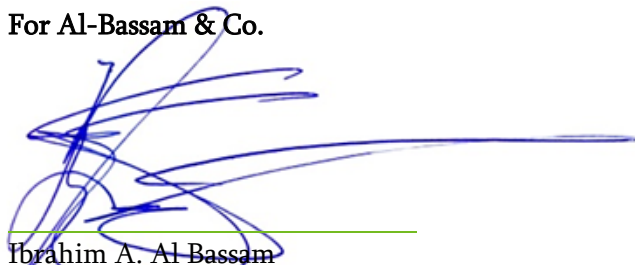
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for direction, supervision and performance of group audit. We remain solely responsible 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.

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, related safeguards.

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 year 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 Al-Bassam & Co.



Ibrahim A. Al-Bassam  
Certified Public Accountant  
License No. 337  
Riyadh: 18 Ramadan 1444H  
Corresponding to: 9 April 2023





**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**Consolidated Statement of Financial Position****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)**

	Note	31 December 2022	31 December 2021
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, Plant and equipment	6	395,173,651	396,136,751
Intangible assets	7	27,605,022	27,573,686
Investment properties	8	48,396,240	29,077,079
Investment at fair value through other comprehensive income (FVOCI)	9	89,554,166	85,639,196
Investment in non-consolidated subsidiaries	10	-	205,000
Investment in Associates and Joint Venture	11	8,243,134	9,335,550
Right-of-use assets	12-1	25,243,484	27,918,093
Due from related parties – non-current	15-a	22,080,724	-
<b>Total Non-current assets</b>		<b>616,296,421</b>	<b>575,885,355</b>
<b>Current assets</b>			
Inventory	13	833,560,697	674,920,349
Trade receivables	14	837,520,195	648,491,964
Due from related parties – current	15	14,455,146	53,788,354
Prepaid expenses and other receivables	16	91,146,954	88,835,035
Contract assets	17	212,733,722	208,153,276
Positive fair value derivatives	18	20,305,182	-
Investment at fair value through profit or loss	19	17,965,819	379,800
Cash and cash equivalents	20	178,652,661	210,709,260
<b>Total current assets</b>		<b>2,206,340,376</b>	<b>1,885,278,038</b>
Assets held for sale	21	3,762,118	-
<b>Total assets</b>		<b>2,826,398,915</b>	<b>2,461,163,393</b>
<b>Shareholder's equity and liabilities</b>			
<b>Shareholder's equity</b>			
Share capital	22	426,313,120	426,313,120
Statutory reserve	23	127,893,936	127,893,936
Foreign currency exchange reserve		(95,029,773)	(60,265,098)
Investment at fair value through FVTOCI reserve		(31,341,702)	(35,256,672)
Actuarial gains / (losses)		5,901,918	(1,288,761)
Retained earnings		417,445,085	377,767,089
<b>Total equity attributable to the company's shareholders</b>		<b>851,182,584</b>	<b>835,163,614</b>
<b>Non-controlling interest</b>	24	<b>14,129,652</b>	<b>15,427,262</b>
<b>Total Shareholder's Equity</b>		<b>865,312,236</b>	<b>850,590,876</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term loans – non-current portion	27-1	381,950,822	541,704,396
Liabilities against right of use asset – non-current portion	12-2	20,424,125	21,803,224
Employees' post-employment benefits	28	68,517,376	78,218,261
Deferred Revenue-non-current portion	29	25,004,761	-
<b>Total Non-current liabilities</b>		<b>495,897,084</b>	<b>641,725,881</b>
<b>Current liabilities</b>			
Long term loans - current portion	27-1	389,366,340	228,583,341
Short term loans	27-2	786,306,857	496,671,537
Liabilities against right of use asset – current portion	12-2	4,101,453	4,795,360
Deferred Revenue-current portion	29	8,472,616	-
Trade payables		90,138,733	117,638,987
Due to related parties	15-b	13,898,041	16,131,833
Accruals expenses and other payables	30	148,260,452	92,826,855
Provision for Zakat and income tax	31	24,645,103	12,198,723
<b>Total current liabilities</b>		<b>1,465,189,595</b>	<b>968,846,636</b>
<b>Total liabilities</b>		<b>1,961,086,679</b>	<b>1,610,572,517</b>
<b>Total Shareholder's equity and liabilities</b>		<b>2,826,398,915</b>	<b>2,461,163,393</b>
commitment and contingencies	40		

The accompanying notes 1 to 46 form an integral part of these financial statements.

Chief Financial Officer

Muhammad Najah Tokhi

Chief Executive Officer

Jawad Jamil Ismail Abu Shehadeh

Chairman of Board of Directors

Ibrahim Hamad Abdullah Al-Babtain

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**Consolidated Statement of profit or loss****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)**

	Note	31 December 2022	31 December 2021
Revenues	32	2,205,761,925	1,502,119,800
Cost of revenues	33	(1,928,453,474)	(1,307,335,291)
<b>Gross profit</b>		<b>277,308,451</b>	<b>194,784,509</b>
Selling and marketing expenses	34	(29,100,064)	(25,150,110)
General and administrative expenses	35	(86,224,890)	(80,439,167)
<b>Net profit from operating activities</b>		<b>161,983,497</b>	<b>89,195,232</b>
Finance cost	36	(69,659,347)	(36,379,256)
Foreign Currency Revaluation differences	37	(11,597,284)	-
Loss (reverse) from Expected credit losses	14	(16,000,383)	4,972,102
Group's share of net results of Associates and Joint Venture	11	(5,135,120)	5,523,343
Realized gains from the sale of investments carried at fair value through profit or loss	19	2,824,091	-
Unrealized loss from the measurement of investments at fair value through profit or loss	19	(2,537,966)	-
Gain from derivatives carried at fair value through profit and loss	18	20,305,182	-
Other income	38	16,700,145	7,279,550
<b>Net profit from continuing operations before zakat &amp; income tax</b>		<b>96,882,815</b>	<b>70,590,971</b>
Zakat and income tax	31	(33,815,179)	(19,374,477)
<b>Net profit for the year (from continuing operations)</b>		<b>63,067,636</b>	<b>51,216,494</b>
loss from available-for-sale operations	21	(4,810,741)	-
<b>Net profit for the year</b>		<b>58,256,895</b>	<b>51,216,494</b>
<b>Income for the year attributable to:</b>			
Shareholders of parent company		60,435,460	51,029,030
Non-controlling equity	24	(2,178,565)	187,464
		<b>58,256,895</b>	<b>51,216,494</b>
<b>Basic and diluted earnings per share:</b>			
From the profit of the year attributable to the company's shareholders (continuing operations)	39/1	1.42	1.20
From the profit of the year attributable to the company's shareholders (non- continuing operations)	39/2	(0.11)	-

The accompanying notes 1 to 46 form an integral part of these financial statements.

Chief Financial Officer

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Chief Executive Officer

Jawad Jamil Ismail Abu Shehadeh

Chairman of Board of Directors

Ibrahim Hamad Abdullah Al-Babtain

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**Consolidated Statement of other comprehensive income****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)**

	Note	31 December 2022	31 December 2021
Net profit of the year		58,256,895	51,216,494
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Revaluation Gain of investment carried at fair value through other comprehensive income	9	3,914,970	30,640,462
Re-measurement gain on end-of-service benefits	28	7,190,679	2,744,979
<b>Items that can be reclassified to profit or loss</b>			
Foreign currency revaluation differences		(34,764,675)	22,128,952
<b>Total other comprehensive (loss) / gain</b>		<b>(23,659,026)</b>	<b>55,514,393</b>
<b>Total comprehensive income for the year</b>		<b>34,597,869</b>	<b>106,730,887</b>
<b>Comprehensive income for the year attributable to</b>			
Shareholders of parent company		36,776,434	106,543,423
Non-controlling interest		(2,178,565)	187,464
		<b>34,597,869</b>	<b>106,730,887</b>

The accompanying notes 1 to 46 form an integral part of these financial statements.

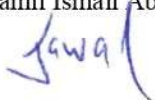
Chief Financial Officer

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Jawad Jamil Ismail Abu Shehadeh



Chairman of Board of Directors

Ibrahim Hamad Abdullah Al-Babtain





**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**Consolidated Statement of Changes In Shareholders' Equity**

**For the Year Ended 31 December 2022**

(All amounts in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Foreign currency exchange reserve	Investment at fair value through FVTOCI reserve	Actuarial gain / (loss) reserve	Retained earnings	Total equity attributable to the Shareholders of parent company	Non-controlling equity	Total shareholders' equity
<b>Year ended at December 31, 2021</b>									
Balance at January 1, 2021	426,313,120	127,893,936	(82,394,050)	(65,897,134)	(4,033,740)	374,596,224	776,478,356	15,239,798	791,718,154
Affiliate company adjustments (note 26)	-	-	-	-	-	(2,219,470)	(2,219,470)	-	(2,219,470)
Adjustments (note 26)	-	-	-	-	-	(3,007,383)	(3,007,383)	-	(3,007,383)
Dividends paid-Note (25 B)	-	-	-	-	-	(42,631,312)	(42,631,312)	-	(42,631,312)
Net income of the year	-	-	-	-	-	51,029,030	51,029,030	187,464	51,216,494
Other comprehensive income items	-	-	22,128,952	30,640,462	2,744,979	-	55,514,393	-	55,514,393
Total comprehensive income for the year	-	-	22,128,952	30,640,462	2,744,979	51,029,030	106,543,423	187,464	106,730,887
<b>Balance as at 31 December 2021</b>	<b>426,313,120</b>	<b>127,893,936</b>	<b>(60,265,098)</b>	<b>(35,256,672)</b>	<b>(1,288,761)</b>	<b>377,767,089</b>	<b>835,163,614</b>	<b>15,427,262</b>	<b>850,590,876</b>
<b>Year ended at December 31, 2022</b>									
Balance at January 1, 2022	426,313,120	127,893,936	(60,265,098)	(35,256,672)	(1,288,761)	377,767,089	835,163,614	15,427,262	850,590,876
Consolidation of a subsidiary of Al-Babtain Contracting Qatar (Note 26)	-	-	-	-	-	394,086	394,086	-	394,086
Purchase of an additional share in Al-Babtain for Leblanc Egypt for communications engineering. (Note 26)	-	-	-	-	-	439,045	439,045	(439,045)	-
Reclassification of Actuarial Loss & Profits in Metalogalva Company (Note 26)	-	-	-	-	-	(274,939)	(274,939)	-	(274,939)
Capital increase in Al-Babtain Metalogalva Ltd (Note 26)	-	-	-	-	-	-	-	1,320,000	1,320,000
Dividends paid-Note (25 A)	-	-	-	-	-	(21,315,656)	(21,315,656)	-	(21,315,656)
Net income of the year	-	-	-	-	-	60,435,460	60,435,460	(2,178,565)	58,256,895
Other comprehensive income items	-	-	(34,764,675)	3,914,970	7,190,679	-	(23,659,026)	-	(23,659,026)
Total comprehensive income for the year	-	-	(34,764,675)	3,914,970	7,190,679	60,435,460	36,776,434	(2,178,565)	34,597,869
<b>Balance as at 31 December 2022</b>	<b>426,313,120</b>	<b>127,893,936</b>	<b>(95,029,773)</b>	<b>(31,341,702)</b>	<b>5,901,918</b>	<b>417,445,085</b>	<b>851,182,584</b>	<b>14,129,652</b>	<b>865,312,236</b>

The accompanying notes 1 to 46 form an integral part of these financial statements.

Chief Financial Officer

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**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CASH FLOW****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)**

	Notes	31 December 2022	31 December 2021
<b>Cash flows from operating activities</b>			
Net income from continued operations before Zakat & income tax		96,882,815	70,590,971
Loss from discontinued operations		(4,810,741)	-
Net income before Zakat & income tax		92,072,074	70,590,971
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	6	27,951,992	27,259,257
Gain on disposal of property plans, and equipment	38	2,366	(82,484)
Depreciation on right-of-use assets	12	3,867,325	3,483,170
Amortization intangible assets	7	1,946,782	1,792,529
Gain from derivatives carried at fair value through profit and loss	18	(20,305,182)	-
Employee's benefits	28	9,505,553	7,391,382
provided of expected credit loss during the year	14	16,000,383	1,578,915
Reversed of provision for expected credit losses during the year	14	-	(4,972,102)
Provision of slow-moving inventory	13	2,663,541	1,204,471
Income from selling investments at fair value through profit or loss	19	(2,824,091)	(740,823)
change in measurement of investments at fair value through profit or loss at the end of the year	19	2,537,966	-
Loss/(gain) in investment in joint venture	11	5,135,120	(5,523,343)
Finance costs	36	69,659,347	36,379,256
		208,213,176	138,361,199
<b>Changes in operating assets and liabilities</b>			
Trade receivables		(204,682,542)	(44,054,303)
Inventory		(160,987,517)	(238,126,412)
Prepaid expenses and other receivables		(17,057,906)	3,201,125
contract assets		(4,541,927)	(50,971,093)
Trade payables		(27,500,254)	20,412,681
Deferred revenue		33,477,377	-
Accrued expenses and other payables		55,433,597	(7,762,891)
Due to related parties		8,814,456	895,488
Employees' post-employment benefits paid	28	(12,015,759)	(9,273,531)
Zakat and income tax paid	31-1	(21,368,799)	(20,411,888)
<b>Net cash used in operating activities</b>		<b>(142,216,098)</b>	<b>(207,729,625)</b>
<b>Cash flows from investing activities</b>			
proceeds from sale of investments carried at fair value through profit or loss	19	25,054,741	3,305,211
Addition of financial assets at fair value through profit or loss	19	(42,354,635)	(2,944,188)
Proceeds from investments at fair value through OCI		-	10,229,013
Additions of intangible assets	7	(2,016,438)	(2,858,980)
Additions of property plant, and equipment	6	(39,178,972)	(25,888,759)
Additions of investments properties	8-1	(4,573,174)	-
proceeds from disposal of property plant and equipment		530,445	3,241,204
<b>Net cash used in investing activities</b>		<b>(62,538,033)</b>	<b>(14,916,499)</b>
<b>Cash flows from financing activities</b>			
Repaid from financing facilities during the year	2/1-27	(3,367,234,418)	(4,483,603,142)
Proceeds from financing facilities during the year	2/1-27	3,657,899,163	4,838,267,622
Paid lease obligation	12	(5,409,341)	(6,183,106)
Dividends Paid	25	(21,315,656)	(42,631,312)
Finance costs paid	36	(67,729,890)	(34,158,712)
<b>Net cash Generated from financing activities</b>		<b>196,209,858</b>	<b>271,691,350</b>
<b>Net Change in cash and cash equivalents</b>		<b>(8,544,273)</b>	<b>49,045,226</b>
Cash and cash equivalents at beginning of the year		210,709,260	143,358,837
Effect of exchange rate change on cash and cash equivalent		(23,512,326)	18,305,197
<b>Cash and cash equivalents at the end of the year</b>		<b>178,652,661</b>	<b>210,709,260</b>
<b>Non-cash transactions</b>	43		

The accompanying notes 1 to 46 form an integral part of these financial statements.

**Chief Financial Officer**

Muharramad Naim Tokhi

**Chief Executive Officer**

Jawad Jamil Ismail Abu Shehadeh

**Chairman of Board of Directors**

Ibrahim Hamad Abdullah Al-Babtajn

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****1. LEGAL STATUS AND ACTIVITY**

Al-Babtain Power and Telecommunications Company - a Saudi joint stock company (hereinafter referred to as "the company") was established under Commercial Registration No. 1010063868 issued at Riyadh on 19/2/1407 H corresponding to 23/10/1986. The Company practices its activity pursuant to the resolution of Ministry of Trade and Industry No.1304 dated 27 Jumada Al-Awal 1424 H corresponding to 27 July 2003.

The Company's activity represents The main activity of the company is represented in (designing and producing poles, masts and lanterns for lighting streets, stadiums and squares as well as towers and poles for power transmission and communications, marketing, selling and manufacturing decorative poles and LED lighting, installation, operation and maintenance of programs for telecommunications systems, computer devices and networks, mechanical and electrical equipment for factories, production of metal components Mobile solar photovoltaic tracking systems single and biaxial and fixed metal components of the solar photovoltaic system, installing, maintaining and repairing wind energy networks and generating electric energy, carrying out electrical and mechanical works, designing, supplying and installing communication systems, installing and maintaining equipment for communication systems - contracting - oil field services activity and gas).

On 31December 2022, the Company owns, directly or indirectly, majority stakes, enabling it to control subsidiaries collectively known as the "Group", and the company's business and its subsidiaries set out below are concentrated in the production of lighting poles, power transmission and accessories, power transmission towers and accessories, as well as communication towers, operation and maintenance of communication programs and systems, and the following is a statement of the subsidiaries and their activities:

On 31December 2022, the Company owns, directly or indirectly, majority shares that enable it to control subsidiaries collectively known as the "Group", and the following is a statement of the subsidiaries and their ownership ratios.

<u>Company name</u>	<u>Country of</u>	<u>Capital by the currency of established county</u>	<u>Core Business</u>	<u>Contribution%</u>	
<u>First, Directly Owned Companies</u>				<u>2022</u>	<u>2021</u>
Al Babbtain Power and Telecommunication	Egypt	EGP125,000,000	Design and production of poles, masts and lanterns for street lighting, stadiums and squares, as well as towers and poles for power transmission and communications	%100	%100
Al Babbtain LeBlanc for engineering communication limited	KSA	SAR 10,000,000	Design, supply, and communication system installation	%100	%100
AL Babbtain for operation & Maintenance Limited	KSA	SAR 500,000	Installation, operation and maintenance of programs for wired and wireless communication systems, computer devices and networks, and mechanical and electrical equipment for factories	%100	%100
Integrated Lighting Company – limited	KSA	SAR 26,800,000	Manufacturing, sale, and marketing the decorative pole and LED lighting	%100	%100
Al Babbtain Qatar for Contracting (1/1/1)	Qatar	QR 200,000	Carrying out electrical and mechanical works	%100	%100
Al Babbtain International Wind Power	KSA	SAR 5,000,000	Installing, maintaining and repairing wind energy networks and generating electrical energy	%100	%100
ABabbtain Metalogalva Solar Limited (2/1/1)	KSA	SAR 21,300,000	Production of metal moving components f single and biaxial solar PV tracking systems and fixed metal components for solar PV system	%60	%60
<u>Second, indirectly owned companies</u>					
Babbtain LeBlanc Egypt for engineering communication (3/1/1)	EGYPT	EGP 35,091,000	Design, supply, and communication system installation	%99.72	%85
Al Babbtain for Power and lighting solution	EGYPT	EGP 95,272,000	Production and marketing of poles, masts, galvanized metal structures and solar lighting	%100	%100
Al Babbtain LeBlanc UAE for engineering communication	UAE	UAD 11,000,000	Design, supply, and communication system installation	%100	%100
Al Babbtain Meddle East for installing telecommunication systems	UAE	UAD 1,000,000	Installation and maintenance of communications systems equipment - Contracting - oil and gas field services activity	%70	%70

# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

### 1. LEGAL STATUS AND ACTIVITY (CONTINUOUS)

1/1/1 - With reference to the decision of the Board of Directors on November 2, 2017, it was approved to restructure the company due to its economic impact resulting from the political crisis of the State of Qatar with the Kingdom of Saudi Arabia, which in turn was reflected in the negative results of the group, and according to the management's decision on December 28, 2022, the completion of the Restructuring the company by activating it, and accordingly, the results, assets and liabilities of the subsidiary company were consolidated in the financial statements, and this is considered effective from the date of December 01, 2022 .

1/1/2 - The capital of Al-Babtain Metalogalfa Limited Company was increased by 3,300,000 Saudi riyals, as the value of the company's share in the increase amounted to 1,980,000 riyals according to the partners' decision on October 27, 2022.

1/1/3- During the year 2022, the partners in LeBlanc Egypt Telecommunications Engineering Company, an Egyptian joint stock company, agreed to amend the ownership structure in the company, and accordingly, the percentage of group ownership in the subsidiary company increased to 99.72%, and all legal procedures were completed during the year, and according to the minutes of the extraordinary general assembly meeting, it was approved to sell a share of the shareholders to one of the subsidiaries, Al-Babtain Operation and Maintenance Company.

The Group's financial year starts from the beginning of January and ends at the end of December of the same year.

The Company operates through its following branches:

<u>Branch Name</u>	<u>Issue Date</u>	<u>CR No.</u>
Al-Babtain Factory for Poles and Masts (Branch)	11-3-1986	1010064131
Al-Babtain factory for lighting and distribution boards (Branch)	11-3-1986	1010064130
Al-Babtain Factory for Towers and Metal Structures (Branch)	11-29-1995	1010139399

### 2. BASIS OF PREPARATION

#### 2-1 Applied Accounting Policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

#### 2-2 Basis Of Consolidation

The consolidated financial statements include the financial statements of Company and its subsidiaries (collectively the "Group") as disclosed within note (1).

Accordingly, comprises of the financial statements of the parent company and its subsidiaries as at 31 December 2022.

Subsidiaries are entities which are controlled by the Group. 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, and
- The ability to use its power over the investee to affect its returns

When the Group maintains less than the majority of 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 with the over voting holders of the investee company.
- Rights arising from other contractual arrangements.
- The Groups voting rights and potential rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses its control the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date that the Group gains until the date the Group ceases to control over subsidiary.

# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2-2 Basis of Consolidation (Continued)

Profit or loss and each component of consolidated comprehensive income are attributed to shareholders of the parent of the Group and the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group accounting policies. All intra-group asset and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full upon consolidation.

A change in the ownership interest of subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying amount of any non-controlling interest.
- Derecognizes the cumulative translation differences recorded in equity.
- Verify the fair value of the consideration received.
- Verify the fair value of any investment retained.
- Checks of any surplus or deficit in consolidated statement of profit or loss
- Reclassifies the parent company share of components previously recognized in the comprehensive income to consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

#### 2-3 Basis of Measurement

These financial statements have been prepared in accordance with the historical cost principle, except for:

A- Investments measured at fair value.

B- Employees' end of service benefits are recognized at the present value of future obligations using the expected unit credit method.

C- Derivative financial instruments at fair value

#### 2-4 Currency Presentation and Activity

These financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Company. All amounts have been rounded to the nearest Saudi Riyal, unless otherwise indicated.

### 3- New standards, Amendments to Standards and Interpretations:

#### Amendments

A number of new amendments to the standards, described below, are effective during the current year but do not have a material impact on the Group's financial statements, except as indicated below.

#### 3-1 New amendments to standards issued and applied as of 2022.

Amendments to standard	Description	Effective for annual years beginning on or after	Summary of the amendment
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022	The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments.



**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****3 - NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS: (CONTINUED)****3-1 New Amendments To Standards Issued And Applied As Of 2022 (CONTINUED).**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 16, IFRS 9, IAS 41 and IFRS 1	Annual Improvements to IFRS Standards 2018–2020	January 1, 2022	IFRS 16: The amendment removes the illustration of the reimbursement of leasehold improvements. IFRS 9: The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender. The amendment is to be applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment. IAS 41: The amendment removes the requirement in IAS 41 for entities to exclude cash flows for taxation when measuring fair value. IFRS 1: The amendment provides additional relief to a subsidiary that becomes a first-time adopter later than its parent in respect of accounting for cumulative translation difference
IFRS 16	Property, Plant, and Equipment: Proceeds before Intended Use	January 1, 2022	The amendments prohibit deducting from the cost of an item of property, plant, and equipment any proceeds from selling items produced before that asset is available for use. Additionally, the amendments also clarify the meaning of 'testing whether an asset is functioning properly'
IFRS 3	Reference to the Conceptual Framework	January 1, 2022	The amendment as a whole updated IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework.

**3-2 New standards and amendments to revised International Financial Reporting Standards issued but not yet effective**

The Company has not applied the following new and revised IFRSs and amendments to IFRS that have been issued but are not yet effective

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IFRS 17	Insurance Contracts	January 1, 2023	This is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation, and disclosure. Once effective, IFRS 17 (along with its subsequent amendments) will replace IFRS 4 Insurance Contracts (IFRS 4) which was issued in 2005.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****3 - NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS: (CONTINUED)****3-2 New standards and amendments to revised International Financial Reporting Standards issued but not yet effective**

<b>Amendments to standard</b>	<b>Description</b>	<b>Effective for annual years beginning on or after</b>	<b>Summary of the amendment</b>
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023	The amendment has clarified 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, and that only if an embedded derivative in a convertible liability is itself an equity instrument the terms of liability would not impact its classification.
IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	January 1, 2023	This amendment deals with assisting entities to decide which accounting policies to disclose in their financial statements.
IAS 8	Amendment to the definition of accounting estimate	January 1, 2023	These amendments regarding the definition of accounting estimates help entities to distinguish between accounting policies and accounting estimates.
IAS 12	Income taxes	January 1, 2023	This amendment deals with clarification regarding the accounting of deferred tax on transactions such as leases and decommissioning obligations.
Amendment to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	N/A	The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses result from the loss of control of a subsidiary.

Management anticipates that these new standards interpretations and amendments will be adopted in the Company's financial statements as and when they are applicable and adoption of these interpretations and amendments may have no material impact on the financial statements of the Company in the period of initial application.

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS**

In preparing these financial statements, management has used judgments and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which are the basis for making judgments about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. A revision of accounting estimates is recognized in the period in which the estimates are revised if the revision affects only that period, or in the revision period and future periods if the revision affects both current and future periods.

**Important Judgments in Applying The Company's Accounting Policies**

The following are the significant judgments, except for the estimations described below made by management in the process of applying the company's accounting policies that have a material effect on the amounts recognized in the financial statements.

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

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### **4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

#### **Going Concern Assumptions**

The Group's management has conducted an assessment of the Group's viability as a going concern and is convinced that the Group has the resources to continue operating for the foreseeable future. Furthermore, management is not aware of any material doubts that may raise significant doubts about the Group's viability as a going concern. Therefore, the consolidated financial statements have been prepared on the basis of the going concern principle.

#### **Determine the Discount Rate To Calculate The Present Value**

Discount rates represent the current market assessment of the risks involved in scheduling cash flows, considering the time value of money and the individual risks of the underlying assets that have not been included in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the company.

#### **Classification of investments**

On acquisition of an investment, management must decide whether it is to be classified as "at fair value through profit or loss" or "at fair value through other comprehensive income" or "loans and advances." In doing so, management considers the main purpose for which bought for and how you intend to manage it, and report on its performance, and this decision determines whether it should be measured subsequently at cost or fair value and whether changes in the fair value of financial instruments are reported in the statement of profit or loss or directly within equity.

#### **Actuarial Valuation Of Employees' End Of Service Benefits**

The cost of employee end-of-service benefits ("employee benefits") under the defined benefit program is determined using the projected unit credit method. The actuarial valuation involves making various assumptions that may differ from actual developments in the future. These assumptions include determining the discount rate, future salary increases, mortality and employee turnover. Given the complexity of the evaluation and its long-term nature; The defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are adjusted on an annual basis, or more frequently, if necessary.

#### **Fair value measurement and valuation process**

Certain assets and liabilities of the Company have been measured at fair value for financial reporting purposes. The Company's management is responsible for determining appropriate valuation inputs and methods for measuring fair value.

In estimating the fair value of an asset or a liability, the Company uses market observable data to the extent available. In the event that Level 1 inputs are not available, the company will hire accredited third-party evaluators to conduct the assessment. Company management works closely with approved external evaluators to determine appropriate inputs and valuation techniques in the model.

#### **Useful lives of property, plant and equipment and intangible assets**

As explained in Note 4, the Company estimates the useful lives of its property, plant and equipment at the end of each annual reporting period. These estimates are determined after considering the expected usage of the assets or depreciation arising from physical use. Management reviews the residual value and useful lives annually and future depreciation charges will be adjusted as management believes that the useful lives differ from previous estimates.

#### **Important estimate in Applying The Company's Accounting Policies**

##### **Zakat provision**

The management has evaluated the zakat position taking into consideration the local zakat legislations, the resolutions issued periodically and the agreements. The interpretation of legislative decrees and agreements is not always clear and requires completion of the assessment by the Zakat, Tax and Customs Authority.

##### **Allowance for impairment losses of receivable value**

Management has estimated the recoverability of the receivable value and has taken into account the required provisions. Management has estimated the provisions for receivables based on past experience and the current economic environment to recover outstanding long-term receivables. Estimating the amount of the provision required significant judgment and use of estimates regarding the amount and timing of estimated losses based on past experience of losses, current conflicts, and consideration of current economic trends and conditions, all of which may be subject to significant change. The provision is charged to operations based on management's periodic evaluation of the aforementioned factors, as well as other relevant factors. To the extent that actual results differ from management's estimates, a provision may be made for impairment of trade receivables or reversal of the excess provision that could adversely or positively affect earnings or financial position in future periods.

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

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### **4 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)**

#### **Allowance for impairment losses of receivable value (continued)**

whether it should be measured later at cost or fair value, and whether changes in the fair value of financial instruments are reported in the statement of profit or loss or directly within equity.

#### **Impairment of inventory**

At the date of the consolidated statement of financial position, the Group management determines whether there is a decrease in the value of inventory or a stagnant store. Determining impairment requires important decisions involving factors of assessment including the nature of the industry and market conditions.

### **5. SIGNIFICANT ACCOUNTING POLICIES**

#### **5-1 Property, Plant, and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment, except for land and capital work-in-progress which are stated at cost and are not depreciated. Capital work in progress represents costs directly attributable to new projects in progress and is capitalized as property, plant and equipment when the project is completed. However, depreciation of these assets under construction begins when the asset becomes available for use.

Subsequent expenditures are capitalized only if it is probable that the future economic benefits associated with the expenditures will flow to the group and the amount can be measured reliably.

Finance costs on loans to finance the construction of qualifying assets, if any, are capitalized during the period of time required to complete and prepare the qualifying asset for use.

When parts of property, plant and equipment are cost-significant compared to the total cost of the item, and where such parts/components have a different useful life than the other parts and need to be replaced at different intervals, the group records those parts as individual assets with a definite useful life and depreciates them accordingly. All other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred..

Depreciation is calculated from the date that an item of property, plant and equipment is available for use or in respect of self-constructed assets, from the date these assets are ready for use.

Depreciation is calculated on straight-line basis over the useful life of the asset as follows:

<b><u>Description</u></b>	<b><u>year</u></b>
Buildings	20-30
Roads and networks	10
Machine and equipment	8-20
Vehicles	4-5
Tools	5-20
Computers	4-10
Office furniture and equipment	4-10

If there is an indication that there has been a material change in the useful life or residual value of an item, future depreciation is revised to reflect the new estimates.

An item of property, plant and equipment and any significant part that is recognized initially is derecognized when it has been disposed of or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of profit or loss..

Items such as spare parts, auxiliary equipment and servicing equipment, if any, are recognized in accordance with this IFRS when they meet the definition of property, plant and equipment. Otherwise, these items are classified as inventory.

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

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### **5. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-2 Projects in Progress**

Projects in progress are stated at cost less impairment losses. All expenses incurred during the installation and construction period are recorded and charged to projects in progress, then the cost of assets in progress is transferred to the appropriate category of property and equipment when they are ready to use.

The cost of projects in progress includes purchase costs and costs that are directly attributable to bringing the assets in progress for their intended use or purpose.

#### **5-3 Investment Property**

Investment properties include properties held for capital appreciation or long-term rental income or both and are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Real estate investments also include real estate that is being constructed or developed for future use as investment real estate. In addition, land, if any, held for indefinite use is classified as investment property and is not depreciated.

When the development of real estate investments commences, they are classified as “projects in progress” until development is completed, at which time they are transferred to the respective category and depreciated using the straight-line method at rates calculated to reduce the cost of the assets to their estimated residual value over their expected useful life of 15 years. to 21 years old. Buildings on leasehold land are depreciated over the lease term or useful life, whichever is shorter.

Maintenance and normal repairs that do not materially extend the estimated useful life of the asset are charged to the consolidated statement of profit or loss as incurred.

#### **5-4 Intangible Assets**

The Intangible assets acquired separately are measured at cost on initial recognition. After initial recognition, intangible assets are stated at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with finite lives are amortized over their economic life of 6 to 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and expense in the expense category consistent with the function of the intangible asset.

The residual values of intangible assets, useful lives and indicators of impairment are reviewed at the end of each financial year and adjusted prospectively, if necessary.

##### **5-4-1 In Return For Emptying Land**

It represents the consideration for emptying the land in the amounts initially paid, other than the rent, in exchange for usufruct rights to non-owned lands used for the company’s purposes. These amounts are amortized using the straight-line method over the estimated period of its future benefit over the period of the lease term, and it is amortized over a period of 26 years.

##### **2-5-4 Automated Software Application Costs**

The costs of automated software applications are the costs of licensing automated software after deducting the accumulated amortization expenses, and they are amortized using the straight-line method over the estimated period of use and are amortized over a period of 10 years.

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

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### **5 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **3-5-4 Research and Development Costs**

Development expenditures are capitalized if they can be measured reliably and the product, service or process is technically and practically economically feasible and has potential future economic benefits from development and that the company intends and has full resources to complete the development and then the asset can be used and sold. The capitalized costs include the cost of materials, labor and other related additional expenses. Immediately by preparing the asset for use, it is measured at cost after deducting the amortization expenses and any decrease in value, and it is amortized using the straight-line method over the related benefit periods.

#### **4-5-4 Goodwill**

Goodwill is the amount that arises when the fair value of the consideration transferred for an acquired business exceeds the net fair value of the identifiable assets, liabilities and contingent liabilities. When the Group creates a business combination, the acquisition method is used. Goodwill is allocated from the date of the business combination to the cash-generating units that are expected to benefit from the business combination. Each cash-generating unit represents the lowest level at which goodwill is monitored for internal management purposes and is never higher than the operating segment.

#### **5-5-4 Impairment test for goodwill**

The Group's management performs an annual test of goodwill to ensure that there is no impairment in its value and to determine whether the carrying amount of the goodwill is less than the recoverable amount. The recoverable amount is determined based on the information used in the expected business plans for the five-year period following the date of the financial statements and the cash flows related thereto. The impairment test is carried out based on measuring the present value of the future cash flows for a period of five years based on reasonable and objective assumptions for estimating cash flows according to the latest budgets approved by the management.

#### **5-5 Inventory**

Inventory is valued at cost or net realizable value, whichever is lower, and cost is determined on a weighted average basis. The cost of finished and semi-finished goods includes the cost of raw materials, labor and indirect industrial expenses that contribute to converting raw materials into a final product. Net realizable value consists of the estimated selling price in the ordinary course of business, less incremental production costs to complete it and any other costs required to make the sale. The company reviews the carrying amount of inventories on a regular basis. When necessary, inventories are written down to their net realizable value or provision is made for obsolescence if there is a change in the usage pattern or physical form of the related inventories.

Management estimates the net realizable value of inventory, considering the most reliable evidence at the time the estimates are used and making a provision for obsolete inventory. These estimates take into account changes in demand for goods, changes in technology, and fluctuations in quality and prices. Accordingly, the Company considers and takes into account these factors in calculating the provision for obsolete, slow moving and obsolete inventory.

Spare parts are valued at cost or net realizable value, whichever is lower. Cost is determined on a weighted average cost basis. The provision for obsolete and slow-moving inventory, if any, is estimated at each reporting date.

#### **5-6 Cash and cash equivalents**

Cash and cash equivalents include cash in banks and bank deposits that mature after three months or less, if any. It also includes bank overdrafts that are an integral part of the company's cash management and are likely to fluctuate from overdraft to positive balances.

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

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### **5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-7 Impairment of non-financial assets**

At each reporting date, the non-financial assets are reviewed to determine whether there is an indication that those assets have incurred an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of similar assets), is estimated and compared to its carrying amount. If the estimated recoverable amount is less the carrying amount is reduced to its estimated recoverable amount, and the impairment loss is recognized immediately in the consolidated statement of profit or loss.

Impairment occurs when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is greater than its fair value less costs of disposal and value in use. The recoverable amount is sensitive to the discount rate used for the (discounted cash flow) model as well as expected future cash flows and the growth rate used for extrapolation purposes.

Similarly, at each reporting date, inventory is assessed for any impairment by comparing the carrying amount of each inventory asset (or group of similar assets) to its selling price less costs to complete and sell. If there is a decrease on one of the inventory asset (or group of similar asset), its carrying amount is reduced to the selling price less the costs necessary to complete and sell, and the impairment loss is recognized immediately in the statement of profit or loss.

When the impairment loss entry is subsequently reversed, the carrying amount of the assets (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and selling, in the case of inventory), provided that the carrying amount does not increase in excess of the carrying amount that would have been determined had no impairment loss been recognized for those assets for the previous year. The reversal of the impairment loss is recognized immediately in the statement of comprehensive income or comprehensive loss.

#### **5-8 Investment in Associates and Joint Venture**

An associate is the entity over which the Group exercises significant influence. Significant influence is the Group's ability to participate in the financial and operating decisions of the investee, but is not joint control over these policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the net assets of the joint arrangement have rights. Joint control is a jointly controlled contractual arrangement that exists when decisions about activities require the unanimous consent of the parties sharing control.

The results of the assets and liabilities of associates or joint ventures are included in these consolidated financial statements using the equity method, according to which the investment in the associate or joint venture is recorded at cost in the consolidated statement of financial position and the cost is then adjusted so that the group's share in profit or loss and other comprehensive income is recorded. For the associate company or joint venture. When the Group's share of losses in the associate or joint venture exceeds its ownership in the associate or joint venture (which includes any long-term ownership that in substance is part of the Group's net investment in the associate or joint venture), the Group stops recognizing its share of the additional losses. Additional losses are recognized only to the extent that the Group has incurred legal or contractual obligations or made payments on behalf of the associate or joint venture. If the associate or joint venture records profits at a later period, the group shall resume recording its share of these profits only when its share of the profits equals its share of the unrecorded losses.

The group's investment in the associate or joint venture is accounted for using the equity method, starting from the date on which the investee becomes an associate or a joint venture. Upon acquiring the investment in the associate or joint venture, any excess of the investment cost over the group's share in the net fair value of the identifiable assets and liabilities of the investee company is recorded as goodwill and included in the book value of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities of the associate or joint venture over the cost of the investment, after reassessment, is recorded directly in the consolidated statement of profit or loss in the year in which the investment is acquired.

When a group company deals with an associate company or a joint venture of the group, the profits and losses resulting from this transaction are recorded in the group's consolidated financial statements only to the extent of its ownership in the associate companies or joint venture that is not related to the group.

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

---

### **5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-9 Statutory Reserve**

In accordance with Company's by-laws the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net profit for the year to a statutory reserve until such reserve equals 30% of its share capital. This Statutory Reserve is not available for distribution to shareholders. However, it can be used to raise capital after obtaining shareholders' approval.

#### **5-10 Provisions**

A provision is recognized if, as a result of past events, it appears that the company has a present legal or contractual obligation whose amount can be estimated reliably and that it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are reviewed at each statement of financial position date and adjusted to reflect the current best estimate.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that payment will be received, and the amount of the receivable can be measured reliably.

#### **5-11 Contingent liabilities**

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence one or more uncertain future events that are not under the full control of the company, or all current obligations arising from past events but not established for the following reasons:

- There is no possibility that an outflow of resources embedded in the economic benefits will be required to settle the obligation, or
- The obligation amount cannot be measured sufficient reliability; they all must be evaluated at each statement of financial position and disclosed in the company financial statements as Contingent liabilities.

#### **5-12 Borrowings**

Borrowings are initially recognized at fair value (as proceeds received). Net of transaction costs, if any. Subsequent to initial recognition, long-term loans are measured at amortized cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in the consolidated statement of profit or loss over the term of the borrowings using the effective interest rate method. Fees paid on loan facilities are recognized in transaction costs of the loan to the extent.

That it is probable that some or all of the facility will be withdrawn. In this case, the fees are deferred until the facility is withdrawn, and the fees are capitalized within the advance payments for liquidity services to the extent that there is no evidence that part or all of the facility may be withdrawn, and are amortized over the period of the related facility.

Borrowings are derecognized in the consolidated statement of financial position when the obligation is discharged, canceled or expires. The difference between the carrying amount of a financial liability that has been amortized or transferred to a third party and the consideration paid, including non-monetary assets transferred or liabilities assumed, is recognized in the consolidated statement of profit and loss in other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting year.

General and specific borrowings directly related to the purchase, construction or production of assets eligible for capitalization are capitalized over the period of time required to complete and prepare the asset for its intended use or sale, as appropriate. Qualifying assets are assets that necessarily take a significant period of time to become ready for use or sale for which they are intended. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are recognized as an expense in the year in which they are incurred in the consolidated statement of profit or loss.



# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

---

### **5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-13 Zakat and income tax**

Zakat provision is calculated in accordance with the zakat regulations issued by the Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia ("the Authority"). Income tax provision for foreign companies is calculated in the financial statements in accordance with the tax systems in the countries in which they operate.

The settlements resulting from the zakat assessment and the final tax are processed during the fiscal year in which the assessments are issued.

The income tax expense or credit for the period represents the tax payable on the taxable income for the current period at the applicable income tax rate for each adjusted band by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax expense is calculated on the basis of the tax laws that have been applied or will be effectively applied at the end of the reporting period in the countries in which the subsidiaries and associates of the Group operate and generate taxable income. The administration conducts a periodic assessment of the cases taken regarding tax returns in relation to cases in which the applicable tax regulations are subject to interpretation. The necessary provisions are made on the basis of the amounts expected to be paid to the tax collection authorities.

#### **5-14 Employee benefits**

##### Short-term obligations

The obligations related to wages and salaries, including non-cash benefits, accumulated vacations and travel tickets expected to be paid in full within 12 months after the end of the period in which employees provide related services, they are recognized in relation to employee services until the end of the reporting period and measured at the amounts expected to be paid when the obligations are settled.

##### Employees' end of service benefits

The liability or asset recognized in the consolidated statement of financial position in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method.

The present value of the receivables obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating those of the related liability.

Defined benefit costs are classified as follows:

##### **Service cost**

Service costs include the current service, and the previous service is recognized in the consolidated statement of profit or loss immediately.

Changes in the present value of the defined benefit obligation resulting from plan modifications or curtailments are recognized immediately in the consolidated statement of profit or loss as past service costs.

##### **Interest cost**

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in the employee benefits account in the consolidated statement of profit or loss.

##### **Re-measuring gains or losses**

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur in the consolidated statement of other comprehensive income.

#### **5-14/1 Foreign currencies**

Transactions in foreign currencies are initially recorded by the Group at the spot rates of its own functional currency on the date that the transaction qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the spot exchange rates of the functional currency at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in the consolidated statement of profit or loss.

# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

### 5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 5-15-1 Financial Assets

##### 5-15-1-1 Classification of Financial Assets

On initial recognition, financial assets are classified as measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. However, the Group as at the reporting date only holds financial assets carried at amortized cost, fair value through profit or loss and fair value through other comprehensive income.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial asset at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in comprehensive income. On derecognition, gains and losses accumulated in comprehensive income are reclassified to profit or loss.
Equity investments at FVTCI	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains and losses are recognized in the comprehensive income and are never reclassified to profit or loss.

##### 5-15-1-2. Derecognition of financial assets

A financial asset or part of a financial asset is derecognized when:

- The right to receive cash flows from the asset has 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
- A) The Group has transferred substantially all the risks and rewards of the assets, or
- B) The Group does not transfer or retain substantially all the risks and rewards of the asset and does not retain control of the financial asset

##### 5-15-1-3. Impairment of financial assets

The Group assesses on a forward-looking basis the lifetime expected credit losses associated with its financial assets carried at amortized cost.

The Group applies the simplified approach as permitted by IFRS 9, which requires the recognition of lifetime expected losses from initial recognition of receivables.

The Group uses a provision matrix in calculating expected credit losses on receivables to estimate lifetime expected credit losses, applying certain allowance rates to contractual obsolescence groups that are past due. The provision matrix has been developed keeping in mind the probability of default and loss given default which is derived from the Group's historical statements and adjusted to reflect the expected future outcome which includes macroeconomic factors.

Other instruments are considered low risk and the Group uses a provisional matrix in calculating expected credit losses.

A financial asset is written off only when:

- A - It is past due, and
- B - There is no reasonable expectation of recovery

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

---

### **5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-15 Financial instruments (continued)**

##### **5-15-2 Financial liabilities (continued)**

###### **5-15-2-1 Initial recognition**

Financial liabilities are initially recognized at fair value and in the case of borrowings and facilities, the fair value of the consideration received less directly attributable transaction costs.

###### **5-15-2-2 Subsequent measurement**

After initial recognition, the financial liability is subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of profit or loss when the liabilities are derecognized, as well as through the amortization process.

###### **5-15-2-3 Derecognition of financial liabilities**

A financial liability is derecognized when the obligation under the obligation is discharged, canceled 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, and the difference in the related carrying amounts is recognized in the statement of profit or loss.

###### **5-15-3 Derivative financial instruments**

Financial derivatives are financial contracts that derive their value from an underlying asset. Financial derivatives include many: options, guarantees, futures contracts, customer swaps, and interest rates. The group is obligated to disclose and report the profits and losses of financial derivatives in accordance with IAS 7. All derivative financial instruments are measured at fair value through profit or loss.

These derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into, and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

###### **5-15-4 Offsetting financial instruments**

Financial assets and liabilities are offset, and the net amount is recorded in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The right must not be legally enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

###### **5-15-5 Fair value hierarchy of financial instruments**

The Group classifies the fair value of its financial instruments in the following hierarchy based on the inputs used in its valuation:

###### **Level one**

The fair value of financial instruments listed in active markets is based on the closing price quoted at the consolidated statement of financial position date. Examples include commodity derivatives and other financial assets such as equity investment and debt securities.

###### **Level two**

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques using observable market data. These valuation methods include discounted cash flows, standard valuation models based on market standards for interest rates, yield curves or foreign exchange rates, dealer rates for similar instruments, and the use of comparable business transactions.

###### **Level three**

The fair value of financial instruments that are measured based on the entity's own valuations using inputs not based on observable market data (unobservable inputs).

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

---

### **5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-15 Financial instruments (continued)**

##### **5-15-6 Effective interest method**

The effective interest method is a method of calculating the amortized cost of a financial asset and liability and of allocating interest income and expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where applicable, the period shorter to net book value on initial recognition.

##### **5-16 Assets held for sale**

Non-current assets or groups of assets that include assets and liabilities are classified as assets held for sale if their book value is highly likely to be recovered mainly through a sale transaction rather than through continued use. These assets or groups of disposals are typically measured at their book value or fair value less the costs of their elimination, whichever is lower. Impairment losses are recognized at initial classification as held for sale and subsequent gains and losses are recognized upon remeasurement in the consolidated statement of profit or loss.

##### **5-17 Value added Tax**

Expenses and assets are recognized after deducting the VAT amount, except:

- where VAT incurred on the purchase of assets or services is not recoverable from the tax authorities, in which case VAT is recognized as part of the cost of purchasing the asset or as part of the expense of the item, where applicable, and/or
- When showing receivables and payables including VAT amount

The net amount of VAT recoverable from/or due to the tax authorities is included either as part of prepaid expenses and other current assets or accrued expenses and other current liabilities in the consolidated statement of financial position.

##### **5-18 Lease Contracts**

###### **a) The Group as a lessee**

The Group assesses whether a contract is, or contains, a lease, at the inception of the contract. The Group recognizes the right of use assets and a corresponding lease liability in respect of all lease arrangements in which it is the lessee. Except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (such as tablets, personal computers, small items of office furniture and phones). For such leases, the Group recognizes lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased assets are amortized.

The lease liability is initially measured at the present value of the lease payments that are not paid on the commencement date, discounted using the rate included in the lease. If this rate cannot be easily determined, the Group uses the incremental borrowing rate.

The lease payments included in the measurement of the lease liability include:

- Fixed lease payments (including substantial fixed payments), less any lease incentives receivable;
- Variable lease payments that are dependent on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be paid by the lessee under the residual value guarantees.
- The exercise price of the purchase options, if the lessee is reasonably certain to exercise the options; And
- Payment of lease termination penalties, if the lease term reflects the exercise of the option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect the interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments paid.

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

---

### **5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-18 Lease Contracts (continued)**

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) when:

- The lease term has changed or there has been a significant event or change in circumstances that has led to a change in the assessment of the exercise of the purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using the revised discount rate.
- Lease payments change due to changes in an index or rate or a change in an expected payment with a guaranteed residual value, in which cases the lease liability is re-measured by discounting the modified lease payments using an unchanged discount rate (unless the lease payments change due to a change in the interest rate variable, in which case a modified discount rate is used).
- The lease is modified and the lease modification is not counted as a separate lease, in which case the lease liability is re-measured based on the term of the modified lease by discounting the modified lease payments using the revised discount rate in effect on the modification date.

The Group has not made any such adjustments during the periods presented.

The right of use assets includes the initial measurement of the corresponding lease liability, lease payments made on or before the commencement day, less any lease incentives received and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses. When the Group incurs an obligation for the costs of dismantling and removing a leased asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, the provision is recognized and measured under IAS 37. To the extent the costs relate to the right of use assets, the provision is recognized and measured under IAS 37. The costs are included in the right-of-use of the related asset, unless those costs are incurred to produce the inventory.

The right to use asset is amortized over the shorter lease term and the useful life of the right to use the asset. If the lease transfers ownership of the underlying asset or the cost of the right to use the asset reflects that the company expects to exercise the purchase option, the right to use the related asset is amortized over the useful life of the underlying asset. Depreciation begins on the start date of the lease .

The right to use assets is presented as a separate line item in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired or not and calculates any identified impairment loss as described in the "Property, plant and equipment" policy.

Variable leases that do not depend on an index or rate are not included in the measurement of the lease liability and right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition giving rise to those payments occurs and is included in the 'other expenses' line item in the consolidated statement of profit or loss.

As a practical expedient, IFRS 16 allows a lessee not to separate non-lease components, and instead to account for any lease and associated non-lease components as a single arrangement. The Group did not use this practical method. For contracts that contain a lease component and one or more additional or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the independent relative price of the lease component and the stand-alone total price of the non-lease components.

#### **b) The Group as a lessor**

The Group enters into lease contracts as a lessor in respect of certain of its investment properties.

Leases for which the Company is a lessor are classified as financing or operating leases. When the terms of a lease transfer substantially all of the risks and benefits of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the company is an intermediary lessor, it counts the master lease and the sub-lease as two separate contracts. A sub-lease is categorized as a finance or operating lease by reference to the right to use the asset arising from the underlying lease. Rental income from operating leases is recognized on a straight line basis over the term of the relevant lease. The initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the term of the lease.

# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

### 5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 5-18 Lease Contracts (continued)

##### b) Company as a lessor (continued)

Amounts due from lessees under finance leases are recognized as receivables at the value of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so that it reflects a constant periodic rate of return on the Group's net investment outstanding in relation to the leases.

After initial recognition, the Group regularly reviews the estimated unsecured residual value and applies impairment requirements in accordance with IFRS 9, recognizing the provision for expected credit losses on the lease receivable.

Finance lease income is calculated by reference to the total carrying amount of the lease receivable, except for credit-impaired financial assets for which interest income is calculated by reference to their amortized cost (ie, after deducting the loss allowance).

When a contract includes both lease and non-lease components, the company applies IFRS 15 to allocate the consideration under the contract to each component.

#### 5-19 Financing cost

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized over the period of time necessary to complete and prepare the asset for its intended use or sale. Other finance costs are expensed in the period in which they are incurred and are recorded as 'finance expenses'. Finance costs consist of interest and other costs that the company incurs in connection with the borrowing of funds.

#### 5-20 Revenue recognition

Revenue consists of the fair values of consideration received or accrued from the sale of goods and the provision of services in the normal course of the Group's activities taking into account contractually defined payment terms. Revenue is recorded in net after discounts, incentives and reductions.

Revenue is recognized when it can be reliably measured, when the economic benefit is likely to accrue to the Group and when specific criteria are met for each of the Group's activities as described below.

The Group recognizes revenue under IFRS 15 using the following five-step model:

Step 1: Identify the contract with the customer	A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2: Identify the performance obligations	A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3: Determine the transaction price.	The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
Step 4: Allocate the transaction price	For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5: Revenue recognition	The Group recognizes revenue (or as) it satisfies a performance obligation by transferring a promised good or service to the customer under a contract.

# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

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### 5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 5-20 Revenue recognition (continued)

##### Identify the contract with the customer

The Group carefully evaluates the terms and conditions of contracts with its customers because revenue is recognized only when the performance obligations in contracts with customers are satisfied. A change in the scope or price of the contract (or both) is considered a contract modification and the Group determines whether that change will be considered a new contract or counted as part of an existing contract.

##### Identify the performance obligations

Once the Group has identified a contract with a customer, it evaluates the contractual terms and customary business practices to determine all of the agreed services within the contract and determine which of those agreed services (or Group of agreed services) will be treated as separate performance liabilities.

##### Determine the transaction price

The Group determines the transaction price as the amount it expects to receive. It includes an estimate of any variable consideration, the effect of a significant financing component (ie the time value of money), the fair value of any non-cash consideration and the effect of any consideration paid or owed to a customer (if any). The variable consideration is limited to the amount by which it is probable that a material reversal in the amount of cumulative revenue recognized will not occur when the uncertainties associated with the variable consideration are subsequently clarified.

The amount of consideration is determined based on the transaction price agreed with the customers and there are no other promises in the customer contract that are identified as separate performance obligations for which a portion of the transaction price must be allocated. In determining the transaction price for the services, the Group considered the effects of variable consideration, the presence of significant financing components, the non-cash consideration and consideration payable to the customer (if any) and concluded that such considerations are not included in the transaction price.

Contract modifications, for example change orders, are accounted for as part of the existing contract, with a cumulative revenue adjustment. For material contract modifications, a separate contract may be recognized, based on management's assessment of the following factors:

- The scope of the contract increases due to the addition of the promised distinct goods or services; And the
- The contract price is increased by an amount that reflects the entity's independent selling prices for the additional promised goods or services and any appropriate adjustments to that price to reflect the circumstances of the particular contract.

There were no substantial contract modifications during the year ended December 31, 2022.

##### Allocate the transaction price

When determining the performance obligations and the transaction price, the transaction price is allocated to the performance obligations, usually in proportion to their stand-alone selling prices (ie on the basis of the relative future selling price). In determining stand-alone selling prices, the Group is required to use observable information, if available. If standalone selling prices are not directly observable, the Group uses estimates based on reasonably available information.

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

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### **5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-20 Revenue recognition (Continued)**

##### **Revenue recognition**

The Group recognizes revenue in accordance with the terms and conditions of contracts with customers to the extent that performance obligations relating to customer contracts are fulfilled by the Group by transferring control of an agreed service to the customer. It is possible to transfer control over time or at a certain point in time. When a performance obligation is satisfied over a period of time, the Group determines progress under the contract based on an input or output method that best measures performance completed to date. The specified method is applied consistently to similar performance obligations and in similar circumstances. The Group believes that it fulfills the performance obligations in its contracts with customers over time in relation to the installation, operation and maintenance of communication systems and related services, and at a certain point in time for the rest of the types of revenue, and then it realizes revenue when it fulfills its obligations under its contracts with customers.

#### **5-21 Selling, distribution, general and administrative expenses**

Selling, distribution, general and administrative expenses include direct and indirect costs that are not specifically part of cost of sales. Allocation between cost of sales and selling, distribution, general and administrative expenses, when required, is made on a consistent basis. The Group recognizes marketing support from vendors in selling and distribution expenses on an accrual basis.

#### **5-22 Segment reports**

##### **Operational Segment**

The operating segment is one of the components of the group, which carries out activities from which it may generate revenues and incur expenses, including revenues and expenses related to transactions with any of the other segments of the group. All segment results are periodically evaluated by the operating decision maker so that decisions are made and the performance of the resources allocated to each segment and the financial information available are evaluated separately.

Segment results that are reported to the operating decision maker include items directly attributable to the segment as well as those that can be allocated on an appropriate basis. Head office expenses, research and development costs, related assets/liabilities, and zakat assets and liabilities.

The group in the Kingdom of Saudi Arabia has five operational sectors (towers and metal structures - poles and lighting - design, supply and installation of solar energy - head office). Each segment has reached the quantitative limits referred to in IFRS 8 Segment Reporting Standard. Accordingly, reports on operating segments have been disclosed in the accompanying consolidated financial statements.

##### **Geographical Segmental**

A geographical segment is a group of assets, operations or entities engaged in profitable activities in a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

#### **5-23 Earnings per share**

##### **Basic earnings per share / (losses)**

Basic earnings per share is calculated by dividing:

- Profit / (loss) attributable to the shareholders of the Group, after deducting any equity service costs other than ordinary shares, on the weighted average number of ordinary shares outstanding during the financial period.



# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

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### **5- SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **5-24 Dividends**

Cash or non-cash distributions to shareholders are recognized as liabilities when the distribution is approved, and according to the Companies Law in the Kingdom of Saudi Arabia, dividends are approved when approved by the shareholders. The amount distributed is deducted directly from equity and recognized as a liability.

#### **5-25 Remuneration of Board Members**

Board members' remuneration, which includes attendance and meeting fees, remunerations and expenses, is disbursed and is in accordance with the requirements of the Companies Law and the guidelines set by the Capital Market Authority and the company's articles of association.

# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

2022										
<b>6. Property, plant and equipment</b>	<b>Lands</b>	<b>Buildings</b>	<b>Roads and networks</b>	<b>Machines and equipment</b>	<b>Vehicles</b>	<b>Tools</b>	<b>Computers</b>	<b>Office furniture and equipment</b>	<b>Work in progress</b>	<b>Total</b>
<b><u>Cost</u></b>										
Balance as at 1 January 2022	55,372,162	237,196,618	12,121,315	402,272,001	24,716,807	11,239,101	10,341,543	13,783,463	3,590,482	770,633,492
Additions during the year	-	284,256	-	3,021,204	292,729	770,050	950,984	1,005,798	32,853,951	39,178,972
Transfers	-	541,739	-	12,983,393	-	3,409	847	33,043	(13,562,431)	-
Disposals during the year	-	-	-	(820,421)	(105,759)	(118,606)	(324,111)	(494,538)	(344,121)	(2,207,556)
Foreign currency translation differences	1,828,398	(13,545,864)	(1,990,424)	4,063,367	821,044	854,200	1,883,120	342,223	7,417,897	1,673,961
<b>Balance as at 31 December 2022</b>	<b>57,200,560</b>	<b>224,476,749</b>	<b>10,130,891</b>	<b>421,519,544</b>	<b>25,724,821</b>	<b>12,748,154</b>	<b>12,852,383</b>	<b>14,669,989</b>	<b>29,955,778</b>	<b>809,278,869</b>
<b><u>Accumulated depreciation</u></b>										
Balance as at 1 January 2022	-	75,367,718	5,931,419	245,108,673	22,348,257	8,687,543	8,456,171	8,596,960	-	374,496,741
Charge for the year	-	8,769,043	477,909	14,998,854	798,328	911,491	916,403	1,079,964	-	27,951,992
Disposals for the year	-	-	-	(744,045)	(29,171)	(101,457)	(305,536)	(494,537)	-	(1,674,746)
Foreign currency translation differences	-	3,101,748	(1,771,492)	9,511,225	622,190	702,652	1,211,564	(46,656)	-	13,331,231
<b>Balance as at 31 December 2022</b>	<b>-</b>	<b>87,238,509</b>	<b>4,637,836</b>	<b>268,874,707</b>	<b>23,739,604</b>	<b>10,200,229</b>	<b>10,278,602</b>	<b>9,135,731</b>	<b>-</b>	<b>414,105,218</b>
<b>Net book value as at 31 December 2022</b>	<b>57,200,560</b>	<b>137,238,240</b>	<b>5,493,055</b>	<b>152,644,837</b>	<b>1,985,217</b>	<b>2,547,925</b>	<b>2,573,781</b>	<b>5,534,258</b>	<b>29,955,778</b>	<b>395,173,651</b>

Depreciation expense has been distributed as follows

	<b>Note</b>	<b>2022</b>
Cost of revenue	<b>33</b>	<b>24,428,380</b>
Selling and marketing expenses	<b>34</b>	<b>414,042</b>
General and administrative expenses	<b>35</b>	<b>3,109,570</b>
		<b>27,951,992</b>

# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

2021

6. Property, plant and equipment (continued)	Lands	Buildings	Roads and networks	Machines and equipment	Vehicles	Tools	Computers	Office furniture and equipment	Work in progress	Total
<b>Cost</b>										
Balance as at 1 January 2021	55,369,831	213,089,687	10,658,221	342,451,036	23,104,727	9,456,553	9,769,314	12,945,752	72,970,439	749,815,560
Additions during the year	-	75,000	-	6,302,862	523,296	935,593	678,445	684,856	16,688,707	25,888,759
Transfers	-	24,022,536	1,462,614	54,835,408	1,393,915	899,528	61,751	288,046	(82,963,798)	-
Disposals during the year	-	-	-	(1,333,239)	(306,110)	(53,018)	(168,376)	(135,740)	(3,104,866)	(5,101,349)
Foreign currency translation differences	2,331	9,395	480	15,934	979	445	409	549	-	30,522
Balance as at 31 December 2021	55,372,162	237,196,618	12,121,315	402,272,001	24,716,807	11,239,101	10,341,543	13,783,463	3,590,482	770,633,492
<b>Accumulated depreciation</b>										
Balance as at 1 January 2021	-	67,100,716	4,847,482	231,941,401	21,909,098	7,785,980	7,803,562	7,700,874	-	349,089,113
Charge for the year	-	8,574,662	1,082,496	14,074,986	739,840	940,593	816,943	1,029,737	-	27,259,257
Depreciation of disposals	-	(325,974)	-	(967,273)	(306,111)	(41,142)	(166,389)	(135,740)	-	(1,942,629)
Foreign currency translation differences	-	18,314	1,441	59,559	5,430	2,112	2,055	2,089	-	91,000
Balance as at 31 December 2021	-	75,367,718	5,931,419	245,108,673	22,348,257	8,687,543	8,456,171	8,596,960	-	374,496,741
Net book value as at 31 December 2021	55,372,162	161,828,900	6,189,896	157,163,328	2,368,550	2,551,558	1,885,372	5,186,503	3,590,482	396,136,751

Depreciation expense has been distributed as follows

	Note	2021
Cost of revenue	33	22,236,372
Selling and marketing expenses	34	653,726
General and administrative expenses	35	4,369,159
		<u>27,259,257</u>

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****6. Property, plant and equipment (Continued)**

**6-1** The above item of buildings includes buildings whose net book value on December 31, 2022 and December 31, 2021 amounted to 80,739,139 and 85,467,859 Saudi riyals, respectively, built on three plots of land leased from the Saudi Authority for Industrial Cities in Riyadh and Dammam for a nominal annual rent under lease contracts that expire On 26 Sha'ban 1452 AH, 13th Ramadan 1454H, 5th Rabi' al-Thani 1456H.

**6-2** Machinery, property and equipment include book depreciated assets amounting to SAR 192,069,722 as on December 31, 2022 and still in service (December 31, 2021 SAR 196,191,092).

**6-3** All lands registered in the company's books are wholly owned by the company

**7. Intangible assets**

	2022				
	Goodwill	Emptying lands charge	Automated software applications	Research, development and equity	31 December 2022
<b>Cost</b>					
Balance as at 1 January 2022	20,292,024	7,049,328	16,632,839	8,671,212	52,645,403
Additions during the year	-	-	1,672,318	344,120	2,016,438
Disposals during the year	-	-	(2,775)	-	(2,775)
Foreign currency translation differences	-	-	(38,320)	-	(38,320)
Balance as at 31 December 2022	20,292,024	7,049,328	18,264,062	9,015,332	54,620,746
<b>Accumulated amortization</b>					
Balance beginning of the year	-	7,049,328	14,752,649	3,269,740	25,071,717
Charge for the year	-	-	260,458	1,686,324	1,946,782
Disposals	-	-	(2,775)	-	(2,775)
Foreign currency translation differences	-	-	-	-	-
Balance end of the year	-	7,049,328	15,010,332	4,956,064	27,015,724
<b>Net book value</b>					
As at December 31, 2022	20,292,024	-	3,253,730	4,059,268	27,605,022

	2021				
	Goodwill	Emptying lands charge	Automated software applications	Research, development and equity	31 December 2021
<b>Cost</b>					
Balance as at 1 January 2021	20,292,024	7,049,329	14,554,829	7,830,283	49,726,465
Additions during the year	-	-	2,018,051	840,929	2,858,980
Disposals during the year	-	-	(61,327)	-	(61,327)
Differences in property and equipment translation	-	-	121,285	-	121,285
Balance as at 31 December 2021	20,292,024	7,049,329	16,632,838	8,671,212	52,645,403
<b>Accumulated amortization</b>					
Balance as at 1 January 2021	-	7,049,329	14,495,982	1,703,355	23,248,666
Charge for the year	-	-	226,144	1,566,385	1,792,529
Disposals	-	-	(61,327)	-	(61,327)
Differences in property and equipment translation	-	-	91,849	-	91,849
Balance as at 31 December 2021	-	7,049,329	14,752,648	3,269,740	25,071,717
<b>Net book value</b>					
As at December 31, 2021	20,292,024	-	1,880,190	5,401,472	27,573,686

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****7. Intangible assets (Continued)**

<b>Amortization expense has been distributed as follow:</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
Cost of revenue	<b>33</b>	<b>1,710,205</b>	1,566,385
General and administrative expenses	<b>35</b>	<b>236,577</b>	226,144
		<b>1,946,782</b>	<b>1,792,529</b>

\* Goodwill is represented in the difference between the net assets transferred to the group from the merged and acquired companies and the value of those companies on the date of acquisition as follows:

<b>Subsidiary name</b>	<b>Al-Batin Power and Telecom Company – Egypt</b>	<b>Al-Batin Leblanc Emirates Communication Systems Company</b>	<b>Total</b>
acquisition date	January 1, 2013	January 1, 2013	
The amount paid	2,446,200	35,787,500	38,233,700
net asset value	(1,732,213)	(16,209,463)	(17,941,676)
Goodwill resulting from the acquisition	713,987	19,578,037	20,292,024

The goodwill has been allocated to the Group's cash-generating units as follows:

	<b>31 December 2022</b>	<b>31 December 2021</b>
Al-Babtain Power and Communications Company - Arab Republic of Egypt	<b>713,987</b>	713,987
Al Babtain LeBlanc Emirates Telecom Systems - United Arab Emirates	<b>19,578,037</b>	19,578,037
	<b>20,292,024</b>	<b>20,292,024</b>

**Impairment of goodwill test:**

The Group's management tests goodwill annually to ensure that there is no impairment in its value and to determine whether the carrying value of goodwill is less than its recoverable amount. The recoverable value is determined on the basis of the information used in the projected business plans for the five-year period following the date of the financial statements and related cash flows, and impairment is tested on the basis of measuring the present value of future cash flows for a period of five years based on reasonable and objective assumptions to estimate cash flow according to the latest budgets. The following are the main assumptions used in estimating the recoverable amount..

The following are the key assumptions used in estimating the recoverable amount.

	<b>31 December 2022</b>	<b>31 December 2021</b>
growth rate	<b>2.5%</b>	2%
Borrowing Rate	<b>0%</b>	3.50%
WACC	<b>12.05%</b>	10%

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and are based on historical data from external and internal sources. The cash flow projections included specific estimates for a five-year period and a terminal growth rate beyond. The terminal growth rate was determined based on management's estimate of the long-term compound annual growth rate of EBITDA, consistent with the assumptions that a market participant would make.

**Sensitivity to change in assumptions**

Management believes that no reasonably possible change in any of the key assumptions would cause the value of goodwill to change materially from its recoverable amount.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****8. Investments properties**

	<b>31 December 2022</b>	31 December 2021
<b>Balance as at 1 January 2022</b>	<b>29,077,079</b>	29,077,079
Additions during the year (Note 9/1)	<b>19,319,161</b>	-
<b>Balance as at December 31, 2021</b>	<b>48,396,240</b>	29,077,079

The following is the measurement data for fair value in accordance with International Financial Reporting Standard No. "13" as of 31 December 2022:

Properties	Evaluation Method	Purpose	Important inputs and assessment assumptions	Fair value as at 31 December 2022
The land of Al-Jazirah neighborhood - east of Riyadh	The market value of the land	Knowing the market value	Recent transaction	<b>100,120,000</b>
The land of Al- Musfat neighborhood - Riyadh	The market value of the land	Knowing the market value	Recent transaction	<b>29,402,000</b>

The valuation techniques used are categorized as Level 3 fair value

The real estate appraisal mechanism applied in evaluating investment property is in compliance with the International Valuation Standards Board and with the directives of the Saudi Authority for Accredited Valuers (Taqeem).

The name and qualifications of the valuer who carried out the investment property appraisal:

Evaluator name	Expert Real Estate Appraisal Company
Evaluator qualifications	Licensed by the Saudi Authority for Accredited Valuers "Taqeem"
Evaluator number	1210000561

**9. Investment at fair value through other comprehensive income**

	<b>Ownership percentage</b>		<b>31 December, 2022</b>	31 December, 2021
	<b>2022</b>	<b>2021</b>		
Arabian Masheed Company (9/1)	<b>%3.57</b>	<b>%3.57</b>	<b>25,000</b>	25,000
Qatar Engineering and Minerals Company (9/2)	<b>%5.66</b>	<b>%5.66</b>	<b>15,632,393</b>	15,601,741
Mina Juice Limited - Turkey (9/2)	<b>%8.015</b>	<b>%8.015</b>	<b>66,735,000</b>	64,773,675
Pasta World Limited - Turkey (9/2)	<b>%0.60</b>	<b>%0.60</b>	<b>7,161,773</b>	5,238,780
			<b>89,554,166</b>	85,639,196

9/1 On November 22, 2021, Masheed Al Arabia, according to the amended Articles of Association, converted from a closed joint stock company to a limited liability company, and The capital was reduced, which led to a reduction in the group's share of its share by an amount of 24,975,000 Saudi riyals, and an amount of 10 million Saudi riyals was transferred in cash to the group's current accounts, and the remaining 14,975,000 riyals was recorded under the item of prepaid expenses and debit balances

- On September 20, 2022 AD, the company purchased 8 plots of land, at a value of 19,319,161 Saudi riyals (Note No. 8), and it was paid as follows: 14,745,987 riyals of expenses paid in advance, and an amount of 4,573,174 that was paid in cash.

- The investment in Masheed Arabia at cost is considered a better estimate than the fair value, as the available information is not sufficient to measure the fair value in accordance with the requirements of International Financial Reporting Standard No. 9.

9/2 The investments referred to above represent investments in Venture Financial Bank, and according to the latest report for the fiscal year ending on December 31, 2022 issued by the bank, they are shown at fair value.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****9. Investment at fair value through other comprehensive income(Continued)**

The following is a summary of the movement of financial assets through other comprehensive income:

	<u>31 December, 2022</u>	<u>31 December, 2021</u>
Balance as at January 1, 2022	85,639,196	79,973,734
Disposal of financial asset at fair value through other comprehensive income	-	(24,975,000)
Gains on revaluation of assets at fair value through other comprehensive income	3,914,970	30,640,462
	<u>89,554,166</u>	<u>85,639,196</u>

**10- Investment in non-consolidated subsidiaries**

	<b>Ownership percentage</b>			
	<u>2022</u>	<u>2021</u>	<u>31 December, 2022</u>	<u>31 December, 2021</u>
Al-Babtain Contracting Company Qatar (note 1/1/1)	%100	%100	-	205,000
			<u>-</u>	<u>205,000</u>

**11- Investment in Associates and Joint Venture**

	<b>Ownership percentage</b>			
	<u>2022</u>	<u>2021</u>	<u>31 December, 2022</u>	<u>31 December, 2021</u>
Petitjean Company (formerly Al-Babtain France)	%25	%51	8,243,134	9,335,550
			<u>8,243,134</u>	<u>9,335,550</u>

The investments in Petitjean Company (Al-Babtain France) were classified as investments in a joint venture - based on the requirements of International Financial Reporting Standard No. (11) as follows:

- The contractual arrangement gives the parties to the joint arrangement rights to the net assets of the arrangement (ie it is the separate entity, and not the parties, that has rights to the assets, and duties to the liabilities, of the arrangement).
- The contractual arrangement specifies that the joint arrangement is bound by the debts and obligations of the arrangement.
- The contractual arrangement specifies that the parties to the joint arrangement are liable to the arrangement only to the extent of their respective investments in the arrangement or to the extent of their respective duties to contribute to the arrangement any unpaid or additional capital, or both.
- The contractual arrangement provides that the creditors of the joint arrangement have no right of recourse against any party in respect of the debts or obligations of the arrangement

Below is a summary of the investments:

	<u>31 December, 2022</u>	<u>31 December, 2021</u>
Balance as at January 1, 2022	9,335,550	3,812,207
Refund from related parties	12,615,563	-
A company's share is a group of profits/(losses) of investments in a joint venture	(5,135,120)	5,523,343
Less - available-for-sale assets (Note 21)	(8,572,859)	-
	<u>8,243,134</u>	<u>9,335,550</u>

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****12. Right of use assets and lease liabilities**

The right-of-use assets and liabilities are represented in lands leased with long-term contracts that extend up to 20 years inside and outside the Kingdom of Saudi Arabia and are depreciated according to the term of the contract. These lands are built on buildings registered as real estate and properties, with a book value of 137,238,240 riyals as of December 31, 2022.

**12-1 Right-of-use assets**

	<b>31 December, 2022</b>	31 December, 2021
Right-of-use assets at the beginning of the year	<b>34,364,768</b>	30,667,884
Additions during the year	<b>1,332,327</b>	3,720,372
Disposals during the year	-	(23,488)
Currency translation differences	<b>(139,611)</b>	-
<b>Balance at the end of the year</b>	<b>35,557,484</b>	34,364,768
<b><u>Accumulated depreciation</u></b>		
Balance at the beginning of the year	<b>6,446,675</b>	2,963,758
Charge during the year (Note 32)	<b>3,867,325</b>	3,483,170
Disposals during the year	-	(253)
<b>Balance at the end of the year</b>	<b>10,314,000</b>	6,446,675
<b>Net book value as at December 31, 2022</b>	<b>25,243,484</b>	
Net book value as at December 31, 2021		27,918,093

**12-2 Lease liabilities on right-of-use assets**

	<b>31 December, 2022</b>	31 December, 2021
Lease liabilities as at the beginning of the year	<b>26,598,584</b>	26,840,774
Additions during the year	<b>1,332,327</b>	3,720,372
Interest charged during the year (Note 35)	<b>1,929,457</b>	2,220,544
Paid during the year	<b>(5,409,341)</b>	(6,157,166)
Currency translation differences	<b>74,551</b>	(25,940)
<b>Balance at the end of the year</b>	<b>24,525,578</b>	26,598,584

Lease liabilities on right-of-use assets included in the consolidated statement of financial position are as follows:

	<b>31 December, 2022</b>	31 December, 2021
Non-current	<b>4,101,453</b>	4,795,360
Current	<b>20,424,125</b>	21,803,224
Lease liabilities under right-to-use assets	<b>24,525,578</b>	26,598,584

	<b>31 December, 2022</b>	31 December, 2021
<b>Less than one year</b>	<b>4,101,453</b>	4,795,360
<b>1 - 5 years</b>	<b>10,373,448</b>	10,373,448
<b>More than 5 years</b>	<b>10,050,677</b>	11,429,776
	<b>24,525,578</b>	26,598,584

**Expense charged to profit or loss**

	<b>31 December, 2022</b>	31 December, 2021
Depreciation expense	<b>3,867,325</b>	3,483,170
Interest expense	<b>1,929,457</b>	2,220,544
Short term rental expense	<b>6,191,261</b>	6,191,261



**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****13. Inventory, net**

	<b>31 December, 2022</b>	<b>31 December, 2021</b>
Raw materials	<b>587,020,518</b>	365,078,697
Finished goods	<b>153,400,352</b>	59,599,822
Consumable spare parts and other supplies	<b>19,572,685</b>	21,761,926
Working in progress	<b>55,840,657</b>	83,196,958
Goods in transit	<b>27,666,647</b>	152,491,807
Others	<b>1,751,918</b>	2,211,226
	<b>845,252,777</b>	684,340,436
<b>Less:</b> Provision of slow-moving inventory	<b>(11,692,080)</b>	(9,420,087)
	<b>833,560,697</b>	674,920,349

The movement in the Provision of slow-moving inventory is as follows:

	<b>31 December, 2022</b>	<b>31 December, 2021</b>
Balance at the beginning of the year	<b>9,420,087</b>	11,921,648
Charge during the year	<b>2,663,541</b>	1,204,471
Currency translation differences	<b>(316,372)</b>	-
Used during the year	<b>(75,176)</b>	(3,706,032)
Balance at the end of the year	<b>11,692,080</b>	9,420,087

**14. Trade receivables, net**

	<b>31 December, 2022</b>	<b>31 December, 2021</b>
Trade receivables	<b>835,264,838</b>	653,918,398
Checks under collection and notes receivable	<b>39,819,513</b>	16,483,411
	<b>875,084,351</b>	670,401,809
	<b>(37,564,156)</b>	(21,909,845)
<b>Less:</b> provision for expected credit losses	<b>837,520,195</b>	648,491,964

The movement in the provision for expected credit losses is as follows:

	<b>31 December, 2022</b>	<b>31 December, 2021</b>
Balance at the beginning of the year	<b>9,420,087</b>	11,921,648
Charge during the year	<b>2,663,541</b>	1,204,471
Used during the year	<b>(316,372)</b>	-
Part of the provision during the year	<b>(75,176)</b>	(3,706,032)
Balance at the end of the year	<b>11,692,080</b>	9,420,087

Note No. 2-42 details the credit risk of accounts receivable.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****15. Related party transactions and balances**

Transactions with related parties consist in purchasing some tools and materials from these companies in addition to selling final products to them and providing financing, salaries, bonuses, compensation and allowances for board members, senior executives and senior management that took place between the group and related parties, and between the group, members of the board of directors, senior executives and management. These transactions are carried out in the course of the group's usual activity and according to the same principles of dealing with third parties. The most important transactions with related parties and the balances resulting from them are as follows:

**a) Due from related parties**

	Nature of relationship	31 December, 2022	31 December, 2021
Al-Babtain Company France SIS	Joint Venture Company	29,277,124	47,472,252
Al Babtain Contracting Company	Affiliate Company	6,976,531	6,033,884
Al-Babtain Engineering Industries Company	Affiliate Company	282,215	282,218
		<b>36,535,870</b>	<b>53,788,354</b>

**Below is the current and non-current part**

	31 December, 2022	31 December, 2021
Current portion	14,455,146	53,788,354
Non-current portion	22,080,724	-
	<b>36,535,870</b>	<b>53,788,354</b>

**b) Due to related parties**

	Nature of relationship	31 December, 2022	31 December, 2021
Metalgolf Air Mouse Silvia IE – Portugal	Affiliate Company	13,828,717	15,649,811
Al Babtain Trading Company	Affiliate Company	69,324	145,003
Al-Babtain Contracting Company – Qatar	Subsidiary Company	-	337,019
		<b>13,898,041</b>	<b>16,131,833</b>

**c) Significant transactions with related parties**

	31 December, 2022	31 December, 2021
<b>Sales:</b>		
Al Babtain Contracting Company	2,994,888	3,053,667

**Purchases:**

Al-Babtain Engineering Industries Co	-	47,495
Al Babtain Trading Company	63,984	121,297

**Financing:**

Al-Babtain Company France SIS	-	51,894
Al Babtain Contracting Company	-	41,642
Al-Babtain Engineering Industries Company	-	150,758
Al-Babtain Metalgalva Ermaus Company – Portugal*	1,821,094	-

\* Financing with Al-Babtain Metalgalva Irmaus Company - Portugal represents an amount of 1,320,000 SAR, an increase in the capital of one of the subsidiaries, Al-Babtain Metalgalva Limited (Minority Rights Clarification No. 24), and an amount of 501,094 financing.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****15. Related party transactions and balances (Continued)****d) Benefits, remunerations and compensations for senior management and senior executives**

	31 December, 2022		31 December, 2021	
	Board and committees' members	Executive Management	Board and committees' members	Executive Management
Remuneration of members of the board of directors and committees	4,800,000		4,538,000	-
Board and committee attendance allowances	159,000		144,000	-
Salaries, wages and its equivalents		5,242,098	-	4,786,167
Employees' post-employment benefits		7,816,547		7,088,793

**16. Prepaid expenses and other receivables**

	31 December, 2022	31 December, 2021
Advance payments to suppliers	27,455,570	12,893,852
Value added tax	13,440,447	-
Prepaid expenses	13,438,346	22,187,106
Purchase of land for the International Wind Energy Company project (16-1)	8,564,756	8,564,756
Deposits against security and security refunds	6,168,499	5,318,887
Employee receivables	4,957,468	3,182,020
Accrued revenue from government loan	1,757,742	2,790,228
Dividend receivables	523,177	1,062,201
Indebtedness of the Arabian Mashed Company*	-	14,745,987
Indebtedness of Metalgalva Company - Portugal	-	5,451,242
Others	14,840,949	12,638,756
	<b>91,146,954</b>	<b>88,835,035</b>

16-1 These are the amounts paid to Emaar the Economic City under the account of the purchase of the Industrial Valley land in King Abdullah City for the International Wind Energy Company project.

**17. Contract assets**

	31 December, 2022	31 December, 2021
Balance as at January 1, 2022	208,153,276	157,182,183
Realized revenues according to the percentage of completion	17,265,082	72,676,048
Invoices issued for the work performed during the year	(12,670,317)	(21,704,955)
Currency translation differences	38,519	-
Impairment of contract assets	(14,318)	-
	<b>212,733,722</b>	<b>208,153,276</b>

**18. Positive fair value derivatives**

Hedging is an essential tool for managing financial risks, and companies that engage in hedging activities are more prepared to overcome market uncertainties. Through hedging, companies can mitigate the impact of volatile market conditions, allowing them to focus on their core business operations and achieving their strategic goals, even The Company guarantees that it will not be adversely affected by any fluctuations in global interest rates and minimize or eliminate the risks of adverse movements in prices.

During the year 2021 AD, the company entered into Murabaha price swap agreements ("swap contracts") with Al Rajhi Bank and Banque Saudi Fransi with a total nominal amount of 550 million Saudi riyals to hedge against future fluctuations in Murabaha rates for part of its long-term loans signed with those banks. Under swap contracts, the company receives a return at a floating rate according to the variable SIBOR rates, and in return the company pays a fixed rate according to the terms of the contract to cover the risks resulting from the change in SIBOR prices for Islamic loans.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****18. Positive fair value derivatives (Continued)**

As of December 31, 2022 AD, the fair value of the swap contracts amounted to 20.3 million Saudi riyals, based on the evaluation provided by the banks, and this value is included in the current assets in the consolidated statement of financial position.

The tables below provide a summary of hedged items, hedging instruments and derivative trading, the notional amounts, and their fair values. The notional amounts refer to the volume of transactions outstanding at the date of the consolidated financial statements, and are not indicative of market risk or credit risk.

The maturity date for the swap contracts and the average Murabaha rates are as follows:

the bank	The nominal loan amount (SR)	Loan date	Loan term	Fixed Murabaha rate	Hedging contract valuation earnings (SR)
Al Rajhi Bank	250,000,000	7 November, 2021	4 years	%3.28	7,881,404
The Saudi French Bank	300,000,000	12 October, 2021	5 years	%3.70	12,423,778
Total	550,000,000				20,305,182

The effect of hedging instruments on the consolidated statement of financial position was as follows:

As on December 31, 2022 AD	Nominal value (SAR)	Book value (SAR)	item in the consolidated statement of financial position	Change in fair value (SAR)
The Saudi French Murabaha rate swap contracts	550,000,000	20,305,182	financial derivative instruments	20,305,182

The following table summarizes the amounts recognized in the consolidated statement of profit or loss:

	31 December, 2022
Changes in the fair value of derivative instruments carried at fair value through profit or loss	20,305,182

**19. Investment at fair value through profit or loss**

Investments in financial assets at fair value through profit or loss are represented in a portfolio for the benefit of the group for the purpose of trading through which property rights in companies listed in the Saudi Stock Exchange are purchased. The following is the movement of investments in financial assets listed at fair value through profit or loss:

The movement on the investment during the year was as follows:

	December 31, 2022	December 31, 2021
Balance as at January 1, 2022	379,800	-
additions during the year	42,354,635	2,944,188
disposals during the year	(25,054,741)	(3,305,211)
Realized gains from selling investments at fair value through profit or loss	2,824,091	740,823
The change in the measurement of investments at fair value through profit or loss at the end of the year	(2,537,966)	-
Balance at the end of the year	17,965,819	379,800

**20. Cash and cash equivalents**

	December 31, 2022	December 31, 2021
Banks – Local and foreign current accounts	178,096,008	210,416,138
Cash in hand	556,653	293,122
	178,652,661	210,709,260

This account consists of checking accounts in local banks, which are all unrestricted. The Company does not have short-term deposits, demand deposits or highly liquid investments with original maturities of three months or less.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****21. Assets held for sale**

	<b>December 31, 2022</b>	December 31, 2021
The balance of investment Petitjean Company (Al-Babtain France)	<b>8,572,859</b>	-
Losses on sale of available-for-sale assets	<b>(4,810,741)</b>	-
Petitjean Company (Al-Babtain France)	<b>3,762,118</b>	-

• On December 12, 2022, the company signed a framework memorandum with (Metalogalfa Irmos Silva IA, Portugal) to waive the sale of a 26% stake in Al-Babtain France for 941,000 euros, equivalent to 3,762,118 Saudi riyals, where the sale and assignment contract was signed. The share on the date of February 28, 2023 AD, so that the company's ownership becomes 25% of the shares of Al-Babtain Company, France, and the share of the partner (Metalogalfa Irmos Silva IA in the State of Portugal) is 75%, and as a result, losses on the sale of investments amounted to 4,810,741 Saudi riyals.

**22. Capital**

The authorized and paid-up capital of the Group is 426,313,120 SAR as on December 31, 2022 (December 31, 2021: 426,313,120 million SAR) divided into 42,631,312 shares (December 31, 2021: 42,631,312 shares) with a value of 10 SAR each.

**23. Regular reserve**

In accordance with the company's articles of association and the provisions of the Companies Law in the Kingdom of Saudi Arabia, the company must transfer 10% of its annual net profits to the statutory reserve until this reserve reaches 30% of its capital. This statutory reserve is not distributable to shareholders. However, it can be used to raise capital.

**24. non-controlling interest**

	<b>Net profit 2022</b>	<b>Net profit 2021</b>	<b>Minority Rights Ratio</b>	<b>December 31, 2022</b>	December 31, 2021
Balance as at January 1, 2022				<b>15,427,262</b>	15,239,798
<b>Added</b> the profits of Al-Babtain LeBlanc Egypt	<b>4,033,284</b>	<b>349,345</b>		<b>11,293</b>	17,465
<b>Added</b> the losses of Al-Babtain Metalulfa	<b>(5,474,643)</b>	<b>424,998</b>	<b>0.028%</b>	<b>(2,189,857)</b>	169,999
Buying an additional stake in Al-Babtain LeBlanc Egypt for Communications Engineering (24/1)			<b>40%</b>	<b>(439,046)</b>	-
Capital increase of Al-Babtain Metalogulfa Company (24/2)				<b>1,320,000</b>	-
				<b>14,129,652</b>	15,427,262

-1/24 As a result of acquiring an additional stake, as the minority interest in December 2021 represented 5%, and as a result of the capital increase process, the minority interest became 0.028% in December 2022.

-24/2 The capital of one of the subsidiaries (Al-Babtain Metalogalfa Company) was increased, and the share of Metalogalfa Portugal is 40%, at a value of 1,320,000 riyals, which was paid as a deduction from the current balance.

-The group did not disclose and present the financial statements of non-controlling interests for the year ending on December 31, 2022 AD for Al-Babtain LeBlanc Egypt and Al-Babtain Metalogulfa companies according to the requirements of International Financial Reporting Standard 12 "Disclosure of Interests in Other Entities" Paragraph 10,b, as the two companies are not of high importance.

# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

### 25. Dividends

- a) The company, during the year 2022, and in accordance with the recommendation of the Board of Directors, distributed dividends amounting to 21,315,656 Saudi riyals at ٠,٥٠ Saudi riyals per share (2021: ٤٢,٦٣١,٣١٢ Saudi riyals at 1 Saudi riyals per share The Ordinary General Assembly approved the proposed dividends in its session held on Shawwal 11, 1443 AH corresponding to Mai 11, 2022 AD.
- b) The company, during the year 2021, and in accordance with the recommendation of the Board of Directors, distributed dividends amounting to 42,631,312 Saudi riyals at 1 Saudi riyals per share (2020: 21,315,686) Saudi riyals at (0.50) Saudi riyals per share, which is equivalent to 10% of the nominal value of the share, The Ordinary General Assembly approved the proposed dividends in its session held on Jumada Al-Akhra 11, 1442 AH corresponding to January 24, 2021 AD.

### 26. Settlements

#### 26-1 Reclassification of actuarial profit and loss in Metalugalva company

These settlements are represented in the amount of (274,940), which is the group's percentage of 60% of the result of reclassifying the amount of (458,232) of the retained earnings to the employee benefits obligation

#### 26-2 Purchase of an additional share in Al-Babtain LeBlanc Egypt Telecommunications Engineering

These settlements are represented in the amount of 439,045 Saudi riyals as a result of the acquisition by one of the subsidiaries, Al-Babtain Operation and Maintenance Company, of a stake in Al-Babtain LeBlanc Egypt Telecommunications Engineering.

#### 26-3 Reunification of Al-Babtain Contracting Company, Qatar

These settlements are represented in the amount of 394,086 Saudi riyals as retained earnings belonging to Al-Babtain Contracting Company, Qatar. According to the decision of the Board of Directors, the company has been restarted and consolidated (Note 1\1\1).

#### 26-4 Affiliated Settlements

These settlements are represented in the amount of 2,219,470 Saudi riyals, which is a provision for vacation allowance due to employees of Al-Babtain LeBlanc Communications Systems Company, a one-person company that was not registered during the previous year ending on December 31, 2020.

#### 26-5 Al-babtain power and Telecommunications Company Settlements

These settlements are represented in the issuance of invoices to a customer in the amount of 3,007,383 Saudi riyals, with different iron specifications than the contract, which led to an increase in weights.

### 27. Loans

#### 27-1 Long Term Loans

	December 31, 2022	December 31, 2021
Saudi Industrial Development Fund Loan (27\1\1)	61,560,218	35,947,459
Long Term Tawarruq Loans - Local Commercial Banks (27\1\2)	709,756,944	734,340,278
	771,317,162	770,287,737

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****27. Loans (Continued)****27-1 Long Term Loans (Continued)**

The current and non-current portion was as follows:

	<b>December 31, 2022</b>	December 31, 2021
Long Term Tawarruq Loans-Non-Current portion	<b>381,950,822</b>	541,704,396
Long Term Tawarruq Loans -Current portion	<b>389,366,340</b>	228,583,341
	<b>771,317,162</b>	770,287,737

The movement on loans during the year was as follows:

	<b>December 31, 2022</b>	December 31, 2021
Balance at the beginning of the year	<b>770,287,737</b>	271,737,058
Paid during the year	<b>(230,572,253)</b>	(294,181,212)
Collected during the year	<b>231,601,678</b>	792,731,891
<b>Balance at the end of the year</b>	<b>771,317,162</b>	770,287,737

(27/1\1) The company entered into a loan agreement with the Saudi Industrial Development Fund in the amount of 29,800,000 Saudi riyals on May 30, 2018, for the purpose of establishing a factory for the production of power transmission and communication towers, which is located on a plot of land of 69,000 square meters in the third industrial city in Dammam, the loan is repaid in twelve semi-annual installments, guaranteed against a promissory note issue. This loan is mortgaged on all the buildings constructed for this project, whose book value amounted to 58,260,072 Saudi riyals, and some property and equipment, whose book value amounted to 72,844,537 Saudi riyals on December 31, 2022. referred to in the contract.

One of the subsidiaries (Integrated Lighting Company Limited) entered into a loan with the Saudi Industrial Development Fund in the amount of 14,300,000 Saudi riyals on February 24, 2019. This is for the purpose of setting up a factory to produce steel decorative poles and lighting lamps with LED technology in the Industrial Gate City in Riyadh, and these loans are repaid in guaranteed semi-annual installments against the issuance of promissory notes. This loan mortgages all the buildings constructed for this project, whose book value is 15,423,008 Saudi riyals, and some property and equipment, whose book value is 10,293,044 Saudi riyals on December 31, 2022. referred to in the contract

Also, one of the subsidiaries (Al-Babtain Metalogalfa Co. Ltd.) obtained during the period a loan with the Saudi Industrial Development Fund in the amount of 40,900,000 dirhams, for the purpose of establishing a factory for the production of photovoltaic installation systems on a plot of land in Dammam, the third industrial city, with an area of 55,026 square meters. These loans are repaid in guaranteed semi-annual installments against the issuance of promissory notes. This loan mortgages all the buildings constructed for this project, whose book value is 18,481,259 Saudi riyals, and some machinery and equipment, whose book value is 47,657,505 Saudi riyals on the date of December 31, 2022, referred to in the contract.

As the total balance of the Industrial Development Fund loans for the company and its subsidiaries amounted to 61,560,218 Saudi riyals on December 31, 2022 AD.

(27/1/2) The group obtained long-term bank financing from local banks for the purpose of paying the outstanding amounts owed by the group with other banks and restructuring the financial position, in addition to concluding new medium-term loan contracts during the period from local banks amounting to 771,317,162 Saudi riyals for the same previous purpose.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****27. Loans (Continued)****27-1 Long Term Loans (Continued)****Warranties**

The long and medium-term bank financing from local banks is guaranteed against the issuance of promissory notes and the group's waiver of some of the proceeds of the contracts concluded by the group and other guarantees according to the bank facilities contracts. The banking agreements include restrictions and financial pledges on the group related to dividends and net equity, in addition to restrictions on some other financial ratios specified in these agreements. These bank financings are subject to a commission according to prevailing market rates.

**Non-compliance with bank covenants**

Due to the existence of a difference in some of the financial covenants mentioned in the agreement with some banks, the amount of 276,979,167 Saudi riyals has been reclassified from the non-current part to the current part, and the financial covenants were as follows

	<b>The agreed rate</b>	<b>The percentage as of December 31, 2022</b>	<b>override</b>
Arab Banking Corporation (Bahrain)	<b>1.75%</b>	<b>1.88%</b>	<b>0.13%</b>
Al Rajhi Bank	<b>1.1%</b>	<b>0.6%</b>	<b>0.5%</b>
Saudi National Bank			

**27-2 Short Term Loans**

The company obtained banking facilities from local and international commercial banks in the form of overdrafts, securitization loans and notes payable to finance working capital requirements, as well as letters of credit and letters of guarantee. These facilities are subject to a commission according to prevailing market rates, the details of which are as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Bank Overdraft	<b>49,903,538</b>	30,024,816
Short-term tawarruq bank loans	<b>534,271,577</b>	285,891,207
Notes payable	<b>202,131,742</b>	180,755,514
	<b>786,306,857</b>	496,671,537

The movement on loans during the year was as follows:

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Balance at the beginning of the year	<b>496,671,537</b>	640,557,736
Paid during the year	<b>(3,136,662,165)</b>	(4,189,421,930)
Addition during the year	<b>3,426,297,485</b>	4,045,535,731
<b>Balance at the end of the year</b>	<b>786,306,857</b>	496,671,537

**Guarantees**

The tawarruq loans from the above-mentioned commercial banks are guaranteed against the issuance of bonds to order and the company's assignment of some of the proceeds of the contracts concluded by the company and which use these facilities to finance its operational work and other guarantees in accordance with the bank facility contracts. The above-mentioned banking agreements related to tawarruq loans include restrictions and financial commitments on the company related to dividends and net equity, in addition to restrictions on some other financial ratios specified in these agreements.



# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

### 28. Employees' defined benefits obligation

	31 December 2022	31 December 2021
Balance at the beginning of the year	78,218,261	82,845,389
Current service costs	9,505,553	7,391,382
Paid during the year	(12,015,759)	(9,273,531)
Actuarial gain / (loss)	(7,190,679)	(2,744,979)
	<b>68,517,376</b>	<b>78,218,261</b>

### 28-1 Actuarial Assumptions

	31 December 2022	31 December 2021
Discount rate	1.95%	1.80%
Salary increases rate (% per year)	3%	3%
Staff turnover (% per year)	8%	7%

The following is a table of expected maturity for employees' defined benefits obligation:

	31 December 2022	31 December 2021
Less than one year	1,554,538	1,554,538
1 - 5 years	1,554,538	1,554,538
More than 5 years	65,408,300	75,109,185
	<b>68,517,376</b>	<b>78,218,261</b>

### 28-2 The sensitivity of the defined benefit obligation to changes in the weighted average of the key assumptions is:

Factor	Change in assumption	31 December 2022	31 December 2021
Discount rate	+0.5%	59,825,297	75,793,495
	-0.5%	63,553,688	80,799,464
long term salary	+0.5%	63,587,424	80,721,245
	-0.5%	59,778,074	75,793,495

The above sensitivity analyzes are based on the change in one of the assumptions while all other assumptions remain constant. In practice, this is unlikely to happen, as some changes in some assumptions may be related to each other. When calculating the sensitivity of employees' end-of-service benefits to a material actuarial assumption, the same method is applied (the present value of the employees' defined benefit obligation calculated on the basis of the projected unit credit cost method at the end of the reporting period) when calculating employees' end-of-service benefits recognized in the consolidated statement of financial position.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****29. Deferred revenue**

	<b>31 December 2022</b>	31 December 2021
Deferred revenues guarantee of headlights (1/29)	<b>26,811,698</b>	-
Deferred revenue installation guarantee (29/2)	<b>6,665,679</b>	-
	<b>33,477,377</b>	-

(29/1) Deferred revenue is recognized for expected warranty claims on the sold products for which the Group is responsible to cover the warranty, and it is expected that all these costs will be incurred within 10 years after the reporting date and will be amortized on a straight line method over the warranty period, and the assumptions used to calculate are based on The warranty is based on product sales, date of sale, warranty period, estimated level of repairs, and warranty costs.

(29/2) Deferred revenue is recognized for the expected warranty claims on the sold products for which the Group is responsible to cover the warranty, and it is expected that all these costs will be incurred within 3 months after the reporting date, and the assumptions used for the warranty calculation are based on product sales, the date of sale and the warranty period and the estimated level of repairs and warranty costs.

The details of the current and non-current portion of the deferred revenue – headlights guarantee are given below:

	<b>31 December 2022</b>	31 December 2021
Non-Current portion	<b>25,004,761</b>	-
Current portion	<b>8,472,616</b>	-
	<b>33,477,377</b>	-

**30. Accrued expenses and other credit balances**

	<b>31 December 2022</b>	31 December 2021
Advance payments from customers	<b>70,945,113</b>	42,666,048
Accrued expenses	<b>54,970,998</b>	27,137,393
Value added tax VAT	-	7,509,658
accrued Remunerations of board members and committees	<b>4,946,834</b>	3,425,999
Dividends payable	<b>1,857,195</b>	8,379,488
Other payables	<b>15,540,312</b>	3,708,269
	<b>148,260,452</b>	92,826,855

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****31. Zakat provision****31-1 Zakat movement**

The movement in the provision for zakat is as follows:

	<b>31 December 2022</b>	31 December 2021
Balance at the beginning of the year	<b>12,198,723</b>	13,236,134
charged during the year	<b>33,815,179</b>	19,374,477
Paid during the year	<b>(21,368,799)</b>	(20,411,888)
<b>Balance at the end of the year</b>	<b>24,645,103</b>	12,198,723

**31-2. Zakat assessment position**

The company submits a unified zakat declaration for the group, with the exception of Al-Babtain LeBlanc Egypt Company for Communications Engineering - Egypt and Al-Babtain Metalogalfa Company Ltd.

The zakat status has been finalized with the Zakat, Tax and Customs Authority (the Authority) until the fiscal year ending on December 31, 2013.

The Authority issued the zakat assessment for the fiscal year ending on December 31, 2014, which resulted in zakat differences amounting to 1,138,648 Saudi riyals. The company filed a lawsuit with the General Secretariat of Tax Committees, and the Committee for Settlement of Tax Violations and Disputes issued its decision in favor of the company, but the Authority appealed the decision to the General Secretariat of Tax Committees, and the appeal is still under study.

The Authority issued the amended Zakat assessment on the company for the fiscal years 2015 AD to 2018 AD, which resulted in Zakat differences in the amount of 32,040,281 Saudi riyals. The company objected to this assessment with the General Secretariat of Tax Committees, and the objection is still under study.

The company believes that it has a fair opportunity to obtain decisions supporting its point of view from the objection and appeal committees regarding the objection to the zakat assessment for the financial years from 2014 to 2018.

**Al-Babtain LeBlanc Egypt Company for Communications Engineering - Egypt**

The annual declarations of the company were submitted annually until 2021. The following are the declarations that are still pending with the Authority:

2004: Examination and linking were carried out, and it was appealed, and the internal committee of the tax office is discussing some points of disagreement

2010: The examination and linkage were completed, and it was appealed, and a re-examination decision was issued

2011: The examination and linkage were estimated, and it was appealed on the legal date, and the file was referred to the appeal committees, and a re-examination warrant was issued

2014: The examination and linking were estimated, and it was challenged on the legal date

**Al-Babtain Metalogalfa Co. Ltd**

The company submitted its zakat returns until December 31, 2021, and the company obtained a certificate valid until April 30, 2023.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****32. Revenue**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Main activity revenue	<b>2,163,577,790</b>	1,477,863,368
Revenue from the sale of waste	<b>42,184,135</b>	27,654,191
	<b><u>2,205,761,925</u></b>	<b><u>1,505,517,559</u></b>

**33. Cost of revenue**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Materials	<b>1,512,795,588</b>	981,416,585
Salaries, wages and equivalents	<b>157,999,271</b>	136,501,483
Operating expenses and subcontractors	<b>109,900,460</b>	71,071,322
Depreciation of property, plant and equipment (Note 6)	<b>24,428,380</b>	22,236,372
Transportation, shipping and customs clearance	<b>22,199,611</b>	16,920,997
Governmental fees	<b>13,275,600</b>	9,083,740
Maintenance, repair and fuel	<b>12,456,040</b>	17,207,142
Machinery and equipment rental	<b>8,438,234</b>	3,298,376
Electricity, water and communications	<b>6,844,358</b>	6,022,986
Depreciation of right of use (Note 12)	<b>3,867,325</b>	3,483,170
Allowance for stagnant inventory	<b>2,663,541</b>	1,204,471
Social insurance	<b>2,475,295</b>	1,584,533
Amortization of intangible assets (Note 7)	<b>1,710,205</b>	1,566,385
other	<b>49,399,566</b>	35,737,729
	<b><u>1,928,453,474</u></b>	<b><u>1,307,335,291</u></b>

**34. Selling and marketing expenses**

	<b>31 December 2022</b>	<b>31 December 2021</b>
Salaries, wages and equivalents	<b>18,074,469</b>	14,984,577
Transportation rentals and transfers	<b>2,524,046</b>	2,863,545
Selling and marketing expenses	<b>1,411,994</b>	1,146,514
Incentives and rewards	<b>1,255,209</b>	1,438,032
Fees and subscriptions	<b>858,850</b>	841,516
medical insurance	<b>716,929</b>	234,063
Travel and transfer	<b>536,763</b>	106,440
Advertising	<b>506,884</b>	174,712
Depreciation (Note 6)	<b>414,042</b>	653,726
Social insurance	<b>296,656</b>	328,995
Maintenance and fuel	<b>43,586</b>	409,261
Office Supplies	<b>35,648</b>	31,850
Other	<b>2,424,988</b>	1,936,879
	<b><u>29,100,064</u></b>	<b><u>25,150,110</u></b>

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****35. General and administrative expenses**

	<b>31 December 2022</b>	31 December 2021
Salaries, wages and equivalents	<b>56,664,479</b>	52,166,403
Social insurance	<b>5,523,805</b>	1,820,253
Depreciation of property, plant and equipment (Note 6)	<b>3,109,570</b>	4,369,159
Professional and advisory services fees	<b>1,517,675</b>	1,649,071
Employee bonuses	<b>3,929,733</b>	1,569,445
Remuneration of members of the Board of Directors	<b>3,911,427</b>	4,538,000
Life and medical insurance	<b>3,264,666</b>	1,011,199
Fees and subscriptions	<b>1,920,948</b>	1,345,016
Electricity, water and communications	<b>1,658,109</b>	1,393,607
Maintenance and repair	<b>515,969</b>	399,564
rents	<b>331,219</b>	29,340
Amortization of intangible assets (Note 7)	<b>236,577</b>	226,144
Stationery and publications	<b>112,543</b>	120,594
Allowances for attending meetings of the Board of Directors and committees	<b>77,751</b>	80,685
other	<b>3,450,419</b>	9,720,687
	<b>86,224,890</b>	80,439,167

**36. Finance costs**

	<b>31 December 2022</b>	31 December 2021
Loan finance	<b>67,729,890</b>	34,158,712
lease liabilities Finance (note 12)	<b>1,929,457</b>	2,220,544
	<b>69,659,347</b>	36,379,256

**37. Foreign currency translation differences**

Foreign currency evaluation differences represent cash balances that have been recalculated at market value according to currency exchange rates (Euro and Egyptian Pound).

On December 31, 2022.

**38. Other Income**

	<b>31 December 2022</b>	31 December 2021
(losses) / gains from the sale of property, machinery, and equipment	<b>(2,366)</b>	82,484
Human Resources Fund support revenue	<b>550,396</b>	189,402
Rental income	<b>2,252,457</b>	2,069,770
Dividends received	<b>7,737,683</b>	3,881,791
Returning an allowance for incentives that is not intended	<b>4,189,399</b>	-
other	<b>1,972,576</b>	1,056,103
	<b>16,700,145</b>	7,279,550

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****39. Basic and diluted earnings per share**

Basic earnings per share has been calculated by dividing the income for the year attributable to shareholders of the company by the weighted average number of ordinary shares outstanding during the year. The diluted earnings per share is the same as the basic earnings per share since the Group does not have any dilutive instruments.

**39-1 From continuous operations:**

	<b>31 December 2022</b>	31 December 2021
Profit for the year (from continuing operations)	<b>60,435,460</b>	51,029,030
Weighted average number of issued shares	<b>42,631,312</b>	42,631,312
<b>Basic and diluted earnings per share (SAR)</b>	<b>1.42</b>	1.20

**39-2 from discontinued operations**

	<b>31 December 2022</b>	31 December 2021
profit for the year discontinuous operations	<b>(4,810,741)</b>	-
Weighted average number of issued shares	<b>42,631,312</b>	-
<b>Basic and diluted earnings per share (SAR)</b>	<b>(0.11)</b>	-

**40. Contingencies and capital commitments**

Contingent liabilities represent letters of credit and guarantees issued by commercial banks for the purposes of the Group and are as follows:

	<b>31 December 2022</b>	31 December 2021
Letters of credit	<b>149,631,974</b>	339,736,781
Letters of guarantee	<b>730,210,460</b>	396,556,210
	<b>879,842,434</b>	736,292,991

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****41. Segmental report****A-Sectoral information**

A- Information related to the Group's operational and geographic sectors, as shown below, is regularly submitted to the Group's operational decision makers and stated as follows:

-Towers and metal structures sector: It includes the production of power transmission towers, galvanized communication towers and their tests, and galvanized steel structures.

-Poles and lighting: It include the production and galvanization of electricity and lighting poles, masts and their accessories, in addition to the production of street lighting lanterns, playgrounds and gardens, and the production of electricity distribution panels.

-Design, supply and installation sector: It includes the work of supplying, installing and maintaining communication systems.

-Solar energy sector: It includes the production of mobile metal components for solar photovoltaic energy tracking systems.

Headquarters: It supervises the company's various sectors in addition to the investment activities in the subsidiaries.

B - The following is a summary of the information for the year ended December 31, according to the operating segments as follows:

	<b>Towers and metal structures sector</b>	<b>Columns and lighting sector</b>	<b>Design, supply and installation sector</b>	<b>Solar energy sector</b>	<b>Headquarter</b>	<b>Total</b>
<b>December 31, 2022</b>						
<b>Net revenue</b>	719,242,176	877,617,641	396,195,618	212,706,490	-	2,205,761,925
<b>Sales cost</b>	654,441,094	759,329,315	307,342,358	207,340,707	-	1,928,453,474
<b>Selling and marketing expenses</b>	3,765,375	23,631,395	-	1,703,294	-	29,100,064
<b>General and administrative expenses</b>	15,192,869	17,857,030	50,807,755	2,367,236	-	86,224,890
<b>Financing costs</b>	30,665,252	27,469,500	3,833,855	7,690,740	-	69,659,347
<b>Total Assets</b>	85,741,745	276,155,275	518,559,815	155,781,693	1,790,160,387	2,826,398,915
<b>Total Liabilities</b>	43,218,427	331,655,461	176,859,070	41,000,976	1,368,352,746	1,961,086,680
<b>Depreciation of property, plant and equipment</b>	10,035,116	10,630,516	2,280,749	3,855,602	1,150,010	27,951,993
<b>Net income for the period before zakat from continuing operations</b>	(32,398,198)	78,552,226	33,734,636	(5,296,039)	17,479,450	92,072,075
<b>December 31, 2021</b>						
<b>Net revenue</b>	451,690,596	651,789,113	295,682,807	102,957,284	-	1,502,119,800
<b>Sales cost</b>	396,765,514	552,064,949	261,539,786	96,965,042	-	1,307,335,291
<b>Selling and marketing expenses</b>	7,651,163	10,645,933	5,043,492	1,809,522	-	25,150,110
<b>General and administrative expenses</b>	24,471,193	34,049,552	16,130,915	5,787,507	-	80,439,167
<b>Financing costs</b>	13,444,921	16,892,880	2,736,617	3,304,838	-	36,379,256
<b>Total Assets</b>	35,927,888	83,976,015	289,467,504	56,578,099	1,995,213,887	2,461,163,393
<b>Total Liabilities</b>	37,696,620	27,733,936	144,508,900	13,462,647	1,387,170,414	1,610,572,517
<b>Depreciation of property, plant and equipment</b>	10,232,064	10,475,406	2,278,359	3,139,046	1,134,382	27,259,257
<b>Net income for the year before zakat</b>	(24,361,973)	54,890,817	23,282,759	1,291,317	15,488,051	70,590,971

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****41. Segmental report (Continued)****B-Geographical information**

The following is a summary of geographical information for the year ended December 31, as follows:

	<u>Saudi Arabia</u>	<u>United Arab Emirates</u>	<u>Egyptian Arabic Republic</u>	<u>Total</u>
<b><u>December 31, 2022</u></b>				
Property and equipment	371,288,366	221,514	23,663,771	395,173,651
Net revenue	1,820,922,849	131,051,852	253,787,224	2,205,761,925
Sales cost	1,610,942,045	102,006,230	215,505,198	1,928,453,474
Selling and marketing expenses	27,338,860	12,008	1,749,196	29,100,064
General and administrative expenses	59,114,538	14,460,722	12,649,630	86,224,890
Financing costs	62,661,557	1,097,097	5,900,693	69,659,347
Total Assets	2,498,565,746	178,812,928	149,020,241	2,826,398,915
Total Liabilities	1,823,575,745	61,608,333	75,902,601	1,961,086,679
Depreciation of property, plant and equipment	26,368,051	428,834	1,155,108	27,951,993
Net income for the period before zakat	58,908,622	14,171,952	18,991,500	92,072,075
Net income for the period before zakat from continuing operations				
<b><u>December 31, 2021</u></b>				
Property and equipment	363,665,768	476,230	31,994,753	396,136,751
Net revenue	1,237,025,149	147,194,710	117,899,941	1,502,119,800
Sales cost	1,069,722,735	130,197,874	107,414,682	1,307,335,291
Selling and marketing expenses	20,628,363	2,510,715	2,011,032	25,150,110
General and administrative expenses	65,976,983	8,030,177	6,432,007	80,439,167
Financing costs	34,054,822	326,363	1,998,071	36,379,256
Total Assets	2,271,450,500	106,123,838	83,589,055	2,461,163,393
Total Liabilities	1,460,089,318	90,890,946	59,592,253	1,610,572,517
Depreciation of property, plant and equipment	24,610,812	567,152	2,081,293	27,259,257
Net income for the period before zakat	61,862,245	10,436,440	(1,707,714)	70,590,971



# AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY

(A Saudi Joint Stock Company)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2022

(All amounts in Saudi Riyals unless otherwise stated)

### 42. Financial instruments and risk management

The root of the group's main financial liabilities include loans, lease liabilities under right-of-use assets, accounts payable, other credit accrued expenses, due to a relationship party. The Group's principal financial assets consist of prepaid expenses due from a related party. The main financial risks arising from the Group's financial instruments are market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk. Management reviews and agrees policies to manage these risks.

#### 42-1-1 market risk

It is the risk of fluctuation in a financial instrument due to changes in prevailing market prices, such as foreign exchange rates and interest rates, which will affect the Group's income or the value of its holdings of financial instruments. Market risk management aims to manage and control market risk exposures within acceptable limits, while maximizing returns. There has been no change in the Group's exposure to market risks or the way these risks are managed and how they are measured.

Interest rate risk is exposure to various risks associated with the effect of fluctuations in prevailing interest rates on the Group's financial position and cash flows. The Group is exposed to interest rate risk on its interest bearing assets and liabilities, which mainly consist of bank facilities and loans. The management limits interest rate risk by monitoring changes in interest rates. Management monitors changes in interest rates and believes that the Group's cash flow and interest rate risks on fair value are immaterial.

The Group's receivables and payables carried at amortized cost are not subject to interest rate risk as defined in IFRS 7 as neither the carrying value nor the future cash flows change due to a change in market interest rates. Accordingly, the Group is not exposed to fair value interest rate risk.

The Group's exposure to changes in interest rates is as follows:

	December 31, 2022	December 31, 2021
Variable interest rate loans	1,557,624,019	1,266,959,274

#### Sensitivity analysis

	Profit or loss statement			
	December 31, 2022		December 31, 2021	
	100 points increase	100 points discounts	100 points increase	100 points discounts
Variable interest rate loans	(15,576,240)	15,576,240	(12,669,593)	12,669,593
Changes in cash flow	15,576,240	(15,576,240)	12,669,593	(12,669,593)

#### 42-1-2 Foreign currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, foreign currency risk arises when future commercial transactions, assets and liabilities are denominated in a currency other than the Saudi Riyal. In Saudi riyals. Management monitors the risks of fluctuations in exchange rates closely and on an ongoing basis, and based on its experience and market reactions, management does not believe that it is necessary to hedge against foreign exchange risks as most of the foreign exchange risks are relatively limited in the medium term.

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****42. Financial instruments and risk management (Continued)****42-2 Credit risk**

It is the risk that one party will not be able to fulfill its obligations, causing financial losses to the other party. The Group does not have a significant concentration of credit risk. Cash and cash equivalents are deposited with local banks with high credit ratings. Accounts receivable and other receivables are mainly due from customers in the local market and are stated at their estimated collectible value. The Group has policies in place to reduce its exposure to credit risk. The carrying amounts of the financial assets represent the maximum credit risk.

The Group deals with banks of good credit standing and good financial rating.

**Account receivable**

<b>2022</b>	<b>Total</b>	<b>Current</b>	<b>1 year</b>	<b>Provision</b>
<b>Book value</b>	<b>875,084,351</b>	<b>767,687,364</b>	<b>107,396,987</b>	<b>-</b>
<b>Expected credit losses</b>	<b>767,687,364</b>	<b>1,439,120</b>	<b>36,125,036</b>	<b>37,564,156</b>
<b>Expected credit loss rate</b>	<b>-</b>	<b>%1.34</b>	<b>%24.23</b>	<b>-</b>

<b>2021</b>	<b>Total</b>	<b>Current</b>	<b>1 year</b>	<b>Provision</b>
<b>Book value</b>	<b>670,401,809</b>	<b>623,473,682</b>	<b>46,928,127</b>	<b>-</b>
<b>Expected credit losses</b>	<b>-</b>	<b>3,943,772</b>	<b>17,966,073</b>	<b>21,909,845</b>
<b>Expected credit loss rate</b>	<b>-</b>	<b>%0.6</b>	<b>%38.3</b>	<b>-</b>

**42-3 Liquidity risk**

It is the risk that the Group will encounter difficulty in obtaining the financing necessary to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at a value close to its fair value. Liquidity risk is managed through regular monitoring of the adequacy of liquidity available to meet the Group's financial obligations. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and established conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table summarizes the Group's financial liabilities into relevant maturity groups based on the remaining period at the consolidated statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**December 31, 2022**

	<b>Book value</b>	<b>Less than 1 year</b>	<b>1 - 5 years</b>	<b>More than 5</b>
Lease contract requirements	<b>24,525,578</b>	<b>4,101,453</b>	<b>20,424,125</b>	<b>-</b>
Loans	<b>771,317,162</b>	<b>243,637,173</b>	<b>527,679,989</b>	<b>-</b>
Short term loans	<b>786,306,857</b>	<b>786,306,857</b>	<b>-</b>	<b>-</b>
Accounts Payable	<b>90,138,734</b>	<b>90,138,734</b>	<b>-</b>	<b>-</b>
Accrued expenses and other current liabilities	<b>164,817,714</b>	<b>164,817,714</b>	<b>-</b>	<b>-</b>
Due to a related party	<b>13,898,041</b>	<b>13,898,041</b>	<b>-</b>	<b>-</b>
	<b>1,851,004,086</b>	<b>1,302,899,972</b>	<b>548,104,114</b>	<b>-</b>

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****42. Financial instruments and risk management (Continued)****42-3 Liquidity risk (Continued)**

<u>December 31, 2021</u>	<u>Book value</u>	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Lease contract requirements	26,598,584	4,795,360	21,803,224	-
Loans	770,287,737	228,583,341	541,704,396	-
Short term loans	496,671,537	496,671,537	-	-
Accounts Payable	117,638,987	117,638,987	-	-
Accrued expenses and other current liabilities	94,294,724	94,294,724	-	-
Due to a related party	16,131,833	16,131,833	-	-
	<u>1,521,623,402</u>	<u>958,115,782</u>	<u>563,507,620</u>	<u>-</u>

The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The Group monitors its capital base using the net debt to equity ratio. Net debt is calculated as loans less cash and cash equivalents.

The following is the net debt to equity ratio of the Group at the end of the year:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Loans	<u>1,557,624,019</u>	<u>1,266,959,274</u>
Less:		
Cash and cash equivalents	<u>(178,652,661)</u>	<u>(210,709,260)</u>
Net debt	<u>1,378,971,358</u>	<u>1,056,250,014</u>
Total equity attributable to the company's shareholders	<u>851,182,585</u>	<u>835,163,614</u>
Net debt to equity ratio	<u>162%</u>	<u>%126</u>

**42-4 Fair value**

Fair value is the amount for which an asset could be exchanged, or a liability settled, 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:

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

The principal or most advantageous market must be accessible to 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 the ability of a market participant to generate economic benefits by using the asset in its best advantage or by selling it to another market participant for its best use.

The Group uses valuation techniques that are appropriate in the circumstances and conditions 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 values are measured or fair values are disclosed in the consolidated financial statements are categorized within the fair value hierarchy shown below based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted prices in active markets for the same assets or liabilities.
- Level 2: other valuation techniques for which a minimum level of significant input is required, directly or indirectly, to measure the fair value.
- Level 3: Other valuation techniques for which a minimum input that is significant is not observable to the fair value measurement is required

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****42. Financial instruments and risk management (Continued)****42-4 Fair value (Continued)**

For assets and liabilities that are included in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the above hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. consolidated financial statements.

The carrying amount of financial assets that cannot be measured at fair value is an approximation of their fair value. Financial liabilities are measured at amortized cost, which is a reasonable approximation of their fair value.

All financial assets and liabilities are measured at amortized cost except for investments carried at fair value through profit or loss. The carrying amount of all other financial assets and liabilities measured at amortized cost approximates their fair values.

The valuation was determined using discounted cash flow (DCF) approach based on significant unobservable inputs and accordingly is included in Level 3 of the fair value hierarchy.

	Fair value Level			
<b>As on December 31, 2022</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>Total</b>
Financial assets				
Investments at fair value through other comprehensive income	-	-	89,554,166	89,554,166
Investments at fair value through profit or loss	17,965,819	-	-	17,965,819

	Fair value Level			
<b>As on December 31, 2021</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>Total</b>
Financial assets				
Investments at fair value through other comprehensive income	-	-	85,614,196	85,614,196
Investments at fair value through profit or loss	379,800	-	-	379,800

**43. Non-cash transactions**

	<b>Note</b>	<b>December 31, 2022</b>	<b>December 31, 2021</b>
Capital work in progress has been transferred to property, plant and equipment	<b>6</b>	<b>(13,562,431)</b>	<b>(82,963,798)</b>
Capital increases subsidiaries company from related parties		<b>1,320,000</b>	-
Right of uses assets additions	<b>12</b>	<b>1,332,327</b>	3,720,372
Investment property additions from MASHEED receivable	<b>9-1</b>	<b>(14,745,987)</b>	-
Unearned revenue from investment in fair value through OCI	<b>9-2</b>	<b>3,914,970</b>	-

**AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****For the Year Ended 31 December 2022****(All amounts in Saudi Riyals unless otherwise stated)****44- Comparative figures**

During the year ending December 31, 2022, the Group has reclassified certain balances as shown below, which management considers to be a more accurate presentation and reflects the relevant nature.

**44-1 Balances of the consolidated statement of financial position that have been reclassified**

<b><u>ASSETS</u></b>	<b><u>Balance before adjustment</u></b>	<b><u>reclassify debit/(credit)</u></b>	<b><u>Balance after adjustment</u></b>
Inventory	697,875,882	(22,955,533)	<b>674,920,349</b>
Prepaid expenses and other debit balances	90,302,904	(1,467,869)	<b>88,835,035</b>
<b><u>Liabilities</u></b>			
Long-term loans - the non-current part	465,766,896	75,937,500	<b>541,704,396</b>
Short term loans	572,609,037	(75,937,500)	<b>496,671,537</b>
Accrued expenses and other credit balances	117,250,257	(24,423,402)	<b>92,826,855</b>

**44-2 Amounts in the Consolidated statement of profit or loss that have been reclassified**

	<b>31 December 2021 Balance before adjustment SAR</b>	<b>Amounts reclassified SAR</b>	<b>31 December 2021 Balance after adjustment SAR</b>
Revenues	<b>1,474,465,609</b>	27,654,191	1,502,119,800
Other income	<b>31,051,950</b>	(23,772,400)	7,279,550
Dividends received	3,881,791	(3,881,791)	-

**44-3 Amounts of the statement of cash flows that have been reclassified**

	<b>31 December 2021 Balance before adjustment SAR</b>	<b>Amounts reclassified SAR</b>	<b>31 December 2021 Balance after adjustment SAR</b>
Net cash flows from operating activities	(222,842,317)	15,112,692	(207,729,625)
Net cash flows generated from investing activities	(15,657,322)	740,823.00	(14,916,499)
Net cash flows generated from financing activities	305,850,062	(34,158,712)	271,691,350
The effect of changing the exchange rate on cash and cash equivalents	22,183,229	(3,878,032)	18,305,197

# **AL-BABTAIN POWER AND TELECOMMUNICATIONS COMPANY**

(A Saudi Joint Stock Company)

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended 31 December 2022**

**(All amounts in Saudi Riyals unless otherwise stated)**

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### **45- Subsequent events**

In accordance with the decision of the Board of Directors held on March 30, 2023, the group announced the distribution of cash dividends to shareholders for the year ending on December 31, 2022 in the amount of 21.3 million Saudi riyals, at a value of 0.5% of the nominal value of the share.

There are no other matters arising up to the date of approval of the consolidated financial statements that could materially affect the consolidated financial statements and related disclosures for the year ending 31 December 2022.

### **46. Date of approval of the financial statements**

These financial statements have been approved and issued on 30 march 2022 AD (corresponding to 8 Ramdan 1444 AH) by the company's board of directors.