
Riyadh Cables Group Company
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 December 2022
Together with the independent auditor's report

Riyadh Cables Group Company
(A Saudi Joint Stock Company)
Consolidated financial statements and independent auditor's report
As at 31 December 2022
(All amounts are expressed in Saudi Riyals unless otherwise stated)

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KPMG Professional Services

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Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤
المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Riyadh Cables Group Company (a Saudi Joint Stock Company)

Opinion

We have audited the consolidated financial statements of **Riyadh Cables Group Company (the "Company")** and its subsidiaries (the "**Group**"), a Saudi Joint stock Company, which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

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

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 Auditors' Responsibilities for the Audit of the "Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including the International Independence Standards) ("The Code") 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 year. 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 (continued)

To the Shareholders of Riyadh Cables Group Company (a Saudi Joint Stock Company)

Key audit matters (continued)

Revenue recognition

Note (31) to the consolidated financial statements.

Key audit matter	How the matter was address in our audit
<p>The Group applies IFRS 15 'Revenue from contracts with customers'.</p> <p>The Group recognized revenue with a total amount of SR 6.9 billion for the year ended 31 December 2022.</p> <p>Majority of the revenue amount is from the sale of goods which is recognized when control of the product is transferred to the customer, which happens upon delivery to the customer. Contracts revenue over time is recognized using percentage of completion, which is measured by comparing the actual cost incurred to date to estimated total cost of each contract.</p> <p>Revenue is considered one of the significant indicators for measuring the performance of the Group, resulting in inherent risks through the possibility of recognizing revenue more than its actual value.</p> <p>Revenue recognition was considered as key audit matter due to the materiality of revenue amount and the inherent risks in overstating revenue amount, which may have a material impact on the Group's consolidated financial statements.</p>	<p>Among other things, we performed the following procedures:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of the Group's accounting policies relating to revenue recognition, including those relating to discounts and incentives, and assessed the compliance with the applicable accounting standards. • Assessed the design and implementation and tested the operational effectiveness of internal control systems related to the management controls over revenue recognition. • Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. • Assessed the management's estimates relating to effect of using judgments and assumptions to revenue recognition and accrued revenue for the year. • Analytical procedures, including profit margin analysis for sales compared with the prior year, and obtaining explanations to any significant changes. • Performed procedures to test the reliability and integrity of customers and sales master data provided to us. • Tested sample of revenue journal entries relating to significant risk areas identified for material misstatements and compared them to the supporting documents. • Cut-off procedures on the timing of revenue recognition from sales after the products were delivered to the customers and recorded during the correct accounting period. • Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.



Independent auditor's report (continued)

To the Shareholders of Riyadh Cables Group Company (a Saudi Joint Stock Company)

Key audit matters (continued)

Impairment of trade receivables' balances

Note (16) to the notes to the consolidated financial statements.

Key audit matter	How the matter was address in our audit
<p>As at 31 December 2022, the gross trade receivables amounted to SR 1.3 billion, against which a provision for impairment of SR 45.5 million was made.</p> <p>In accordance with the requirements of IFRS 9 'Financial Instruments', the Group has applied expected credit loss model to account for the impairment of trade receivables.</p> <p>The application of the expected credit loss models to account for the impairment of trade receivables was considered a key audit matter, as the determination of the impairment of trade receivables using the expected credit loss models includes significant judgments and estimates that might have a material impact on the consolidated financial statements of the Group.</p>	<p>Among other things, we performed the following procedures:</p> <ul style="list-style-type: none">• Assessed the design and implementation and tested the operational effectiveness of the internal control systems related to management controls over trade receivable balances, which also includes the account for a provision for impairment losses of trade receivables.• Assessed the methodology, assumptions and estimates used by management in preparing the expected credit loss models, including the assessment of future projections.• Assessed the completeness and accuracy of the aging report of trade receivables.• Used our specialists to test key assumptions used by management and assess the reasonableness of the estimates used. Tested the reasonableness of impairment losses estimates used for trade receivables.• Sending requests for confirmation for a sample of trade receivables and inspected a sample of collections in the period subsequent to the date of the consolidated financial statements.• Evaluated the adequacy of disclosures made by the management in the consolidated financial statements.



Independent auditor's report (continued)

To the Shareholders of Riyadh Cables Group Company (a Saudi Joint Stock Company)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report 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 and will not express any form of assurance conclusion thereon.

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

When we read the annual report, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) 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 International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Independent auditor's report (continued)

To the Shareholders of Riyadh Cables Group Company (a Saudi Joint Stock Company)

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Riyadh Cables Group Company and its subsidiaries**.

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 period and are therefore the key audit matters. We describe these matters in our auditors' 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.

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Fahad Mubark Al Dossari
License No. 469



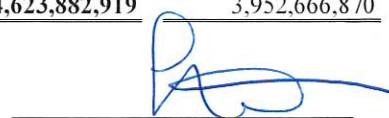
Riyadh, 23 Shaaban 1444H
Corresponding to: 15 March 2023

Riyadh Cables Group Company
(A Saudi Joint Stock Company)
Consolidated Statement of Financial Position
As at 31 December 2022

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Assets			
Non-current assets			
Property, plant and equipment, net	9	1,119,706,524	1,154,744,180
Intangible assets, net	10	67,979,431	67,238,717
Investments at fair value through other comprehensive income	11	23,503,554	49,924,524
Investment in a joint venture	12	30,602,500	-
Right of use assets	13	9,482,493	10,842,109
Investment properties	14	36,058,713	-
Deferred tax assets	29	3,701,046	-
Total non-current assets		1,291,034,261	1,282,749,530
Current assets			
Inventory	15	1,795,741,342	1,585,548,586
Trade receivables	16	1,300,528,102	962,664,504
Contract assets	17	9,509,543	11,746,691
Advances and other current assets	18	117,076,611	59,601,358
Derivative financial instruments	26	2,873,118	-
Cash and cash equivalents	19	107,119,942	50,356,201
Total current assets		3,332,848,658	2,669,917,340
Total assets		4,623,882,919	3,952,666,870
Equity and liabilities			
Equity			
Share capital	20	1,500,000,000	1,500,000,000
Statutory reserve	21	288,326,294	253,094,307
Retained earnings		305,811,568	218,319,418
Other reserves		26,551,788	64,219,855
Equity attributable to the shareholders of the company		2,120,689,650	2,035,633,580
Non-Controlling interests		(146,950)	433,204
Total equity		2,120,542,700	2,036,066,784
Non-current liabilities			
Employees' benefits obligations	23	106,574,034	107,410,714
Lease liabilities	13	8,593,331	9,052,975
Deferred tax liability	29	7,573,729	-
Total non-current liabilities		122,741,094	116,463,689
Current liabilities			
Islamic finance facilities	24	1,468,005,000	1,324,175,000
Accrued expenses and other liabilities	25	230,268,154	140,816,581
Trade payables	27	544,546,547	221,031,943
Derivative financial instruments	26	9,388,071	-
Provisions	28	61,582,355	82,512,628
Contract liabilities	17	32,361,162	-
Provision for Zakat and income tax	30	33,337,757	29,690,240
Lease liabilities	13	1,110,079	1,910,005
Total current liabilities		2,380,599,125	1,800,136,397
Total liabilities		2,503,340,219	1,916,600,086
Total equity and liabilities		4,623,882,919	3,952,666,870


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The accompanying notes 1 through 45 form an integral part of these consolidated financial statements.

Riyadh Cables Group Company
(A Saudi Joint Stock Company)
Consolidated Statement of Profit or Loss
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Revenue	31	6,852,306,557	4,883,443,882
Cost of revenue	32	(6,205,205,384)	(4,420,360,895)
Total income		647,101,173	463,082,987
Operating expenses			
Selling and distribution expenses	33	(102,779,469)	(91,763,045)
General and administrative expenses	34	(100,165,790)	(79,477,135)
Expected credit losses, net	16	3,123,727	8,670,649
Other income, net	35	10,463,388	2,640,057
Profit from operations		457,743,029	303,153,513
Finance costs	36	(72,798,933)	(31,780,551)
Income before Zakat and income tax		384,944,096	271,372,962
Zakat and income tax	30	(29,208,266)	(31,375,995)
Deferred tax	29	(3,872,683)	-
Net profit for the year		351,863,147	239,996,967
Attributable to:			
Shareholders of the Company		352,319,866	239,832,593
Non-Controlling interests		(456,719)	164,374
Net profit for the year		351,863,147	239,996,967
Earnings per share			
Basic and diluted earnings per share	38	2.35	1.60


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The accompanying notes 1 through 45 form an integral part of these consolidated financial statements.

Riyadh Cables Group Company
(A Saudi Joint Stock Company)
Consolidated statement of other comprehensive income
For the year ended 31 December 2022
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Net profit for the year		351,863,147	239,996,967
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Foreign currency translation reserve		499,386	(835,414)
Effective portion of hedging contracts- change in fair value	26	(14,608,108)	-
<i>Items that will not be reclassified to profit or loss</i>			
Investments at fair value through other comprehensive income – net change in fair value		(23,120,503)	42,758,745
Re-measurements of post-employment benefit obligations	23	5,965,429	(8,983,782)
Other comprehensive income for the year		(31,263,796)	32,939,549
Total comprehensive income		320,599,351	272,936,516
Comprehensive income attributable to:			
Shareholders of the Company		321,056,070	272,772,142
Non-controlling interests		(456,719)	164,374
Total comprehensive income for the year		<u>320,599,351</u>	<u>272,936,516</u>


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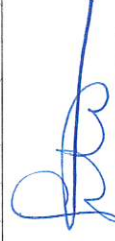
The accompanying notes 1 through 45 form an integral part of these consolidated financial statements.

Riyadh Cables Group Company
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyals unless otherwise stated)

Note	Equity attributable to the shareholders of the company										
	Other reserves										
	Share capital	Statutory reserve	Retained earnings	Acquisition reserve of a subsidiary	Cash flow hedge reserve	Investments at fair value through other comprehensive income	Foreign operations translation reserve	Total other reserves	Total	Non-controlling interests	Total equity
	1,500,000,000	229,111,048	207,953,866	22,725,173	-	-	(428,649)	22,296,524	1,959,361,438	(35,891)	1,959,325,547
	-	-	239,832,593	-	-	-	-	-	239,832,593	164,374	239,996,967
	-	-	(8,983,782)	-	-	42,758,745	(835,414)	41,923,331	32,939,549	-	32,939,549
	-	23,983,259	230,848,811	-	-	42,758,745	(835,414)	41,923,331	272,772,142	164,374	272,936,516
22	-	-	(196,500,000)	-	-	-	-	-	(196,500,000)	-	-
	1,500,000,000	253,094,307	218,319,418	22,725,173	-	42,758,745	(1,264,063)	64,219,855	2,035,633,580	433,204	2,036,066,784
	1,500,000,000	253,094,307	218,319,418	22,725,173	-	42,758,745	(1,264,063)	64,219,855	2,035,633,580	433,204	2,036,066,784
	-	-	352,319,866	-	-	-	-	-	352,319,866	(456,719)	351,863,147
	-	-	5,965,429	-	(14,608,108)	(23,120,503)	499,386	(37,229,225)	(31,263,796)	-	(31,263,796)
	-	-	358,285,295	-	(14,608,108)	(23,120,503)	499,386	(37,229,225)	321,056,070	(456,719)	320,599,351
22	-	-	438,842	-	-	(438,842)	-	(438,842)	-	-	-
	-	35,231,987	(35,231,987)	-	-	-	-	-	(236,000,000)	(123,435)	(236,123,435)
	-	-	(236,000,000)	-	-	-	-	-	(236,000,000)	(146,950)	(236,146,950)
	1,500,000,000	288,326,294	305,811,568	22,725,173	(14,608,108)	19,199,400	(764,677)	26,551,788	2,120,689,650	(146,950)	2,120,542,700


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The accompanying notes 1 through 45 form an integral part of these consolidated financial statements.

Riyadh Cables Group Company
(A Saudi Joint Stock Company)
Consolidated Statement of Cash Flows
For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	2022	2021
Operating activities:			
Profit for the year before zakat and income tax		384,944,096	271,372,962
Adjustments for:			
Depreciation of property, plant and equipment	9	57,235,033	58,419,930
Amortization of intangible assets	10	5,081,196	4,972,282
Depreciation of investment properties	14	240,956	-
Depreciation of right-of-use of assets	13	1,359,616	1,797,693
Interest on lease liabilities	13	361,793	398,993
Charge/(reversal) for slow moving inventory - net	15	416,910	(1,322,839)
Expected credit losses, net	16	(3,123,727)	(8,670,649)
Provisions	28	(20,930,273)	(27,792,112)
Post-employment benefits	23	13,397,463	12,829,920
Losses of evaluation of financial derivatives		(8,093,155)	-
Losses on disposal of property, plant and equipment	35	1,977,326	256,235
Gains on disposal of investment properties	35	(17,331,330)	-
Gains on disposal of investments at fair value through comprehensive income	35	(3,274,019)	-
Finance costs	36	69,526,557	26,896,230
Changes in working capital:			
Inventory		(210,609,666)	(439,179,844)
Trade receivables		(370,392,120)	(135,008,548)
Contract assets		2,237,148	-
Contract liabilities		32,361,162	(4,924,589)
Advances and other current assets		(57,475,253)	(26,008,182)
Accruals and other liabilities		86,732,799	34,732,468
Trade payables		323,514,604	93,424,726
Net finance costs paid		(69,526,557)	(28,694,558)
Post-employment benefits paid	23	(8,268,714)	(10,829,731)
Zakat and income tax charged	30	(25,560,749)	(31,108,030)
Net cash flows generated from / (used in) operating activities		184,801,096	(208,437,643)
Investing activities			
Payments for the purchase of property, plant and equipment	9	(45,291,326)	(69,164,205)
Proceed from sale of property, plant and equipment	9	-	43,533
Payments to purchase investment properties		(793,638)	-
Proceeds from sale of investment properties		38,760,000	-
Payments for investment in joint venture		(30,602,500)	-
Payments to purchase of intangible assets	10	(5,821,910)	(128,438)
Payments to purchase of investments at FVOCI		(3,116,973)	(2,861,625)
Proceeds from sale of investments at FVOCI		9,691,459	-
Net cash flows used in investing activities		(37,174,888)	(72,110,735)
Financing activities			
Repayment of Islamic financing facilities during the year	24	(4,105,695,000)	(2,814,937,500)
Proceeds from Islamic financing facilities during the year	24	4,249,525,000	3,280,437,500
Lease liabilities on right-of-use assets		(1,621,363)	(1,922,003)
Dividends paid	22	(233,404,661)	(196,195,279)
Cash flows (used in)/generated from financing activities		(91,196,024)	267,382,718
Net change in cash and cash equivalents during the year		56,430,184	(13,165,660)
Cash and cash equivalents at beginning of the year	19	50,356,201	64,252,757
Effect of exchange rate change on cash and cash equivalents		333,557	(730,896)
Cash and cash equivalents at end of the year	19	107,119,942	50,356,201
Non-cash transactions			
Investments at fair value through other comprehensive income – net change in fair value			
Re-measurements of post-employment benefit obligations	23	5,965,429	(8,983,787)
Statutory reserve		35,231,987	23,983,259
Unpaid dividends		(2,718,774)	-
Changes in the value of the hedging instruments recognized in OCI		(14,608,108)	-
Transferred from property, plant and equipment to investment properties		21,282,451	-
Investments properties against settling the balance of a customer	16	(35,652,250)	-

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The accompanying notes 1 through 45 form an integral part of these consolidated financial statements.

Riyadh Cables Group Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyals unless otherwise stated)

1- REPORTING ENTITY

Riyadh Cables Group Company ("the Company") was formed as a Saudi Joint Stock Company in accordance with the Regulations for Companies in Kingdom of Saudi Arabia. The Company operates under Commercial Registration No. 1010052927 issued on 24 Jumada' II 1435H (corresponding to 24 April 2014). The Company operates under Industrial License No. 396/R dated 12 Jumada' II 1416H (corresponding to 25 November 1995) amended by Industrial License No. 36/R dated 5 Muharram 1418H (corresponding to 12 May 1997) amended by Industrial License No. 2572 dated 16 Rajab 1434H (corresponding to 26 May 2013). The Company's registered office is located at Second Industrial Area, P.O. Box 26862 Riyadh 11496, Kingdom of Saudi Arabia.

The principal activities of the Group include the production of isolated and non-isolated cables made from copper as well as aluminum.

On 11 December 2021, the Board of Directors convened and decided to start the procedures for offering the company on the Saudi Stock Exchange Company (Tadawul) and to authorize the Executive Committee to contract with the parties it deems appropriate in this regard. On 17 October 2022, the Capital Market Authority (CMA) announced the approval of the request of the Riyadh Cables Group Company to register its shares and offer 33 million shares for public subscription in the main market. On 22 November 2022, the shares to be offered represent 22% of the Company's total shares amounting to 150 million shares. The Company was listed in Tadawul on 19 December 2022.

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below (collectively referred to as the "Group").

These consolidated financial statements have been prepared for Riyadh Cables Group Company and its subsidiaries listed below:

<u>Subsidiaries</u>	<u>Legal form</u>	<u>Country of Incorporation</u>	<u>Ownership interest held by the Group (directly or indirectly)</u>	
			<u>2022</u>	<u>2021</u>
1-Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries listed below:	A Closed Joint Stock Company Limited Liability	Kingdom of Saudi Arabia	100%	100%
1.1 Qatar Cables Company LLC	Company	Qatar	50%	50%
1.2 Arabian Gulf Company for Electrical Cables LLC	Limited Liability Company	Kuwait	49%	49%
1.3 Gulf Company Electrical Works	Limited Liability Company	Oman	100%	100%
1.4 Egyptian Riyadh Cable Company for Electrical Works	Joint Stock Company (E.S.C)	Egypt	49%	49%
2-Saudi Modern Company For Specialized Wires And Cables Industry	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
3- Saudi Modern Company for Telephone Cables Industry	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%

Riyadh Cables Group Company

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended 31 December 2022

(All amounts are expressed in Saudi Riyals unless otherwise stated)

1- REPORTING ENTITY (CONTINUED)

Subsidiaries	Legal form	Country of Incorporation	Ownership interest held by the Group (directly or indirectly)	
			2022	2021
4- Riyadh Cables Company and its subsidiaries listed below:	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
4.1 National Cables Industry Company	A single shareholder limited liability company	UAE	100%	100%
4.2 Alrowad Company for Production of Electrical Cables Limited (*)	A single shareholder limited liability company	Iraq	100%	100%
4.3 Iraqi National Company for Cables Industry	A Limited Liability Company	Iraq	100%	100%
5-Saudi Modern Company for Cables Limited	Limited Liability Company	Kingdom of Saudi Arabia	100%	100%

Information about subsidiaries:

Alrowad Company for Production of Electrical Cables Limited

On 31 August 2017, National Cables Industry Company (a subsidiary of Riyadh Cables Company) acquired 100% of interest in Al Rwoad Company for Production of Electrical Cables Limited in Iraq owned by "Abdul Qadir Al Muhaidib & Sons Company" (a Shareholder of the Company). The net assets of the Company at the acquisition date was higher than the cash consideration, and a reserve was recognized as a result of the acquisition process amounting to SR 22,725,173 in the consolidated statement of changes in equity.

2- BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) and the Company's By-Laws.

3- BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis and the going concern concept, except for the following:

- Employees' defined benefits obligations that have been actuarially evaluated and measured at their present value using the projected unit credit method.
- Investments at fair value through other comprehensive income
- Measuring derivative financial instruments at fair value.

4- FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements were presented in Saudi Riyals (SR) which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest SAR, unless otherwise indicated.

5- BASIS OF CONSOLIDATION

Subsidiaries

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Impairment losses are immediately recognized in profits or losses.

Subsidiaries are all entities controlled by the Group. Control is achieved when the Group has rights to the returns, from its involvement in the investee has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

- Power over the investee (i.e., existing rights that give it the ability to direct the activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has control over the investee, including:

- The contractual arrangements with the other holders of the voting rights of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Accounting for business combinations involving entities or businesses under common control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretation.

Several such bodies have issued guidance, and some allow the pooling of interests' method in accounting for business combinations involving entities under common control.

5- BASIS OF CONSOLIDATION (CONTINUED)

Subsidiaries (continued)

The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is goodwill arising from the difference between the consideration paid and the equity acquired it is reflected directly in the equity.
- The consolidated statement of profit or loss of the combining entities reflects the results of the full year irrespective of when the combination took place.

Non – controlling interest

NCIs are measured initially at their proportionate share of the acquirer’s identifiable net assets at the date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit and loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

6- NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS

Several amendments and interpretations were applied below for the first time with the possibility of early adoption, yet the Group did not make the early adoption of any of them as they have no significant impact on the consolidated financial statements of the Group.

New currently effective requirements:

The following table lists the recent changes on accounting standards that are required to be applied for the period of the annual report starting from 1 January 2022.

Effective date	New standard or amendments
1 April 2021	COVID-Covid-19 Related Lease Concessions after June 30, 2021 - amendment to IFRS 16
1 January 2022	Onerous contracts: cost of fulfilling a contract (Amendments to IAS 37).
	Annual Improvements to IFRSs 2018-2020 cycle
	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
	Reference to the Conceptual Framework - Amendments to IFRS 3.

6- NEW STANDARDS, AMENDMENTS, AND INTERPRETATIONS (CONTINUED)

Forthcoming requirements:

The following table lists the recent changes to the accounting standards that are required to be applied for annual periods beginning after 1 January 2023 and that are available for early adoption in annual periods beginning on 1 January 2022.

<u>Effective date</u>	<u>New standard or amendments</u>
1 January 2023	Classification of liabilities as current/non-current (Amendments to IAS 1).
	IFRS 17 Insurance Contracts
	Definition of accounting estimate (amendments to IAS 8)
	Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
Available for optional adoption/Effective date deferred indefinitely	Deferred taxes related to the assets and liabilities arising from one transaction (amendments to IAS 12 "Income Taxes")
	Sale or Contribution of Assets between an Investor and its Equity-Accounted Investee or Joint Venture (Amendments to IFRS 10 and IAS 28)

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. Assets are classified as current when:

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any accumulated impairment losses, if any. Lands and projects in progress are stated at cost less any accumulated impairment losses, if any. Cost includes all amounts necessary for bringing the asset to the present condition and location to be ready for its intended use by management. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met, as well as costs incurred during the pre-operating period, less proceeds from sale of experimental production.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

When parts of property, plant and equipment are significant in cost compared with total cost of asset, and when these parts/components have useful lives different from other parts and required to be replaced at intervals, the Group has to recognize such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair is performed (planned or unplanned), its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. This is recorded as a separated part with a useful life equal to the period up to the upcoming planned inspection. The carrying amount of the replaced part is eliminated. In case the upcoming repair is made before the planned date, any outstanding carrying amount for previous repair is recorded as an expense. Other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is calculated from the date for which assets are available for their intended use. Self-constructed assets are from the date of completing such assets and be ready for their intended use. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives as follows:

Depreciation is calculated using the straight-line method over the useful lives of the assets as follows:

	<u>Expected useful life</u>
Building	20 - 25
Plant and equipment	20 - 30
Strategic spare parts	10
Motor vehicles	4
Furniture & fixtures	4 - 10
Tools	5
Laboratory equipment	10
Computers	10

Lands and projects in process are not depreciated. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at end of each year.

Any item of property, plant and equipment is derecognized upon disposal or when it is unlikely that any future economic benefits will arise from the continuing use of the assets. Profits and losses resulting from disposal of property, plant and equipment that are retired, sold or unrecognized are identified by comparing the proceeds with carrying amount of an asset and are recognized under "other income, net" in the consolidated statement of profit or loss.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible assets

Intangibles assets are initially recognized at cost less accumulated amortization and impairment losses, if any. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Amortization is charged to statement of profit or loss by applying the straight-line basis whereby the carrying amount of an asset is amortized over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets (computer software) is 15 years.

The Company accounts for impairment, where indications exist, by reducing the asset's carrying amount to the recoverable amount.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in a joint venture

A joint venture is an arrangement where two or more parties have joint control. The joint operations are divided into projects or joint operations based on related rights and obligations. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Based on the Group's assessment of control interests in joint ventures are recognized using the equity method, and are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which joint control ceases.

Investment properties

Investment properties are non-current assets held either to earn rental income or for investment appreciation or for both, but not for sale in the normal course of business. Investment property is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any. Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for increase in its value.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss. When investment properties that were previously classified as property and equipment are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Expenses incurred for replacing component of investment properties items, which are accounting for separately are capitalized, and carrying amount of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the statement of profit or loss and other comprehensive income when incurred.

Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from assets or group of other assets (cash-generating units). Non-financial assets that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.

Foreign currencies

Transactions and balances

Foreign currency transactions are initially recorded by the Group's entities denominated in the functional currency of each of them according to the exchange rate prevailing on the date when the transaction becomes qualified for recognition for the first time. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date.

The differences arising on the settlement or translation of monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income of the Group.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate prevailing at the date of the initial transaction.

7- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Translate the financial statements of the Group's subsidiaries

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- items of assets and liabilities presented for each statement of financial position are translated at the closing rate at the date of statement of financial position.
- Income and expenses for each statement of profit or loss and other comprehensive income are transferred at the average exchange rates (unless the average rate does not nearly reasonably represent the effect of the accumulated exchange rates prevailing on the transaction dates, in which case the income and expenses are translated at the exchange rates on the transaction dates);
- All currency exchange differences are recognized in other comprehensive income.

Inventory

Inventory includes raw materials, work in progress, finished goods, supplies and spare parts that are recorded at the lower of cost or net realizable value. Work in progress and finished goods inventory include direct materials, direct labors and an appropriate proportion of fixed and variable indirect expenses.

Costs are assigned to items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is considered as the estimated selling price in ordinary course of business, less estimated costs to completion and the estimated costs necessary to complete the sale.

Financial instruments

Recognition and initial measurement

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price.

Financial assets

Classification of financial assets

On initial recognition, a financial asset is classified as: measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit and loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at FVTOCI if both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets(continued)

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

Financial assets	IFRS 9 classification
Cash and bank balances	Amortized cost
Trade receivables	Amortized cost
Other non-current asset	Amortized cost

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

These assets are subsequently measured at fair value. Net profit and loss including interest revenue and dividends are recognized in the consolidated statement of profit or loss.	Financial assets at FVTPL
These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized value is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in the statement of income. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.	Financial assets at amortized cost
Subsequently measured at fair value. Interest revenue calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net profits and losses are recognized in OCI. On derecognition, accumulated profits and losses in OCI are reclassified to the consolidated statement of profit or loss.	Financial assets through other comprehensive income (debt investments)
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Any profit or loss on derecognition or recognition of investment is recognized in equity, and may not be reclassified to the consolidated statement of profit or loss.	Financial assets through other comprehensive income (investments in equity instruments)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either:

- (a) The Group has transferred substantially all the risks and rewards of the asset, or
- (b) The Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the ‘expected credit loss (ECL) model’. This replaces IAS 39’s ‘incurred loss model’. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVTOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (‘Stage 1’) and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (‘Stage 2’).

‘Stage 3’ would cover financial assets that have objective evidence of impairment at the reporting date.

‘12-month expected credit losses’ are recognized for the first category while ‘lifetime expected credit losses’ are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Presentation of impairment

Loss provisions for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from customers are presented separately in the consolidated statement of profit or loss and other comprehensive income.

Expected credit loss assessment for trade and other receivables

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected credit loss provision.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability the customers to settle the receivables.

The Group has identified GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

7- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Financial assets (continued)

The expected loss approach breaks the total loss amount modelling into following parts: probability of default ("PD"), loss given default ("LGD"), exposure at default ("EAD"). These are briefly described below:

Loss given default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of default (PD): the likelihood of a default over a particular time horizon.

Exposure at default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Group uses a point in time (PIT) probability of default model to measure its impairment on financial assets.

Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time. The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the provision calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss provision, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios

The Group includes macroeconomic factor of GDP to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis incorporates forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

Definition of default

In the above context, the Group considers default when:

- The customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other income in the consolidated statement of profit or loss.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (continued)

Specific provision

Specific provision is recognized for each customer at every reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly include trade and other payables, accrued expenses, other current liabilities, Islamic finance facilities and due to related parties.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

<u>Financial liabilities</u>	<u>IFRS 9 classification</u>
Trade payables	Amortized cost
Accrued expenses and other current liabilities	Amortized cost
Islamic finance facilities	Amortized cost

Derecognition

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

Modifications of financial assets and financial liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

Financial liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognize at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Derivatives

The Group maintains financial instruments to hedge its exposure related to commodity price. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

At the inception of the hedge relationship and on an ongoing basis, the Group makes an assessment to identify whether the hedging instrument is expected to be "highly effective" in offsetting the changes in fair value or cash flows of the hedged items during the period for which the hedge is determined.

The transaction should be highly probable, whether the actual results of each hedge are within the scope of the risk management policy and for the cash flow hedge of the expected transaction.

Derivatives are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes there in are accounted for as shown below.

Cash flow hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the defined and qualified derivatives is recognized as changes in cashflows hedges in other comprehensive income, and is accumulated in the hedging reserve in equity. The profit or Loss related to ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g. when the expected sale of the hedged item occurs). The profit or loss related to the effective portion of the value of the commodity is recognized in the statement of profit or loss under "Cost of revenue".

However, when the expected transaction that has been hedged results in recognition of a non-financial asset (for example, inventory), the amounts accumulated are transferred from equity and included in the initial cost measurement. Ultimately, the amounts accumulated are recognized in the cost of inventory.

Upon expiration, termination, sale, or transacting the hedge instrument, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accumulated remains within equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss accumulated that was recognized in equity is transferred to the consolidated statement of profit or loss under "Revenue or Cost of Revenue."

Other derivatives

When a financial instrument is not classified as a qualifying hedging relationship, all changes in its fair value are recognized immediately in the consolidated statement of profit or loss.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (continued)

Offset of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

Non-current assets classified as held for sale are presented separately and are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any profit or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

Cash and cash equivalents

For the purpose of presentation of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits, call deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are not subject to significant risk of changes in value.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

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

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly or indirectly.
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

Riyadh Cables Group Company

(A Saudi Joint Stock Company)

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7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statutory reserve

Statutory reserve is based on statutory requirements, and in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group is required to set aside 10% of its annual net income to the statutory reserve until such reserve equals 30% of the share capital. This statutory reserve is not available for distribution.

Dividends to the shareholders of the Group

Dividends to the shareholders of the Group are recognized as liability in the consolidated financial statements of the Group in the year in which the dividends are approved by the shareholders of the Group.

Employees' benefits

Short-term employees' benefits

Short-term employees benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees benefits are payable to all employees employed under the terms and conditions of the labour laws applicable on the Group, on termination of their employment contracts.

Defined contribution plan

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognizes contribution payable to the GOSI as an expense when due.

Defined benefit plans (employees' end-of-service benefits)

The Group operates defined benefit plans, under the Saudi Labor Law applicable based on employees' accumulated periods of service at the date of statement of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Previously, employees' end of service benefits' liability was calculated at the current value of the vested benefits to which the employee was entitled, should his service be terminated at the reporting date.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in statement of profit or loss on the earlier of:

- the date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- net interest expense or income.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Zakat and income tax

Zakat

Zakat is calculated in accordance with regulations of Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia ("ZATCA") on the Saudi shareholders' share and on an accrual basis. The Zakat charge is recognized in the consolidated statement of profit or loss. The differences, if any, resulting from the final assessments are adjusted in the year when assessments are finalized.

Income tax

Income tax is calculated at the specified rates on the adjusted share of the income of non-Saudi shareholders specified in accordance with the Saudi regulations that are endorsed in the Kingdom of Saudi Arabia. Also, it is recognized in the consolidated statement of profit or loss

For subsidiaries incorporated and operating outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with the tax regulations of their respective countries, when it is material.

Deferred tax

Deferred tax of temporary differences between the carrying amount of assets and liabilities is recorded in the consolidated financial statements and the tax base used to calculate the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recorded when it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is recognized, or the liability is settled, based on tax rates (and tax rules) that have been enacted or substantively enacted up to the end of the financial period.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use ("ROU") assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

7- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Leases (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal year if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

The group has presented separately the right-of-use assets and the lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item recognized in the same item of liabilities may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Group applied IFRS 15 'Revenue from contracts with customers'.

Revenue is measured based on consideration specified in a contract with a customer, includes unbilled revenue (contract asset) and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The Group assess the services promised in a contract with a customer and identifies as a performance obligation either:

- a) service that is distinct; or
- b) Series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1 - Identify the contract(s) with a 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 in the contract: 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 to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate 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 - Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (a) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

As the performance obligations where one of the above conditions are met, revenue is recognized over time at which time the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to advances from customer (contract liability).

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

7- **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition (continued)

The application of IFRS 15 has required management to make the following judgements:

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has assessed that based on the agreement entered into with the customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognizes revenue over time. Where this is not the case revenue is recognized at a point in time. For sale of goods revenue is generally recognized at point in time.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its agreements with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

Transfer of control in contracts with customers

In case where the Group determines that performance obligations are satisfied at a point in time, revenue is recognized when control over the assets that is subject of contract is transferred to the customer.

In addition, the application of IFRS 15 has resulted in the following estimation process:

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of meeting contractual obligation to the customers, these estimates mainly include the time elapsed for services contracts.

Other matters to consider

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods or services to a customer. The Group estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

Significant financing component

The Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component.

Revenue streams

The Group earns revenue from following sources:

Revenue streams	Revenue recognition
Sale of goods	At point of time
Contract revenue	Over time

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Revenue from sale of goods

Revenue is measured based on consideration specified in the contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when control of the product is transferred to the customer, which happens upon delivery to the customer.

If the consideration promised in a contract includes a variable amount, the Group estimates the fees to which it is entitled in exchange for transferring the promised goods or services to the customer.

Contract revenue

Contract revenue are recognized over time. Revenue is measured and recognized based on percentage of completion method, which is calculated by comparing between the percentage of actual cost incurred to-date to estimated total cost for each contract.

Estimates of revenue, costs or extent of percentage of completion are revised if circumstances changed. Any resulting increase or decrease in estimated revenue or costs are reflected in profit or loss in the period in which the circumstances that lead to the revision become known to the management.

Estimated costs and profits in excess of invoices on incomplete contracts are recognized in current assets as contract assets, and invoices in excess of costs incurred and estimated profits, if any, are recognized in current liabilities as contract liabilities.

Contract costs

Additional costs are recognized to obtain the contract as an expense, unless the Group has reasonable expectation of recovering these costs from its customer, as these costs are explicitly charged to the customers. The Group consumes these costs on a regular basis in conformity with transferring goods or services to a customer.

Contract assets and liabilities

Under IFRS 15, when a party to a contract performs its obligations, the entity shall present in its statement of financial position, contract assets or liabilities, depending on the relationship between the entity's performance and customer payments. Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred or implemented to the customer.

Contract liabilities are an entity's obligation to transfer goods or perform services for the benefit of the customer for which the entity received consideration from the customer (or is entitled to a payment for). If the consideration agreed in the contract includes a variable amount, the Company estimates the amount of consideration that the Company is entitled to in exchange for transferring the goods or services agreed upon with the customer.

Gains from investments

Dividends from investments are recognized when the Group's rights to receive payment have been established.

Other income

All other income are recognized on an accrual basis when the Group's right to earn the income is established.

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7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cost of sales

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labors, depreciation and other related general indirect costs. This also includes share of the related common overheads.

Selling and distribution expenses

This include any costs incurred to execute or facilitate all sale transactions in the Group. These costs typically include salaries of the sales employees, costs of managing the exhibitions, marketing and distribution expenses, and logistics expenses as well as commissions, fees and the like. This includes share of the related general common costs.

General and administrative expenses

This pertain to operational expenses that are not directly related to the production of any goods or services. This includes share of the related general common costs.

Allocations of common expenses between direct cost, selling and distribution expenses, general and administrative expenses, when required, are made on a consistent basis.

Finance cost

The finance cost consists of the interest and other costs that an entity incurs in connection with borrowing of allocated funds through the Group, the interest on the employee's end-of-service benefits according to IAS 19 'Employee Benefits', and interest expenses on lease liabilities in accordance with IFRS 16 'Leases'.

All other borrowing costs are recognized in the consolidated statement of profit or loss in the year in which they are incurred.

Borrowing costs

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

The interest capitalized is calculated using the Group's weighted average cost of borrowings after adjusting for borrowings associated with specific developments. Where borrowings are associated with specific developments, the amount capitalized is the gross interest incurred on those borrowings less any investment income arising on their temporary investment. Interest is capitalized as from the commencement of the development work until the date of practical completion, when substantially all of the development work is completed. The capitalization of borrowing costs is suspended if there are prolonged periods when development activity is interrupted.

Reporting Segments

An operating segment is a component of the Company:

- That engages in activities from which it may earn revenue and incur expenses.
- Results of its operations are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
- For which separate financial information is available.

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

7- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Segments (continued)

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Group executive management and used to allocate resources to segments and assess their performance. These operating segments described below has been identified in note (36) in accordance with IFRS 8. Most of the Group's revenue, profits and assets arise by its operations in Saudi Arabia and arise from these specific business segments. The executive management monitors the operational results of these operating segments continuously for making decisions about resource allocation and performance evaluation. Segment performance is evaluated based on profit or loss and other performance measurement indicators.

Earnings per share

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities, and the disclosure of contingencies at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and other various factors that are believed to be reasonable under these circumstances and are used to estimate the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period, if the effect of revision is limited to that period only, or they are recognized in the revision period and future periods if the revision affects both current and future periods.

The key assumption concerning the future and key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is discussed below:

Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements are included in the following notes:
Note 5 - whether the Group exercises control over an investee.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements, are described below:

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Impairment of non-financial assets (continued)

In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. An impairment loss reversal is recognized immediately in the consolidated statement of profit or loss.

Expected life of property, equipment, and plants

The Group's management determines the expected life of property, plant and equipment for calculating depreciation. The estimate is carried out after considering the expected usage of the assets or obsolescence. Management performs periodic review for the estimated useful lives and depreciation method to ensure that depreciation duration and method are consistent with the expected pattern for the economic benefit of the assets.

Fair value estimation of financial instruments

The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are shown as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly or indirectly.
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Expected credit loss provision for trade receivables

The Group uses a provision matrix to calculate ECLs of trade receivables. The provision rates are based on days past due for groupings of various customer segments.

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

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

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8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Provision for slow moving and obsolete items

Inventory is stated at the lower of cost and net realisable value. When inventory becomes old or obsolete, an estimate is made for the net realizable value. For individually significant amounts, this estimate is made on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of aging or obsolescence.

Assumptions of employees' benefits obligations

The Group operates an end-of-service benefits plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuations.

Certain actuarial assumptions have been applied as set out in note 23 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate for the consideration required to settle the present obligation at reporting date taking into account risk and doubts specific to liability. Where the 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 Fund expects some or all of economic benefits that are required to settle a provision of third party to be reimbursed, the accrued amount is recognized as an asset if the reimbursed amount is virtually certain and its value can be reliably estimated.

Onerous contracts

Current liabilities - arising from onerous contract - are identified and recognized as provisions. The contract is considered as onerous contract if the Company enters into a contract in which the unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract.

Zakat and income tax

When calculating the Zakat and income tax expense for the current period, the Group has adjusted its net income and applied certain assumptions to the Zakat and income tax base used to calculate the Zakat and income tax expense. However, the Zakat legislations issued by Zakat, Tax and Customs Authority ("ZATCA") with respect to these amendments are subject to amendments and interpretations that are subject to change. The Group's management has provided its best estimates for those assumptions.

Going concern

The Group's management uses estimates and assumptions to assess the Group's ability to continue as a going concern, including an assessment of any material uncertainties that may cast significant doubts about the Group's ability to continue as a going concern.

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9- PROPERTY, PLANT AND EQUIPMENT, NET

	Land	Buildings (**)	Machinery and equipment	Motor vehicles	Furniture & fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (*)	Total
Cost											
1 January 2022	222,687,038	376,298,558	1,943,508,532	16,130,709	28,471,899	50,806,256	111,167,106	18,033,256	9,783,792	69,518,349	2,846,405,495
Additions	-	3,400,193	12,681,554	504,006	1,481,108	3,401,458	16,080,523	117,769	829,301	6,795,414	45,291,326
Disposals	-	-	(2,584,598)	(108,390)	-	-	-	-	-	-	(2,692,988)
Transfers from asset under construction	-	7,688,135	51,111,984	-	318,618	4,467,010	84,970	-	-	(63,670,717)	-
Transferred from property, plant and equipment to investment property	(4,075,524)	(17,616,499)	-	-	-	-	-	-	-	(647,419)	(22,339,442)
Impact of changes in exchange rates	25,714	27,883	423,486	(43,405)	(277,262)	780	-	-	-	8,632	165,828
31 December 2022	218,637,228	369,798,270	2,005,140,958	16,482,920	29,994,363	58,675,504	127,332,599	18,151,025	10,613,093	12,004,259	2,866,830,219
Accumulated depreciation											
1 January 2022	-	219,648,657	1,280,359,613	15,083,535	25,698,681	46,610,635	88,230,118	12,621,514	3,408,562	-	1,691,661,315
Change for the year	-	12,166,128	31,835,254	528,285	1,511,147	2,755,315	6,669,411	451,036	1,338,457	-	57,235,033
Disposals	-	-	(607,272)	(108,390)	-	-	-	-	-	-	(715,662)
Transferred from property, plant and equipment to investment property	-	(1,056,991)	-	-	-	-	-	-	-	-	(1,056,991)
31 December 2022	-	230,757,794	1,311,587,595	15,503,430	27,209,828	49,345,950	94,899,529	13,072,550	4,747,019	-	1,747,123,695
Net book value											
31 December 2022	218,637,228	139,040,476	693,553,363	979,490	2,784,535	9,329,554	32,433,070	5,078,475	5,866,074	12,004,259	1,119,706,524
31 December 2021	222,687,038	156,649,901	663,148,919	1,047,174	2,773,218	4,195,621	22,936,988	5,411,742	6,375,230	69,518,349	1,154,744,180

* Assets under construction represent work in progress related to the construction of the Group's plant facilities.

** This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years until 1454H (corresponding to 2032).

Depreciation charge for the year ended has been allocated as follows:

	2022	2021
Cost of sales - Note 32	53,552,973	53,653,138
Selling and distribution expenses - Note 33	390,454	475,054
General and administration expenses - Note 34	3,291,606	4,291,738
	<u>57,235,033</u>	<u>58,419,930</u>

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9- PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

Cost	Land	Buildings (**)	Machinery and equipment	Motor vehicles	Furniture & fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (*)	Total
1 January 2021	222,937,082	369,976,081	1,881,182,877	15,605,978	26,852,142	49,410,035	110,613,397	14,989,611	9,707,092	76,546,417	2,777,820,712
Additions	-	517,952	1,066,921	530,102	1,131,909	1,394,997	553,709	3,468,323	99,948	60,400,344	69,164,205
Disposals	-	-	-	-	(26,978)	-	-	(424,678)	(23,248)	-	(474,904)
Transfers from asset under construction	-	5,654,806	61,258,734	-	514,872	-	-	-	-	(67,428,412)	-
Impact of changes in exchange rates	(250,044)	149,719	-	(5,371)	(46)	1,224	-	-	-	-	(104,518)
31 December 2021	222,687,038	376,298,558	1,943,508,532	16,130,709	28,471,899	50,806,256	111,167,106	18,033,256	9,783,792	69,518,349	2,846,405,495
Accumulated depreciation											
1 January 2021	-	206,835,103	1,247,607,586	14,598,007	23,037,114	43,786,822	81,136,404	11,649,390	2,885,856	1,880,239	1,633,416,521
Charge for the year	-	12,813,554	30,871,788	485,528	2,665,742	2,823,813	7,093,714	1,140,567	525,224	-	58,419,930
Disposals	-	-	-	-	(4,175)	-	-	(168,443)	(2,518)	-	(175,136)
Foreign operations translations	-	-	1,880,239	-	-	-	-	-	-	(1,880,239)	-
31 December 2021	-	219,648,657	1,280,359,613	15,083,535	25,698,681	46,610,635	88,230,118	12,621,514	3,408,562	-	1,691,661,315
Net book value											
31 December 2021	222,687,038	156,649,901	663,148,919	1,047,174	2,773,218	4,195,621	22,936,988	5,411,742	6,375,230	69,518,349	1,154,744,180

* Assets under construction represent work in progress related to the construction of the Group's plant facilities and SAP system

** This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years until 1454H (corresponding to 2032).

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10- INTANGIBLE ASSETS, NET

	2022	2021
	<u>Computer Software</u>	<u>Computer software</u>
Cost:		
As at 1 January 2022	74,568,167	74,568,167
Additions during the year	5,821,910	128,438
As at 31 December 2022	<u>80,390,077</u>	<u>74,696,605</u>
Amortization:		
As at 1 January 2022	7,329,450	2,485,606
Charge for the year	5,081,196	4,972,282
As at 31 December 2022	<u>12,410,646</u>	<u>7,457,888</u>
Net carrying amount as at 31 December 2022	<u>67,979,431</u>	<u>67,238,717</u>

The above intangible assets represent cost of SAP system which was used as of 2020.

The amortization charge for the year ended has been allocated as follows:

	2022	2021
General and administrative expenses	5,081,196	4,972,282
	<u>5,081,196</u>	<u>4,972,282</u>

11- INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

	% of ownership	2022	2021
Natural Gas Distribution Company *	7.67%	22,233,314	46,153,233
International Company for Insulation Materials *	19.7%	1,270,240	470,824
Nayifat Company **	0.011%	-	352,986
Saudi Tadawul Group **	0.010%	-	1,494,630
Arabian Internet and Communications Services Co	0.050%	-	-
"STC Solutions" **	-	-	1,162,700
Almunajem Food Company **	0.008%	-	290,151
		<u>23,503,554</u>	<u>49,924,524</u>

*As at 31 December 2022, the fair value of the Group's investments in the aforementioned companies amounted to SAR 23,5 million, note (40-1)

** During the year, the Company disposed its abovementioned investments with total SR 3.3 million realizing gains on sale mounted SR 3.27 million).

12- INVESTMENT IN A JOINT VENTURE

During the year, the Group entered into a joint venture with Gulf Cable and Electrical Industries Corporation. (Kuwait Shareholding Company) through the establishment of the "Gulf and Riyadh Electric Wires Cables CO. (a limited liability company) based in the state of Kuwait with a share capital of KWD 5 million equals SR 61,2 million. The Group has 50% of the Company's shares and based on the Group's assessment, the investment has been treated as an investment in a joint venture. The investment cost of the Group, as at 31 December 2022, amounted to SR 30,6 million which represents the Group's share in the capital, as the "Gulf and Riyadh Electric Wires Cables CO." has not yet started its commercial operations.

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13- RIGHT-OF-USE ASSETS

The right-of-use assets are represented in the value of rents of the Group's lands and warehouses, in addition to rents for workers' housing, offices and branches of one of the Group's subsidiaries.

	<u>2022</u>	<u>2021</u>
Right-of-use assets		
As at 1 January	10,842,109	12,639,802
Depreciation charge for the year	<u>(1,359,616)</u>	<u>(1,797,693)</u>
Right-of-use assets at 31 December	<u>9,482,493</u>	<u>10,842,109</u>

Depreciation charge for the year ended has been allocated as follows:

	<u>2022</u>	<u>2021</u>
Cost of sales - Note 32	<u>1,359,616</u>	<u>1,797,693</u>

Lease liabilities

Maturity analysis – contractual discounted cash flows

Discounted lease liabilities included in the consolidated statement of financial position

	<u>2022</u>	<u>2021</u>
Current	1,110,079	1,910,005
Non-current	<u>8,593,331</u>	<u>9,052,975</u>
	<u>9,703,410</u>	<u>10,962,980</u>

	For the year ended 31 December 2022	For the year ended 31 December 2021
<i>Amounts recognized in the consolidated statement of profit or loss</i>		
Depreciation on right of use of assets	<u>1,359,616</u>	<u>1,797,693</u>
Interest on lease liabilities	<u>361,793</u>	<u>398,993</u>

14- INVESTMENT PROPERTIES

	<u>2022</u>	<u>2021</u>
Cost:		
As at 1 January 2022	-	-
Transferred from property, plant and equipment	22,339,442	-
Additions during the year	36,445,888	-
Disposals during the year	<u>(22,485,661)</u>	-
As at 31 December 2022	<u>36,299,669</u>	-
Depreciation:		
As at 1 January 2022	-	-
Transferred from property, plant and equipment	1,056,991	-
Charge for the Year – (Note 34)	240,956	-
Disposals during the year	<u>(1,056,991)</u>	-
As at 31 December 2022	<u>240,956</u>	-
Net carrying amount as at 31 December 2022	<u>36,058,713</u>	-

The additions during the year are represented in a land in the Arab Republic of Egypt, and the fair value of the land, according to the latest evaluation of the land, amounted to SR 33.9 million. The fair value of the investment properties has been determined by "International Engineering Consulting", an independent external real estate valuer and registered with the Central Bank of Egypt with No. (37). The Company believes that there is no material difference between the cost and the fair value of investment properties as of 31 December 2022.

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14- INVESTMENT PROPERTIES (CONTINUED)

The lands referred to above were obtained through a documented and approved contract with one of the Group's clients, who sold, relinquished, and assigned all the actual and legal guarantees for the aforementioned plot of land as part of a debt settlement for this client. An Egyptian court ruling was also issued to certify the validity of the signature of the client mentioned in the contract, and the property registration procedures were finalized.

During the first quarter of the year, certain property were transferred to investment properties with a value of SR 21.5 million. During the third quarter, those investment properties were sold with a selling value of SR 38.8 million, achieving disposal gains of SR 17.3 million.

15- INVENTORY

	<u>2022</u>	<u>2021</u>
Finished Goods	828,299,625	868,135,090
Work in progress	435,627,924	339,652,655
Raw materials	325,786,772	291,775,177
Spare parts	68,710,664	71,054,915
Packaging material	44,400,407	35,018,161
Goods in transit	139,082,246	24,518,808
Projects supplies	3,911,004	5,054,170
Total	<u>1,845,818,642</u>	<u>1,635,208,976</u>
Less: provision for slow moving inventory	<u>(50,077,300)</u>	<u>(49,660,390)</u>
Net inventory	<u>1,795,741,342</u>	<u>1,585,548,586</u>

The Group has a variety of future contracts to meet the price fluctuations risks of copper and aluminum and lead, in order to meet the Group's requirements expected from use in its manufacturing processes. The effect resulting from closing these contracts - contracts to buy or sell non-financial instruments / or contracts for own-use that are not classified as hedging instruments - is recorded in the cost of production in the consolidated statement of profit or loss, except for the extra-high voltage cables inputs. The par value of the unexecuted future contracts for copper, aluminum and lead on 31 December 2022 amounted to US 282 million, equivalent to SR 1,058 million. The Group also accounts for hedging contracts for fluctuations in the prices of copper and lead, which are used in the product of extra-high voltage cables, in accordance with the policy referred to in note (26) of the notes to the accompanying consolidated financial statements.

Movement in provision for slow moving inventory is as follows:

	<u>2022</u>	<u>2021</u>
1 January	49,660,390	50,983,229
Provided during the year	589,547	1,441,699
Reversal of provision	<u>(172,637)</u>	<u>(2,764,538)</u>
31 December	<u>50,077,300</u>	<u>49,660,390</u>

16- TRADE RECEIVABLES

	<u>2022</u>	<u>2021</u>
Trade receivables	1,346,053,685	1,011,313,814
Expected credit losses	<u>(45,525,583)</u>	<u>(48,649,310)</u>
Net trade receivables	<u>1,300,528,102</u>	<u>962,664,504</u>

Receivables amounts include due from related parties of SR 8,213,012 (2021: SR 2,864,366), note (39)

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16- TRADE RECEIVABLES (CONTINUED)**The ageing of trade receivables is as follows:**

	Aging of account receivables					
	Total	0 to 90 days	91-180 days	181-270 days	271-365 days	>365 days
2022	<u>1,346,053,685</u>	<u>1,242,288,614</u>	<u>70,318,548</u>	<u>6,712,076</u>	<u>2,192,909</u>	<u>24,541,538</u>
2021	<u>1,011,313,814</u>	<u>956,142,465</u>	<u>7,303,991</u>	<u>6,392,604</u>	<u>1,587,065</u>	<u>39,887,689</u>

Expected credit loss assessment for trade and other receivables:

The Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the lifetime expected credit losses for all financial assets measured at amortized cost.

The key inputs into the measurement of ECL are the following variables:

- Probability of default using a statistical model (i.e. normal distribution curve)
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

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

	2022	2021
1 January	48,649,310	58,021,456
Provision for expected credit losses	32,528,523	(8,670,649)
Reversal of provision for expected credit losses *	(35,652,250)	(701,497)
31 December *	<u>45,525,583</u>	<u>48,649,310</u>

*The amount includes the reversal value of the provision for expected losses made during the previous years against the debt of one of the Group's clients, which was settled during the year against acquiring the ownership of lands in the Arab Republic of Egypt, which cost amounted to SR 35,652,250 as at 31 December 2022 Note (14) of the accompanying notes to the consolidated financial statements.

17- CONTRACTS ASSETS / LIABILITIES

	2022	2021
Total costs incurred up to reporting date	316,620,774	281,702,818
Total income recognized up to reporting date	36,146,507	36,608,970
Less: Progress billing	(375,618,900)	(306,565,097)
	<u>(22,851,619)</u>	<u>11,746,691</u>
Balance is as follows:		
	2022	2021
Contract assets	9,509,543	11,746,691
Contract liabilities	(32,361,162)	-
	<u>(22,851,619)</u>	<u>11,746,691</u>

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18- ADVANCES AND OTHER CURRENT ASSETS

	<u>2022</u>	<u>2021</u>
Advances to suppliers	80,363,124	28,481,220
Suppliers - receivables (*)	9,400,200	11,749,771
Prepaid expense	9,713,383	6,169,731
Employees' receivables	3,469,530	3,554,956
Refundable deposits - customs	7,212,555	2,118,054
Other	6,917,819	7,527,626
	<u>117,076,611</u>	<u>59,601,358</u>

(*) This balance represents the value of discounts due for the year from the suppliers of the company.

19- CASH AND CASH EQUIVALENTS

	<u>2022</u>	<u>2021</u>
Bank balances	106,721,322	49,967,628
Cash in hand	398,620	388,573
	<u>107,119,942</u>	<u>50,356,201</u>

20- SHARE CAPITAL

As at 31 December 2022 and 2021, the Company's share capital consists of 150 million shares at SR 10 each. The total issued capital is SR 1.5 billion. The Company's share capital consists of Saudi shareholders and foreign founders.

21- STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Group has established a statutory reserve by the appropriation of 10% of net income for the year until such reserve equals 30% of the share capital.

22- DIVIDENDS

- On 28 April 2022, the Ordinary General Assembly of the Company decided to distribute dividends amounting to SR 216 million. On 6 September 2022, the Ordinary General Assembly decided to distribute dividends amounting to SR 20 million (2021: SR 196.5 million). The paid dividends amounted to SR 233,3 million during the year.
- The Company's shareholders agreed unanimously on settling any expenses related to the Company's initial public offering at Saudi Stock Exchange Company (Tadawul) as a deduction from the dividend payables. Therefore, an amount of SR 14.3 million was deducted from the mentioned balance to settle the due offering expenses. Further, an amount of SR 3 million has been reversed to the shareholders after the settlement of the said expenses.

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23- POST-EMPLOYMENT BENEFITS

The Group operates defined benefit plans in line with the labor law requirements in the countries where the Group's entities operate. The payments under this plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment.

The employment benefits plans are unfunded.

The amounts recognized in the consolidated statement of financial position and the movements in the net defined benefits obligations during the year are as follows:

	<u>2022</u>	<u>2021</u>
1 January	107,410,714	96,426,743
Current service cost	10,486,880	10,142,920
Interest cost	2,910,583	2,687,000
Paid during the year	(8,268,714)	(10,829,731)
Actuarial gains/losses	(5,965,429)	8,983,782
31 December	106,574,034	<u>107,410,714</u>

Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	<u>2022</u>	<u>2021</u>
Discount rate	4.50%	2.80%
Salary growth rate	2.00%	2.00%
Assumed retirement age	60	60

Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the principal assumptions used is as follows:

	Change	Impact on the balance of the defined benefit obligations in 2022	
		Increase in assumption	Decrease in assumption
Discount rate	1%	(90,491,260)	(103,821,507)
Salary growth rate	1%	(103,932,718)	(90,290,363)
		Impact on the balance of the defined benefit obligations in 2021	
	Change	Increase in assumption	Increase in assumption
Discount rate	1%	(92,184,556)	(107,687,556)
Salary growth rate	1%	(107,670,556)	(92,065,556)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to happen, and changes in some assumptions may be related to others. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized in the consolidated statement of financial position.

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24- ISLAMIC FINANCE FACILITIES

The Group entered into credit facilities agreements with several local banks to support working capital during the year with a total amount of SR 3.4 billion (2021: SR 3.2 billion) at Islamic Murabaha rates agreed upon with the banks. All credit facilities were granted according to promissory notes approved by some members of the Board of Directors according to the authorities granted to them and approved by the Company's Board of Directors. Interest rates on short-term loans are based on Saudi Inter Bank Offer Rate (SIBOR) plus a variable rate during the year.

	2022	2021
1 January	1,324,175,000	858,675,000
Utilized during the year	4,249,525,000	3,280,437,500
Paid during the year	(4,105,695,000)	(2,814,937,500)
31 December	1,468,005,000	1,324,175,000

25- ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2022	2021
Advances from costumers	133,933,856	50,343,976
Accrued VAT	53,214,651	45,252,538
Accrued expenses	23,141,886	21,939,652
Employee accruals	18,611,749	21,396,635
Accrued projects expenses	-	1,883,780
Other	1,366,012	-
	230,268,154	140,816,581

26- DERIVATIVE FINANCIAL INSTRUMENTS**Forwards and futures**

Forwards and futures are contractual agreements to either buy or sell a specified commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts to meet specific needs.

The Group has adopted a comprehensive system for measuring and managing risks. Part of the risk management process is related to managing the Group's exposure to fluctuations in certain inventory raw materials prices to reduce its exposure to variability risks in inventory prices to acceptable levels as determined by the Board of Directors.

The Group uses commodity futures to hedge against certain inventory raw material prices risk on copper, aluminum and lead related to producing extra-voltage cables. In all, the hedging relationship and objective are documented, including details of the hedged items and the hedging instrument, and the transactions are accounted for as a fair value hedge.

The following table shows the details of par value and carrying amount as at the reporting date:

<u>31 December 2022</u>	Par value of hedging instruments	Carrying amount of hedging instrument	
	Current	Assets	Liabilities
Goods derivative	139,716,870	2,873,118	9,388,071
	139,716,870	2,873,118	9,388,071

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25- DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group purchases copper and lead on an ongoing basis as its operating activities require a continuous supply of these materials. The increased fluctuations of these materials led the management to decide to enter into future contracts for materials related to extra-high voltage cables starting from 2022.

The impact of the cash flow hedge for these items on the statement of financial position is as follows:

	31 December 2021	Change in fair values of hedging instruments	31 December 2022
Copper	-	14,751,692	14,751,692
Lead	-	(143,584)	(143,584)
	-	14,608,108	14,608,108

27- TRADE PAYABLES

	2022	2021
Trade payables*	222,934,612	221,031,943
Suppliers facilities- banks **	321,611,935	-
	544,546,547	221,031,943

* Payable amounts include due to related parties of SR 18,149 (2021: SR 28,594) note 39.

** Suppliers' facilities are represented in the value of balances due to one of the suppliers, which were settled through SABB Bank in accordance with the agreement (suppliers financing arrangements) from the total facilities agreement concluded with the bank amounting to a total of SR 400 million (note 40.2)

28- PROVISIONS

	2022	2021
Provision of onerous contracts*	61,582,355	78,038,691
Provision for lawsuits	-	4,473,937
	61,582,355	82,512,628

* The balance of provision for onerous contracts amounted to SR 61,582,355 (2021: SR 78,038,691) related to certain contracts that include a current obligation by the Group to supply cables, which may result in a change in the prices of raw materials after the date of contract. This is for all the Company's products, except for the extra-high voltage cables, in which the price of the raw material is hedged.

The movement of provisions is as follows:

	2022	2021
1 January	82,512,628	110,304,740
Provisions no longer required	(20,930,273)	(27,792,112)
31 December	61,582,355	82,512,628

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29- DEFERRED TAXES

Significant deferred tax assets and liabilities recognized by the Group are as follows:

	31 December 2022		31 December 2021	
	Assets	Liabilities	Assets	Liabilities
Fixed assets	-	7,573,729	-	-
Provision for slow-moving inventory	695,172	-	-	-
Employees' benefits obligations	1,644,092	-	-	-
provision for expected credit losses	573,953	-	-	-
Provision for onerous contracts	787,829	-	-	-
	<u>3,701,046</u>	<u>7,573,729</u>		

30- ZAKAT AND INCOME TAX*Zakat and income tax status*

The Group finalized the Zakat assessments up to the year 2015. On 27 April 2022, the Company received letters of returns amendment from Zakat, Tax and Customs Authority for the 2016 return, which resulted in differences amounting to SR 36.86 million. The Company filed an appeal to the differences resulting from the amendment of the return for that financial year during the permitted statutory period.

The Company's management confirms, according to the above appeal memorandum, that ZATCA is not entitled to claim the aforementioned amount related to differences resulted from the difference in addressing dividends, as well as provisions' balances from ZATCA's point of view, where among other matters, ZATCA reported that dividends amounts from subsidiaries must be subjected to Zakat base. While the Company believes that these dividends in the subsidiaries have been subjected to Zakat due these amounts remained due from those Companies and were not distributed, and accordingly, based on similar cases and certain opinions issued in this regard, the Company and its Zakat advisor believe that the Company's position is strong in relation to the aforementioned objection and the Group's management does not expect that tax or zakat liabilities will arise from that matter.

Zakat and income tax is calculated on the separate financial statements of the Group's companies. Zakat due from Saudi shareholders and tax due from non-Saudi shareholders have been calculated according to the separate financial statements of each company in the Group.

The Group's Companies received Zakat and income tax certificates stating that these Companies filed their tax and Zakat returns to ZATCA in the Kingdom of Saudi Arabia up to the year ended 31 December 2021 and received the required receipts and certificates.

The subsidiaries outside the Kingdom of Saudi Arabia are subject to the tax provisions of the states of Gulf Cooperation Council, Egypt and Iraq, and there are no tax disputes or claims from any tax authority for those mentioned Companies up to 31 December 2022.

Provision for Zakat and income tax

The movement in Zakat and the provision for income tax for the years ended 31 December 2022 and 2021, is as follows:

	For the year ended 31 December	
	2022	2021
1 January	29,690,240	29,422,275
Charge during the year	29,208,266	31,375,995
Payments made during the year	(25,560,749)	(31,108,030)
31 December	<u>33,337,757</u>	<u>29,690,240</u>

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31- REVENUE

	For the year ended 31 December	
	2022	2021
a. <u>Timing of revenue recognition</u>		
Goods transferred at a point in time	6,782,376,370	4,803,910,264
Contract revenue over time	69,930,187	79,533,618
	6,852,306,557	4,883,443,882

	For the year ended 31 December	
	2022	2021
b. <u>Geographical markets</u>		
Local revenue	4,723,009,640	3,287,853,780
External revenue	2,129,296,917	1,595,590,102
	6,852,306,557	4,883,443,882

32- COST OF REVENUE

	For the year ended 31 December	
	2022	2021
Materials	5,870,962,951	4,124,352,023
Salaries and employees' related benefits	181,710,701	164,610,929
Depreciation expense- (note 9 & 13)	54,912,589	55,450,831
Repairs and maintenance	37,550,989	31,081,799
Electricity and other benefits	45,298,056	38,596,022
Other	14,770,098	6,269,291
	6,205,205,384	4,420,360,895

33- SELLING AND DISTRIBUTION EXPENSES

	For the year ended 31 December	
	2022	2021
Salaries and employees' related benefits	43,289,870	42,148,858
Cargo charges	38,459,352	29,595,112
Sales commission	3,918,327	3,700,294
Inspection and quality testing expenses	2,797,888	3,174,718
Rental expenses	774,591	1,894,769
Insurance expense	1,513,229	1,543,683
Advertising and showrooms expenses	3,521,718	1,536,797
Depreciation expense -(note 9)	390,454	475,054
Communication expenses	520,403	347,420
Other expenses	7,593,637	7,346,340
	102,779,469	91,763,045

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34- GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2022	2021
Salaries and employees' related benefits	69,983,525	55,725,368
Depreciation expense- (note 9, 10,14)	8,613,758	9,264,020
Legal and professional	4,471,558	4,633,594
Maintenance and repair expense	6,675,051	2,158,847
Travel and insurance expense	562,235	957,413
Communications and network expense	1,065,467	368,365
Offices supplies expense	1,030,452	196,804
Other expenses	7,763,744	6,172,724
	100,165,790	79,477,135

35- OTHER INCOME – NET

	For the year ended 31 December	
	2022	2021
Foreign exchange losses	(15,790,335)	(561,571)
Gains on sale of investment properties	17,331,330	-
Losses on sale of property, plant and equipment	(1,977,326)	-
Revenue from rentals	230,250	-
Gains on sale of financial investments at FVOCI	3,274,019	-
Other	7,395,450	3,201,628
	10,463,388	2,640,057

36- FINANCE COSTS

	For the year ended 31 December	
	2022	2021
Bank interest	56,660,589	22,382,797
Bank commissions	12,865,968	6,311,761
Interest on employees' defined benefits obligations	2,910,583	2,687,000
Interest on lease liability	361,793	398,993
	72,798,933	31,780,551

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37- SEGMENT REPORT

The Group's activities include a number of sectors as follows: -

Cable and wire segment: includes electrical cables

High voltage cable segment: includes ready-made projects

Other segments: includes telephone cables and services

<u>As at and for the year ended</u> <u>31 December 2022</u>	<u>Cables and</u> <u>wires</u>	<u>High voltage</u> <u>cables</u>	<u>Other</u>	<u>Total</u>
REVENUE	6,772,651,126	69,930,187	9,725,244	6,852,306,557
Cost of revenue	(6,146,312,777)	(59,619,457)	726,850	(6,205,205,384)
Expenses	(201,379,419)	(1,033,341)	(532,499)	(202,945,259)
Provision for expected credit losses	4,841,752	(1,223,551)	(494,474)	3,123,727
Other income, net	(10,743,397)	20,965,773	241,012	10,463,388
Finance costs	(71,090,742)	(1,020,037)	(688,154)	(72,798,933)
Income before Zakat and income tax	347,966,543	27,999,574	8,977,979	384,944,096
Total assets	3,770,448,634	793,501,958	59,932,327	4,623,882,919
Total liabilities	1,793,185,653	665,823,483	44,331,083	2,503,340,219

<u>As at and for the year ended</u> <u>31 December 2021</u>	<u>Cables and</u> <u>wires</u>	<u>High voltage</u> <u>cables</u>	<u>Other</u>	<u>Total</u>
Revenue	4,763,098,769	79,533,618	40,811,495	4,883,443,882
Cost of revenue	(4,316,228,030)	(71,375,233)	(32,757,632)	(4,420,360,895)
Expenses	(169,247,886)	(1,094,420)	(897,874)	(171,240,180)
provision for expected credit losses	8,889,798	250,821	(469,970)	8,670,649
Other income, net	2,173,711	259,573	206,773	2,640,057
Finance costs	(30,432,183)	(773,299)	(575,069)	(31,780,551)
Income before Zakat and income tax	258,254,179	6,801,060	6,317,723	271,372,962
Total assets	3,626,352,191	200,785,131	125,529,548	3,952,666,870
Total liabilities	1,806,688,413	69,004,749	40,906,924	1,916,600,086

38- EARNINGS PER SHARE – BASIC AND DILUTED

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	<u>2022</u>	<u>2021</u>
Net profit for the year	352,319,866	239,832,593
Weighted average number of outstanding ordinary shares (share)	150,000,000	150,000,000
Basic and diluted earnings per share	2.35	1.60

The diluted earnings per share are equal to the basic earnings per share for the years ended 31 December 2022 and 31 December 2021, as there are no instruments with reduced earnings per share effect.

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39- RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group consist of the shareholders having control or significant influence, key management personnel, and Companies which are directly or indirectly controlled or influenced by the shareholders, key management personnel. The transactions with related parties are made on terms approved by the Board of the Directors of the Group. The Group and its related parties transact with each other in the ordinary course of business. The transactions and the balances between the Company and its subsidiaries and those between the subsidiaries have been eliminated in preparing these consolidated financial statements.

Transactions with a related party that have been performed during the year, in the ordinary course of business, are summarized below:

	Nature of relationship	Nature of transaction	2022	2021
Masdar Building Material	Owned by a shareholder	Purchases	1,068,413	1,947,419
Masdar Building Material	Owned by a shareholder	Sales	39,413,083	33,250,012
	One of the shareholders is a member of the Board of			
Serra Holding Group	Directors of the company	Purchases	8,000	-
Thabat Contracting Company	Owned by a shareholder	Sales	9,429,860	3,391,280
		Salaries and other		
Key management personnel	Other related party	benefits	20,964,605	18,943,337
HOSHAN COMPANY LTD	Joint Board Member	Purchases	805,020	-
MASDAR TECHNICAL SUPPLIES	Owned by a shareholder	Purchases	149,693	-
LIGH TECHNOLOGIES CO LTD	One of the shareholders- Company's Chairman	Sales	644,465	-
FUTURE CERAMIC & PORCELAIN CO	One of the shareholders- Company's Vice Chairman	Sales	50,246	-
JADEER LOGISTICS SERVICES CO	Owned by a shareholder	Purchases	326,370	-

Balances due from / (to) related parties resulting from transactions with related parties are as follows:

Due from related parties - classified as trade receivables

	2022	2021
Thabat Contracting Company	2,926,522	878,693
Masdar Building Material Company	5,286,490	1,985,673
	8,213,012	2,864,366

Due to related parties- classified as trade payables

	2022	2021
Serra Holding Group	-	26,544
MASDAR TECHNICAL SUPPLIES	18,149	2,050
	18,149	28,594

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40- FINANCIAL INSTRUMENTS

40.1 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to settle a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

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

The Group uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

The Group is exposed to risks as a result of using financial instruments. The following explains the Group's objectives, policies and operations to manage these risks and methods used to measure them in addition to quantitative information related to these risks in the accompanying financial statements.

There were no significant changes that may expose the Group to financial instrument risks through its objectives, policies and operations to manage these risks and methods used that are different from what have been used in prior years unless otherwise indicated.

- The Group's management considers the fair value for trade receivables, Islamic financing facilities, balances of related parties, trade payables, accrued expenses and other liabilities that approximate to their carrying amount due to short term financial instruments.
- Financial instruments are exposed to change in value risk as a result of changes in commission rates of the financial assets and liabilities with variable commission.

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40- FINANCIAL INSTRUMENTS (CONTINUED)

40.1 Fair value of financial instruments (continued)

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

	Carrying amount		Fair value			
	Hedging instruments	Investments at fair value through other comprehensive income	Total	In Saudi Riyal		
				Level 1	Level 2	Level 3
31 December 2022						
Financial assets						
Derivative financial instruments	2,873,118	-	2,873,118	-	2,873,118	-
Investments at fair value through other comprehensive income	-	23,503,554	23,503,554	22,233,314	-	1,270,240
Financial liabilities						
Derivative financial instruments	9,388,071	-	9,388,071	-	9,388,071	-
31 December 2021						
Financial assets						
Investments at fair value through other comprehensive income	-	49,924,524	49,924,524	46,153,233	-	3,771,291
						49,924,524

40- FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Risk management of financial instruments

The Group's activities expose it to a variety of financial risks, the most important of which are the risks listed below:

Credit risk
Liquidity risk
Market risk (currency risk, interest rate risk and commodity risk)

This note presents information about the Group's exposure to each of the above risks, and the Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital, in addition to the quantitative disclosures included in these consolidated financial statements.

Risk management framework

The Board of Directors is full responsible for the establishment and oversight of the Group's risk management framework. The board of directors has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee will report regularly to the board of directors on its activities.

The Group's current risk management policies are established to identify and analyze the risks faced by the Group, so as to set appropriate risk limits and controls, and to monitor risks and abide by limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and establishment of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The audit committee of the Group oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The internal audit provide assistance to the audit committee of the Group in its control role. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which will be reported to the audit committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and cash at banks. The Group's significant credit risks are represented in the following:

Trade receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management takes into account the demographics of the Group's customer base, including the default risks for the industry and the country in which customers operate, as these factors may have an impact on credit risk, especially in current economic conditions. Geographically, there is no concentration of credit risk.

The Group only transacts with known and creditworthy third parties. It is the Group's policy that all customers who wish to transact on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, the receivables balances are continuously monitored, resulting in the Group being exposed to bad debts is not material.

40- FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Risk management of financial instruments (continued)

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using on internal and external rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are monitored regularly.

The Group establishes a provision for trade receivables impairment that represents its estimate of lifetime expected credit losses on trade receivables. The main components of this provision are a specific loss component that relates to significant exposures.

individually, and other is collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss provision is determined based on historical data of payment statistics for similar financial assets.

The other categories of financial events do not result in significant credit risk.

The carrying amount of financial assets represents the maximum credit risk exposure.

	31 December 2022		31 December 2021	
	Balance	Impairment	Balance	Impairment
Less than 3 months	1,242,288,614	11,208,818	956,142,465	4,956,281
More than 3 months and less than 6 months	70,318,548	4,718,012	7,303,991	857,517
More than 6 months and less than one year	8,904,985	5,057,215	7,979,669	2,947,825
More than 1 year	24,541,538	24,541,538	39,887,689	39,887,687
Total	1,346,053,685	45,525,583	1,011,313,814	48,649,310

For trade receivables, the Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the expected credit losses for all financial assets measured at amortized cost.

The key inputs into the measurement of ECL are the following variables:

- Probability of default using a statistical model (i.e. normal distribution curve)
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

For cash at banks, cash and cash equivalents are deposited with banks with a high credit rating. The Group regularly updates its cash flows. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using on internal and external rating criteria. Outstanding customer receivables are monitored regularly.

40- FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Risk management of financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Furthermore, the Group maintains various credit alternatives.

The table below summarizes the maturity terms of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2022	Less than 1 year	1-5 years	Over 5 years	Carrying amount
Short-term Islamic finance facilities	1,468,005,000	-	-	1,468,005,000
Trade payables	222,934,612	-	-	222,934,612
Suppliers facilities- banks	321,611,935	-	-	321,611,935
Lease liabilities	1,110,079	8,593,331	-	9,703,410
Accrued expenses and other liabilities	230,268,154	-	-	230,268,154
	<u>2,243,929,780</u>	<u>8,593,331</u>	<u>-</u>	<u>2,252,523,111</u>
31 December 2021	Less than 1 year	1-5 years	Over 5 years	Carrying amount
Short-term Islamic finance facilities	1,324,175,000	-	-	1,324,175,000
Trade payables	221,031,943	-	-	221,031,943
Lease liabilities	1,910,005	9,052,975	-	10,962,980
Accrued expenses and other liabilities	140,816,581	-	-	140,816,581
	<u>1,687,933,529</u>	<u>9,052,975</u>	<u>-</u>	<u>1,696,986,504</u>

Suppliers facilities- banks

The Group entered into an agreement (supply chain financing arrangements) with SABB Bank to obtain payment facilities for suppliers, and the total facility agreement concluded with the bank amounted to SR 400 million, which the amount of SR 312 million was utilized for one of the suppliers up to 31 December 2022.

Market risk

Market risk is the risk that changes in market prices such as currency rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable standards, while optimizing the return.

The Group purchases financial derivatives and uses its financial obligations to manage market risks. All these transactions are carried out within the guidelines set by the Board of Directors.

40- FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Risk management of financial instruments (continued)

Market Risk (continued)

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group, which is primarily Saudi Riyals.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances, in addition to buying derivative instruments.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in the Saudi Riyals against USD - Euro, by 5% higher or lower with all other variables held constant, of the Group's monetary assets and liabilities:

	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2022 EGY sensitivity in SR	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2022 USD sensitivity in SR	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2022 Euro sensitivity in SR
<i>Increase by 5%</i>	909,467	(25,874,335)	(178,604)
<i>Decrease by 5%</i>	(909,467)	25,874,335	178,604
	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2021 EGY sensitivity in SR	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2021 USD sensitivity in SR	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2021 Euro sensitivity in SR
<i>Increase by 5%</i>	343,632	(13,645,717)	(126,090)
<i>5% decrease</i>	(343,632)	13,645,717	126,090

40- FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Risk management of financial instruments (continued)

The Group's exposure to foreign currency risk at the end of the reporting year, expressed in SR, is as follows:

	2022				2021			
	Trade receivables	Trade payables	Cash and cash equivalents	Credit facilities Short-term	Receivables Retail	Payables Retail	Cash and cash equivalents	Credit facilities Short-term
USD	147,375,885	467,374,268	12,436,685	209,925,000	81,451,659	160,716,057	11,475,056.00	205,125,000
Euro	-	4,171,042	598,968	-	-	3,701,855	1,180,048	-
BD	12,280,334	-	533,582	-	17,117,576	-	319,562	-
KWD	45,300,410	3,383,785	4,303,371	-	36,553,112	818,343	3,645,297	-
AED	646,250,982	5,991,044	14,168,337	-	337,084,026	3,568,092	8,847,137	-
EGP	5,650,795	1,194,114	13,732,652	-	4,547,337	1,630,544	3,955,839	-
Other	736,129	-	816,911	-	736,129	74,156	798,858	-

Interest rate risks

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to loans with floating interest rate.

To reduce volatility and increase predictability of interest expenses, the Group may use debt issuance or enter into simple financial derivatives such as interest rate swaps.

The Group's exposure to the risk of changes in the interest rate market mainly due to loans. Loans at variable rates expose the Group to a change in cash flows as a result of changes in interest rates.

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

	For the year ended 31 December	
	2022	2021
Loans with variable interest rate	1,468,005,000	1,324,175,000

Interest rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profits or losses by the amounts shown below. The analysis assumes that all other variables, especially the foreign exchange rate, remain constant.

31 December 2022	Statement of Profit or Loss	
	Increase by 100 points	Decrease by 100 Points
Loans with variable interest rate	14,680,050	(14,680,050)
Suppliers facilities- banks	3,216,119	(3,216,119)
Change in cash flows	17,896,169	(17,896,169)

40- FINANCIAL INSTRUMENTS (CONTINUED)

40.2 Risk management of financial instruments (continued)

Interest rate risks (continued)

Interest rate sensitivity (continued)

31 December 2021	Statement of Profit or Loss	
	Increase by 100 points	Decrease by 100 Points
Loans with variable interest rate	13,241,750	(13,241,750)
Change in cash flows	13,241,750	(13,241,750)

Commodity risk

The Group is exposed to the impact of market fluctuations on the prices of various inputs to production including aluminum and copper. The Group manages some key elements of commodity price risk through the use of fixed-price forward contracts.

41- CAPITAL MANAGEMENT

Risk management

Capital is equity attributable to the equity holders of the Group. The primary objective to the Group's capital management is to support its business and maximize shareholder value.

The policy of the Board of Directors is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the Company. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions.

The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by adjusted total equity. The Board of Directors also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's debt to adjusted capital ratio at the end of the reporting year was as follows:

	2022	2021
<i>Total liabilities</i>	2,503,340,219	1,916,600,086
<i>Less: cash and cash equivalents</i>	(107,119,942)	(50,356,201)
<i>Adjusted net debt</i>	2,396,220,277	1,866,243,885
<i>Total equity</i>	2,120,542,700	2,036,066,784
<i>Adjusted equity and net debt</i>	4,516,762,977	3,902,310,669
<i>Adjusted debt ratio to adjusted equity ratio</i>	53%	48%

42- COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2022, the Group has commitments of SR 55 million (31 December 2021: SR 30 million) relating to capital expenditures for expansion works in the Group's factories.

Legal claim contingency

The Group faces, in its ordinary course of business, lawsuits, which are under litigation. While the ultimate results of these matters cannot be determined with certainty, the Group's management and its legal advisor does not expect that they will have a material effect on the consolidated financial statements of the Group.

Contingent liabilities

The contingent liabilities amounted to SR 566 million (31 December 2021: SR 525 million) against bank facilities in the form of letters of credit and letters of guarantee obtained by the Group from several local banks against a commission for granting facilities without any bank cover.

43- Comparative figures

Certain comparative figures have been reclassified to conform with the presentation in the current year. However, there was no impact on the profit or loss or equity of such reclassifications.

44- SUBSEQUENT EVENTS

- The new Regulations for Companies issued by Royal Decree M/132 on 12/1/1443H (corresponding to 30 June 2022) entered into force on 6/26/1444H (corresponding to 19 January 2023). For certain provisions of the Regulations for Companies, full compliance is expected no later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is currently evaluating the impact of the new Regulations for Companies and amending the Company's by-laws to align the by-laws with the provisions of the Regulations for Companies (if any). Thereafter, the Company shall present its By-laws to the shareholders in the Annual Extraordinary/Annual General Assembly meeting for approval. Otherwise, no other matter has occurred up to date that could materially affect the financial statements and the related disclosures for the financial year ended 31 December 2022.

- On Shaaban 17, 1444H (corresponding to March 9, 2023), the company's Board of Directors held and decided to recommend distribution of cash dividends to shareholders for the year 2022 by an amount of SR 225m.

45- APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been approved by the Board of Directors on Shaaban 17, 1444H (corresponding to March 9, 2023).