

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE-MONTH PERIODS
ENDED AS OF SEPTEMBER 30, 2023

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE-MONTH PERIODS ENDING 31 MARCH 2020



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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

**To the Shareholders
Saudi Cable Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia**

Introduction

We have reviewed the condensed consolidated interim statement of financial position of Saudi Cable Company ("the Company") and its subsidiaries (together "the Group's") as of September 30, 2023, and the related condensed consolidated interim statements of profit or loss and the other comprehensive income for the three and nine-month periods then ended, and changes in equity, and cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory notes.

The Group's management is responsible for the preparation and presentation of this condensed consolidated Interim financial information in accordance with International Accounting Standard (34) "Interim Financial Reporting" (IAS 34) that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

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

Material Uncertainty Related to Going Concern

We draw attention to note 2 of the condensed consolidated financial statements which indicates that the Group accumulated losses have reached SAR 509 million, representing 763% of the share capital as of September 30, 2023 (as of December 31, 2022: SAR 543.3 million, representing 814%). Further, the Group current liabilities exceeded its current assets by SAR 902 million as of September 30, 2023 (as of December 31, 2022: SAR 974.5 million). Furthermore, on May 11, 2022, The Saudi Stock Exchange "Tadawul" announced to continue suspending the trading of Saudi Cable Company share in the market as per the rules on the offer of Securities until the Company announces that the matters included in the independent auditor's report on the consolidated financial statements for the year ended December 31, 2021, are remediated. These conditions, along with other matters, cast a significant doubt about the Group's ability to continue as a going concern and its ability to meet its obligations when it becomes due.

**INDEPENDENT AUDITOR'S REPORT ON REVIEW OF
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (CONTINUED)**

**To the Shareholders
Saudi Cable Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia**

Material Uncertainty Related to Going Concern (continued)

In this respect the management has prepared five years forecast which exhibits net profit from year 2025, the plan includes certain assumptions in respect of cash injection via rights issue, revenue growth based on pipeline orders and quotations, creditors voting due in May 2024 to convert part of debt to equity in the process of Financial Restructuring Procedure (FRP). These elements are future events and hence contain material uncertainty as to the outcome. Our conclusion is not modified in respect of this matter.

Emphasis of Matter

We draw your attention to note 20 (b) to the condensed consolidated financial statements where it shows that the Group has a court in Turkey issued a verdict in favor of Mass Kablo Yatırım ve Tic. A.Ş for a case filed by the minority shareholders of its subsidiary. An appeal against the verdict has been presented by said minority shareholders. However, based on a legal opinion obtained from an independent counsel which is of view that the decision of Court of Appeal will not be different from the original decision issued by court of first instance. In addition, the Group assessed and recorded a contingent liability amounting to SAR 52.5 million. Further the group has taken full provision on net assets of Mass Kablo Yatırım ve Tic. A.Ş. Our conclusion is not modified in respect of this matter.

For Al-Kharashi & Co.



**Abdullah S. Al Msned
License No. (456)**



Riyadh:
March 16, 2024G
Ramadan 06, 1445H

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2023
(Expressed in Thousands of Saudi Arabian Riyals)

| | Note | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|------|--------------------------------------|-----------------------------------|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant, and equipment | 7 | 84,573 | 252,903 |
| Investment properties | | -- | 2,726 |
| Intangible assets | 8 | -- | -- |
| Right of use assets | 9 | 5,983 | 6,679 |
| Investment in an associate | 6 | 381,803 | 274,090 |
| Financial assets at fair value through other comprehensive income | | -- | 45 |
| Account and retention receivables | 11 | 11,020 | 10,897 |
| TOTAL NON-CURRENT ASSETS | | 483,379 | 547,340 |
| CURRENT ASSETS | | | |
| Inventories | 12 | 28,684 | 31,586 |
| Account and retention receivables | 11 | 65,045 | 82,626 |
| Prepaid expenses and other debit balances | 13 | 46,873 | 96,893 |
| Unbilled contract assets | 14 | 10,613 | 2,748 |
| Due from a related party | 19 | 1,403 | 1,403 |
| Cash and cash equivalents | 10 | 17,239 | 27,002 |
| Assets classified as held for sale | 15 | 22,505 | -- |
| TOTAL CURRENT ASSETS | | 192,362 | 242,258 |
| TOTAL ASSETS | | 675,741 | 789,598 |
| EQUITY AND LIABILITIES | | | |
| EQUITY | | | |
| Share capital | 16 | 66,729 | 66,729 |
| Hedging reserve | | (1,637) | (677) |
| Foreign currency translation reserve | | (6,533) | (5,989) |
| Employees' benefit obligation reserve | | (13,226) | (13,226) |
| Accumulated losses | | (509,122) | (543,321) |
| TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY | | (463,789) | (496,484) |
| Non-controlling interest | | (7,854) | (7,181) |
| TOTAL EQUITY | | (471,643) | (503,665) |
| NON-CURRENT LIABILITIES | | | |
| Term loans and borrowings | 17 | -- | 3,878 |
| Retentions payable | | 2,528 | 3,031 |
| Employees' benefit obligation | | 46,005 | 63,374 |
| Lease liabilities | 9 | 4,293 | 6,192 |
| TOTAL NON-CURRENT LIABILITIES | | 52,826 | 76,475 |
| CURRENT LIABILITIES | | | |
| Term loans and borrowings | 17 | 422,240 | 460,513 |
| Provision for zakat and income tax | 18 | 300,736 | 333,491 |
| Accounts payable, accrued expenses and other liabilities | | 367,444 | 420,496 |
| Lease liabilities | 9 | 4,138 | 2,288 |
| TOTAL CURRENT LIABILITIES | | 1,094,558 | 1,216,788 |
| TOTAL LIABILITIES | | 1,147,384 | 1,293,263 |
| TOTAL EQUITY AND LIABILITIES | | 675,741 | 789,598 |

The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements



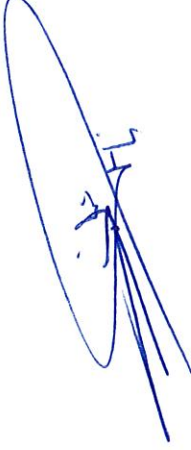
SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE THREE AND NINE-MONTH PERIODS ENDED AS OF SEPTEMBER 30, 2023
(Expressed in Thousands of Saudi Arabian Riyals)

| | | For the three months ended September 30, | | For the nine months ended September 30, | |
|--|------|--|-----------------|---|------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| | Note | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Continued operation | | | | | |
| Revenue | 21 | 3,472 | 6,012 | 19,060 | 61,955 |
| Cost of revenue | | (19,233) | (26,148) | (70,091) | (115,457) |
| GROSS LOSS | | (15,761) | (20,136) | (51,031) | (53,502) |
| General and administrative expenses | | (4,287) | (10,128) | (10,336) | (35,477) |
| Selling and distribution expenses | | (641) | (1,028) | (781) | (4,185) |
| Reversal of provision for expected credit losses | | (1,298) | 3,175 | 22,740 | 4,192 |
| OPERATING LOSS FOR THE PERIOD | | (21,987) | (28,117) | (39,408) | (88,972) |
| Finance costs, net | | (1,707) | (3,036) | (5,400) | (10,812) |
| Share of result from an associate | | 31,499 | 3,862 | 85,683 | 7,937 |
| Other expenses (penalties) | 18 | (1,253) | -- | (12,709) | -- |
| Other income, net | | (78) | 1,633 | 241 | 6,839 |
| PROFIT (LOSS) BEFORE ZAKAT AND INCOME TAX | | 6,474 | (25,658) | 28,407 | (85,008) |
| Zakat and income tax | 18 | (2,750) | (4,651) | 32,755 | (13,955) |
| PROFIT (LOSS) FOR THE PERIOD FROM CONTINUED OPERATION | | 3,724 | (30,309) | 61,162 | (98,963) |
| Discontinued operation | | | | | |
| Net loss from discontinued operating after tax | 15 | (4,127) | (4,803) | (27,636) | (18,566) |
| PROFIT (LOSS) FOR THE PERIOD AFTER DISCONTINUED OPERATION | | (403) | (35,112) | 33,526 | (117,529) |
| OTHER COMPREHENSIVE INCOME (LOSS): | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Changes in foreign currency translation reserve | | | | | |
| Items that are or may be reclassified subsequently to profit or loss | | (430) | 30 | (544) | 213 |
| Hedging reserve | | 11,847 | 5,625 | (960) | (14,831) |
| TOTAL COMPREHENSIVE PROFIT (LOSS) FOR THE PERIOD | | 11,014 | (29,457) | 32,022 | (132,147) |
| Profit (Loss) for the period attributable to | | | | | |
| Parent Company shareholders | | (882) | (34,928) | 34,199 | (116,572) |
| Non-controlling interests | | 479 | (184) | (673) | (957) |
| | | (403) | (35,112) | 33,526 | (117,529) |
| Total comprehensive profit (loss) attributable to | | | | | |
| Parent Company shareholders | | 10,535 | (29,273) | 32,695 | (131,190) |
| Non-controlling interests | | 479 | (184) | (673) | (957) |
| | | 11,014 | (29,457) | 32,022 | (132,147) |
| Earnings (loss) per share (basic and diluted): | | | | | |
| Basic and diluted earnings profit (loss) per share from net loss for the period attributable to the Shareholders of the Parent (SAR) | | (0.56) | (2.91) | 5.13 | (5.01) |
| Share Capital | | 6,673 | 101,640 | 6,673 | 101,640 |

The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED AS OF SEPTEMBER 30, 2023
(Expressed in Thousands of Saudi Arabian Riyals)

| | Share capital | Hedging reserve | Foreign currency translation reserve | Employees' benefit obligation reserve | Accumulated losses | Total equity attributable to shareholders | Non-controlling interest | Total equity |
|-------------------------------------|---------------|-----------------|--------------------------------------|---------------------------------------|--------------------|---|--------------------------|--------------|
| Balance as of January 1, 2023 | 66,729 | (677) | (5,989) | (13,226) | (543,321) | (496,484) | (7,181) | (503,665) |
| Profit (loss) for the period | -- | -- | -- | -- | 34,199 | 34,199 | (673) | 33,526 |
| Other comprehensive (loss) income | -- | (960) | (544) | -- | -- | (1,504) | -- | (1,504) |
| Total comprehensive (loss) income | -- | (960) | (544) | -- | 34,199 | 32,695 | (673) | 32,022 |
| Balance as of September 30, 2023 | 66,729 | (1,637) | (6,533) | (13,226) | (509,122) | (463,789) | (7,854) | (471,643) |
| Balance as of January 1, 2022 | 360,614 | (2,275) | (6,159) | (11,652) | (256,730) | 83,798 | (2,692) | 81,106 |
| Profit (loss) for the period | -- | -- | -- | -- | (116,572) | (116,572) | (957) | (117,529) |
| Other comprehensive (loss) income | -- | (14,831) | 213 | -- | -- | (14,618) | -- | (14,618) |
| Total comprehensive (loss) income | -- | (14,831) | 213 | -- | (116,572) | (131,190) | (957) | (132,147) |
| Reduction of share of share capital | (293,885) | -- | -- | -- | 293,885 | -- | -- | -- |
| Balance as of September 30, 2022 | 66,729 | (17,106) | (5,946) | (11,652) | (79,417) | (47,392) | (3,649) | (51,041) |

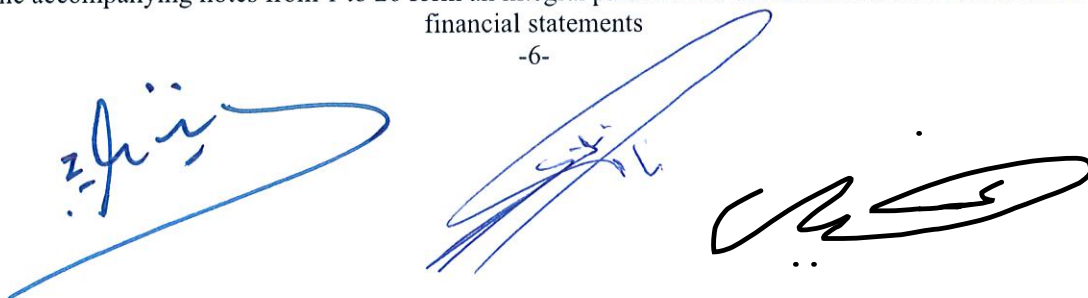




The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED AS OF SEPTEMBER 30, 2023
(Expressed in Thousands of Saudi Arabian Riyals)

| | | For the nine-month periods ended as of September 30 | |
|---|----|--|-------------|
| | | 2023 | 2022 |
| Note | | (Unaudited) | (Unaudited) |
| OPERATING ACTIVITIES | | | |
| | | 28,407 | (85,008) |
| | 15 | (25,260) | (18,566) |
| | | 3,147 | (103,574) |
| Adjustments for: | | | |
| | | 13,296 | 19,427 |
| | 8 | - | 1,839 |
| | | - | 5,147 |
| | | 6,968 | (7,937) |
| | 12 | (3,178) | 1,897 |
| | 6 | (85,683) | (5,485) |
| | | - | (4,192) |
| | | (22,740) | -- |
| | | 5,400 | 13,864 |
| | | (82,790) | (79,014) |
| Changes in operating assets and liabilities: | | | |
| | | 18,072 | 28,475 |
| | | - | (617) |
| | | (14,193) | 236 |
| | | (7,865) | 2,553 |
| | | (15,357) | 29,469 |
| | | 98,218 | 27,495 |
| | | - | (23,955) |
| | | (3,915) | (15,358) |
| | | (660) | (1,480) |
| | | - | (1,086) |
| | | (5,400) | (657) |
| | | (9,975) | (18,581) |
| INVESTING ACTIVITIES | | | |
| | 7 | (186) | (529) |
| | | -- | 40,875 |
| | | (186) | 40,346 |
| FINANCING ACTIVITIES | | | |
| | | 546 | (3,954) |
| | 9 | (49) | (421) |
| | | 497 | (4,375) |
| | | (9,664) | 17,390 |
| | | 27,002 | 10,721 |
| | 10 | 17,338 | 28,111 |
| Additional information for non-cash items: | | | |
| | | (960) | (14,831) |
| | | -- | 28,194 |
| | | (544) | 213 |

The accompanying notes from 1 to 26 form an integral part of these interim condensed consolidated financial statements



SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE-MONTH PERIODS ENDED AS OF SEPTEMBER 30, 2023

(Expressed in Thousands of Saudi Arabian Riyals)

1. ORGANISATION AND ACTIVITIES

Saudi Cable Company (“the Company” or “the Parent Company”) is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030009931 dated Rabi Al Thani 27, 1396 H, (corresponding to April 27, 1976 G).

The Group’s (“Parent Company” and its “subsidiaries”) activities represents manufacturing and supplying electrical and telecommunication cables, copper rod, PVC compounds, wooden reels and related products. The Group is also engaged in the contracting, trading distribution and supply of cables, electronic products, information technology products and related accessories.

The registered head office of the Parent Company is located at the following address:

Saudi Cable Company
P. O. Box 4403,
Jeddah 21491,
Kingdom of Saudi Arabia.

The accompanying interim condensed consolidated financial statements includes the assets, liabilities and the results of the operations of the Company and the following subsidiaries:

| Company’s name | Principal activities | Country of incorporation | Percentage of ownership | |
|--|--|--------------------------|--------------------------------------|-----------------------------------|
| | | | As of September 30, 2023 (Unaudited) | As of December 31, 2022 (Audited) |
| Domestic | | | | |
| Saudi Cable Company for Marketing Limited | Purchase and sale of electrical cables and related products | Saudi Arabia | 100% | 100% |
| Mass Projects for Power and Telecommunications Limited | Turnkey power and telecommunication projects | Saudi Arabia | 100% | 100% |
| Mass Centres for Distribution of Electrical Products Limited | Electrical and telecommunication distribution service | Saudi Arabia | 100% | 100% |
| International | | | | |
| Mass Kablo Yatirim Ve Ticaret Anonim Sirketi | Holding Company (Previously Mass Holding Company) | Turkey | 100% | 100% |
| Mass International Trading Company Limited (note a) | International trading | Ireland | 100% | 100% |
| Saudi Cable Company (U.A.E) | Sale of cables and related products | United Arab Emirates | 100% | 100% |
| Elimsan Salt Cihazlari ye Eletromekanik San ve Tic. A.S | Manufacturing and distribution of electronis gears and goods | Turkey | 94% | 94% |
| Eliman Metalurji ve Makine San. Ve Tic A.S. | Manufacturing and distribution of electronis gears and goods | Turkey | 100% | 100% |
| Fairhaven Holding Limited | Holding | Seychelles | 100% | 100% |
| Kablat Holding Limited | Holding | Malta | 100% | 100% |
| Gozo Gayrimenkul Anonim Sirketi | Holding | Turkey | 100% | 100% |
| Valleta Gayrimenkul Anonim Sirketi | Holding | Turkey | 100% | 100% |

The Group has the following investment in equity accounted investees:

Accosiates:

| | | | | |
|------------------------|-------------------------------|---------|-----|-----|
| Midal Cables B.S.C.(c) | Conductors & related products | Bahrain | 50% | 50% |
|------------------------|-------------------------------|---------|-----|-----|

a) All subsidiaries and equity accounted investees have the same year-end as the Parent Company.

b) Some subsidiaries are not operational (dormant).

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE AND NINE-MONTH PERIODS ENDED AS OF SEPTEMBER 30, 2023
(Expressed in Thousands of Saudi Arabian Riyals)

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements as at and for the three-month period ended September 30, 2023, have been prepared in accordance with IAS 34 – “Interim Financial Reporting”, as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

These interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2022.

Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost basis using the accrual basis of accounting and the going concern concept except for the measurement at fair value of derivative financial instruments and Investment classified as fair value through other comprehensive income (FVOCI).

Preparation of interim condensed consolidated financial statements

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments, estimates and assumptions were consistent with the Group’s annual consolidated financial statements for the year ended December 31, 2022.

Functional and presentation currency

These interim condensed consolidated financial statements are presented in Saudi Arabian Riyals (“SAR”) which is the Group’s functional and presentation currency.

Summary of significant accounting policies

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

Significant accounting judgements, estimates and assumptions

The preparation of the Group’s interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and accompanying disclosures.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, were disclosed in annual consolidated financial statements for the year ended December 31, 2022.

Impact of COVID-19

On March 11, 2020, the World Health Organization has declared the COVID-19 coronavirus outbreak to be a pandemic. Actions taken in response to the spread of COVID-19 have resulted in significant disruption in product demand, reduction in prices and a significant increase in economic uncertainty. Consequently, asset prices have become more volatile and a marked decline in long-term interest rates in developed economies is ostensible.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE AND NINE-MONTH PERIODS ENDED AS OF SEPTEMBER 30, 2023
(Expressed in Thousands of Saudi Arabian Riyals)

These circumstances have impacted on the business activities of the Group by contributing to reduction in sales, net income, EBIT, free cash flow and other financial metrics. However, in response to the COVID-19, which has caused global economic disruption, the Group has implemented active prevention programs at its sites and contingency plans in order to minimize the risks related to COVID-19 and to continue business operations ensuring the health and safety of its employees, customers, contractors and wider community.

Management has taken measures to optimize spending, which resulted in reducing operational and capital expenditures during the period. Additionally, the management has considered the potential impacts of the current economic uncertainties and volatility in determining the carrying amounts of the Group's financial and non-financial assets. These are based on management's best estimates taking into account observable information on the period's end date.

Although international markets have recovered during the past few months, there is still some volatility in prices and demand. The management of the Group continues to monitor long-term supplier contracts in order to ensure minimal disruption in operations and timely delivery of its products.

Notwithstanding these challenges, the management continues to closely monitor any material developments across the markets in which it operates and sells its products and has a strategy in place to mitigate any potential adverse impacts.

Going Concern

The Group incurred a net gain of SAR 32.7 million for the nine-month period ended September 30, 2023, and as of that date, the Group's accumulated losses have reached SAR 509 million, representing 763% of the share capital as of September 30, 2023 (as of December 31, 2022: SAR 543.3 million, representing 814.2%). Further, the Group current liabilities exceeded its current assets by SAR 902 million as of September 30, 2023 (as of December 31, 2022: SAR 974.5 million). Furthermore, on May 11, 2022, The Saudi Stock Exchange "Tadawul" announced to continue suspending the trading of Saudi Cable Company share in the market as per the rules on the offer of Securities until the Company announces that the matters included in the independent auditor's report on the consolidated financial statements for the year ended December 31, 2021, are remediated. These events or conditions, along with other matters, indicate that material uncertainty exists and that may cast significant doubt on the Group's ability to continue as a going concern.

The Group's management has prepared an assessment of going concern. The assessment assumes the possibilities of cash injection via rights issue, revenue growth based on pipeline orders and quotations, creditors voting due in May 2024 to convert part of debt to equity in the process of Financial Restructuring Procedure (FRP). Consequently, the management has concluded that the going concern assumption is valid and has accordingly prepared these interim condensed consolidated financial statements on a going concern basis.

3. BASIS OF CONSOLIDATION

These interim condensed consolidated financial statements comprising the financial statements of the Company and its subsidiaries as set out in note 1. The financial statements of the subsidiaries are prepared for the same reporting period as that of the parent Company.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. To meet the definition of control, all the following three criteria must be met:

- i) The Group has power over an entity;
- ii) The Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii) The Group has the ability to use its power over the entity to affect the amount of the entity's returns.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(CONTINUED)
FOR THE THREE AND NINE-MONTH PERIODS ENDED AS OF SEPTEMBER 30, 2023
(Expressed in Thousands of Saudi Arabian Riyals)

The Group re-assesses whether or not it controls an investee in case facts and circumstances indicate that there are changes to one or more of the criteria of control.

Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The results of subsidiaries acquired or disposed of during the period, if any, are included in the interim condensed consolidated statement of profit or loss and other comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

Non-controlling interests

Non-controlling interests represent the portion of net profit (loss) and net assets of subsidiaries not owned, directly or indirectly, by the Group in its subsidiaries and are presented separately in the interim condensed consolidated statement of profit or loss and other comprehensive income and within equity in the interim condensed consolidated statement of financial position, separately from the Group's equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Transactions eliminated on consolidation

Balances between the Group entities, and any unrealized income and expenses arising from intragroup transactions, are eliminated in preparing the interim condensed consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Investment in an associates and jointly controlled entities

The Group's interest in equity-accounted investee comprises interest in a joint venture and investments in associates.

Associates are entities over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the interim condensed consolidated statement of financial position at the lower of the equity-accounted value or the recoverable amount.

A joint venture is an arrangement in which the Group has joint control whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Equity-accounted value represents the cost-plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains / (losses) based on the latest available financial information) less impairment, if any.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its associates. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in 'share in net profit / (loss) of an associate' in the interim condensed consolidated statement of profit or loss and other comprehensive income.

The previously recognized impairment loss in respect of investment in associate can be reversed through the interim condensed consolidated statement of profit or loss and other comprehensive income, such that the carrying amount of the investment in the interim condensed consolidated statement of financial position remains at the lower of the equity-accounted (before allowance for impairment) or the recoverable amount.

Unrealized gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

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4. SUMMARY OF CHANGES IN SIGNIFICANT ACCOUNTING POLICES DUE TO NEW STANDARDS
New standards, amendment to standards and interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2023, and has been explained in Group annual Consolidated Financial Statements, but they do not have a material effect on the Group's Interim Condensed Consolidated Financial Statements.

5. EARNING (LOSS) PER SHARE

Earnings (loss) per share for the three and nine-month period ended September 30, 2023, and for the three-month period ended September 30, 2022, were calculated by dividing the earnings (loss) for each period by weighted average number of shares outstanding during the period.

6. INVESTMENT IN AN ASSOCIATE

6.1 The movement in investment in an associate is as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|--|
| At the beginning of the period / year | 274,090 | 299,170 |
| Share of results, net (note 6.2 and 6.3) | 85,684 | 23,912 |
| Hedging reserve | (167) | 4,532 |
| Dividend received during the period / year | -- | (28,194) |
| Foreign currency translation | (544) | 170 |
| At the end of the period / year | 359,063 | 299,590 |
| Expected credit loss for long outstanding account receivable of associate | 22,740 | (25,500) |
| | 381,803 | 274,090 |

6.2 Summarized financial information of associate Company is as follows:

| Midal Cables B.S.C.(c) | Ownership% | Assets | Liabilities | Revenues | Net profit |
|---------------------------------------|-------------------|------------------|--------------------|------------------|-------------------|
| September 30, 2023 (Unaudited) | 50% | 1,981,044 | 1,218,843 | 3,396,754 | 173,947 |
| December 31, 2022 (Audited) | 50% | 1,977,919 | 1,380,326 | 4,681,433 | 43,125 |

6.3 Share of results of associate (net) after considering accounting policies differences. Net increase considering those differences is SAR 4.7 million (2022: Increase of SAR 2.3 million).

6.4 The Group does not have any direct control over management and operations of "Midal Cables W.L.L". Accordingly, it is classified as investment in associates and accounted for as such.

7. PROPERTY, PLANT AND EQUIPMENT

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|--|
| Carrying amount at beginning of the period / year | 252,903 | 276,325 |
| Additions during the period / year | 186 | 717 |
| Discontinued operations during the period / year | (155,975) | |
| Depreciation charge for the period / year | (12,541) | (24,139) |
| Carrying amount at end of the period / year | 84,573 | 252,903 |

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8. INTANGIBLE ASSETS

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|-----------------------------------|
| Carrying amount at beginning of the period / year | -- | 20,268 |
| Impairment during the period/ year | -- | (20,268) |
| Carrying amount at end of the period / year | <u>--</u> | <u>--</u> |

9. LEASES

9.1 Right of use assets

Set out below are the carrying amounts of right-of-use assets recognized and the movements during the period:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|-----------------------------------|
| <u>Cost:</u> | | |
| At the beginning of the period / year | 11,125 | 11,125 |
| Additions | -- | -- |
| | <u>11,125</u> | <u>11,125</u> |
| <u>Accumulated depreciation:</u> | | |
| At the beginning of the period / year | 4,447 | 3,222 |
| Depreciation for the period / year | 695 | 1,224 |
| | <u>5,142</u> | <u>4,446</u> |
| Net value at the end of the period / year | <u>5,983</u> | <u>6,679</u> |

9.2 Leases liabilities

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

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|-----------------------------------|
| Carrying amount at beginning of the period / year | 8,476 | 8,803 |
| Additions during the period / year | -- | -- |
| Interest charge for the period / year | 211 | 340 |
| Paid during the period / year | (256) | (667) |
| Carrying amount at end of the period / year | <u>8,431</u> | <u>8,476</u> |

Finance leases relate to manufacturing equipment leases with a term of 5 years or less. The Group has options to purchase the equipment for a nominal amount at the end of the lease agreement. The Group's obligations under finance leases are secured by the lessors' title to the leased assets:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|-----------------------------------|
| Minimum lease payments | 9 | 36 |
| Less: unearned finance charge | (8) | (32) |
| Present value of minimum lease payments | 1 | 4 |
| Less: current portion | (1) | (4) |
| Non - current portion | <u>--</u> | <u>--</u> |

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Presented in the interim condensed consolidated financial statements as follows:

| | | |
|------------------------------------|--------------|--------------|
| Current lease liability | 4,138 | 2,288 |
| Non-current lease liability | 4,293 | 6,192 |

The weighted average incremental borrowing rate applied to lease liabilities was 4.0% (2022: 4.0%).

The following are the amounts recognized in profit or loss:

| | For the three months ended September 30, | | For the nine months ended September 30, | |
|--|---|--------------------|--|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Depreciation expense of right-of-use assets | 236 | 307 | 695 | 914 |
| Interest charge on lease liabilities | 72 | 86 | 214 | 255 |
| Total amount recognized in profit or loss | 308 | 393 | 909 | 1,169 |

10. CASH AND CASH EQUIVALENTS

| | September 30, 2023 | December 31, 2022 |
|---|-------------------------------|------------------------------|
| | (Unaudited) | (Audited) |
| Cash in hand | 670 | 20 |
| Cash at banks | 16,569 | 26,982 |
| | 17,239 | 27,002 |
| Cash and cash equivalents from discontinued operation | 99 | -- |
| Cash and cash equivalents | 17,338 | 27,002 |

Included within Cash & Cash Equivalents is an amount of SAR 0.144 million (September 30, 2022: SAR 18.4 million and December 31, 2022: SAR 19.23 million) which is restricted for use at the option of the Group's management.

11. ACCOUNT AND RETENTION RECEIVABLES

| | September 30, 2023 | December 31, 2022 |
|---|-------------------------------|------------------------------|
| | (Unaudited) | (Audited) |
| Trade receivables, net (11.1) | 40,088 | 55,202 |
| Retention receivables, net (11.2) | 35,977 | 38,321 |
| | 76,065 | 93,523 |
| Less: non-current retentions receivable | (11,020) | (10,897) |
| | 65,045 | 82,626 |

11.1 The trade receivables, net comprised of as follows:

| | September 30, 2023 | December 31, 2022 |
|--|-------------------------------|------------------------------|
| | (Unaudited) | (Audited) |
| Gross trade receivables | 194,235 | 211,109 |
| Less: impairment on financial assets (a) | (154,147) | (155,907) |
| | 40,088 | 55,202 |

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a) The movement in impairment on financial assets against accounts receivables is as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|--|
| At the beginning of the period / year | 155,907 | 152,833 |
| Charge (reversal) during the period / year | (1,760) | 3,074 |
| At the end of the period / year | 154,147 | 155,907 |

11.2 The retention receivables, net comprised of as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|--|
| Gross retentions receivable | 86,308 | 88,653 |
| Less: impairment on financial assets (b) | (50,331) | (50,332) |
| Retention receivables, net | 35,977 | 38,321 |

b) The movement in impairment on financial assets against accounts receivables is as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|--|
| At the beginning of the period / year | 50,332 | 16,865 |
| Charge (reversal) during the period / year | -- | 33,467 |
| At the end of the period / year | 50,332 | 50,332 |

12. INVENTORIES

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|--|
| Raw material | 23,964 | 37,753 |
| Finished goods | 8,771 | 4,315 |
| Work in progress | 13,364 | 9,186 |
| Spare parts and wooden reels | 30,636 | 31,888 |
| | 76,735 | 83,142 |
| Less: Provision for slow moving and obsolete inventories | (48,051) | (51,556) |
| | 28,684 | 31,586 |

The movement in provision for slow moving and obsolete inventories was as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|--|
| At the beginning of the period / year | 51,556 | 44,172 |
| Discontinued operations for the period / year | (3,075) | -- |
| Charge during the period / year | (430) | 7,384 |
| At the end of the period / year | 48,051 | 51,556 |

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13. PREPAID EXPENSES AND OTHER DEBIT BALANCES

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--------------------------------------|---|--|
| Receivable from sale of a subsidiary | -- | 41,250 |
| Guarantee margins and deposits | 3,489 | 15,422 |
| Advances to suppliers, net | 33,315 | 22,548 |
| Derivative gain and prepayments | 7,363 | 6,611 |
| Value added tax | -- | 8 |
| Other receivables | 2,706 | 11,054 |
| | 46,873 | 96,893 |

14. UNBILLED CONTRACT ASSET

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|--|
| Gross unbilled contract asset (a) | 17,720 | 9,855 |
| Less: allowance for expected credit losses (b) | (7,107) | (7,107) |
| Unbilled contract asset, net | 10,613 | 2,748 |

This represents projects in Saudi Arabia and outside Saudi Arabia.

a) The movement in gross unbilled contract asset is as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--------------------------------------|---|--|
| Cost incurred plus profit recognized | 1,262,325 | 1,287,489 |
| Less: progress billings | (1,244,605) | (1,277,634) |
| Unbilled contract asset | 17,720 | 9,855 |

b) The movement in allowance for expected credit losses is as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|--|
| At the beginning of the period / year | 7,107 | 7,933 |
| Charge / (reversal) during the period / year | -- | (826) |
| At the end of the period / year | 7,107 | 7,107 |

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15. DISCONTINUED OPERATION AND ASSETS CLASSIFIED HELD FOR SALE

The Board of Directors of the Group decided on 22 Shabaan 1445H, corresponding to March 3, 2024, to exit of its investments in Turkey, by disposing of them by sale or in any other way as permitted by Turkish law. As these companies did not achieve the desired returns and continued to achieve losses during the past years despite the solutions and treatments carried out by successive administrations to no avail and strengthening the opinion of local and international legal advisors to support the exiting decision.

The statement of profit or loss for discontinued operations is as follows:

| | For the three months ended | | For the nine months ended | |
|--|-----------------------------------|--------------------|----------------------------------|--------------------|
| | September 30, | | September 30, | |
| | 2023 | 2022 | 2023 | 2022 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue | -- | 116 | -- | 4,556 |
| Cost of revenue | (6,786) | (5,035) | (16,935) | (21,154) |
| General and administrative expenses | (627) | (1,909) | (1,652) | (3,221) |
| Selling and distribution expenses | (1,489) | (529) | (1,999) | (4,811) |
| Finance costs, net | (158) | (259) | (2,712) | (3,053) |
| Other income, net | 4,933 | 2,813 | (2,632) | 9,116 |
| Net loss from discontinued operating before tax | (4,127) | (4,803) | (25,930) | (18,567) |
| Income tax | -- | -- | (1,706) | -- |
| Net loss from discontinued operating after tax | (4,127) | (4,803) | (27,636) | (18,567) |

The major classes of assets and liabilities of Mass Kablo Yatirim Ve Ticaret Anonim Sirketi classified as held for sale as of September 30 are, as follows:

| | September 30, |
|--|----------------------|
| | 2023 |
| | (Unaudited) |
| ASSETS | |
| Property, plant, and equipment | 158,705 |
| Investment properties | 2,660 |
| Financial assets at fair value through other comprehensive income | 45 |
| Inventories | 21,437 |
| Account and retention receivables | 614 |
| Prepaid expenses and other debit balances | 48,039 |
| Cash and cash equivalents | 99 |
| TOTAL ASSETS | 231,599 |
| LIABILITIES | |
| Term loans and borrowings | 43,380 |
| Accounts payable, accrued expenses, other liabilities and income tax provision | 156,660 |
| Employees' benefit obligation | 9,054 |
| TOTAL LIABILITIES | 209,094 |
| NET ASSETS DIRECTLY ASSOCIATED WITH DISPOSAL MASS KABLO GROUP | 22,505 |

16. SHARE CAPITAL

The share capital consisted of 6,672,906 shares of Saudi Arabian Riyals 10 each as of September 30, 2023. (As of December 31, 2022: 6,672,906 shares of Saudi Arabian Riyals 10 each).

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The Group has several financing arrangements with local and foreign banks and development financial institution with short and long-term maturity to finance its working capital and capital expenditure requirements. All these are obtained at prevailing commercial rates.

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|--|
| <u>Long-term loans:</u> | | |
| Local commercial bank (a) | 218,690 | 218,690 |
| Loan from a SIDF (b) | 104,290 | 104,290 |
| Foreign banks (c) | - | 42,147 |
| Suppliers financing (d) | 99,260 | 99,264 |
| | 422,240 | 464,391 |
| Less: non-current portion of term loans | - | (3,878) |
| Current portion of loans and borrowings | 422,240 | 460,513 |

- a) The Group entered into a syndicated loan in February 2016, combining its borrowings from four commercial banks under a “Restructuring Framework Agreement”. Through a final settlement agreement signed in December 2018, two of the three local commercial banks were settled, leaving Al Rajhi Bank (“ARB”) as the sole remaining lender to the syndicate. During the current year, the Company and ARB entered into a Murabaha Facilities Agreement to restructure the balance outstanding under the syndicated loan. The terms of the loan require the Company to repay the amount outstanding in two tranches. Tranche A is interest free and is repayable in two years through equal quarterly installments with nine months as grace period, while tranche B carry three months SIBOR plus 3% and is repayable in equal quarterly installments over nine years, extendable by another year, with two years as being grace period. The loan is secured against signed promissory notes.

Management assessed the above restructuring of the loan qualitatively and quantitatively in accordance with IFRS 9 “Financial Instruments” and, as a result, concluded that restructuring of the previous agreement has resulted in derecognition of the old loan and recognition of a new loan. Accordingly, the Group recorded the new loan at its fair value at the effective date, which has resulted in gain of SAR 14 million.

As of September 30, 2023, the Group is in default due to the non-repayment of the loan. Consequently, remaining outstanding balance is classified as current liability as per the agreement. The Group is in the process of restructuring the loan with ARB. As a subsequent event, “Tathmeer Investment Company” has executed the signing of a tripartite agreement with Rajhi Bank and Tathmeer Investment Company where the debt of Rajhi Bank will be transferred to Tathmeer Investment Company.

- b) The loan from the Saudi Industrial Development Fund (“SIDF”), was restructured in December 2019. The loan is repayable in 5 unequal installments over the period of 3 years starting December 2020 and carry a fee charged biannually. This loan is secured by certain plant building and machinery. As of September 30, 2023, the Group was in default due to the non-repayment of the loan installments on time. Consequently, remaining outstanding balance is classified as current liability as per the agreement.
- c) In earlier years, the Group through an agreement had credit facility with Noble Resources International Pte Ltd (“Noble”), to purchase raw material at a deferred payment. The Group was required to pay the cost of financing in the event payment was not made within the stipulated time. On July 29, 2020, the facility was restructured where revised terms required the Group to repay the outstanding balance of SAR 180.8 million as of the effective date in monthly installments till October 2022. The facility was unsecured throughout and presently carries a fixed finance cost of 7.75% per year. Management assessed the above restructuring of the facility, qualitatively and quantitatively, in accordance with IFRS 9 and, as a result, concluded that restructuring has resulted in new financing. Accordingly, the Group derecognized the earlier facility and recorded a new financing at its fair value at the effective date, resulting in a gain of SAR 5.4 million. The balance of outstanding reached to 101 million as of end of this quarter. As a subsequent event, “Rawafed Al-Mustaqbal Investment Company” one of the investors has signed a tripartite agreement with Noble Resources International Pte. Ltd. and Rawafid Al-Mustaqbal Investment Company where the debt will be transferred to Rawafid Al-Mustaqbal Investment Company.

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- d) SAMA has instructed banks Al-Rajhi to settle SAR 377.95 million on basis of court instruction with regards to won legal cases of employees and suppliers' etcetera, because of nonavailability of funds in the aforesaid bank account the bank has confirmed this amount as part of outstanding balance and accordingly will settle the amounts once collections are received.
- e) Short-term loans are due within twelve months where local bank loans consist of letter of credit discounting advances that are to be cleared with customer balances upon expiration of credit period.

18. ZAKAT AND INCOME TAX

The Group received certain assessments from the Zakat Tax and Customs Authority (ZATCA), in respect of the Zakat assessments for prior years against which the Group has filed appeals. This mainly relate to the Parent Company, Al-Mass Centers for Distribution of Electrical Products Limited, Mass Projects for Power & Telecommunications Limited, Saudi Cable Company for Marketing Ltd.

Assessment status

The Parent Company

The Company made a final settlement with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2005 to 2012. Resolution issued on January 29, 2020, by the Zakat and Tax Disputes Settlement Committee in the amount of SAR 65.7 million, provided that the due zakat amounts are paid within 30 days from the settlement date mentioned above, and the Company submitted a request for installments for a period of 12 months and it was approved by the Authority in 10 instalments. The company paid the down payment of 10% of the amount, in addition to 6 payments, and the remaining amount of SAR 22.5 million.

The Company filed the Zakat declaration for the year 2013. ZATCA requested additional information and documents for the purpose of issuing the final assessment.

The ZATCA issued an assessment for the year 2014 with additional zakat liability of SAR 24.2 million. The Parent Company has appealed against the assessment with the Committee for the Settlement of Tax Violations and Disputes. The decision was issued in favor of the Company accepting the objection and the Company has received a copy of the decision. From the decision dated February 17, 2022, the authority appealed the committee's decision, and the case is still in the process of finalization.

The ZATCA issued the final assessment for the years from 2015 to 2018 with additional zakat liability of SAR 148 million. It was escalated and filed with the General Secretariat of Zakat, Tax and Customs Committees (GSTC), in which a decision was issued by accepting the objection partially, where the zakat differences amounting to SAR 143 million. The Company filed an appeal against the said GSTC's decision with the Tax Violation and Disputes Resolution Committees (ACTVDR). Then Company submitted a request for settlement of the differences to the Settlement Committee and the offer was received on December 5, 2023, amounting to SAR 103.9 million for these years, where the basic amount is SAR 144.9 million and the reduction is SAR 41 million.

The Company submitted the financial statements and the zakat declaration for the year 2019 ZATCA, and the legal zakat was paid accordingly, and the Company obtained a final zakat certificate.

The Company submitted the financial statements and the Zakat declaration for the years 2020 to 2022 to ZATCA.

The company received a claim from the Zakat, Tax and Customs Authority for penalties for payment delayed of value-added tax on the due date of that tax, with a total amount of SAR 12.7 million.

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Mass Centers for Distribution of Electrical Products Limited

The ZATCA issued the Zakat assessment for the years from 1998 to 2007 with an additional Zakat liability of SAR 1 million. The Company filed an appeal with Higher Appeal Committee ("HAC") which has not been decided to date.

The Company filed its Zakat returns for the years 2008 to 2010. The ZATCA did not issue the final Zakat assessment for the said years till to date. The subsidiary is dormant and is in the process of filing the Zakat returns for the years from 2011 to 2022.

Mass Projects for Power & Telecommunications Limited

The ZATCA issued the zakat assessment for the years from 1999 to 2004 with additional zakat liability of SAR 3.2 million. The Company filed an appeal against the assessment with the ZATCA. ZATCA has issued the amended Zakat assessment. The subsidiary has filed an appeal with the Preliminary Appeals Committee (PAC). PAC issued an order to decrease the zakat liability by SAR 2.1 million and a decision was issued to pay SAR 1.5 million to ZATCA.

The ZATCA issued the zakat assessments for the years from 2005 to 2012 with additional zakat liability of SAR 34.7 million in addition to withholding tax and delay penalties. The Company filed an objection against the ZATCA assessments, and ZATCA issued amended zakat assessment by reducing the zakat liability by SAR 6.9 million. The objection was escalated to the Primary Objection Committee, and then it was transferred to the Separation, Violations and Tax Disputes Committee.

The Company filed its zakat returns for the years 2013 to 2014 and the legal zakat was paid from it, and the Company obtained a restricted zakat certificate.

ZATCA issued a final assessment of SAR 7.4 million on 28 April 2021 for the year 2015. The Company objected, the objection was escalated to the General Secretariat of the Tax Committees, and a session was scheduled for 29/05/2022, and the decision is in the process of being drafted by the Secretariat.

The ZATCA issued an assessment for 2016 with additional zakat liability of SAR 2.7 million. The company submitted an appeal to the Appeal Committee of the General Secretariat of the Tax Committees, and the case is still pending with the Appeal Committee.

ZATCA issued a final assessment of SAR 6.98 million on 28 September 2021 for the years from 2017 to 2019. The Company objected and it was rejected by the authority. The company escalated the objection to the Committee for Adjudication of Tax Violations and Disputes.

The Company has submitted the financial statements and zakat declarations for the year 2020 ZATCA and an installment plan was made to pay the amount of zakat due from the declaration.

The Company submitted its zakat return for the year of 2022 to ZATCA.

Saudi Cable Company for Marketing Ltd.

The ZATCA issued the Zakat assessment for the years from 1996 to 2004 with additional zakat liability of SAR 17 million. The Company filed an appeal, which is still under review by ZATCA. The Company filed the financial statements and Zakat declarations for the years 2005 to 2008 with the ZATCA. ZATCA issued a final assessment on the Company for the years from 2009 to 2013, and zakat differences of SAR 1.25 million.

The Zakat, Tax and Customs Authority issued a zakat assessment for the years from 2014 to 2018 and demanded an additional zakat obligation of SAR 23 million. The objection was escalated to the Committee for Adjudication of Tax Violations and Disputes, and the cases are still under technical study.

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The Company has not submitted the zakat declaration for the year 2019, and the authority has not issued a final assessment to it.

ZATCA issued an estimated assessment on the Company for the year 2020 on 13 September 2021 with a value of SAR 0.25 million.

The Company submitted its zakat return for the year of 2022 to ZATCA.

The movement in zakat and tax during the period / year is as follows:

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|--|---|--|
| Balance at the beginning of period / year | 333,491 | 69,670 |
| Add: charge for the current period / year | 8,250 | 264,908 |
| Reversal for the period / year | (41,005) | -- |
| Less: payments made during the period / year | -- | (1,087) |
| Balance at the end of the period / year | <u>300,736</u> | <u>333,491</u> |

19. RELATED PARTIES TRANSACTIONS AND BALANCES

- a) Related parties include the Group's shareholders and their relatives up to the fourth generation, associated and affiliated companies (including equity accounted investees) and key management personnel of the Group. Terms and conditions of these transactions are approved by the Group's Board of Directors.
- b) Related party transactions mainly represent purchase and sale of finished goods and recharging of expenses from / to affiliates. These are undertaken at maturity agreed terms and are approved by the Group's Board of Directors.

Due from a related party

| | September 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|------------------------|---|--|
| Midal Cables B.S.C.(c) | 1,403 | 1,403 |
| | <u>1,403</u> | <u>1,403</u> |

Significant related party transaction and balances as of September 30, 2023, are summarized as below:

| Name | Relationship | Nature of transactions | For the nine-month period ended September 30, | |
|------------------------|---------------------|----------------------------------|--|-----------------------------|
| | | | 2023 (Unaudited) | 2022 (Unaudited) |
| Midal Cables B.S.C.(c) | Associate | Purchases of raw materials | -- | 5,731 |
| | | Board of directors' remuneration | -- | 2,109 |
| | | Dividends received | -- | 2,194 |
| | | Others | -- | 846 |

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Key management personnel remuneration and compensation comprised of the following:

| | For the nine-month period ended September 30, | |
|------------------------------|--|--------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Short-term employee benefits | 2,406 | 2,474 |
| Post-employment benefits | 368 | 133 |
| | 2,774 | 2,607 |

Short term employee benefits of the Group's key management personnel include salaries and bonuses.

Board of Directors / Committee member's remuneration and compensation comprised of the following:

| | For the nine-month period ended September 30, | |
|-------------------------|--|--------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Meeting attendance fees | 306 | 618 |
| Other remunerations | 30 | 754 |
| | 336 | 1,372 |

20.COMMITMENTS AND CONTINGENCIES

The following are the commitments and contingencies as at:

| | September 30, 2023 | December 31, 2022 |
|--------------------------------------|-------------------------------|------------------------------|
| | (Unaudited) | (Audited) |
| Property mortgage and guarantees (a) | 40,821 | 40,821 |
| Outstanding forward metal contracts | 215 | 215 |
| Contingent liabilities (b, c) | 77,996 | 77,996 |

- In addition to providing guarantees in respect of bank facilities available to certain subsidiaries, the Parent Company has also provided undertakings to support such subsidiaries in meeting their liabilities as they fall due.
- During the previous year, a court in Turkey issued a verdict in favor of Mass Kablo Yatırım ve Tic. A.Ş for a case filed by the minority shareholders of its subsidiary. An appeal against the verdict has been presented by said minority shareholders. However, based on a legal opinion obtained from an independent counsel which is of view that the decision of Court of Appeal will not be different from the original decision issued by court of first instance. In addition, the Group assessed and recorded a contingent liability amounting to SAR 52.5 million. Further the group has taken full provision on net assets of Mass Kablo Yatırım ve Tic. A.Ş.
- For Elimsan Group, within the scope of the financial restructuring process the committee of commissioners are currently reconciling the current balances between the Company and the third parties. The process will be completed once the court appointed experts review and finalize the debts owed to those third parties. In order to account for the same, the Group has recognized a contingent liability of SAR 25.50 million as of the reporting date.

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21. REVENUE

The Group's operations and main revenue streams are those described in the last annual financial statements.

i) Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

| | For the nine-month period ended September 30, | |
|---------------------------------------|--|--------------------|
| | 2023 | 2022 |
| | (Unaudited) | (Unaudited) |
| Primary geographic markets | | |
| Saudi Arabia | 19,060 | 61,955 |
| Foreign countries | -- | -- |
| | 19,060 | 61,955 |
| Major products/service lines | | |
| Sales of cables and goods | 10,300 | 43,435 |
| Contract revenues | 8,760 | 18,520 |
| | 19,060 | 61,955 |
| Timing of revenue recognition | | |
| Revenue recognized at a point in time | 10,300 | 43,435 |
| Revenue recognized over time | 8,760 | 18,520 |
| | 19,060 | 61,955 |

22. SEGMENTAL INFORMATION

Operating Segment

The Group has the following main business segments:

- Sale of manufactured goods.
- Turnkey power and telecommunication projects (based on the contracts).

These form the basis of internal management reporting of main business segments:

| | Sale of goods | | Contract revenue | | Total | |
|-------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|--------------------------|
| | September 30, 2023 | December 31, 2022 | September 30, 2023 | December 31, 2022 | September 30, 2023 | December 31, 2022 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Assets | 556,408 | 664,767 | 119,333 | 124,831 | 675,741 | 789,598 |
| Liabilities | 820,155 | 959,520 | 327,227 | 333,743 | 1,147,382 | 1,293,263 |
| Net sales | 10,300 | 49,271 | 8,760 | 23,657 | 19,060 | 72,928 |
| Net profit (loss) | (50,018) | (521,741) | (625) | (58,735) | (50,643) | (580,476) |

| | Sale of goods | | Contract revenue | | Total | |
|-------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 | September 30, 2023 | September 30, 2022 |
| | (Unaudited) | (Audited) | (Unaudited) | (Audited) | (Unaudited) | (Audited) |
| Assets | 556,408 | 781,771 | 119,333 | 153,449 | 675,741 | 935,220 |
| Liabilities | 820,155 | 682,498 | 327,227 | 303,763 | 1,147,382 | 986,261 |
| Net sales | 10,300 | 47,991 | 8,760 | 18,520 | 19,060 | 66,511 |
| Net profit (loss) | (50,018) | (113,581) | (625) | (776) | (50,643) | (117,529) |

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Geographic Information

The Group's operations are conducted in Kingdom of Saudi Arabia, Turkey and others. Selected financial information summarized by geographic area, is as follows:

| September 30, 2023 (Unaudited) | Saudi Arabia | Turkey | Other | Total |
|---------------------------------------|---------------------|-----------------|---------------|------------------|
| Assets | 650,986 | 22,505 | 2,252 | 675,743 |
| Liabilities | 1,144,464 | - | 2,920 | 1,147,384 |
| Net sales | 19,060 | - | - | 19,060 |
| Net profit (loss) | 87,435 | - | (852) | 86,584 |
| September 30, 2022 (Unaudited) | Saudi Arabia | Turkey | Other | Total |
| Assets | 537,537 | 319,854 | 77,829 | 935,220 |
| Liabilities | 730,348 | 210,912 | 45,003 | 986,261 |
| Net sales | 61,955 | 4,556 | 985 | 67,496 |
| Net profit (loss) | (113,581) | (18,567) | 3,556 | (135,704) |
| December 31, 2022 (Audited) | Saudi Arabia | Turkey | Other | Total |
| Assets | 549,641 | 237,661 | 2,296 | 789,598 |
| Liabilities | 1,150,875 | 140,513 | 1,875 | 1,293,263 |
| Net sales | 68,368 | 4,560 | -- | 72,928 |
| Net profit (loss) | (510,344) | (73,331) | 3,199 | (580,476) |

23. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The carrying amount of the financial assets and liabilities carried at their amortised cost approximate their fair values. The fair value of the investment properties is assessed by unobservable inputs and, accordingly, are level 3.

Derivative financial instruments are carried at their fair values and are assessed using unobservable inputs and are level 3.

There is no reclassification, in or out, from level 3.

24. SUBSEQUENT EVENTS

The Group applied to open a Financial Restructuring Procedure (FRP) under the Saudi Bankruptcy Law 2016 with a view to enabling the implementation of restructuring and consequently procedure was opened on 7 June 2023 and Mr. Walid bin Muhammad Subhi has been appointed as Officeholder.

The Group signed a number of investment contracts amounting total of approximately 533 million Saudi riyals, which will be included in the proposal to conduct Financial Restructuring Procedure. Accordingly, these obligations will be converted into ownership shares, which will lead the Group to reduce the obligations by 393 million Saudi riyals and will provide the Group with liquidity worth 140 million Saudi Riyals.

Some unproductive operational sites that occupied large areas, did not serve the Group's main products, and had no role in the Group's five-year plan were eliminated. This is for the purpose of reducing financial burdens and providing liquidity to support working capital. As well as closure of some offices and branches in Dubai, Riyadh, Al Khobar, and others.

The Group concluded new sales order/contracts with KAC Company to supply the Group's products for construction projects related to the Saudi Electricity Company, worth 77 million Saudi riyals. In addition to a number of other local and Gulf projects worth approximately 25 million Saudi riyals.

During November 2023 "Rawafed Al-Mustabal Investment Company" one of the potential investors has executed following two out of three parts of the investment deal:

- a) The signing of a tripartite agreement with Noble Resources International Pte. Ltd. and Rawafid Al-Mustaqbal Investment Company where the debt of Noble Resources International Pte. Ltd. will be transferred to Rawafid Al-Mustaqbal Investment Company.
- b) Placing the purchase orders on behalf of Saudi cables for procurement of materials required for future production amounting to SAR 110 million.

During November 2023 "Tathmeer Investment Company" one of the potential investors has executed the signing of a tripartite agreement with Rajhi Bank and Tathmeer Investment Company where the debt of Rajhi Bank will be transferred to Tathmeer Investment Company.

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From July 2022 onwards subsidiary “Mass Kablo Yatirim Ve Ticaret Anonim Sirketi” has ceased operations, the management has not made a decision on the classification of the subsidiary. The management is still deliberating whether to classify it as an asset held for sale or an abandoned asset, whereas full provision has been taken in the separate financial statements for the net assets of the subsidiary. During the month of September 2023, the subsidiary has decided and executed dismissal of the entire workforce of “Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S” and Elimsan Metalurji ve Makine San. Ve Tic. A.S. On Sunday 03/03/2024 The company’s board of directors issued a decision to exit of its investments in Turkey, by disposing of them by sale or in any other way as permitted by Turkish law. As these companies did not achieve the desired returns and continued to achieve losses during the past years despite the solutions and treatments carried out by successive administrations to no avail and strengthening the opinion of local and international legal advisors to support the exiting decision.

No significant event occurred between September 30, 2023, and the date of authorization of these interim condensed consolidated financial statements by the Board of Directors, which may have an impact on these interim condensed consolidated financial statements, other than stated above.

25.COMPARATIVE FIGURES

Certain prior period figures have been reclassified to conform to current period presentation, which are not material in nature.

26.APPROVAL OF INTERIM CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorized to issue by the Board of Directors on Ramadan 6, 1445H (corresponding to March 16, 2024).