

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**



Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

SAUDI CABLE COMPANY**(A Saudi Joint Stock Company)****CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements

Disclaimer of Opinion

We were engaged to audit the consolidated financial statements of Saudi Cable Company ("The Company") and its subsidiaries (collectively with the Company, referred to as "The Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

Basis for Disclaimer of Opinion

- The Group incurred a net loss of SAR 193.7 million for the year ended December 31, 2021 (2020: SAR 55.7 million), and as of that date, the Group's accumulated losses have reached SAR 256.7 million, representing 71.2% of the Group's share capital. Further, the Group current liabilities exceeded its current assets by SAR 476.4 million as at December 31, 2021 (As at December 31, 2020: SAR 34.64 million). These events or conditions, along with other matters, indicate a significant doubt about Group's ability to continue as a going concern and its ability to meet its obligations when it becomes due. The Group has been and still in the process of restructuring its liabilities to its creditors and plan to reduce its payables with future cash flows from its current projects. The Group's management is aware of the risks related to going concern but has prepared the consolidated financial statements under going concern basis. Accordingly, we were unable to obtain a sufficient appropriate audit evidence to satisfy ourselves that the Group will be able to continue its operations in the future and whether using going concern basis in preparing the consolidated financial statements is still appropriate.
- As stated in note 18, the Group received assessments from the Zakat, Tax and Customs Authority (ZATCA), claiming additional Zakat liabilities of SAR 235.9 million (2020: SAR 201.9 million) in respect of the assessment for prior years against which the Group has filed appeals. It is management's assertion that they have grounds to contest against items included in the assessments raised by ZATCA, that the outcome of the appeals is uncertain at this stage and, therefore, it is not possible to determine the potential Zakat provision. No provision has been made in these consolidated financial statements for the items under appeal and for any potential exposure relating to open years not yet assessed by ZATCA. We have not been provided details or basis of certain appeals the assessments, including details of zakat computation and appeals in respect of certain open years and of certain subsidiaries. We were, therefore, unable to determine whether any adjustments are necessary to the Group's current or prior years' zakat charges and corresponding liability.
- The Group has property, plant and equipment amounted of SAR 276.3 million as at December 31, 2021 and there are some indicators that the recoverable value of them is less than the book value, we were unable to obtain sufficient audit evidence regarding the recoverable amount of them as the Group's management hasn't provided us with sufficient data related to the recoverable amount of the property, plant and equipment and the extent to recognize any impairment losses the book value of property, plant and equipment as at December 31, 2021. The Group's management will prepare a future studies to determine the recoverable value subsequently after approval date of the consolidated financial statements of the Group.

Independent Auditor's Report (Continued)

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

Report on the Audit of the Consolidated Financial Statements

Basis for Disclaimer of Opinion (continued)

- As stated in note 10, the consolidated financial statements include investment in an associate (50% ownership) with a carrying value of SAR 299.17 million and share of results of SAR 7.2 million as at and for the year ended December 31, 2021 (2020: SAR 319.12 million and SAR 1.52 million respectively). The associate had trade receivables amounting to SAR 54.4 million, out of which the Group's share is SAR 27.2 million; that are overdue for more than one year, against which management has not recognized any allowance for expected credit losses. Management was unable to provide us with sufficient appropriate audit evidence to ensure the recoverability of those trade receivables balances. Consequently, we were unable to determine whether any adjustments to the Group's share of results of an associate and the carrying value of the associate were necessary for and as of the year ended December 31, 2021.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2020 were audited by another auditor who expressed a modified opinion (qualified) on those consolidated financial statements on April 06, 2021.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants, the applicable requirements of the Companies' Law, the Company's By-Laws and for such internal control as management determine 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 responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements

We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements and we have fulfilled our ethical responsibilities in accordance with these requirements.

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.

Independent Auditor's Report (Continued)

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

Report on the Audit of the Consolidated Financial Statements**Report on other legal and regulatory requirement**

Paragraph (135) of the Companies law states that the auditor shall include in his report what might come to his attention about violation of the terms of the Company Law or the term of the Company Bylaw. During our audit of the consolidated financial statements, we have identified that the Group has the following violations to Companies Law that don't have any impact on the consolidated financial statements:

- The Group doesn't keep Arabic commercial books as required by article (1) of commercial book keeping regulation which state that, "each trader must hold the commercial books required by the nature and importance of his trade in a way that ensures the accurate statement of his financial position, and the statement of his rights and obligations related to his trade, and these books must be regular and in Arabic, and must hold at least the journal book, inventory records and general ledgers".



AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants



Salman B. AlSudairy
License No. 283

Shawwal 14, 1443H (corresponding to May 15, 2022)
Jeddah, Kingdom of Saudi Arabia

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	December 31, 2021	December 31, 2020
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	276,325	301,593
Investment properties	7	2,818	39,865
Intangible assets	8	20,268	23,125
Right of use assets	9	7,903	8,449
Investment in an associate	10	299,170	319,117
Financial assets at fair value through other comprehensive income		45	45
Accounts receivable and retentions receivable	11	36,036	44,862
Deferred tax asset	18	-	9,086
TOTAL NON-CURRENT ASSETS		642,565	746,142
CURRENT ASSETS			
Inventories	12	78,365	105,726
Accounts receivable and retentions receivable	11	144,994	197,667
Prepaid expenses and other debit balances	13	142,215	146,060
Unbilled contract asset	14	15,662	20,998
Due from a related party	19	113	113
Assets held for sale	7c	35,390	-
Cash and cash equivalents	15	10,721	18,793
TOTAL CURRENT ASSETS		427,460	489,357
TOTAL ASSETS		1,070,025	1,235,499
EQUITY AND LIABILITIES			
EQUITY			
Share capital	21	360,614	360,614
Hedging reserve		(2,275)	8,632
Foreign currency translation reserve		(6,159)	(6,529)
Actuarial valuation reserve		(11,652)	(11,612)
Accumulated losses		(256,730)	(62,421)
EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		83,798	288,684
Non-controlling interest		(2,692)	(3,262)
TOTAL EQUITY		81,106	285,422
NON-CURRENT LIABILITIES			
Term loans and borrowings	16	9,966	353,647
Retentions payable		4,216	3,175
Employees' benefit obligations	17	63,592	61,372
Lease liabilities	9	7,298	7,881
TOTAL NON-CURRENT LIABILITIES		85,072	426,075
CURRENT LIABILITIES			
Term loans and borrowings	16	452,006	156,630
Provision for zakat and income tax	18	69,670	37,377
Due to related parties	19	71,232	65,565
Accounts payable, accrued expenses and other liabilities	20	309,398	262,669
Lease liabilities	9	1,541	1,761
TOTAL CURRENT LIABILITIES		903,847	524,002
TOTAL LIABILITIES		988,919	950,077
TOTAL EQUITY AND LIABILITIES		1,070,025	1,235,499

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2021

(Expressed in thousands of Saudi Arabian Riyals)

	Notes	For the year ended December 31,	
		2021	2020
Revenue	22	160,553	368,779
Cost of revenue	23	(237,178)	(426,441)
GROSS LOSS		(76,625)	(57,662)
General and administrative expenses	24	(59,387)	(62,694)
Selling and distribution expenses	25	(14,681)	(16,616)
Expected credit losses	26	6,470	(32,839)
OPERATING LOSS FOR THE YEAR		(144,223)	(169,811)
Finance costs, net	27	(29,163)	(9,856)
Share of result of an associate	10	7,180	1,524
Other income	28	33,353	130,142
LOSS BEFORE ZAKAT AND INCOME TAX		(132,853)	(48,001)
Zakat	18	(21,103)	(8,585)
Income tax	18	(39,783)	855
LOSS FOR THE YEAR		(193,739)	(55,731)
OTHER COMPREHENSIVE LOSS:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Changes in actuarial valuation reserve	17	(40)	(8,292)
<i>Items that will or may be reclassified subsequently to profit or loss</i>			
Changes in foreign currency translation reserve		370	(126)
Hedging reserve	13	(10,907)	7,806
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(204,316)	(56,343)
Loss for the year attributable to			
Parent Company shareholders		(194,309)	(55,012)
Non-controlling interests		570	(719)
		(193,739)	(55,731)
Total comprehensive loss attributable to			
Parent Company shareholders		(204,886)	(55,624)
Non-controlling interests		570	(719)
		(204,316)	(56,343)
Loss per share (basic and diluted):			
Basic and diluted loss per share from net loss for the year attributable to the shareholders of the Parent Company	79	(7.79)	(1.57)

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021**

(Expressed in thousands of Saudi Arab an Riyals)

	Equity attributable to the shareholders of the Parent Company						Non-controlling interest	Total equity
	Share capital	Hedging reserve	Foreign currency translation reserve	Actuarial valuation reserve	Accumulated losses	Total		
Balance at January 1, 2021	360,614	8,632	(6,529)	(11,612)	(62,421)	288,684	(3,262)	285,422
(Loss) / profit for the year	-	-	-	-	(194,309)	(194,309)	570	(193,739)
Other comprehensive (loss) / income for the year	-	(10,907)	370	(40)	-	(10,577)	-	(10,577)
Total comprehensive (loss) / income for the year	-	(10,907)	370	(40)	(194,309)	(204,886)	570	(204,316)
Balance at December 31, 2021	360,614	(2,275)	(6,159)	(11,652)	(256,730)	83,798	(2,692)	81,106
Balance at January 1, 2020	110,614	826	(6,403)	(3,320)	(7,409)	94,308	(2,543)	91,765
Loss for the year	-	-	-	-	(55,012)	(55,012)	(719)	(55,731)
Other comprehensive income / (loss) for the year	-	7,806	(126)	(8,292)	-	(612)	-	(612)
Total comprehensive income / (loss) for the year	-	7,806	(126)	(8,292)	(55,012)	(55,624)	(719)	(56,343)
Issuance of share capital (note 21)	250,000	-	-	-	-	250,000	-	250,000
Balance at December 31, 2020	360,614	8,632	(6,529)	(11,612)	(62,421)	288,684	(3,262)	285,422

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	For the year ended December 31,	
		2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss for the year before zakat and income tax		(132,853)	(48,001)
Adjustments to reconcile loss before zakat and income tax to net cash flows:			
Depreciation of PPE, investment properties and right of use assets	6,7,9	31,512	35,577
Gain from disposal of property, plant and equipment	28	(34)	-
Expected credit losses	26	(6,470)	32,839
Allowance for of slow-moving and obsolete inventories	12	1,897	(165)
Amortization of intangible assets	8	2,857	2,639
Share from an associate results	10	(7,180)	(1,524)
Provision for employees' benefit obligations	17	7,262	6,888
Finance cost	27	29,163	9,856
Reversal of legal and other provisions	28	(8,279)	(111,673)
Changes in working capital:			
Inventories		25,464	(6,682)
Accounts and retentions receivable		72,206	(36,353)
Prepaid expenses and other debit balances		(10,710)	(22,778)
Unbilled contract asset		7,772	23,002
Due from a related party		-	74
Accounts payables, accrued expenses and other liabilities		52,142	3,057
Due to related parties		4,041	9,143
Changes in operating assets and liabilities			
		68,790	(104,101)
Zakat paid	18	(19,597)	(40,643)
Finance cost paid	27	(8,847)	(9,665)
Employees' benefit obligations paid	17	(3,575)	(5,085)
Net cash generated from / (used in) operating activities		36,771	(159,494)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	6	(3,363)	(4,599)
Proceeds from disposal of property, plant and equipment		34	-
Dividends received from an associate	10	17,826	6,787
Net cash generated from investing activities		14,497	2,188
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in term loans and borrowings		(57,478)	(79,006)
Net movement in lease liabilities	9	(1,862)	(1,939)
Proceeds from rights issue		-	250,000
Net cash (used in) / generated from financing activities		(59,340)	169,035
Net changes in cash and cash equivalents		(8,072)	11,729
Cash and cash equivalents at the beginning of the year		18,793	7,064
Cash and cash equivalents at the end of the year		10,721	18,793
Non-cash items:			
Fair value adjustments		9,671	(6,326)
Actuarial (gain) / loss from revaluation of employees' benefit obligation		40	8,292
Movement in foreign currency translation reserve		(370)	126
Additions to right of use assets		(678)	(1,481)
Additions to lease liabilities		678	1,481
Employees' benefit obligations transferred to outgoing members		1,507	891

The accompanying notes from 1 to 38 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in thousands of Saudi Arabian Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Cable Company (“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, 1396H, (corresponding to April 27, 1976).

The Group’s (“Parent Company” and its “subsidiaries”) activities comprises 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

These consolidated financial statements include assets, liabilities and the results of the operations of the Parent Company and its following subsidiaries and associates collectively referred to as “the Group”:

Company's name	Principal activities	Country of incorporation	Percentage of ownership	
			As of December 31, 2021	2020
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 Centers for Distribution of Electrical Products Limited	Electrical and telecommunication distribution services	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) L.L.C.	Sale of cables and related products	United Arab Emirates	100%	100%
Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S	Manufacture and distribution of electronic gears and goods	Turkey	94%	94%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	100%	100%
Fairhaven Holdings Ltd	Holding company	Seychelles	100%	100%
Kablat Holding Limited	Holding company	Malta	100%	100%
Gozo Gayrimenkul Anonim Sirketi	Holding company	Turkey	100%	100%
Valleta Gayrimenkul Anonim Sirketi	Holding company	Turkey	100%	100%

As at December 31, the Group has the following investments in equity accounted investees:

Associates:

Midal Cables W.L.L.	Conductors & related products	Bahrain	50%	50%
XECA International Information Technology (note b)	Implementation of information Systems and network services	Saudi Arabia	-	25%

- This subsidiary is not operational (dormant).
- The Group has reduced the carrying value of investment in XECA International Information Technology to nil in the previous years. During the year, The Group waived it’s right and obligations in XECA International Information Technology Company to Xenel Industries Limited Company (a related party), the carrying amount of this investment at disposal date was zero, accordingly it had no effect on the accompanying consolidated financial statements.
- All subsidiaries and associates have the same year-end as the Parent Company.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**
(Expressed in thousands of Saudi Arabian Riyals)

Going concern

The Group incurred a net loss of SAR 193.7 million for the year ended December 31, 2021 (2020: SAR 55.7 million), as of that date, the Group's accumulated losses of SAR 256.7 million has reached 71.2% of share capital and current liabilities exceeded its current assets by approximately SAR 476.4 million (2020: SAR 34.64 million). These events or conditions, along with other matters, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Group's management is aware of the risks related to going concern but has prepared the consolidated financial statements under going concern basis. In recent years, the management has implemented various initiatives at the Group level. Coupled with successful execution of a capital increase by way of rights issue during 2020 (note 21). and during the year of 2020, financial restructuring agreement with Al Rajhi bank (Note 16), improved order backlog, better terms with suppliers, provided management adequate evidence that going concern assumption is appropriate for the Group as a whole. Subsequent to the year end and according to shareholder's approval on their extraordinary meeting held on 20 February 2022, share capital decreased from SAR 360.6 million to SAR 262.3 million to absorb portion of the accumulated losses.

In addition, Mass Kablo Ve Ticaret Anonim Sirketi, a fully owned subsidiary of the Group, has accumulated losses amounting to SAR 368.5 million as of December 31, 2021 (2020: SAR 344.05 million) and, as of that date, the subsidiary's current liabilities exceeded its current assets by SAR 62 million (2020 SAR 0.73 million) is a matter for going concern and its ability to meet obligations as and when they fall due. The subsidiary has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue its business for the foreseeable future. Management has prepared a comprehensive business plan and, already, has successfully implemented certain elements of the plan including among others, rescheduled of financing arrangements, agreed sustainable repayments plans with major creditors, secured and continue to securing assets of it through legal means and renegotiations with counterparties to enhance its operational position. Accordingly, management believe that the going concern assumption used in the preparation of the company financial information is appropriate.

2. BASIS OF PREPARATION

Statement of compliance

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

Basis of measurement

These consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI) and derivative financial instruments which are carried at their fair values.

Functional and presentation currency

These consolidated financial statements are presented in Saudi Arabian Riyals (SAR), which is also the Group's functional and reporting currency. All financial information presented in SAR has been rounded to the nearest thousand except where otherwise indicated.

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Significant judgement include assessment of going concern the details of which are included in note 1.

Estimates and assumptions

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 year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**
(Expressed in thousands of Saudi Arabian Riyals)

Useful lives and residual value of property, plant and equipment and intangible assets

The Group's management determines the estimated useful lives of its property, plant and equipment and intangible assets for calculating depreciation and amortization. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation and amortization charges would be adjusted where the management believes the useful lives differ from previous estimates.

Allowance for inventory losses

The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new models or technology by the specific manufacturer and both existing and emerging market conditions.

Provision for expected credit losses (ECL) of trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. 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 ECL 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 customers' actual default in the future. The information about the ECL on the Group's trade receivables is disclosed in note 32.

Provisions and contingencies

Provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell, or its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is decreased to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

Employee benefit obligations

The cost of the defined benefit plan and the present value of the obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefit obligations are provided in note 17.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021**
(Expressed in thousands of Saudi Arabian Riyals)

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 has 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.

These circumstances have impacted 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 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 end date.

Although international markets have recovered during the past few months, there is still some volatility in prices and demand. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except for new standards adopted during the year as disclosed in note 4, in the preparation of these consolidated financial statements.

Basis of consolidation

The Group's consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- 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 to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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Profit or loss and each component of Other Comprehensive Income (“OCI”) are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in the consolidated statement of profit or loss. Any investment retained is recognized at fair value. These consolidated financial statements comprising the financial statements the Parent 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.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognized in the statement of profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries. The Group’s investment in its associate is accounted for using the equity method.

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Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'Share of results of an associate' in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest, including any long-term investments, is reduced to nil, and the recognition of further losses is discontinued except to the extent that the Group has a corresponding obligation.

Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is also the Parent Company's functional currency. For each entity, the Group determines the functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to consolidated statement of profit or loss reflects the amount that arises from using this method.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized as profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognized as OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss in the consolidated statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Saudi Riyals at exchange rates at the reporting date. Dividends received from foreign associates are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated statement of other comprehensive income.

When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to the consolidated statement of profit or loss as part of the profit or loss on disposal. On the partial disposal (without loss of control) of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in the foreign exchange translation reserve via other comprehensive income.

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Current versus non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognized net within other income in consolidated statement of profit or loss and other comprehensive income.

Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the consolidated statement of profit or loss and other comprehensive income as incurred.

Capital work-in-progress

Capital work-in-progress are carried at cost less any recognized impairment loss and is capitalized as property, plant and equipment when ready for the intended use.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognized in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets, development cost of leasehold land and building on leasehold land are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

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Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For discussion on impairment assessment of property and equipment. The estimated useful lives are as follows:

<u>Description</u>	<u>Years</u>
Buildings	15-50
Machinery, equipment and vehicles	4-20
Furnitures, fixtures and office equipment	4-10

Projects under construction

Projects under construction are measured at cost which comprises construction costs, equipment, and related direct costs. Projects under construction which will be used by the Group are not depreciated until its ready for use where its transferred to property, plant and equipment or investment properties based on the nature of asset use.

Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Research and development costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in selling and distribution expenses. During the period of development, the asset is tested for impairment annually.

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Investment properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequently investment properties are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the investment properties and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of investment properties are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All repairs and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Investment properties are derecognized either when they have been disposed of (i.e., at the date the recipient obtains control) or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in consolidated statement of profit or loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15 – “*Revenue from Contract with Customers*”.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the depreciated value at the date of change in use.

If owner-occupied property becomes an investment property, the Group account for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

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.

Group as a lessee

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

i) Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. Refer to the accounting policies in the section of Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivables, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

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In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Inventories

Inventories represent spare parts and other supplies. These are measured at lower of cost and net realisable value. The cost of inventories is principally based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. The Group recognizes an allowance for inventory losses due to factors such as obsolescence, technical faults, physical damage etc.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the noncurrent asset is recognized at the date of derecognition.

Non-current assets are not depreciated while they are classified as held for sale.

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand, cash at banks and other short-term highly liquid deposits / investments with original maturities of three month or less, if any, which are available to the Group without any restrictions. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand and bank balances.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group's financial assets consist of cash and bank balances, trade receivables, investments at fair value through other comprehensive income, investment in associates, unbilled revenue, due from related parties and financial liabilities consist of long term loans and bank facilities, due to related parties trade and other payables.

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i) Financial assets

Initial recognition and measurement

Financial assets at initial recognition, are measured at their fair values. Subsequent measurement of a financial asset is dependent on its classification and is either at amortised cost or fair value through other comprehensive income (OCI) or fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in following categories:

- a) Financial assets at amortised cost
- b) Financial assets at fair value through OCI (FVOCI)
- c) Financial assets at fair value through profit or loss (FVTPL)

a) Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in consolidated statement of profit or loss when the asset is derecognized, modified or impaired.

Debt instruments

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

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Equity instruments

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

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

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including consolidated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss and other comprehensive income.

Business model assessment

The Group makes an assessment of the objective of a business model under which an asset is held, at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Group management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward. Financial assets that are held for trading and whose performance is evaluated on a fair value basis are measured at FVIS because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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Assessments whether contractual cash flows are solely payments of principal and profit ("SPPP" criteria)

For the purposes of this assessment, 'principal' is the fair value of the financial asset on initial recognition. 'Profit' is the consideration for the time value of money, the credit and other basic lending risk associated with the principal amount outstanding during a particular period and other basic financing costs (e.g. liquidity risk and administrative costs), along with profit margin.

In assessing whether the contractual cash flows are solely payments of principal and profit, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money- e.g. periodical reset of profit rates.

ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss or at amortised cost. All financial liabilities are recognized initially at fair value and, in the case of financing and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost

After initial recognition, financial liabilities, other than at fair value through profit or loss are measured at amortised cost using the EIR method. Gains and losses as a result of unwinding of profit cost through EIR amortization process and on de-recognition of financial liabilities are recognized in the consolidated statement of profit or loss and other comprehensive income.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated statement of profit or loss and other comprehensive income.

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iii) Derecognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

iv) Offsetting of financial instruments

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

Impairment of financial and non-financial assets

Financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

The Group recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss. For trade receivables, the Group applies a simplified approach in calculating ECL. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The fair value less costs of disposal is determined by taking into account recent market transactions. If no such transactions can be identified, an appropriate valuation model is used. The value in use is assessed by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs, and then to reduce the carrying amounts of the other assets in the CGU (group of units) on a pro rata basis.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Provisions and contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Actuarial valuation reserve

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized 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.

Post-employment benefits

The Group's obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in employee costs in the consolidated statement of profit or loss and other comprehensive income.

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Cash dividend and non-cash distribution to equity holders of the Parent

The Group recognizes a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Group. As per the bye-laws of the Group, a distribution is authorised when it is approved by the shareholders. Interim dividends are recorded as liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the period in which they are approved by the shareholders. A corresponding amount is recognized directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognized directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognized in the consolidated statement of profit or loss and other comprehensive income.

Revenue

The Group through its subsidiaries, jointly controlled entity and associates is engaged in the following businesses:

Cable manufacturing and installation

Revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of the products or services. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The expected costs associated with the base warranties continue to be recognized as expense when the products are sold. The Group does not provide extended maintenance coverages beyond the base warranties. The Group does not have any material significant payment terms as payment is received in advance, at or shortly after the point of sale.

Performance Obligations

In most cases, the entire contract is accounted for as one performance obligation. Less commonly, however, the Group may promise to provide distinct goods or services within a contract in which case the contracts are separated into more than one performance obligation. Mostly the Group sells standard products with observable standalone sales. In such cases, the observable standalone sales are used to determine the standalone selling price.

Timing of revenue recognition

The Group generally recognizes revenue at a point in time except for certain long-term contracts, which are on a cost-to-cost method. The Group transfers control and recognizes a sale when the product is delivered to the customer, for the majority of the revenue contracts. The amount of consideration received and revenue recognized rarely changes. The Group adjusts the estimate of revenue, if any, at the earlier of when the most likely amount of consideration expected to be received changes or when the consideration becomes fixed. Management uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost-plus margin approach when one is not available.

Cash received in advance of revenue being recognized is treated as current deferred revenue and classified under advances from customers, except for the portion expected to be settled beyond 12 months of the consolidated statement of financial position date, which is classified as non-current deferred revenue.

The timing of revenue recognition, billings and cash collections results in billed accounts receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the consolidated statement of financial position. In most instances, amounts are billed as work progress in accordance with agreed-upon contractual terms, upon achievement of contractual milestones. These assets and liabilities are reported on the consolidated statement of financial position on a contract-by-contract basis at the end of each reporting period. In certain instances, deposits are generally received from customers upon contract execution and upon achievement of contractual milestones. These deposits are liquidated when revenue is recognized.

Contract Assets — Contract assets include unbilled amounts typically resulting from sales under long-term contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current, except when the contract is greater than 12 months.

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Contract Liabilities — the contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue. The Group may also receive up-front payments, which in most cases are recognized ratably over the contract term OR adjusted against the subsequent invoices.

The contract assets and liabilities are reported in a net position on a contract by-contract basis at the end of each reporting period.

Expenses

Direct cost

Direct cost represents all expenses directly attributable or incidental to the core operating activities of the Group including but not limited to: depreciation of property, plant and equipment, amortization of intangibles, directly attributable employee related costs etc.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Group. These costs typically include salaries of the sales staff, marketing, distribution and logistics expenses. These also include allocations of certain general overheads.

General and administrative expenses

These pertain to operation expenses which are not directly related to the production of any goods or services. These also include allocations of general overheads which are not specifically attributed to direct cost or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administration expenses, where required, is made on a consistent basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs comprise of interest expense on loans and bank facilities, unwinding of the discount on long term provisions.

Finance income

Finance income comprises interest income on funds invested. Interest income is recognized as it accrues in consolidated statement of profit or loss and other comprehensive income, using the effective interest method.

Zakat and taxation

Zakat

The Group is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Provision for zakat for the Group and zakat related to the Group’s ownership in the Saudi Arabian subsidiaries is charged to the consolidated statement of profit or loss and other comprehensive income.

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid for the current year to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted at the reporting date in the Kingdom of Saudi Arabia.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the brought forward unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Withholding tax

The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

Value added tax (VAT)

Expenses and assets are recognized net of the amount of VAT, except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

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Segment reporting

Business segment is group of assets, operations or entities:

- engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components;
- the results of its operations are continuously analyzed by Group's executive management (Finance and operations) in order to make decisions related to resource allocation and performance assessment; and
- for which financial information is discretely available.

Segment results that are reported to the Group's executive management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

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

- Sale of goods
- contract revenue

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Trade and retentions receivables

Trade and retentions receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade and retentions receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against "General and administrative expenses".

Hedge accounting

Derivative financial instruments are initially measured at their fair value at the date of transactions. Subsequent to the initial recognition, the derivatives are carried at their fair values. The Group designates derivative as hedging instruments in qualifying hedging relationships to manage exposures to variations in commodity prices and accordingly classified as cash flow hedge. The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices.

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. In order to qualify for hedge accounting, the hedge should be expected to be "highly effective", i.e. the changes in fair value or cash flows of the hedging instrument should effectively offset corresponding changes in the hedged item, and should be reliably measurable. At inception of the hedge, the risk management objective and strategy is documented including the identification of the hedging instrument, the related hedged item, the nature of risk being hedged, and how the Group will assess the effectiveness of the hedging relationship. Subsequently, the hedge is required to be assessed and determined to be an effective hedge on an ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must be expected to be highly effective on a prospective basis and demonstrate that it was effective (retrospective effectiveness) for the designated period in order to qualify for hedge accounting. A formal assessment is undertaken by comparing the hedging instrument's effectiveness in offsetting the changes in fair value or cash flows attributable to the hedged risk in the hedged item, both at inception and at each quarter end on an ongoing basis.

A hedge is expected to be highly effective if the changes in cash flows attributable to the hedged risk during the period for which the hedge is designated were offset by the hedging instrument and were expected to achieve such offset in future periods. Hedge ineffectiveness is recognized in the consolidated statement of profit or loss.

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Cash flow hedges which meet the criteria for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized initially as fair value reserve in Other Comprehensive Income (OCI) and the ineffective portion, if any, is recognized in profit or loss.

Hedge accounting is discontinued when the hedging instrument is expired or sold, terminated or exercised, or no longer qualifies for hedge accounting, or the forecast transaction is no longer expected to occur or the Group revokes the designation then hedge accounting is discontinued prospectively. At that point of time, any cumulative gain or loss on the cash flow hedging instrument that was recognized in equity from the period when the hedge was effective is transferred to profit or loss when the forecasted transaction occurs. Where the hedged forecasted transaction is no longer expected to occur and affect the statement of profit or loss, the net cumulative gain or loss recognized in the consolidated statement of OCI is transferred immediately to the consolidated statement of profit or loss and other comprehensive income.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.:

Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Amendment to IFRS 16, ‘Leases’ – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board (“IASB”) published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On March 31, 2021, the IASB published an additional amendment to extend the date of the practical expedient from June 30, 2021 to June 30, 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

The adoption of above amendments does not have any material impact on the Consolidated Financial Statements during the year.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after January 1, 2022 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

Amendments to IAS 1, ‘Presentation of financial statements’ on classification of liabilities

These narrow-scope amendments to IAS 1, ‘Presentation of financial statements’, clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the ‘settlement’ of a liability.

Amendments to IFRS 3, IAS 16, IAS 37

- IFRS 3, ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.
- IAS 37, ‘Provisions, contingent liabilities and contingent assets’ specify which costs a company includes when assessing whether a contract will be loss-making.

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Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognize deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

6. PROPERTY, PLANT AND EQUIPMENT

December 31, 2021	Parcels of Land	Buildings	Machinery, equipment and vehicles	Furniture, fixtures and office equipment	Capital work in progress	Total
<u>Cost:</u>						
At the beginning of the year	142,293	284,619	892,898	132,852	8,372	1,461,034
Additions during the year	-	-	1,499	336	1,528	3,363
Disposals during the year	-	-	(1,024)	-	-	(1,024)
Transfer during the year	-	54	4,093	148	(4,295)	-
At the end of the year	142,293	284,673	897,466	133,336	5,605	1,463,373
<u>Accumulated depreciation:</u>						
At the beginning of the year	-	210,422	818,915	130,104	-	1,159,441
Charge for the year	-	6,128	21,554	949	-	28,631
Disposals during the year	-	-	(1,024)	-	-	(1,024)
At the end of the year	-	216,550	839,445	131,053	-	1,187,048
<u>Net book value:</u>						
December 31, 2021	142,293	68,123	58,021	2,283	5,605	276,325

December 31, 2020	Parcels of Land	Buildings	Machinery, equipment and vehicles	Furniture, fixtures and office equipment	Capital work in progress	Total
<u>Cost:</u>						
At the beginning of the year	142,293	285,443	889,660	132,381	6,658	1,456,435
Additions during the year	-	-	83	17	4,499	4,599
Transfer during the year	-	(824)	3,155	454	(2,785)	-
At the end of the year	142,293	284,619	892,898	132,852	8,372	1,461,034
<u>Accumulated depreciation:</u>						
At the beginning of the year	-	202,976	794,169	128,875	-	1,126,020
Charge for the year	-	7,446	24,746	1,229	-	33,421
At the end of the year	-	210,422	818,915	130,104	-	1,159,441
<u>Net book value:</u>						
December 31, 2020	142,293	74,197	73,983	2,748	8,372	301,593

- Certain machinery and equipment at December 31, 2021 having a cost SAR 5.69 million (2020: SAR 5.69 million) and net book value of SAR 3.26 million (2020: SAR 3.83 million) have been acquired under finance lease arrangement.
- At December 31, 2021 certain assets with a net book value of SAR 125.56 million (2020: SAR 130.06 million) were pledged against term loans and borrowings (note 16-c) as collateral.

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

	2021	2020
Cost of revenue	26,876	31,716
General and administrative expenses (note 24)	937	830
Selling and distribution expenses (note 25)	818	875
	28,631	33,421

7. INVESTMENT PROPERTIES

	2021	2020
<u>Cost:</u>		
At the beginning of the year	41,852	3,934
Addition (note 13-a)	-	37,918
Transferred to assets classified as held for sale (note c)	(37,918)	-
At the end of the year	3,934	41,852
<u>Depreciation:</u>		
At the beginning of the year	1,987	959
Charge for the year	1,657	1,028
Transferred to assets classified as held for sale	(2,528)	-
At the end of the year	1,116	1,987
Net book value	2,818	39,865

- a) Investment properties include real estate (villas) owned by a subsidiary based in Turkey. The Group received additional investment properties as settlement of outstanding balance (note 13-a). The fair values of investment properties was based on latest valuation by an independent valuer, which approximate the carrying value at the reporting date. The investment property is pledged with a bank in Turkey against term loan obtained by the subsidiary (note 16-c).
- b) The depreciation charge of investment properties has been allocated to general and administrative expense (note 24).
- c) On October 2021, the group has announced its intentions to sell one of its investment property and initiated an active program to locate a buyer. The asset was consequently presented as held for sale in the consolidated statement of financial position as at December 31, 2021.

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8. INTANGIBLE ASSETS

December 31, 2021	Development costs	Rights and licenses	Total
<u>Cost:</u>			
At the beginning of the year	27,791	6,757	34,548
At the end of the year	27,791	6,757	34,548
<u>Accumulated amortization:</u>			
At the beginning of the year	10,046	1,377	11,423
Charge for the year	2,437	420	2,857
At the end of the year	12,483	1,797	14,280
<u>Net book value:</u>			
December 31, 2021	15,308	4,960	20,268

December 31, 2020	Development costs	Rights and licenses	Total
<u>Cost:</u>			
At the beginning of the year	27,791	6,757	34,548
At the end of the year	27,791	6,757	34,548
<u>Accumulated amortization:</u>			
At the beginning of the year	7,928	856	8,784
Charge for the year	2,118	521	2,639
At the end of the year	10,046	1,377	11,423
<u>Net book value:</u>			
December 31, 2021	17,745	5,380	23,125

- a) Development costs represent costs incurred related to developing electronic switchgears and other electromechanical goods for various jurisdictions complying with regulatory frameworks in place in target markets.
- b) The amortization charge on intangible assets has been allocated to selling and distribution expense in consolidated statement of profit or loss and other comprehensive income (note 25).

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:

	2021	2020
<u>Cost:</u>		
At the beginning of the year	10,447	8,966
Additions during the year	678	1,481
At the end of the year	11,125	10,447
<u>Depreciation:</u>		
At the beginning of the year	1,998	870
Depreciation for the year	1,224	1,128
At the end of the year	3,222	1,998
Net value at end of the year	7,903	8,449

The depreciation expense was charged to the consolidated statement of profit and loss within costs of revenue.

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9.2 Lease liabilities

	2021	2020
Lease liabilities (a)	8,803	9,012
Finance leases (b)	36	630
	8,839	9,642
Less: non -current portion	(7,298)	(7,881)
Lease liability- current portion	1,541	1,761

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

	2021	2020
At the beginning of the year	9,012	8,504
Additions	678	1,481
Unwinding of lease liability	381	403
Payments made	(1,268)	(1,376)
At the end of the year	8,803	9,012
Current lease liability	1,537	1,187
Non-current lease liability	7,266	7,825
	8,803	9,012

b) 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 lessor's title to the leased assets:

	2021	2020
Minimum lease payments	36	705
Less: unearned finance charge	-	(75)
Present value of minimum lease payments	36	630
Less: current portion	(4)	(574)
Non - current portion	32	56

The weighted average incremental borrowing rate applied to lease liabilities was 4.0% (2020: 4.0%).

9.3 The following are the amounts recognized in profit or loss:

	2021	2020
Depreciation expense of right-of-use assets	1,224	1,128
Financial charges on lease liabilities (note 27)	381	403
Total amount recognized in profit or loss	1,605	1,531

10. INVESTMENT IN AN ASSOCIATE

The movement in investment in an associate is as follows:

	2021	2020
As at January 1	319,117	318,180
Share of results, net*	7,180	1,524
Hedging reserve	(9,671)	6,326
Dividend received during the year	(17,826)	(6,787)
Foreign currency translation	370	(126)
As at December 31	299,170	319,117

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a) Summarized financial information of the associate is as follows:

Midal Cable W.L.L.	Ownership %	Assets	Liabilities	Revenues	Net profit
2021	50%	1,876,586	1,284,131	3,418,504	7,898
2020	50%	1,561,286	921,878	2,527,170	5,689

b) The Parent Company does not have any influence over management and operations of "Midal Cables W.L.L.". Accordingly, it is classified as investment in an associate and accounted for as such.

c) As at December 31, 2021, a foreign subsidiary of the associate had trade receivables amounting to SAR 54.4 million (2020: SAR 48 million) which were overdue for more than one year. Management of the subsidiary estimated that the overdue trade receivables would be collected during 2022. Accordingly, as of December 31, 2021, no expected credit losses against those trade receivables, were recorded.

* Share of results of an associate (net) after considering accounting policies differences. Net increase considering those differences is SAR 3.2 million (2020: decrease of SAR 1.32 million).

11. ACCOUNTS RECEIVABLE AND RETENTIONS RECEIVABLE

11.1 The accounts receivable, net comprised of as follows:

	2021	2020
Gross accounts receivable	247,606	306,304
Less: allowance for expected credit losses (11-a)	(152,833)	(161,075)
Accounts receivable, net	94,773	145,229

a) The movement in allowance for expected credit losses against accounts receivable is as follows:

	2021	2020
At the beginning of the year	161,075	149,564
(Reversal) / charge during the year	(8,242)	11,511
At the end of the year	152,833	161,075

11.2 The retentions receivable, net comprised of:

	2021	2020
Gross retentions receivable	103,122	116,630
Less: allowance for expected credit losses (a)	(16,865)	(19,330)
Retentions receivable, net	86,257	97,300

a) The movement in allowance for expected credit losses against retentions receivable, net is as follows:

	2021	2020
At the beginning of the year	19,330	2,046
(Reversal) / charge during the year	(2,465)	17,284
At the end of the year	16,865	19,330

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	2021	2020
Accounts receivable, net (11.1)	94,773	145,229
Retentions receivable, net (11.2)	86,257	97,300
	181,030	242,529
Less: non-current retentions receivable	(36,036)	(44,862)
	144,994	197,667

12. INVENTORIES

	2021	2020
Raw materials	44,661	50,595
Finished goods	24,946	41,579
Work in process	20,261	23,573
Spare parts and wooden reels	32,669	32,254
	122,537	148,001
Less: allowances for slow moving and obsolete inventories	(44,172)	(42,275)
	78,365	105,726

The movement in allowance for slow moving and obsolete inventories are as follows:

	2021	2020
At the beginning of the year	42,275	42,110
Charge for the year	1,897	165
At the end of the year	44,172	42,275

13. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	2021	2020
Receivables from sale of a subsidiary (a)	41,250	41,250
Guarantee margins and deposits (b)	20,604	30,649
Advances to suppliers, net	49,911	41,613
Derivative gain and prepayments (c)	17,896	16,310
Value added tax, net	3,416	3,180
Other receivables	9,138	13,058
	142,215	146,060

- a) In 2018, the Group sold its investment in subsidiary which also owned two Villas located in Turkey. The terms of sale contract require the buyer to transfer back the two villas to the Group after completing the legal requirements. During the 2020, one of the villas was transferred back to the Group and is recorded as an investment property (note 7). The amount outstanding represent the agreed price of the second villas which will be transferred back to the Group once legal formalities are complete.
- b) This amount includes cash deposited amounting to SAR 19.36 million (2020: SAR 29.58 million) with financial institutions to issue guarantees on behalf of the Group.

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- c) The amount included, fair value gain of derivatives entered into for cash flow hedges. The fair values and notional amounts of the derivative are as follows:

	2021	2020
Notional amount	123,226	45,327
Fair value	2,946	4,183

The forward contract is assessed to be effective and as at December 31, 2021, net unrealized loss of SAR 10.91 million (2020: net unrealized gain SAR 7.81 million) has been included in other comprehensive income (OCI), as 'cash flow hedging reserve'.

14. UNBILLED CONTRACT ASSET

	2021	2020
Gross unbilled contract asset (note below)	23,595	31,369
Less: allowance for expected credit losses (note b)	(7,933)	(10,371)
Unbilled contract asset, net	15,662	20,998

This represents projects in Saudi Arabia and outside Saudi Arabia.

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

	2021	2020
Cost incurred plus profit / (loss) recognized	1,296,262	1,278,821
Less: progress billings	(1,272,667)	(1,247,452)
Unbilled contract asset	23,595	31,369

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

	2021	2020
At the beginning of the year	10,371	8,158
(Reversal) / charge during the year	(2,438)	2,213
At the end of the year	7,933	10,371

15. CASH AND CASH EQUIVALENTS

	2021	2020
Cash in hand	272	588
Cash at banks	10,449	18,205
	10,721	18,793

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16. TERM LOANS AND BORROWINGS

The Group's term loans and borrowings comprised the following:

	2021	2020
Local commercial bank (note a)	219,980	245,613
Loan from a SIDF (note b)	104,290	105,290
Foreign banks (note c)	37,874	38,770
Suppliers financing (note e)	99,828	119,656
	461,972	509,329
Less: non-current portion of term loans	(9,966)	(353,647)
Current portion of term loans	452,006	155,682
Local banks (note d)	-	700
Foreign banks (note d)	-	248
Current portion of term loans and borrowings	452,006	156,630

- 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 2020, the Group and ARB entered into a Murabaha Facilities Agreement to restructure the balance outstanding under the syndicated loan. The terms of the loan require the Group to repay the amount outstanding in two tranches. Tranche A is interest free and is repayable in two years through equal quarterly installments with six months as grace period, while tranche B carry three months SIBOR plus 3% and is repayable in equal quarterly installments over six 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 Company recorded the new loan at its fair value at the effective date, which has resulted in gain of SAR 14 million.

As at December 31, 2021, 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.

- 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 at December 31, 2021, 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) These are outstanding balances to lenders outside the Kingdom of Saudi Arabia who extended facilities to subsidiaries of the Group. These borrowings are mainly denominated in US dollars. These loans are guaranteed by industrial factory land and carry interest rates between 5% to 8% per annum for US dollar denominated or equivalent loans and an average 10% per annum for facilities in Turkish Lira (note 6-b and 7-a).
- d) 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.
- e) 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 cost of financing in the event payment was not made within a stipulated time. On July 29, 2020, the facility was restructured were 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 a 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.

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17. EMPLOYEES' BENEFIT OBLIGATIONS

The movement in the provision of employee benefit obligation are summarized below:

	2021	2020
At the beginning of the year	63,572	54,368
Included in statement of profit or loss		
Current service cost	5,799	5,394
Interest cost	1,463	1,494
	7,262	6,888
Included in statement of other comprehensive income		
Actuarial (gain) / loss	40	8,292
Benefits paid	(3,575)	(5,085)
Benefits payable to outgoing members	(1,507)	(891)
	(5,082)	(5,976)
	65,792	63,572
Advances against Employee benefit obligations.	(2,200)	(2,200)
	63,592	61,372

Actuarial assumptions

The defined benefit plan is exposed to many actuarial risks, the most significant of which are final salary risk, discount / interest rate fluctuation risk, longevity risk and inflation risk. The following were the principal actuarial assumptions at the reporting date:

	2021	2020
Discount rate	2.35%	1.85%
Future salary growth / expected rate of salary increase	2.35%	1.85%
Retirement age	60 years	60 years

The weighted average duration of the defined benefit obligation is 7.27 years (2020: 7.48 years).

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method has been applied when calculating the employee benefit obligations.

	2021	2020
0.5% change in interest rate:		
Increase in discount rate	(2,178)	(2,195)
Decrease in discount rate	2,333	2,358

18. ZAKAT AND INCOME TAX

A. Provision for zakat and income tax

Movement in provision for zakat and income tax is as follows:

	2021	2020
At the beginning of the year	37,377	69,435
Charge for the year	51,890	8,585
Amounts paid during the year	(19,597)	(40,643)
At the end of the year	69,670	37,377

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B. Charge for the year

	2021	2020
Zakat charge for the year related to Saudi shareholders	21,103	8,585
Income tax charge	30,787	-
Deferred tax recognized for the year related to non - Saudi shareholder (D)	8,996	(855)
Zakat and income tax charge for the year	60,886	7,730

Zakat computation for the years ended December 31, 2021 and 2020 was based on the financial statements of the Parent Company and its subsidiaries. Foreign subsidiaries are subject to income tax in accordance with the tax laws of the countries of their incorporation.

C. Components of zakat base

The Group's local subsidiaries file separate zakat and income tax declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulations are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

D. Deferred tax asset

The movement in deferred tax during the year ended December 31 is as the follows:

	2021	2020
At the beginning of the year	9,086	8,346
Deferred tax recognized for the year	(8,996)	855
Deferred tax related to equity	(90)	(115)
At the end of the year	-	9,086

The deferred tax relates to a foreign subsidiary of the Group and the management believes that it is recoverable.

The Group received certain assessments from the Zakat Tax and Customs Authority (ZATCA), claiming additional Zakat liabilities amounted to SAR. 239.5 million (2020: SAR 201.9 million) in respect of the assessment for prior years against which the Group has filed appeals. This mainly relate to the Parent Company, Mass Centers for Distribution of Electrical Products Limited, Mass Projects for Power & Telecommunications Limited, Saudi Cable Company for Marketing Ltd.

E. 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 26 January 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 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.

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The Authority issued the final assessment for the years from 2015 to 2018 with a value of SAR 148 million. It was escalated and a grievance was filed with the Committee for the Resolution of Tax Violations and Disputes (at the General Secretariat of Tax Committees), in which a decision was issued by the Committee to accept the item (External Procurement Teams for the year 2017). Remaining objections were rejected, and the Company has not received a copy of the decision so far.

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 year 2020 ZATCA, and an installment line was made to pay the amount of Zakat due from the declaration.

Mass Centers for Distribution of Electrical Products Limited

The ZATCA issued the Zakat assessment for the years from 1998 to 2007 with additional Zakat liability of SAR 1 million. The Company filed an appeal with Higher Appeal Committee ("HAC") which has not been decided it 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 to file the Zakat returns for the years from 2011 to 2020.

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 Preliminary Appeals Committee (PAC). PAC issued an order to decrease the zakat liability by SAR 2.1 million and decision was issued to pay SAR 2 million for ZATCA and an installment plan was made by the Company to pay these amounts.

The ZATCA issued the zakat assessments for the years from 2005 to 2012 with additional zakat liability of SAR 34.7 million and also a 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 and the objection was escalated with the POC and is still under study by the 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 of 2015. The Company objected, and the objection was escalated to the General Secretariat of the Tax Committees.

The ZATCA issued an assessment for the 2016 with additional zakat liability of SAR 2.7 million. The subsidiary filed an appeal with the Committee for the Resolution of Tax Violations and Disputes.

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

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 are 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.

ZATCA issued a final assessment on the Company for the years from 2014 to 2018 on 13 July 2021 with a value of SAR 23 million. The company objected to it and was rejected by the Authority, and the Company filed an appeal with Committee for the Resolution of Tax Violations and Disputes.

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

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

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19. RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties represent the shareholders, Directors and key management personnel of the Parent Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the parent Company's management.

a) Significant related party transactions for the year ended 31 December are as follows:

Due from a related party

Transactions and balances with	Nature of transactions	Transactions during the year		Balance as of December 31,	
		2021	2020	2021	2020
Affiliate					
Hidada Limited	Others	-	74	113	113

Due to related parties

Transactions and balances with	Nature of transactions	Transactions during the year		Balance as of December 31	
		2021	2020	2021	2020
Associate					
Midal Cables W. L. L	Purchase of raw material	12,255	19,403	23,109	18,644
	Directors remuneration	938	1,407		
	Dividends received	17,826	6,787		
	Others	1,626	330		
Xeca International Information Technology	Expenses incurred by the Group	1,202	-	2,476	1,274
Shareholders					
Xenel Industries Limited	Expenses recharged by the Group	-	-	43,531	43,531
Affiliate					
Chem Global Limited	Expenses incurred by the Group	-	-	664	664
Hidada Limited	Expenses incurred by the Group	-	-	1,452	1,452
				71,232	65,565

b) Remuneration of Board of Directors

Key management includes personnel / executive directors and members of the Board of Directors.

	2021	2020
Meeting attendance fees	834	214
Other remuneration	2,283	1,165
	3,117	1,379

In addition to the above remunerations, the common directors of the parent and the associate, received a collective amount of SAR 1.9 million from the associate (2020: SAR 1.4 million).

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c) The remuneration of the key management personnel during the year was as follows:

	2021	2020
Short term benefits	4,394	5,022
Post-employment benefit	232	227
	4,626	5,249

Short term benefits include the basic salaries, allowances and other incentives.

Post-employment benefits include the current service cost for the employee benefit obligations.

20. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

	2021	2020
Accounts payable	106,101	104,360
Accrued finance charges	17,257	6,924
Accrued expenses	24,211	24,664
Advances from customers	81,765	55,689
Billing in excess of work performed (note a)	46,342	37,724
Provision of legal claims	7,299	13,643
Other	23,243	15,454
Current portion of retentions payable	3,180	4,211
	309,398	262,669

a) This represents billing in excess of work performed related to projects in progress.

21. SHARE CAPITAL

The share capital consisted of 36,061,406 shares of Saudi Arabian Riyals 10 each as at December 31, 2021. (As at December 31, 2020: 36,061,406 shares).

On April 7, 2019 (corresponding to 2 Sha'ban 1440H), the Board of directors of the Company recommended an increase in the parent Company's share capital by way of a right issue with a total value of SAR 250 million by issuing 25,000,000 shares at SAR 10 each. The Company's request for capital increase was approved by the Capital Market Authority on December 2, 2019 and subsequently presented and unanimously approved by the parent Company's shareholders at the Extraordinary General Assembly held on December 31, 2019.

During 2020, the parent Company finalised procedure related to the increase in share capital by way of rights issue of SAR 250 million and the proceeds from the right issue, were deposited to the parent Company bank on February 20, 2020. After fulfilling all regulatory requirements, the parent Company's share capital is SAR 360,614,060 consisting of 36,061,406 shares.

On June 29, 2021, the Board of Directors (BOD) recommended in their 8th meeting (2021/8) to decrease the parent Company share capital from SAR 360,614,060 (36,061,406 shares) to SAR 262,311,060 (26,231,106 shares) for the purpose of restructuring the share capital and to absorb 100% of its accumulated losses as of March 31, 2021 amounted to SAR 98,303,000. BOD also recommended to increase the share capital (subsequent to the reduction) from SAR 262,311,060 (26,231,106 shares) to SAR 762,311,060 (76,213,106 shares) to enhance the Company's working capital and operation capacity. Subsequent to year end, The Shareholders approved in their meeting held on February 20, 2022 (corresponding to Rajab 19, 1443) the reduction of the parent Company's share capital and rejected the BOD recommendation for capital increase.

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22. REVENUE

	2021	2020
Sale of goods	143,112	310,566
Contract revenue	17,441	58,213
	160,553	368,779

i) Disaggregation of revenue from contracts with customers

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

	2021	2020
Primary geographic markets		
Foreign countries	9,471	6,401
Saudi Arabia	151,082	362,378
	160,553	368,779
Major products/service lines		
Sale of goods	143,112	310,566
Contract revenue	17,441	58,213
	160,553	368,779
Timing of revenue recognition		
Revenue recognized at a point in time	143,112	310,566
Revenue recognized over time	17,441	58,213
	160,553	368,779

23. COSTS OF REVENUE

	2021	2020
Costs of goods sold	215,524	374,587
Costs of contract revenue (a)	21,654	51,854
	237,178	426,441

a) Details of cost of contract revenue

	2021	2020
Contract cost	7,728	37,888
Salaries and benefits	9,778	9,886
Travel and entertainment	214	244
Transportation	534	530
Repairs and maintenance	34	71
Utilities	737	1,093
Depreciation	845	866
Other	1,784	1,276
	21,654	51,854

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24. GENERAL AND ADMINISTRATIVE EXPENSES

	2021	2020
Salaries and related benefits	41,496	33,184
Legal and professional fees	8,482	14,174
Repairs and maintenance	3,538	3,306
Depreciation (note 6 & 7)	2,594	1,858
Bank charges	219	2,080
Utilities	517	1,357
Rent and insurance	1,359	1,389
Printing, stationery and advertisements	166	831
Traveling and transportation expenses	151	565
Others	865	3,950
	59,387	62,694

25. SELLING AND DISTRIBUTION EXPENSES

	2021	2020
Salaries and related benefits	7,148	7,002
Freight, insurance and transportation	3,408	5,143
Depreciation and amortization (note 6 & 8)	3,675	3,514
Others	450	957
	14,681	16,616

26. EXPECTED CREDIT LOSSES

	2021	2020
Accounts receivables (note 11.1-a)	(8,242)	11,511
Retentions receivables (note 11.2-a)	(2,465)	17,284
Unbilled revenue (note 14-b)	(2,438)	2,213
Advances to suppliers	-	1,831
Other receivables	6,675	-
	(6,470)	32,839

27. FINANCE COSTS, NET

	2021	2020
Financial charges on loans and bank facilities	18,551	9,177
Financial charges on suppliers financing	10,111	15,235
Fair value gain on financial liabilities *	-	(15,854)
Financial charges on lease liabilities	381	403
Other financial charges	120	895
	29,163	9,856

* This represents fair value gain related to local commercial bank and suppliers financing (note 16).

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28. OTHER INCOME

	2021	2020
Reversal of legal provision (note a)	7,511	89,743
Reversal of other provisions and payables (note b)	768	21,930
Net foreign exchange gains	24,840	13,415
Gain on disposal of property, plant and equipment	34	-
Other income	200	5,054
	33,353	130,142

- a) During 2020, a court in Turkey issued a verdict in favor of Mass Kablo Yatırım ve Tic. A.Ş (Mass Kablo), a subsidiary, for a case filed by the minority shareholders of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. The minority shareholders have filed an appeal against court verdict. However, based on a legal opinion obtained from an independent counsel which is of the view that the decision of Court of Appeal will not be different from the original decision issued by court of first instance as no new evidence has been lodged. A subsequent independent legal opinion by a legal counsel issued in 5 October 2020 reaffirmed the opinion issued dated 16 February 2021. Accordingly, the Group recorded an income amounting to SAR 89.74 million for the provision recorded in earlier year as no longer required (Note 20). In addition, the Group assessed and recorded a contingent liability amounting to SAR 53 million.
- b) Based on management assessment, certain long outstanding provisions and payables are reversed as no longer required.

29. LOSS PER SHARE

Basic and diluted loss per share for the year have been calculated by dividing the net loss for the year by the weighted average number of outstanding shares at the year end.

The weighted average number of shares has been retrospectively adjusted for the prior year to reflect the bonus element of the right issue as required by IAS 33, "Earnings per share" as follows:

	2021	2020
Issue ordinary shares as at January 1,	36,061,406	11,061,406
Adjusted right shares	-	25,000,000
Weighted average number of ordinary shares	36,061,406	36,061,406

The weighted average number of ordinary shares for prior year is computed using an adjustment factor of 2 which is a ratio of the theoretical ex-rights of SAR 19 and unadjusted closing price per share of SAR 37.9 on December 31, 2020, the last day on which the shares were traded before the rights issue.

The basic and diluted loss per share is calculated as follows

	2021	2020
Loss for the year attributable to ordinary equity holders of the Parent Company	(194,309)	(55,012)
Weighted average number of ordinary shares in issue	36,061	36,061
Basic and diluted loss per share (Saudi Riyal)	(5.39)	(1.53)

The diluted EPS is the same basic EPS as the Group does not have any dilutive instruments in issue.

30. COMMITMENTS AND CONTINGENCIES

	2021	2020
Letters of Guarantee (a)	118,854	142,560
Outstanding forward metal contracts	123,226	45,327
Contingent liabilities (b)	94,730	100,422
Authorized and contracted for capital expenditure commitments	9,114	12,383

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- a) 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.
- b) 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 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. Accordingly, the Group recorded an income amounting to SAR 89.74 million for the provision recorded earlier and is no longer required. In addition, the Group assessed and recorded a contingent liability amounting to SAR 53 million.

31. OPERATING SEGMENT

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

The Group has the following main business segments:

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

These business segments are located within the Kingdom of Saudi Arabia and are the Group's strategic business units. The Parent Company's top management reviews internal management reports of each strategic business unit at least quarterly. Segment results that are reported to the top management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

December 31, 2021	Sale of goods	Contract Revenue	Total
External total revenues	146,399	17,441	163,840
Inter-segment revenue	(3,287)	-	(3,287)
Segment revenue	143,112	17,441	160,553
External total direct costs	218,811	21,654	240,465
Inter-segment direct costs	(3,287)	-	(3,287)
Segment cost	215,524	21,654	237,178
Segment gross loss	(72,412)	(4,213)	(76,625)
Loss attributable to shareholders of the Parent Company	(186,820)	(7,489)	(194,309)
Segment assets	915,836	154,189	1,070,025
Segment liabilities	685,191	303,728	988,919

December 31, 2020	Sale of goods	Contract Revenue	Total
External total revenues	328,951	58,213	387,164
Inter-segment revenue	(18,385)	-	(18,385)
Segment revenue	310,566	58,213	368,779
External total direct costs	392,972	51,854	444,826
Inter-segment direct costs	(18,385)	-	(18,385)
Segment cost	374,587	51,854	426,441
Segment gross (loss) / profit	(64,021)	6,359	(57,662)
Loss attributable to shareholders of the Parent Company	(44,637)	(10,375)	(55,012)
Segment assets	1,080,220	155,279	1,235,499
Segment liabilities	652,451	297,626	950,077

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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:

2021	Saudi Arabia	Turkey	Other	Total
Assets	674,275	326,207	69,543	1,070,025
Liabilities	749,952	198,696	40,271	988,919
Net revenue	151,082	8,845	626	160,553
Net loss	(166,409)	(24,481)	(3,419)	(194,309)
2020	Saudi Arabia	Turkey	Other	Total
Assets	836,055	326,424	73,020	1,235,499
Liabilities	735,432	174,317	40,328	950,077
Net revenue	362,378	6,401	-	368,779
Net (loss) / profit	(143,249)	91,185	(2,948)	(55,012)

32. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk.

Credit risk

Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. To reduce exposure to credit risk, the Group has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Group has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history.

As at December 31, 2021, the Groups gross maximum exposure to credit risk to the net amounts presented for financial assets in the consolidated statement of financial position.

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 quality of a customer which includes government and non-governmental entities is assessed based past history and individual credit limits are defined in accordance with the assessment.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Outstanding customer receivables are regularly monitored. Some customers are also secured, where possible, by way of cash promissory note, security deposit or advance, which are considered integral part of trade receivables and considered in the calculation of impairment.

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Set out below is the information about the credit risk exposure on the Group's accounts and retentions receivable using a provision matrix:

	December 31, 2021					Total
	Current	<90 days	91–180 days	181–365 days	>1 year	
KSA operations:						
Exposure at default (note a)	91,688	496	3,729	4,784	214,761	315,458
Expected credit loss (note a)	(6,653)	(421)	(857)	(2,322)	(159,039)	(169,292)
	85,035	75	2,872	2,462	55,722	146,166
Turkish operations:						
Exposure at default (note b)						35,270
Expected credit loss (note b)						(406)
Group total						181,030

	December 31, 2020					Total
	Current	<90 days	91–180 days	181–365 days	>1 year	
KSA operations:						
Exposure at default (note a)	112,743	23,064	33,848	12,968	204,885	387,508
Expected credit loss (note a)	(10,735)	(881)	(3,706)	(8,958)	(151,141)	(175,421)
	102,008	22,183	30,142	4,010	53,744	212,087
Turkish operations:						
Exposure at default (note b)						35,426
Expected credit loss (note b)						(4,984)
Group total						242,529

a) The amounts represent the operations in the Kingdom of Saudi Arabia.

b) The exposure at default is analysed on the total amount instead of days outstanding the amount is less than one year due.

Set out below is the information about the credit risk exposure on the Group's unbilled contract asset using a provision matrix:

	December 31, 2021					Total
	Current	<90 days	91–180 days	181–365 days	>1 year	
Exposure at default	-	11,032	151	1,388	11,024	23,595
Expected credit loss	-	(516)	-	-	(7,417)	(7,933)
	-	10,516	151	1,388	3,607	15,662

	December 31, 2020					Total
	Current	<90 days	91–180 days	181–365 days	>1 year	
Exposure at default	-	15,240	3,303	3,782	9,044	31,369
Expected credit loss	-	(1,327)	-	-	(9,044)	(10,371)
	-	13,913	3,303	3,782	-	20,998

There was no past due or impaired receivables from related parties.

Other financial assets included cash and cash equivalents other balances derivatives. The maximum credit risk of these financial assets approximates to the net amounts presented in the statement of financial position.

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Foreign Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, UAE Dirham, Bahraini Dinar, United States Dollar or Turkish Lira. Transactions and balances in other currencies are not material. For the currencies which have fixed parity with USD, the Group's management believes that their exposure to currency risk is limited. However, the functional currency of the Group's operations in Turkey is USD. However, it is exposed to currency risk due to its exposure to Turkish Lira. Currency risk is managed on a regular basis by each entity of the Group separately and fluctuation in the exchange rates are monitored on a continuous basis.

As the consolidated statement of financial position date, the Group's net assets/liabilities denominated in Turkish Lira were 61.9 million. A change of 10% depreciation of the rate in Turkish Lira would result in gain of USD 0.76 million and a change of 10% appreciation of the rate in Turkish Lira would result in loss of USD 0.94 million.

Commodity price risk

The Group purchases metals on an ongoing basis for its operating activities. To safeguard itself from the frequent variations of the metal prices, the group enters into commodity forward contracts. Hedging the price volatility of forecast copper purchases is in accordance with the risk management strategy of the Group.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. The Group compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

Interest rate risk

Interest rate risk is the exposure to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. Majority of the Group's borrowings are at floating rate of interest and are subject to re-pricing on a regular basis except for Saudi Industrial Development Fund which is, instead of interest or profit, charge the Group a biannually fee. These changes expose the Group to cash flow risks. Management regularly monitors the changes in interest rates.

Increase / decrease in variable rate by 1% with all other variables held constant, the impact on the equity and profit before zakat and income tax for the year would have been SAR 4.8 million (December 31, 2020: SAR 3.89 million).

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments and discharge liabilities as they fall due. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted.

31 December, 2021	Carrying amount	On demand or less than one year	From one year to 5 years
Non - derivatives financial instruments			
Loans and borrowings	461,972	452,006	9,966
Accounts payable	113,497	109,281	4,216
Due to related parties	71,232	71,232	-
Lease liabilities	8,839	1,541	7,298
	655,540	634,060	21,480

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31 December, 2020	Carrying Amount	On demand or less than one year	From one year to 5 years
Non - derivatives financial instruments			
Term loans and borrowings	510,277	156,630	353,647
Accounts payable	111,746	108,571	3,175
Due to related parties	65,565	65,565	-
Lease liabilities	9,642	1,761	7,881
	<u>697,230</u>	<u>332,527</u>	<u>364,703</u>

The notional and fair values of the derivative financial is disclosed in note 13 All of these derivatives have maturity period of three to six months from statement of financial position date.

33. 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

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 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 approximation of fair value.

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	Carrying amount				Fair value			
	Hedging instruments	FVOCI	Others	Total	Level 1	Level 2	Level 3	Total
December 31, 2021								
Financial assets:								
Derivative financial instruments	2,946	-	-	2,946	-	-	2,946	2,946
Equity investment	-	45	-	45	-	-	45	45
Assets held for sale	-	-	35,390	35,390	-	-	35,390	35,390
December 31, 2020								
Financial assets:								
Derivative financial instruments	4,183	-	-	4,183	-	-	4,183	4,183
Equity investment	-	45	-	45	-	-	45	45

The carrying amount of the financial assets and liabilities carried at their amortised cost approximate their fair values. The fair values of the investment properties disclosed in the note is assess 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.

34. SUBSEQUENT EVENTS

Subsequent to year end, the shareholders approved in their meeting held on February 20, 2022 (corresponding to Rajab 19, 1443 H) the reduction of the parent Company's share capital from SAR 360,614,060 (36, 061,406 shares) to SAR 262,311,060 (26,231,106 shares) by cancelling 9,830,300 of its common stock for the purpose of restructuring the Company's share capital and to absorb 100% of the accumulated losses as at March 31, 2021.

On January 19, 2022 (corresponding to Jumada Al-Akhirah 16, 1443), the Group successfully rescheduled its entire outstanding payable balance with Noble Resources International Pte. Ltd., through entering into the amendment to settlement deed. No reclassification has been made in the consolidated financial statements, to reflect amounts due beyond 12 months as the event was deemed to be "non-adjusting" in nature, in accordance with IAS 10, Events After the Reporting Period.

Subsequent to year end, the commercial court in Jeddah has issued a final judgement by order of execution was issued on Shab'aan 19, 1443H (corresponding to March 22, 2022), in favor of Saudi Cable Company indicated the termination of the contract concluded between the two parties and enforcing Al-Nawasi Gulf Trading Company repaying to Saudi Cable Company an amount of 6,001,448 SAR.

On March 14, 2022, the Group entered into a sale contract to sell the investment property classified as held for sale for a consideration of SAR 40.9 million.

No significant event occurred since the year end of December 31, 2021 and the date of approval of these consolidated financial statements by board of directors that would have a material impact on the financial position or financial performance of the Group, other than stated above.

35. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, share premium, statutory reserve and retained earnings attributable to the equity holders of the Parent Company. The primary objective of the Group's capital management is to maximize the shareholders' value. The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus debt.

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	2021	2020
Total liabilities	988,919	950,077
Less: Cash and cash equivalents	(10,721)	(18,793)
Net debt	978,198	931,284
Equity	81,106	285,422
Total capital	1,059,304	1,216,706
Gearing ratio	92.3%	76.5%

36. COMPARATIVES FIGURES

Certain figures have been reclassified in comparative 2020 consolidated financial statements to confirm with the presentation in the current year.

37. MATERIAL PARTLY - OWNED SUBSIDIARIES

As at December 31, 2021, The Group owns 94% (2020: 94%) equity stake in Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. Financial information of the subsidiary that has material non-controlling interest is provided below:

	2021	2020
Accumulated balances of material non-controlling interest	(2,692)	(3,262)
Profit / (loss) allocated to material non-controlling interest:	570	(719)

The summarised financial information of this subsidiary is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss:	2021	2020
Revenue from contracts with customers	8,845	6,401
Cost of sales	(16,450)	(21,486)
Administrative expenses	(5,120)	(8,368)
Finance and other non-operating income (costs), net	28,806	9,770
Profit / (loss) before tax	16,081	(13,683)
Income tax	(5,928)	855
Profit / (loss) for the year	10,153	(12,828)
Attributable to non-controlling interests	570	(719)
Summarised statement of financial position:	2021	2020
Inventories, receivables and cash and bank balances	72,962	57,509
Property, plant and equipment and other non-current assets	202,313	215,048
Trade and other payables	(313,834)	(174,645)
Interest-bearing loans and borrowing and deferred tax liabilities	(12,772)	(158,703)
Deficiency of assets	(51,331)	(60,791)
Equity holders of the parent	(48,639)	(57,529)
Non-controlling interest	(2,692)	(3,262)
Summarised cash flow information:	2021	2020
Operating	18,034	13,194
Investing	-	-
Financing	(18,584)	(12,692)
Net (decrease) / increase in cash and cash equivalents	(550)	502

38. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on Shawwal 14, 1443 H, (corresponding to May 15, 2022).