

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)
AND INDEPENDENT AUDITOR'S REVIEW REPORT
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022**

SAUDI CABLE COMPANY

(A Saudi Joint Stock Company)

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We were engaged to review the accompanying interim condensed consolidated statement of financial position of **Saudi Cable Company (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (together "the Group")** as of June 30, 2022, and the related interim condensed consolidated statement of profit or loss and other comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34) as endorsed in the Kingdom of Saudi Arabia (KSA).

Scope of Review

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements in accordance with International Standards on Review Engagements 2410 "Review of Interim financial information performed by the independent auditor of the entity" as endorsed in the Kingdom of Saudi Arabia. Because of the matters described in the Basis for Disclaimer of Conclusion section below, however, we were not able to obtain sufficient appropriate evidence as a basis for expressing a conclusion on the interim condensed consolidated financial statements.

Basis for Disclaimer of Conclusion

- The Group incurred a net loss of SAR 82.4 million for the six-month period ended June 30, 2022, and as of that date, the Group's accumulated losses have reached SAR 240.1 million, representing 91.52% of the share capital as at June 30, 2022. Further, the Group current liabilities exceeded its current assets by SAR 539.3 million as at June 30, 2022 (as at December 31, 2021: SAR 476.4 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's management is aware of the risks related to going concern but has prepared the interim condensed consolidated financial statements undergoing concern basis.
- As stated in note 17, the Group received assessments from the Zakat, Tax and Customs Authority (ZATCA), claiming additional Zakat liabilities of SAR 234.6 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 liability. No provision has been made in these interim condensed 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 for the Company and of certain subsidiaries. We were, therefore, unable to determine whether any adjustments are necessary to the Group's current or prior years' / periods' zakat charges.

Independent Auditor's Review Report on the Interim Condensed Consolidated Financial Statements - Continued

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

Basis for Disclaimer of Conclusion (continued)

- The Group has property, plant and equipment amounted of SAR 264 million as at June 30, 2022 and there are some indicators (i.e. reduction in revenue, gross losses, negative operating cash flows etc.) that the recoverable value of them is less than its book value, we were unable to obtain sufficient 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 June 30, 2022. The Group's management will prepare a future study to determine the recoverable value subsequently after approval date of the interim condensed consolidated financial statements of the Group.
- As stated in note 6, the interim condensed consolidated financial statements include investment in an associate (50% ownership) with a carrying value of SAR 278.5 million and share of results of SAR 4 million as at and for the six-month period ended June 30, 2022. 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 appropriate support to ensure the possibility of 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 investment in an associate were necessary as of and for the six-month period ended June 30, 2022.

Disclaimer of Conclusion

Due to the significance of the matters described in the Basis for disclaimer of conclusion section above, we were unable to obtain sufficient appropriate evidence to form a conclusion on the interim condensed consolidated financial statements. Accordingly, we do not express a conclusion on these interim condensed consolidated financial statements.

Other Matter

The financial statements for the year ended December 31, 2021 and the interim condensed consolidated financial statements for the three-month period ended March 31, 2022 were Audited and reviewed by another Auditor who expressed a modified Audit opinion and review conclusion on May 15, 2022 and May 23, 2022 respectively.

AlKharashi & Co

Abdullah L. Msned
License No: 456

Riyadh
August 24, 2022
Muharram 26, 1444H



SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022

(Expressed in thousands of Saudi Arabian Riyals)

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	264,001	276,325
Investment properties		2,778	2,818
Intangible assets	8	19,051	20,268
Right of use assets	9	7,296	7,903
Investment in an associate	6	278,461	299,170
Financial assets at fair value through other comprehensive income		45	45
Account and retention receivables	11	30,073	36,036
TOTAL NON-CURRENT ASSETS		601,705	642,565
CURRENT ASSETS			
Inventories	12	49,749	78,365
Account and retention receivables	11	147,948	144,994
Prepaid expenses and other debit balances	13	153,613	142,215
Unbilled contract assets	14	21,356	15,662
Due from a related party	18	113	113
Assets held for sale		—	35,390
Cash and cash equivalents	10	22,077	10,721
TOTAL CURRENT ASSETS		394,856	427,460
TOTAL ASSETS		996,561	1,070,025
EQUITY AND LIABILITIES			
EQUITY			
Share capital	15	262,311	360,614
Hedging reserve		(22,731)	(2,275)
Foreign currency translation reserve		(5,976)	(6,159)
Employees' benefit obligation reserve		(11,652)	(11,652)
Accumulated losses		(240,071)	(256,730)
TOTAL EQUITY ATTRIBUTABLE TO THE SHAREHOLDERS OF THE PARENT COMPANY		(18,119)	83,798
Non-controlling interest		(3,465)	(2,692)
TOTAL EQUITY		(21,584)	81,106
NON-CURRENT LIABILITIES			
Term loans and borrowings	16	11,222	9,966
Retentions payable		4,052	4,216
Employees' benefit obligation		62,591	63,592
Lease liabilities	9	6,164	7,298
TOTAL NON-CURRENT LIABILITIES		84,029	85,072
CURRENT LIABILITIES			
Term loans and borrowings	16	449,123	452,006
Provision for zakat and income tax	17	71,085	69,670
Due to related parties	18	68,317	71,232
Accounts payable, accrued expenses and other liabilities		343,166	309,398
Lease liabilities	9	2,425	1,541
TOTAL CURRENT LIABILITIES		934,116	903,847
TOTAL LIABILITIES		1,018,145	988,919
TOTAL EQUITY AND LIABILITIES		996,561	1,070,025

The accompanying notes from (1) to (25) form an integral part of these interim condensed consolidated financial statements.

SAUDI CABLE COMPANY

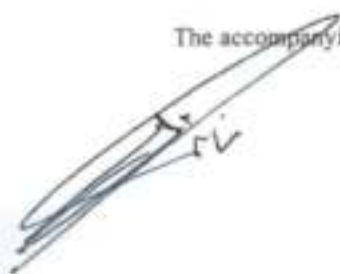
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022

(Expressed in thousands of Saudi Arabian Riyals)

	<u>For the three month period ended June 30,</u>		<u>For the six month period ended June 30,</u>	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	25,026	41,349	60,383	105,204
Costs of revenue	(43,334)	(62,314)	(105,428)	(143,426)
GROSS LOSS	(18,308)	(20,965)	(45,045)	(38,222)
General and administrative expenses	(13,496)	(13,416)	(26,661)	(28,687)
Selling and distribution expenses	(5,040)	(3,069)	(7,439)	(6,161)
Reversal of provision for Expected credit losses	787	5,946	1,017	4,734
OPERATING LOSS FOR THE PERIOD	(36,057)	(31,504)	(78,128)	(68,336)
Finance costs, net	(4,615)	(4,620)	(10,569)	(10,711)
Share of result from an associate	(921)	6,379	4,075	13,076
Other income, net	3,350	13,898	11,509	19,046
LOSS BEFORE ZAKAT AND INCOME TAX	(38,243)	(15,847)	(73,113)	(46,925)
Zakat and income tax	(6,554)	(2,750)	(9,304)	(7,532)
LOSS FOR THE PERIOD	(44,797)	(18,597)	(82,417)	(54,457)
OTHER COMPREHENSIVE INCOME / (LOSS):				
Items that will not be reclassified to profit or loss				
Changes in foreign currency translation reserve	245	(780)	183	(482)
Items that are or may be reclassified subsequently to profit or loss				
Hedging reserve	(39,607)	(7,174)	(20,456)	(8,479)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(84,159)	(26,551)	(102,690)	(63,418)
Loss for the period attributable to				
Parent Company shareholders	(44,489)	(19,186)	(81,644)	(55,068)
Non-controlling interests	(308)	589	(773)	611
	(44,797)	(18,597)	(82,417)	(54,457)
Total comprehensive loss attributable to				
Parent Company shareholders	(83,851)	(27,140)	(101,917)	(64,029)
Non-controlling interests	(308)	589	(773)	611
	(84,159)	(26,551)	(102,690)	(63,418)
Loss per share (basic and diluted):				
Basic and diluted loss per share from net loss for the period attributable to the Shareholders' of the Parent	(1.70)	(0.53)	(2.82)	(1.53)

The accompanying notes from (1) to (25) form an integral part of these interim condensed consolidated financial statements.






SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX- MONTH PERIOD ENDED JUNE 30, 2022
(Expressed in thousands of Saudi Arabian Riyals)

	Share capital	Hedging reserve	Foreign currency translation reserve	Employees' benefit obligation reserve	Accumulated losses	Total equity attributable to shareholders	Non-controlling interest	Total equity
Balance at January 1, 2022	360,614	(2,275)	(6,159)	(11,652)	(256,730)	83,798	(2,692)	81,106
Loss for the period	---	---	---	---	(81,644)	(81,644)	(773)	(82,417)
Other comprehensive income / (loss)	---	(20,456)	183	---	---	(20,273)	---	(20,273)
Reduction of share capital (note 15)	(98,303)	---	---	---	98,303	---	---	---
Balance at June 30, 2022	262,311	(22,731)	(5,976)	(11,652)	(240,071)	(18,119)	(3,465)	(21,584)
Balance at January 1, 2021	360,614	8,632	(6,529)	(11,612)	(62,421)	288,684	(3,262)	285,422
Loss for the period	-	-	-	-	(55,068)	(55,068)	611	(54,457)
Other comprehensive (loss) / income	-	(8,479)	(482)	-	-	(8,961)	-	(8,961)
Movement during the period	-	-	-	-	-	-	720	720
Balance at June 30, 2021	360,614	153	(7,011)	(11,612)	(117,489)	224,655	(1,931)	222,724

The accompanying notes from (1) to (25) form an integral part of these interim condensed consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(Expressed in thousands of Saudi Arabian Riyals)

		For the six-month period ended June 30,	
	Note	2022 (Unaudited)	2021 (Unaudited)
OPERATING ACTIVITIES			
Loss before zakat and income tax		(73,113)	(46,925)
Adjustments for:			
Depreciation		13,232	16,598
Amortization of intangible assets	8	1,217	999
Provision for employees' end of service benefits		3,697	2,886
Share of results from associates, net	6	(4,075)	(13,076)
Provision for inventories	12	(2,374)	-
Gain from disposal of investment property		(5,485)	-
Reversal of provision for expected credit losses		(1,017)	(4,734)
Deferred tax asset		-	90
Finance cost		10,569	10,711
		(57,349)	(33,451)
Changes in operating assets and liabilities:			
Accounts and retentions receivable		5,126	25,813
Prepayments and other balances		(18,004)	(3,485)
Unbilled revenue		(6,203)	5,981
Inventories		30,990	36,777
Accounts payable, accrued expenses and other liabilities		27,417	5,844
Due to related parties		(3,183)	7,221
Cash (used in)/ generated from operating activities		(21,206)	44,700
Employees' end of service benefits paid		(1,469)	(1,265)
Zakat and income tax paid		(1,086)	(14,877)
Finance cost paid		(657)	(3,656)
Net cash (used in)/ generated from operating activities		(24,418)	24,902
INVESTING ACTIVITIES			
Additions to property, plant and equipment, and intangible assets	7	(261)	(2,677)
Proceeds from sale of investment property		40,875	-
Dividends received from an associate	6	-	5,165
Net cash generated from investing activities		40,614	2,488
FINANCING ACTIVITIES			
Net movement in long and short-term loans		(4,421)	(37,396)
Net changes in lease liabilities	9	(419)	(1,814)
Net cash used in financing activities		(4,840)	(39,210)
NET MOVEMENT IN CASH AND BANK BALANCES		11,356	(11,820)
Cash and bank balances at the beginning of the period		10,721	18,793
CASH AND BANK BALANCES AT THE END OF THE PERIOD		22,077	6,973
Additional information for non-cash items:			
Change in hedging reserve		(20,456)	(8,479)
Foreign currency translation adjustments		183	(482)
Dividend from associate through current account		7,507	5,155

The accompanying notes from (1) to (25) form an integral part of these interim condensed consolidated financial statements.






1. ORGANISATION AND ACTIVITIES

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

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

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

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

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

Company's Name	Principal activities	Country of incorporation	Percentage of ownership	
			As of June 30, 2022 (Unaudited)	As of December 31, 2021 (Audited)
Domestic				
Saudi Cable Company for Marketing Limited	Purchase and sale of electrical cables and related products	Saudi Arabia	100%	100%
Mass Projects for Power and Telecommunications Limited	Turnkey power and telecommunication projects	Saudi Arabia	100%	100%
Mass Centres for Distribution of Electrical Products Limited	Electrical and telecommunication distribution service	Saudi Arabia	100%	100%
International				
Mass Kablo Yatirim Ve Ticaret Anonim Sirketi	Holding Company (Previously Mass Holding Company)	Turkey	100%	100%
Mass International Trading Company Limited (dormant)*	International trading	Ireland	100%	100%
Saudi Cable Company (U.A.E)	Sale of cables and related products	United Arab Emirates	100%	100%
Elimsan Salt Cihazlari ve Eletromekanik San ve Tic. A.S	Manufacturing and distribution of electronic gears and goods	Turkey	94%	94%
Eliman Metalurji ve Makine San. Ve Tic A.S.	Manufacturing and distribution of electronic gears and goods	Turkey	100%	100%
Fairhaven Holding Ltd	Holding	Seychelles	100%	100%
Kablat Holding Limited	Holding	Malta	100%	100%
Gozo Gayrimenkul Anonim Sirketi	Holding	Turkey	100%	100%
Valleta Gayrimenkul Anonim Sirketi	Holding	Turkey	100%	100%

1. ORGANISATION AND ACTIVITIES (continued)

The Group has the following investment in equity accounted investees:

Company's name	Principal activities	Country of incorporation	Percentage of ownership	
			As of June 30, 2022 (Unaudited)	As of December 31, 2021 (Audited)
Midal Cables W.L.L.	Conductors & related products	Bahrain	50%	50%

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

2. BASIS OF PREPARATION

Statement of compliance

These interim condensed consolidated financial statements as at and for the six-month period ended June 30, 2022 have been prepared in accordance with IAS 34 – "Interim Financial Reporting", as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

These interim condensed consolidated financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021.

Basis of measurement

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

Preparation of interim condensed consolidated financial statements

The preparation of interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgments, estimates and assumptions were consistent with the Group's annual consolidated financial statements for the year ended December 31, 2021.

Functional and presentation currency

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

Summary of significant accounting policies

The accounting policies adopted by the Group for the preparation of this interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual consolidated financial statement for the year ended December 31, 2021.

Significant accounting judgements, estimates and assumptions

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, were disclosed in annual consolidated financial statements for the year ended December 31, 2021.

2. BASIS OF PREPARATION (continued)

Impact of COVID-19

On 11th March 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.

Going Concern

The Group incurred a net loss of SAR 82.4 million for the six-month period ended June 30, 2022, and as of that date, the Group's accumulated losses have reached SAR 240.1 million, representing 91.52% of the share capital as at June 30, 2022. Further, the Group current liabilities exceeded its current assets by SAR 539.3 million as at June 30, 2022 (as at December 31, 2021: SAR 476.4 million). Furthermore, on May 11, 2022, The Saudi Stock Exchange "Tadawul" announced to continue suspending the trading of Saudi Cable Company share in the market as per the rules on the offer of Securities until the Company announces that the matters included in the independent auditor's report on the consolidated financial statements for the year ended December 31, 2021 are remediated. On 20 February 2022, shareholders of the Parent Company approved reduction of capital by SAR 98.3 million. Subsequent to the date of interim condensed consolidated statement of financial position i.e., on July 25, 2022 the shareholders of the Parent Company further approved reduction of share capital by SAR 195.6 million. Earlier the Capital Market Authority had conditionally approved the aforementioned capital reduction. 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 interim condensed consolidated financial statements undergoing concern basis, considering plans put in place to renegotiate terms and repayments to lenders and creditors, explore possibilities of divesting certain assets to enhance liquidity and initiating a capital increase by way of rights issue as indicated through bourse filing. The outcome of these actions are yet to take effect in the consolidated financial statements.

2. BASIS OF PREPARATION (continued)

Going Concern (continued)

In addition, Mass Kablo Ve Ticaret Anonim Sirketi, a fully owned subsidiary of the Group, has incurred loss of SAR 13.8 million, had an accumulated losses amounting to SAR 381.5 million as of June 30, 2022 and, as of that date, the subsidiary's current liabilities exceeded its current assets by SAR 71.3 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 the subsidiary ability to continue as a going concern and is satisfied that the subsidiary 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 the Subsidiary through legal means and renegotiations with counterparties to enhance the Subsidiary's operational position. Accordingly, management believe that the going concern assumption used in the preparation of the subsidiary financial information is appropriate.

3. BASIS OF CONSOLIDATION

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

Subsidiaries

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

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

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

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

Non-controlling interests

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

Transactions eliminated on consolidation

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

3. BASIS OF CONSOLIDATION (continued)

Investment in an associates and jointly controlled entities

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

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

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

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

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in its associates. The Group determines at each reporting date

whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in 'share in net profit / (loss) of an associate' in the interim condensed consolidated statement of profit or loss and other comprehensive income.

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

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

4. SUMMARY OF CHANGES IN SIGNIFICANT ACCOUNTING POLICES DUE TO NEW STANDARDS

New standards, amendment to standards and interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2022 and has been explained in Group annual Consolidated Financial Statements, but they do not have a material effect on the Group's Interim Condensed Consolidated Financial Statements.

5. LOSS PER SHARE

Loss per share for the six-month period ended June 30, 2022 and for the six-month period ended June 30, 2021 were calculated by dividing the loss for each period by weighted average number of shares outstanding during the period.

6. INVESTMENT IN AN ASSOCIATE

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period / year	299,170	319,117
Share of profit for the period / year, net	4,075	7,180
Hedging reserve	(17,460)	(9,671)
Dividend received during the period / year	(7,507)	(17,826)
Foreign currency translation	183	370
At the end of the period / year	278,461	299,170

6.2 Share of results of associate (net) after considering accounting policies differences.

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

6.4 Summarized financial information of associate Company is as follows.

Midal Cable W.L.L.	Ownership %	Assets	Liabilities	Revenues	Net profit
June 30, 2022 (Unaudited)	50%	2,057,749	1,509,593	2,370,773	8,149
December 31, 2021 (Audited)	50%	1,876,586	1,284,131	3,418,504	7,898

6.5 As of June 30, 2022, a foreign subsidiary of the associate had trade receivables amounting to SAR 54.4 million which were overdue for more than one year. Management of the subsidiary estimates that the overdue trade receivables would be collected during 2022. Accordingly, as of June 30, 2022, no expected credit losses against those trade receivables, were recorded.

7. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Carrying amount at beginning of the period / year	276,325	301,593
Additions during the period / year	261	3,363
Depreciation charge for the period / year	(12,585)	(28,631)
Carrying amount at end of the period / year	264,001	276,325

8. INTANGIBLE ASSETS

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Carrying amount at beginning of the period / year	20,268	23,125
Amortization during the period / year	(1,217)	(2,857)
Carrying amount at end of the period / year	19,051	20,268

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:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost:		
At the beginning of the period / year	11,125	10,447
Additions	-	678
	<u>11,125</u>	<u>11,125</u>
Accumulated depreciation:		
At the beginning of the period / year	3,222	1,998
Depreciation for the period / year	607	1,224
	<u>3,829</u>	<u>3,222</u>
Net value at the end of the period / year	<u>7,296</u>	<u>7,903</u>

9-2 Leases liabilities

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period / year	8,803	9,012
Additions during the period / year	-	678
Interest charge for the period / year	169	381
Paid during the period / year	(386)	(1,268)
As at the end of the period / year	<u>8,586</u>	<u>8,803</u>

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Minimum lease payments	36	36
Less: unearned finance charge	(33)	-
Present value of minimum lease payments	<u>3</u>	<u>36</u>

Presented in the interim condensed consolidated financial statements as follows:

Current lease liability	2,425	1,541
Non-current lease liability	6,164	7,298

The weighted average incremental borrowing rate applied to lease liabilities was 4.0% (2021: 4.0%).

9. LEASES (continued)

The following are the amounts recognized in profit or loss:

	For the six-month period ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Depreciation expense of right-of-use assets	607	607
Interest charge on lease liabilities	169	187
Total amount recognized in profit or loss	776	794

10. CASH AND CASH EQUIVALENTS

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cash in hand	249	272
Cash at banks	21,828	10,449
	22,077	10,721

Included within Cash & Cash Equivalents is an amount of SAR 11.4 million (December 31, 2021: Nil) which is restricted for use at the option of the Group's management.

11. ACCOUNT AND RETENTION RECEIVABLES

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Trade receivables, net (11.1)	95,460	94,773
Retention receivables, net (11.2)	82,561	86,257
	178,021	181,030
Less: non-current retentions receivable	(30,073)	(36,036)
	147,948	144,994

11.1 The trade receivables, net comprised of as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Gross trade receivables	244,642	247,606
Less: impairment on financial assets (a)	(149,182)	(152,833)
	95,460	94,773

SAUDI CABLE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022**

(Expressed in thousands of Saudi Arabian Riyals)

11. ACCOUNT AND RETENTION RECEIVABLES (continued)

11.1 The trade receivables, net comprised of as follows (continued):

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period / year	152,833	161,075
Charge / (reversal) during the period / year	(3,651)	(8,242)
	<u>149,182</u>	<u>152,833</u>

11.2 The retention receivables, net comprised of as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Gross retentions receivable	100,960	103,122
Less: impairment on financial assets (b)	(18,399)	(16,865)
Retention receivables, net	<u>82,561</u>	<u>86,257</u>

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period / year	16,865	19,330
Reversal during the period / year	-	(2,465)
Provision for the period/ year	1,534	-
At the end of the period / year	<u>18,399</u>	<u>16,865</u>

12. INVENTORIES

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Raw material	37,846	44,661
Finished goods	11,687	24,946
Work in progress	10,743	20,261
Spare parts and wooden reels	31,270	32,669
	<u>91,546</u>	<u>122,537</u>
Less: Provision for slow moving and obsolete inventories	(41,797)	(44,172)
	<u>49,749</u>	<u>78,365</u>

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period / year	44,172	42,275
(Reversal) / charge for the period / year	(2,375)	1,897
	<u>41,797</u>	<u>44,172</u>

13. PREPAID EXPENSES AND OTHER DEBIT BALANCES

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Receivable from sale of a subsidiary	41,250	41,250
Guarantee margins and deposits	19,913	20,604
Advances to suppliers, net	50,512	49,911
Derivative gain and prepayments	13,068	17,896
Value added tax	6,068	3,416
Other receivables	22,802	9,138
	<u>153,613</u>	<u>142,215</u>

14. UNBILLED CONTRACT ASSET

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Gross unbilled contract asset (a)	29,799	23,595
Less: allowance for expected credit losses (b)	(8,443)	(7,933)
Unbilled contract asset, net	<u>21,356</u>	<u>15,662</u>

This represents projects in Saudi Arabia and outside Saudi Arabia.

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Cost incurred plus profit recognized	1,287,016	1,296,262
Less: progress billings	(1,257,217)	(1,272,667)
Unbilled contract asset	<u>29,799</u>	<u>23,595</u>

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
At the beginning of the period / year	7,933	10,371
Charge / (reversal) during the period / year	510	(2,438)
At the end of the period / year	<u>8,443</u>	<u>7,933</u>

15. SHARE CAPITAL

The share capital consisted of 26,231,106 shares of Saudi Arabian Riyals 10 each as at June 30, 2022. (As at December 31, 2021: 36,061,406 shares).

On June 29, 2021, the Board of Directors (BOD) resolved in their 8th meeting (2021/8) to reduce the Company's share capital from SAR 360,614,060 (36,061,406 shares) to SAR 262,311,060 (26,231,106 shares) for the purpose restructuring the Company's capital and to absorb 100% of its accumulated losses as of June 30, 2021 amounted to SAR 98,303,000. BOD also resolved 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.

On February 20, 2022 (corresponding to Rajab 19, 1443H), the Shareholders approved in their meeting the reduction of the parent Company's share capital and rejected the BOD recommendation for capital increase.

Subsequent to the statement of financial position date, on July 25, 2022, the shareholders of the parent company approved capital reduction amounting to SAR 195.6 million to absorb the accumulated losses as of March 31, 2022.

16. TERM LOANS AND BORROWINGS

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Long term loans:		
Local commercial bank (a)	218,691	219,980
Loan from a SIDF (b)	104,290	104,290
Foreign banks (c)	38,100	37,874
Suppliers financing (d)	99,264	99,828
	460,345	461,972
Less: non-current portion of term loans	(11,222)	(9,966)
Current portion of loans and borrowings	449,123	452,006

- a) The Parent Company entered into a syndicated loan in February 2016, combining its borrowings from four commercial banks under a "Restructuring Framework Agreement". Through a final settlement agreement signed in December 2018, two of the three local commercial banks were settled, leaving Al Rajhi Bank ("ARB") as the sole remaining lender to the syndicate. During the current year, the Company and ARB entered into a Murabaha Facilities Agreement to restructure the balance outstanding under the syndicated loan. The terms of the loan require the Company to repay the amount outstanding in two tranches. Tranche A is interest free and is repayable in two years through equal quarterly installments with 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 Group recorded the new loan at its fair value at the effective date, which has resulted in gain of SAR 14 million.

16. TERM LOANS AND BORROWINGS (continued)

As at June 30, 2022, 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 June 30, 2022, 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.
- d) 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 where revised terms required the Group to repay the outstanding balance of SAR 180.8 million as of the effective date in monthly installments till October 2022. The facility was unsecured throughout and presently carries a fixed finance cost of 7.75% per year. Management assessed the above restructuring of the facility, qualitatively and quantitatively, in accordance with IFRS 9 and, as a result, concluded that restructuring has resulted in 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.

17. ZAKAT AND INCOME TAX

The Group received certain assessments from the Zakat Tax and Customs Authority (ZATCA), claiming additional Zakat liabilities amounted to SAR. 234.6 million in respect of the Zakat assessments 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.

Assessment status

The Parent Company

The Company made a final settlement with the Zakat, Tax and Customs Authority (ZATCA) for the years from 2005 to 2012. Resolution issued on January 26, 2020 by the Zakat and Tax Disputes Settlement Committee in the amount of SAR 65.7 million, provided that the due zakat amounts are paid within 30 days from the settlement date mentioned above, and the Company submitted a request for installments for a period of 12 months and it was approved by the Authority in 10 instalments. The company paid the down payment of 10% of the amount, in addition to 6 payments, and the remaining amount of 22.5 million Saudi riyals.

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

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

17. ZAKAT AND INCOME TAX (continued)

The authority issued the final assessment for the years 2015 to 2018, amounting to 148 million riyals. It was escalated and a grievance was submitted to the Committee for Adjudication of Tax Violations and Disputes (at the General Secretariat of Tax Committees), where a decision was issued by the Committee to accept the item of external purchases, which reduces the liability from 1.3 million riyals, the adjusted assessment after the decision amounted to 146.8 million riyals. Remainder of the grounds of objection were rejected against which the company has filed an appeal.

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 to ZATCA

The Company has submitted its zakat declaration for 2021 to ZATCA.

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 the in process to file the Zakat returns for the years from 2011 to 2021.

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 in addition to withholding tax and delay penalties. The Company filed an objection against the ZATCA assessments, and ZATCA issued amended zakat assessment by reducing the zakat liability by SAR 6.9 million. The objection was escalated to the Primary Objection Committee, and then it was transferred to the Separation, Violations and Tax Disputes Committee, and a session was set for 11/8/2022 AD.

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. The objection was escalated to the General Secretariat of the Tax Committees, and a session was scheduled for 29/05/2022, and the decision is in the process of being drafted by the Secretariat.

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

ZATCA issued a final assessment of SAR 6.98 million on 28 June 2021 for the years from 2017 to 2019. The Company objected. It was rejected by the authority. The company escalated the objection to the Committee for Adjudication of Tax Violations and Disputes. A session has been set on August 23, 2022 for the 2017 and 2018 cases, and the 2019 case is in the technical study phase.

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

The Company submitted its zakat return for the year of 2021 to ZATCA.

17. ZAKAT AND INCOME TAX (continued)

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.

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

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

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

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

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at the beginning of period / year	69,670	37,377
Add: charge for the current period / year	9,304	51,890
Reversal for the period / year	(6,802)	-
Less: payments made during the period / year	(1,087)	(19,597)
	<u>71,085</u>	<u>69,670</u>

The movement in deferred tax asset during the period / year is as follows:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at the beginning of period / year	-	9,086
Deferred tax recognized for the period / year	-	(8,996)
Deferred tax related to equity	-	(90)
	<u>-</u>	<u>-</u>

18. RELATED PARTIES TRANSACTIONS AND BALANCES

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

Due from a related party

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Hidada Limited	<u>113</u>	<u>113</u>

18. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)

Due to related parties

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Midal Cables W.L.L	20,194	23,109
Xenel Industries Limited	43,531	43,531
Chem Global Limited	664	664
Xeca International Information Technology	2,476	2,476
Hidada Limited	1,452	1,452
	<u>68,317</u>	<u>71,232</u>

Significant related party transaction and balances as at June 30, 2022 are summarized as below:

Name	Relationship	Nature of transactions	For the six-month period ended June 30,	
			2022 (Unaudited)	2021 (Unaudited)
Midal Cables W.L.L	Associate	Purchases of raw materials	5,731	11,641
		Board of directors remuneration	1,406	469
		Dividends received	7,508	10,320
		Others	268	249

Key management personnel remuneration and compensation comprised of the following:

	For the six-month period ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Short-term employee benefits	1,775	2,759
Post-employment benefits	94	133
	<u>1,869</u>	<u>2,892</u>

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

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

	For the six-month period ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Meeting attendance fees	546	540
Other remunerations	697	485
	<u>1,243</u>	<u>1,025</u>

19. COMMITMENTS AND CONTINGENCIES

The following are the commitments and contingencies as at:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
• Property mortgage and guarantees	120,335	118,854
Outstanding forward metal contracts	180	123,226
Contingent liabilities	96,382	94,730
Authorized and contracted for capital expenditure commitments	9,114	9,114
• In addition to providing guarantee in respect of bank facilities available to certain subsidiaries, the parent company has also provided undertaking to support such subsidiaries in meeting their liabilities as they fall due.		

20. REVENUE

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

i) Disaggregation of revenue from contracts with customers

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

	For the six-month period ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Primary geographic markets		
Saudi Arabia	55,636	99,010
Foreign countries	4,747	6,194
	60,383	105,204
Major products/service lines		
Sales of cables and goods	43,163	97,757
Contract revenues	17,220	7,447
	60,383	105,204
Timing of revenue recognition		
Revenue recognized at a point in time	43,163	97,757
Revenue recognized over time	17,220	7,447
	60,383	105,204

21. SEGMENTAL INFORMATION

Operating Segment

The Group has the following main business segments:

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

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

	Sale of goods		Contract revenue		Total	
	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Assets	831,916	915,836	164,645	154,189	996,561	1,070,025
Liabilities	699,665	685,191	318,481	303,728	1,018,146	988,919
Net sales	43,163	143,112	17,220	17,441	60,383	160,553
Net loss	(77,347)	(186,820)	(4,297)	(7,489)	(81,644)	(194,309)

	Sale of goods		Contract revenue		Total	
	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)	June 30, 2022 (Unaudited)	June 30, 2021 (Unaudited)
Assets	831,916	966,974	164,645	172,214	996,561	1,139,188
Liabilities	699,665	596,346	318,481	320,118	1,018,146	916,464
Net sales	43,163	97,757	17,220	7,447	60,383	105,204
Net loss	(77,347)	(49,514)	(4,297)	(5,554)	(81,644)	(55,068)

Geographic Information

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

	Saudi Arabia	Turkey	Other	Total
June 30, 2022 (Unaudited)				
Assets	593,186	325,400	77,975	996,561
Liabilities	761,637	211,651	44,858	1,018,146
Net sales	55,636	4,441	306	60,383
Net (loss) / profit	(72,502)	(12,987)	3,845	(81,644)
	Saudi Arabia	Turkey	Other	Total
June 30, 2021 (Unaudited)				
Assets	739,252	328,886	71,050	1,139,188
Liabilities	711,443	164,808	40,213	916,464
Net sales	99,010	5,568	626	105,204
Net (loss) / profit	(63,353)	10,140	(1,855)	(55,068)
	Saudi Arabia	Turkey	Other	Total
December 31, 2021 (Audited)				
Assets	674,275	326,207	69,543	1,070,025
Liabilities	749,952	198,696	40,271	988,919
Net sales	151,082	8,845	626	160,553
Net loss	(166,409)	(24,481)	(3,419)	(194,309)

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

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

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

23. SUBSEQUENT EVENTS

Subsequent to the date of the interim condensed consolidated statement of financial position, on July 25, 2022, the shareholders of the parent company approved capital reduction amounting to SAR 195.6 million to absorb the accumulated losses as of March 31, 2022.

No adjusting event occurred between June 30, 2022 and the date of authorization of these interim condensed consolidated financial statements by the Board of Directors, which may have an impact on these interim condensed consolidated financial statements, other than stated above.

24. COMPARATIVE FIGURES

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

25. APPROVAL OF INTERIM CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorized to issue by the Board of Directors on Muharram 26, 1444H (corresponding to August 24, 2022).