

**MIDDLE EAST SPECIALIZED CABLES COMPANY  
(SAUDI JOINT STOCK COMPANY)  
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR  
THE THREE MONTHS AND SIX-MONTHS PERIODS ENDED JUNE 30, 2022  
(UNAUDITED) TOGETHER WITH INDEPENDENT AUDITOR'S LIMITED  
REVIEW REPORT**

**MIDDLE EAST SPECIALIZED CABLES COMPANY  
(SAUDI JOINT STOCK COMPANY)  
INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS FOR THE THREE MONTHS AND SIX-MONTHS  
PERIODS ENDED JUNE 30, 2022 (UNAUDITED) TOGETHER WITH  
INDEPENDENT AUDITOR'S LIMITED REVIEW REPORT**

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

To the **Shareholders of The Middle East Specialized Cables Company**  
(A Saudi Joint Stock Company)

### Introduction:

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Middle East Specialized Cables Company** (a Saudi Joint Stock Company) "the company" and its subsidiary collectively referred to together as the "Group", as of June 30, 2022, and the related interim condensed consolidated statement of profit or loss and the other comprehensive income, interim condensed consolidated statements of changes in shareholders' equity and interim condensed consolidated cash flows for the three-months and six-months periods then ended, and a summary of significant accounting policies and other explanatory notes.

The company's management is responsible for preparing and presenting these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 (interim Financial Reporting) endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

### Scope of Review:


We conducted our review in accordance with the International Standard on Review Engagements No. (2410) Review of interim Financial Information performed by the independent auditor of the entity, endorsed in the Kingdom of Saudi Arabia. A review of the interim condensed consolidated financial statements consists of making inquiries, primarily, to those responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards of Auditing endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would be become aware of all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

### Conclusion:

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements as of June 30, 2022 have not been prepared in all material respects, in accordance with the International Accounting Standard No. 34 (Interim Financial Report) endorsed in the Kingdom of Saudi Arabia.

For:

Al Kharashi & Co.

  
Abdullah S. Al Msned  
License No. (456)



Riyadh:

Muharram 20, 1444 H

August 18, 2022

Middle East Specialized Cables Company  
(Saudi Joint Stock Company)  
Interim condensed Consolidated Statement of Financial Position (unaudited)  
As of June 30, 2022  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>Assets</b>			
<b>Non-current assets:</b>			
Property, plant and equipment, Net		138,235,952	144,907,550
Intangible assets, Net		3,665,294	3,615,634
Right -of- use assets, Net		7,759,921	8,105,134
Non-current portion of trade receivable, net	7	27,838,628	23,953,230
<b>Total non-current assets</b>		<b>177,499,795</b>	<b>180,581,548</b>
<b>Current assets:</b>			
Inventory	6	170,947,360	134,273,747
Current assets held for sale		6,769,310	6,769,310
Trade receivables and other debit balances, Net	7	328,632,425	274,861,528
Due from related party	8	1,445,269	1,636,887
Cash and cash equivalents		69,511,023	68,028,117
<b>Total current assets</b>		<b>577,305,387</b>	<b>485,569,589</b>
<b>Total assets</b>		<b>754,805,182</b>	<b>666,151,137</b>
<b>Share holders' Equity and Liabilities</b>			
<b>Share holders' Equity:</b>			
Paid Share capital	12	400,000,000	400,000,000
Statutory reserve		28,985,180	28,985,180
Accumulated losses		(102,387,197)	(90,615,937)
<b>Total Share holders' Equity</b>		<b>326,597,983</b>	<b>338,369,243</b>
<b>liabilities</b>			
<b>Non-current liabilities:</b>			
Non-current portion of long-term loans	9	18,817,759	37,635,519
Non-current portion of leases liabilities		6,707,536	7,251,140
Employees defined benefit obligations		22,426,018	21,748,326
<b>Total non-current liabilities</b>		<b>47,951,313</b>	<b>66,634,985</b>
<b>Current liabilities:</b>			
Short-term loans	9	50,000,000	-
Current portion of long-term loans	9	37,635,520	37,635,520
Trade payable and other credit balances	10	256,435,811	183,530,736
Due to related parties	8	13,976,031	11,872,237
Current portion of leases liabilities		948,429	873,464
Zakat provision	11	21,260,095	27,234,952
<b>Total current liabilities</b>		<b>380,255,886</b>	<b>261,146,909</b>
<b>Total liabilities</b>		<b>428,207,199</b>	<b>327,781,894</b>
<b>Total shareholders' equity and liabilities</b>		<b>754,805,182</b>	<b>666,151,137</b>

- The accompanying notes are an integral part of these Interim condensed consolidated financial statements.



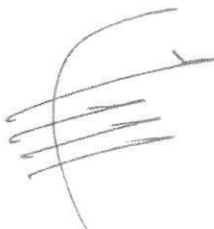
Middle East Specialized Cables Company  
(Saudi Joint Stock Company)  
Interim condensed Consolidated Statement of profit or loss and  
other comprehensive income statement (unaudited)  
For the three-months and six-months periods ended June 30, 2022  
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	For the three-month period ended		For the six-month period ended	
		30 June 2022 (Unaudited)	30 June 2021 (Unaudited)	30 June 2022 (Unaudited)	30 June 2021 (Unaudited)
Sales		198,169,901	124,071,505	385,730,769	235,831,460
Cost of sales		(190,999,367)	(108,888,607)	(364,344,045)	(205,921,046)
<b>Gross profit</b>		<b>7,170,534</b>	<b>15,182,898</b>	<b>21,386,724</b>	<b>29,910,414</b>
<b>Operating Expenses:</b>					
Selling and distribution expenses		(4,995,373)	(3,351,847)	(9,363,353)	(6,839,255)
General and administrative expenses		(9,451,728)	(8,347,968)	(18,078,879)	(16,216,443)
Provision for late delivery to the clients	7	(300,000)	(255,000)	(600,000)	(510,000)
Provision / Reverse of impairment in value of trade receivable	7	(600,000)	3,100,000	2,366,770	5,300,000
<b>(Loss)\ Profit from operations</b>		<b>(8,176,567)</b>	<b>6,328,083</b>	<b>(4,288,738)</b>	<b>11,644,716</b>
Finance Cost		(1,181,273)	(1,104,705)	(2,541,815)	(2,162,298)
Other income, Net		6,529	402,102	40,373	409,309
<b>(Loss)\ Profit before zakat</b>		<b>(9,351,311)</b>	<b>5,625,480</b>	<b>(6,790,180)</b>	<b>9,891,727</b>
Zakat	11	(2,490,540)	(2,955,762)	(4,981,080)	(6,371,524)
<b>Net (loss)\ profit for the period</b>		<b>(11,841,851)</b>	<b>2,669,718</b>	<b>(11,771,260)</b>	<b>3,520,203</b>
<b>Other comprehensive income items:</b>					
<b>Other comprehensive income that will not be subsequently reclassified to profit or loss:</b>					
Re-measure the Employee defined benefit obligations		-	-	-	-
<b>Other comprehensive income for the period</b>		-	-	-	-
<b>Total comprehensive (loss)\ income for the period</b>		<b>(11,841,851)</b>	<b>2,669,718</b>	<b>(11,771,260)</b>	<b>3,520,203</b>
<b>(Loss) Earnings per share</b>	13				
Basic and diluted (loss)\ earnings per share from (loss)\ profit from operations		(0.20)	0.16	(0.11)	0.29
Basic and diluted (loss)\ earnings per share from (loss)\ profit before zakat		(0.23)	0.14	(0.17)	0.25
Basic and diluted (loss)\ earnings per share from net (loss)\ profit for the period		(0.30)	0.07	(0.29)	0.09

- The accompanying notes are an integral part of these Interim condensed consolidated financial statements.

Middle East Specialized Cables Company  
Saudi Joint Stock Company  
Interim condensed Consolidated Statement of Changes in Equity (unaudited)  
For the six-month period ended June 30, 2022  
(All amounts are in Saudi Riyals unless otherwise stated)

	Paid Share Capital	Statutory Reserve	Accumulated Losses	Total Share holders' Equity
Balance as of January 1, 2021 (Audited)	400,000,000	28,985,180	(67,899,895)	361,085,285
Net profit for the period	-	-	3,520,203	3,520,203
Balance as of June 30, 2021 (Unaudited)	400,000,000	28,985,180	(64,379,692)	364,605,488
Balance as of January 1, 2022 (Audited)	400,000,000	28,985,180	(90,615,937)	338,369,243
Net loss for the period	-	-	(11,771,260)	(11,771,260)
Balance as of June 30, 2022 (Unaudited)	400,000,000	28,985,180	(102,387,197)	326,597,983





- The accompanying notes are an integral part of these Interim condensed consolidated financial statements.

Middle East Specialized Cables Company  
(Saudi Joint Stock Company)  
Interim condensed Consolidated Statement of Cash Flow (unaudited)  
For the six-month period ended June 30, 2022  
(All amounts are in Saudi Riyals unless otherwise stated)

		For the six-month period ended	
		30 June 2022	30 June 2021
		(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>			
(loss)\ Profit before zakat		(6,790,180)	9,891,727
<b>Adjustments to non-cash transaction</b>			
Depreciation and Amortization		8,915,960	9,080,646
Depreciation of right -of- use assets		345,213	345,213
Impairment in value of property, plant and equipment		108,611	262,615
Impairment (Reverse) in value of inventory	6	1,263,847	(2,002,204)
Provision for late delivery	7	600,000	510,000
Reverse of impairment in value of trade receivable	7	(2,366,770)	(5,300,000)
Finance cost		2,541,815	2,162,298
Employee defined benefit obligation expenses		1,303,879	1,344,861
<b>Changes in working capital</b>			
Inventory		5,922,375	16,295,156
Trade receivables and other debit balances, Net		(37,937,460)	(16,437,183)
Due from related Parties		(55,889,525)	72,861,107
Trade payable and other credit balances		191,618	27,449
Due to related Parties		71,761,969	62,508,290
		2,103,794	184,941
		(13,847,229)	135,439,760
Finance cost paid		(1,119,053)	(1,378,000)
Employee defined benefit obligation paid		(626,187)	(1,093,849)
Zakat paid	11	(10,955,937)	(16,214,184)
<b>Net cash flow (used in) generated from operating activities</b>		(26,548,406)	116,753,727
<b>Cash flows from investing activities:</b>			
Additions to property, plant and equipment		(1,952,542)	(4,943,143)
Additions to intangible assets		(450,091)	(768,374)
Murabaha deposits		-	(18,817,760)
<b>Net cash flow used in investing activities</b>		(2,402,633)	(24,529,277)
<b>Cash flows from financing activities:</b>			
Payments of loans	9	(21,617,203)	(9,434,785)
Proceeds from loans	9	52,799,443	-
Lease obligation payments		(748,295)	(641,009)
<b>Net cash flow generated from (used in) financing activities</b>		30,433,945	(10,075,794)
<b>Net change in cash and cash equivalents</b>		1,482,906	82,148,656
<b>Cash and cash equivalents at the beginning of the period</b>		68,028,117	49,356,857
<b>Cash and cash equivalents at the end of the period</b>		69,511,023	131,505,513
<b>Non-cash transaction</b>			
Provision used against trade receivables	7	844,159	-

- The accompanying notes are an integral part of these Interim condensed consolidated financial statements.



**Middle East Specialized Cables Company**  
**(Saudi Joint Stock Company)**  
**Notes to the Interim condensed consolidated financial statements**  
**For the six-month period ended June 30,2022**  
**(All amounts are in Saudi Riyals unless otherwise stated)**

**1- Company information:**

**A. Establishing the company**

**Middle East Specialized Cables Company** ("MESC") ("the Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010102402 dated 10 Jumada Awal 1413H (corresponding to 4 November 1992).

The interim condensed consolidated financial statements include the business result of the branches as follow:

<u>Branch</u>	<u>Commercial Register Number</u>
Khobar Branch	2051023224
Jeddah Branch	4030126555

**B. Group information**

The interim condensed consolidated financial statements include the financial statements of the **Middle East Specialized Cables Company** ("MESC") ("the Company"), and the financial statements of the company which is controlled (The Subsidiary) which is incorporated and acquired as follow:

<u>Company Name</u>	<u>Legal status</u>	<u>Legal ownership</u>		<u>Country</u>
		<u>30 June 2022</u>	<u>31 December 2021</u>	
MESC - Ras Al-Khaimah	Limited Liability Company	100%	100%	United Arab Emirates

The Company has investments at fair value which are as follows:

<u>Company Name</u>	<u>Legal status</u>	<u>Legal ownership</u>		<u>Country</u>
		<u>30 June 2022</u>	<u>31 December 2021</u>	
Middle East Specialized Cables Company- Jordan (MESC Jordan) *	Joint Stock Company	19.9%	19.9%	Jordan
MESC for Medium and High Voltage Cables Company**	Closed Joint Stock Company	57.5%	57.5%	Jordan

\* The fair value for the Company's investments in Jordan is zero.

\*\* The Extra Ordinary General Assembly of the subsidiary in Jordan "MESC for Medium and High Voltage Cables Company" decided in their Meeting dated on October 11, 2017 to liquidate the Company. As a result of that, Middle East Specialized Cables Company (MESC KSA) lost control of MESC for Medium and High Voltage Cables Company. Consequently, MESC KSA stopped consolidating MESC for Medium and High Voltage Cables Company from October 11, 2017.

**C. The nature of the company's activity**

According to its commercial registration, the company is engaged in the manufacture of fiber optic cables, steel insulated wires and cables, copper insulated wires and cables, and aluminum insulated wires and cables.

**D. Fiscal year**

The company's financial year is twelve months from the beginning of January until the end of December each calendar year.

**E. Presentation currency and activity**

The financial statements are prepared in Saudi Riyals, which is the presentation and activity currency for the company, all the numbers are rounded to the nearest Riyal, unless otherwise indicated.



## **2- The Foundations of the preparation of interim condensed consolidated financial statements:**

### **2-1 Statement of commitment**

These interim condensed consolidated financial statements were prepared in accordance with IAS 34 (Interim Financial Reports) that is endorsed in the kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (SOCPA)

These interim condensed consolidated financial statements don't include all the information and disclosures required to prepare a full set of the consolidated financial statements. Hence, these interim condensed consolidated financial statements should be read on conjunction with the group consolidated financial statements for the year ended December 31, 2021

### **2-2 Accounting basis**

These interim condensed consolidated financial statements are prepared in accordance with the principle of historical cost and using Accrual basis and the concept of continuity of activity, except the employees' defined benefits obligation, which is recognized at the present value of future obligations using the Projected Unit Credit Method and the assets held for sale that have been valued at fair value less cost to sell.

### **2-3 Use of estimation and judgments.**

The preparation of these interim condensed consolidated financial statements requires management to use provisions and estimates that affect the application of accounting policies and the amounts listed for assets, liabilities, revenues, and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

### **2-4 The basis for consolidating consolidated financial statements**

These interim condensed consolidated financial statements, which include the interim condensed consolidated statement of financial position, the interim condensed consolidated statement of profit or loss and other comprehensive income, the interim condensed consolidated statement of changes in shareholder's equity, the interim condensed consolidated statement of cash flow and notes to the condensed consolidated interim financial statements of the Group, include assets, liabilities and results of the company's business and subsidiaries as shown in note 1. Subsidiaries are the companies controlled by the Group, and in particular, the group controls the invested company only when the group has:

- Authority over the invested company (the existence of rights that give the group a current ability to direct activities related to the company invested in it).
- Exposure to risks or has rights to obtain different returns through its relationship with the company in which it invests.
- The ability to use its powers over the invested company to influence its returns.

In general, there is an assumption that the majority of voting rights result in control. In support of this assumption, when the group has less than a majority in voting rights or similar rights in the company in which it is invested, the Group takes into account all the facts and circumstances involved in this when ascertaining whether it exercises control over the company in which it invests, including:

- Contractual arrangements with other voting rights holders of the company in which the investor is invested.
- Rights resulting from other contractual arrangements.
- The voting rights of the group and the potential voting rights.

**2- The Foundations of the preparation of interim condensed consolidated financial statements (Continued):**

**2-4 The basis for consolidating consolidated financial statements (Continued)**

Subsidiaries are consolidated from the date they begin to control and until they cease to exercise that control. The group accounts for business combinations using the acquisition method when the control is transferred to the group. The converted compensation in the acquisition is generally measured at fair value, as is the case with the net identifiable assets acquired. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill in condensed consolidated interim statement of financial position . Non-controlling equity is measured by its share of net assets identifiable to the company acquired at the date of acquisition. The share in profit or loss and net assets not controlled by the Group is listed as a separate item in the interim condensed consolidated statement of profit or loss and other comprehensive income and within the equity in the interim condensed consolidated statement of financial position. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group.

**3- Going concern**

The management has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future for a period of at least 12 months from end of the reporting period. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the condensed consolidated interim financial statements continue to be prepared on the going concern basis.

**4- Significant accounting policies:**

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



**Middle East Specialized Cables Company**  
**Saudi Joint Stock Company**  
**Notes on Interim condensed consolidated financial statements**  
**For the six-month period ended June 30, 2022**  
**(All amounts are in Saudi Riyals unless otherwise stated)**

**5- Segment information**

Information reported to the Chief Operating Decision Maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The directors of the Company have chosen to organize the Group around differences in internal reporting structure.

The Group's operating segments are as follows:

- Kingdom of Saudi Arabia
- United Arab Emirates

	Kingdom of Saudi Arabia	United Arab Emirates	Adjustments and deletions	Total
<b>As of June 30, 2022:</b>				
Property, plant and equipment, Net	72,382,233	65,853,719	-	138,235,952
Total assets	645,382,518	224,754,660	(115,331,996)	754,805,182
Total liabilities	318,799,681	180,111,780	(70,704,262)	428,207,199
<b>As of December 31, 2021:</b>				
Property, plant and equipment, Net	75,457,511	69,450,039	-	144,907,550
Total assets	594,905,983	182,810,483	(111,565,329)	666,151,137
Total liabilities	256,548,913	132,989,667	(61,756,686)	327,781,894
<b>For the six months period ended June 30, 2022:</b>				
Sales	274,335,999	130,592,288	(19,197,518)	385,730,769
Loss before zakat	(1,563,958)	(5,177,934)	(48,288)	(6,790,180)
<b>For the six months period ended June 30, 2021:</b>				
Sales	194,702,782	69,771,613	(28,642,935)	235,831,460
Profit\ (loss) before zakat	12,882,232	(2,754,640)	(235,865)	9,891,727
<b>For the three months period ended June 30, 2022:</b>				
Sales	138,248,764	69,986,273	(10,065,136)	198,169,901
(Loss)\ profit before zakat	(6,838,671)	(2,607,624)	94,984	(9,351,311)
<b>For the three months period ended June 30, 2021:</b>				
Sales	102,328,282	37,646,332	(15,903,109)	124,071,505
Profit\ (loss) before zakat	7,226,493	(1,320,462)	(280,551)	5,625,480

Middle East Specialized Cables Company  
Saudi Joint Stock Company  
Notes on Interim condensed consolidated financial statements  
For the six-month period ended June 30, 2022  
(All amounts are in Saudi Riyals unless otherwise stated)

**6- Inventory**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Finished goods	83,247,687	72,300,444
Raw and packing materials	51,926,186	42,407,634
Semi-finished goods	42,638,583	25,775,669
Spare parts	7,604,492	7,731,787
Goods in transit	1,351,472	615,426
	<b>186,768,420</b>	<b>148,830,960</b>
Less: Impairment in value of inventories	(15,821,060)	(14,557,213)
	<b>170,947,360</b>	<b>134,273,747</b>

Impairment in value of inventory movement is as follows:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at the beginning of the period\ year	14,557,213	23,110,618
Charged during the period\ year	1,263,847	-
Used during the period\ year	-	(8,553,405)
<b>Balance at the end of the period\ year</b>	<b>15,821,060</b>	<b>14,557,213</b>

**7- Trade receivables and other debit balances, Net:**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade receivables	294,868,925	242,321,625
Retention receivables	69,463,536	74,886,053
<b>Total</b>	<b>364,332,461</b>	<b>317,207,678</b>
Less: Expected credit loss	(21,928,228)	(25,139,157)
Less: Provision for late delivery	(5,184,090)	(4,833,543)
<b>Trade receivables, Net</b>	<b>337,220,143</b>	<b>287,234,978</b>
Advances to suppliers	10,105,863	6,580,763
Prepaid expenses	4,002,327	1,469,331
Margin deposits	370,217	425,303
Employee borrowings	1,654,739	1,826,487
Other receivables	3,117,764	1,277,896
<b>Other debit balances, Net</b>	<b>19,250,910</b>	<b>11,579,780</b>
	<b>356,471,053</b>	<b>298,814,758</b>

**Trade receivables in the interim condensed consolidated financial position is classified as follow:**

Current balance	328,632,425	274,861,528
Non-current balance	27,838,628	23,953,230

- The Group's credit period on sales of goods is between 60 to 120 days. No interest is charged on trade receivables. The Group has recognized an allowance for expected credit loss against impaired trade receivables based on the simplified approach. Allowances for expected credit loss are recognized against trade receivables based on estimated irrecoverable amounts determined by reference to the past default experience of the counterparty and an analysis of the counterparty's current financial position, where available.
- The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis.



Middle East Specialized Cables Company  
(Saudi Joint Stock Company)  
Notes to the Interim condensed consolidated financial statements  
For the six-month period ended June 30, 2022  
(All amounts are in Saudi Riyals unless otherwise stated)

7- Trade receivables and other debit balances, Net (Continue):

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>The expected credit loss provision of trade receivables movement is as follows:</b>		
Balance at the beginning of the period\ year	25,139,157	33,339,158
Reversal during the period\ year	(2,366,770)	(8,200,001)
Used during the period\ year	(844,159)	-
<b>Balance at the end of the period\ year</b>	<b>21,928,228</b>	<b>25,139,157</b>

Movement in provision for late delivery is as follow:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Balance at the beginning of the period\ year	4,833,543	3,813,542
Charged during the period\ year	600,000	1,020,001
Used during the period\ year	(249,453)	-
<b>Balance at the end of the period\ year</b>	<b>5,184,090</b>	<b>4,833,543</b>

8- Related Parties Balances and Transactions:

Related Parties are the group's major shareholders and the facilities under control or with significant influence by those entities.

The significant transactions made with related parties during the period\ year are as follows:

Related parties	The nature of the transaction	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<b>A. Transactions with related parties</b>			
Middle East Fiber Cables	Sales of goods	895,076	1,276,318
	Purchases	4,193,619	4,868,866
MESC for Medium and High Voltage Cables Company	Provision provided	-	17,065,256
Contractors Services Company	Sales of goods	177,330	192,510

These transactions resulted in the following balances:

8-1 Due from related parties:

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Middle East Fiber Cables	-	191,618
MESC for Medium and High Voltage Cables Company	1,445,269	1,445,269
	<b>1,445,269</b>	<b>1,636,887</b>

8-2 Due to related parties

	June 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Middle East Fiber Cables	2,103,794	-
Middle East Specialized Cables Company- Jordan (MESC Jordan)	11,872,237	11,872,237
	<b>13,976,031</b>	<b>11,872,237</b>

Middle East Specialized Cables Company  
(Saudi Joint Stock Company)  
Notes to the Interim condensed consolidated financial statements  
For the six-month period ended June 30, 2022  
(All amounts are in Saudi Riyals unless otherwise stated)

**9- Loans:**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Short-term murabaha	50,000,000	-
Current portion from long-term loan	37,635,520	37,635,520
Non- Current portion of long-term loan	18,817,759	37,635,519
	<b>106,453,279</b>	<b>75,271,039</b>

The loans movement during the period\ year is as follow:

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at the beginning of the period\ year	75,271,039	106,668,223
Proceeds during the period\ year	52,799,443	-
Paid during the period\ year	(21,617,203)	(31,397,184)
<b>Balance at the end of the period\ year</b>	<b>106,453,279</b>	<b>75,271,039</b>

**10- Trade payable and other credit Balances:**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Trade payables	201,332,955	132,800,044
Advances from customers	12,857,387	14,356,675
Accrued expenses	25,848,731	25,936,782
Accrued board of directors' remuneration	1,884,559	1,065,303
Value added tax	6,797,413	2,893,760
Other credit balances	7,673,579	6,436,985
Dividends Payable	41,187	41,187
	<b>256,435,811</b>	<b>183,530,736</b>

**11- Zakat:**

	<b>June 30, 2022</b>	<b>December 31, 2021</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Balance at the beginning of the period\ year	27,234,952	30,926,088
charges during the period\ year	4,981,080	12,523,048
Paid during the period\ year	(10,955,937)	(16,214,184)
<b>Balance at the end of the period\ year</b>	<b>21,260,095</b>	<b>27,234,952</b>

**12- Paid share capital**

The Company has 40 million shares of SR 10 each in issue as at the reporting date. There were no movements in share capital during the reporting period.



### 13- (Loss)\ Earnings per share:

The calculation of underlying\reduced (loss)\ earnings per share is based on the return to ordinary shareholders and the weighted average number of existing common shares. Earnings per share as of June 30, 2022 was calculated based on the weighted average number of shares held during the period with a number of 40 million shares (December 31, 2021: 40 million shares). There are no potential discounted ordinary shares. Adjusted earnings per share is the same as the underlying profit per share as the Group has no convertible securities or reduced financial instruments to exercise it.

	For the three-month period ended		For the six-month period ended	
	30 June 2022	30 June 2021	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)\ Profit from operations	(8,176,567)	6,328,083	(4,288,738)	11,644,716
(Loss)\ Profit before zakat	(9,351,311)	5,625,480	(6,790,180)	9,891,727
Net (loss)\ profit for the period	(11,841,851)	2,669,718	(11,771,260)	3,520,203
	40,000,000	40,000,000	40,000,000	40,000,000
Basic and diluted (loss)\ earnings per share from (loss)\ profit from operations	(0.20)	0.16	(0.11)	0.29
Basic and diluted (loss)\ earnings per share from (loss)\ profit before zakat	(0.23)	0.14	(0.17)	0.25
Basic and diluted (loss)\ earnings per share from net (loss)\ profit for the period	(0.30)	0.07	(0.29)	0.09

### 14- Capital management:

In order to manage the group's capital, the capital includes equity and all other equity reserves belonging to the group's owners. The main purpose of managing the group's capital is to maximize the value of shareholders' shares. The Group manages and adjusts its capital structure considering changes in economic conditions and financial commitment requirements. To maintain or modify the capital structure, the Group may adjust dividend amounts paid to shareholders, return capital to shareholders or issue new shares. The group monitors capital using the leverage ratio, which represents net debt divided by total capital plus net debt. The group's liabilities include net debt, term loans, commercial accounts payable, payable expenses and other credit balances, minus bank balances.

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Term loans and Short-term Murabaha	106,453,279	75,271,039
Trade payable & other credit balances	256,435,811	183,530,736
Less: Cash and cash equivalents	(69,511,023)	(68,028,117)
<b>Net debt</b>	<b>293,378,067</b>	<b>190,773,658</b>
Total equity	326,597,983	338,369,243
Leverage rate	47%	36%

### 15- Contingent liabilities:

The Group has capital commitments of SR 4.2 million as at June 30, 2022 (December 31, 2021: SR 6 million) and contingencies in the form of letters of credit and guarantees of SR 126 million as at June 30, 2022 (December 31, 2021: SR 110 million).

#### 16- Fair value of financial instruments

Fair value is the amount received when an asset is sold or paid to transfer a liability in an organized transaction between market participants on the date of measurement. The company's financial instruments consist of financial assets and financial liabilities. The company's financial assets consist of cash and its equivalents, trade receivables and due from related parties. Financial liabilities consist of loans, trade payables, due to related parties.

The fair value of financial instruments is not significantly different from their book value, unless otherwise indicated.

#### 17- Risk management

##### Special commission price risk

Special commission price risk relates to the risks resulting from the fluctuation of the value of a financial instrument as a result of the change in the prevailing commission rates in the market, and the company is subject to the risk of special commission rates on its assets associated with special commissions such as Murabaha deposits and credit facilities.

##### Credit risk

Credit risk is that one financial instrument does not meet its obligations and causes the other party to suffer a financial loss. The Group is exposed to credit risk on cash in the Fund, banks, receivables and commercial debtors as follows:

	June 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Trade Receivable, net	337,220,143	287,234,978
Due from related parties	1,445,269	1,636,887
Cash and cash equivalent	69,511,023	68,028,117
	<b>408,176,435</b>	<b>356,899,982</b>

The Group manages customer credit risk by dealing with customers with a reliable credit history, obtaining high-quality guarantees when necessary, monitoring unpaid balances, and banking by dealing only with reputable banks.

##### Liquidity risk

Liquidity risk is that the group has difficulty in providing funds to meet its financial obligations associated with financial instruments.

Liquidity risks may arise from the inability to sell financial assets quickly at an amount of near their fair value. The Group manages liquidity risk by monitoring working capital requirements and cash flows regularly and ensuring that banking facilities are available when needed. The group's terms of contract require 30-90 days from the date of invoices, and commercial accounts are usually paid within 30-90 days of billing.

##### Increased risk concentration

The concentration of risks arises when a number of other parties engage in similar business activities or activities in the same geographical area or when they have economic characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other circumstances. The concentration of risks indicates the relative sensitivity of the group's performance to developments affecting a particular industry.

#### 18- Interim condensed results and adjustments for the period

All adjustments that the company's management deemed important have been prepared so that the interim condensed consolidated financial position and business results for the period appear fairly. The business results for the interim condensed consolidated financial period may not represent an accurate indication of the actual results of the full year business.



**19- Dividends payable:**

No dividends were declared during the period ended June 30,2022 (June 30, 2021: nil).

**20- Significant events**

Reference to the company's directions during the future period to focus on the feasible investments in Saudi Arabia and the UAE and get rid of useless investments, and in light of the recent update of the company's investments in Jordan, and where the syndication banks in Jordan submitted a final settlement proposal to the company according to which it waives all the lawsuit and submits a final clearance against the company to waive the loan granted to MESC for Medium and High Voltage Cables Co, amounting to SR 12.6 million, and paying the due to the Middle East Specialized Cables Company (MESC Jordan), which is recorded in the company's books, amounting to SR 11.9 million. The company has studied the settlement agreement submitted by the syndication banks and after obtaining legal advice from more than one party, it decided to move forward with this agreement to close all legal disputes and drop all lawsuits against the company in the interest of the company and shareholders.

On May 23, 2022, the settlement agreement was signed. Noting that all financial provisions have been taken in previous periods for the obligations arising from this agreement, and no financial impact is expected later.

**21- Subsequent events:**

Group management considers that there are no significant subsequent events after the date of the report that require their modification or disclosure in these interim condensed consolidated financial statements.

**22- Approval of the interim condensed consolidated financial statements**

The interim condensed consolidated financial statements were approved by the Company's Board of Directors on August 18, 2022 G