

**MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED FINANCIAL STATEMENTS
TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

**MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
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FOR THE YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
MIDDLE EAST SPECIALIZED CABLES COMPANY (MESC)
(A Saudi Joint Stock Company)

Opinion:

We have audited the consolidated financial statements of **Middle East Specialized Cables Company** (A Saudi Joint Stock Company) (the "**Company**") and its subsidiary referred to together as (the "**Group**"), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies, and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion:

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the code of professional conduct and ethics for professional accountants, endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter, a description of how our audit addressed the matter is set out below:

INDEPENDENT AUDITOR'S REPORT(CONTINUED)

Key Audit Matters (continued)

Key audit matters	How the matter was addressed in our audit
<p>Revenue recognition: During the year ended 31 December 2023, the Group's revenue approximately amounted to SAR 926.9 million (2022: SAR 814.4 million). The group continues to be under pressure to meet goals and expectations which may lead to misstatement in revenue. Revenue recognition is a key audit matter because there is a risk that management may override controls to misrepresent revenue transactions. Please refer to note No. (5.2) for revenue accounting policy on the accompanying consolidated financial statements.</p>	<p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 as endorsed in the Kingdom of Saudi Arabia "Revenue from Contracts with Customers". • Evaluating the design, implementation and testing of the operational effectiveness of the Group's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Group's policy. • Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning and end of the year to assess whether the revenue has been recognized in the correct period. • Testing revenue transactions, on a sample basis, and verifying supporting documents, which included receipts signed by customers, to ensure the accuracy and validity of revenue recognition.
<p>Impairment in value of trade receivables: As at 31 December 2023, the Group recognized impairment in value of trade receivables of SAR 16 million (31 December 2022: SAR 17.8 million). The Group's Impairment in value of trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, aging of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions. All of which involve a significant degree of management judgement. We have identified impairment in value of trade receivables as a key audit matter because recognition of loss allowance is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias. Please refer to note No. (5.4) for the impairment in value of trade receivables accounting policy and note No. (9) for the relevant disclosure on the accompanying consolidated financial statements.</p>	<p>Our audit procedures to assess impairment in value of trade receivables included the following:</p> <ul style="list-style-type: none"> • Assessing the design and implementation of management's key controls relating to credit control, debt collection and estimation of expected credit losses; • Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes; • Obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including historical default data and management's estimated loss rates; • Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and • Inspecting, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivables balances as at 31 December 2023 with bank statements and relevant remittance documentation.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters (continued)

Key audit matters (continued)	How the matter was addressed in our audit (continued)
<p>Inventory: Inventory is considered a key audit matter due to the nature of the activity of the group that depends primarily on the inventory in generating revenue and the extend of its impact on business results. As at December 31, 2023, the group's inventory balance amounted to SAR 207.4 million (December 31, 2022: SAR 205.7 million), which is approximately 33.4% of the total current assets and 26.9% of the total assets of the group (December 31, 2022: 34.5% of the total current assets and 26.8% of the total assets), and given the importance of the inventory balance, valuations, and assumptions related to its obsolescence and decline in its value, this matter was considered a major matter for audit.</p> <p>Please refer to note No. (5.14) for the inventory accounting policy and note No. (10) for the relevant disclosure on the accompanying consolidated financial statements.</p>	<p>We have performed the following procedures regarding existence and valuation of inventory balance:</p> <ul style="list-style-type: none"> - Attending the physical inventory count held by the group. - Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle. - Evaluating the appropriateness and adequacy of disclosures related to inventory in the consolidated financial statements. - Testing the valuation of inventory measurement at cost price or net realizable value, whichever is lower.

Other information included in the Group's annual report for the year ended 31 December 2023

Management is responsible for the other information, the other information comprises the information included in the Group's annual report for the year ended 31 December 2023, other than the consolidated financial statements and the auditor's report thereon.

Our opinion on the consolidated financial statements does not cover other information and we do not and will not express any form of assurance conclusion thereon. In our audit of the consolidated financial statements, it is our responsibility to read the other information described above. In doing so, we consider whether the other information is not materially consistent with the consolidated financial statements or knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the regulations for companies and the Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

INDEPENDENT AUDITOR'S REPORT(CONTINUED)

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information or commercial activities within the Group, to express an opinion on the consolidated financial statements. We are responsible for directing, supervising, and implementing the Group audit process. We remain solely responsible for the audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For Al-Kharashi & Co.



Abdullah S. AlMsned
CA License No. (456)

Riyadh:
Shaban 26,1445H
March 07,2024G



MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	December 31, 2023	December 31, 2022
ASSETS			
Non-current assets			
Property, plant and equipment, net	6	126,635,268	131,281,924
Intangible assets, net	7	3,202,474	3,347,605
Right of use assets, net	8-1	6,801,633	7,501,530
Non-current trade receivable, net	9	13,526,120	29,103,900
Total non-current assets		150,165,495	171,234,959
Current assets			
Inventories, net	10	207,393,413	205,691,147
Assets held for sale	11	6,487,811	6,487,811
Trade receivable and other debit balances, net	9	386,104,833	339,723,900
Due from related parties	18	-	1,445,269
Cash and cash equivalents	12	20,978,708	43,495,722
Total current assets		620,964,765	596,843,849
TOTAL ASSETS		771,130,260	768,078,808
EQUITY AND LIABILITIES			
Equity			
Share capital	13	400,000,000	400,000,000
Statutory reserve	14	28,985,180	28,985,180
Accumulated losses		(54,115,401)	(103,050,514)
Employee defined benefit obligations remeasurement reserve		2,765,360	2,361,360
Total equity		377,635,139	328,296,026
Liabilities			
Non-current liabilities			
Lease liability – non current portion	8-2	6,441,551	6,799,480
Employees' defined benefits obligations	16	22,559,076	22,071,404
Provision for zakat– non current portion	19	21,441,698	-
Total non-current liabilities		50,442,325	28,870,884
Current liabilities			
Long term loans - current portion	15-1	-	37,635,519
Short-term loans	15-2	8,966,904	61,200,875
Trade payable and other credit balances	17	293,061,988	251,795,049
Due to related parties	18	12,197,958	12,217,232
Lease liability – current portion	8-2	699,625	904,658
Provision for zakat- current portion	19	28,126,321	47,158,565
Total current liabilities		343,052,796	410,911,898
Total liabilities		393,495,121	439,782,782
TOTAL EQUITY AND LIABILITIES		771,130,260	768,078,808

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The accompanying notes from (1) to (29) form an integral part of these consolidated financial statements

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Saudi Riyals unless otherwise stated)

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Accumulated losses</u>	<u>Employee defined benefit obligations remeasurement reserve</u>	<u>Total equity</u>
Balance as at January 1, 2022	400,000,000	28,985,180	(91,262,297)	646,360	338,369,243
Net loss for the year	-	-	(11,788,217)	-	(11,788,217)
Other comprehensive income for the year	-	-	-	1,715,000	1,715,000
Total comprehensive loss for the year	-	-	(11,788,217)	1,715,000	(10,073,217)
Balance as at December 31, 2022	400,000,000	28,985,180	(103,050,514)	2,361,360	328,296,026
Net profit for the year	-	-	48,935,113	-	48,935,113
Other comprehensive income for the year	-	-	-	404,000	404,000
Total comprehensive income for the year	-	-	48,935,113	404,000	49,339,113
Balance as at December 31, 2023	400,000,000	28,985,180	(54,115,401)	2,765,360	377,635,139

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The accompanying notes from (1) to (29) form an integral part of these consolidated financial statements

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	December 31, 2023	December 31, 2022
Cash flows from operating activities:			
Profit before zakat for the year		65,530,994	19,091,333
Adjustments for non-cash items:			
Depreciation and amortization	6,7	17,901,508	17,785,118
Depreciation of right of use assets	8-1	699,897	695,162
Capital gain on sale of property, plant, and equipment	6	(24,759)	(49,751)
Impairment in value of inventory	10	2,895,519	1,603,214
Impairment/(reversal) in value of trade receivable	9	2,400,000	(6,446,766)
Impairment in value of retention receivables	9	-	3,051,007
Provision for late delivery to the clients	9	1,200,000	1,200,000
Finance cost		12,008,008	6,948,204
Impairment in value of due from related parties	18	1,445,269	-
Employees defined benefits obligations expenses	16	2,833,641	2,603,002
Impairment/(reversal) in value of property, plant, and equipment		106,445	(128,025)
Impairment in value of assets held for sale		-	281,499
		<u>106,996,522</u>	<u>46,633,997</u>
Changes in working capital:			
Inventories, net		(4,597,785)	(73,020,614)
Trade receivables and other debit balances, net		(34,403,153)	(67,817,283)
Due from related Parties		-	191,618
Trade payable and other credit balances		34,017,584	65,180,559
Due to related Parties		(19,274)	344,995
Finance cost paid		(3,462,005)	(2,920,401)
Employee defined benefits obligations paid	16	(2,737,969)	(973,924)
Zakat paid	19	(14,186,427)	(10,955,937)
		<u>81,607,493</u>	<u>(43,336,990)</u>
Net cash flows generated from/ (used in) operating activities			
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment	6	69,781	93,000
Purchase of property, plant and equipment	6	(12,778,008)	(3,259,006)
Purchase of intangible assets	7	(483,180)	(547,681)
		<u>(13,191,407)</u>	<u>(3,713,687)</u>
Net cash flows (used in) investing activities			
Cash flows from financing activities:			
Proceeds from short-term loans		144,790,165	114,627,738
Repayment of short-term loans		(197,024,136)	(53,426,863)
Lease liability paid		(1,063,610)	(1,047,073)
Repayment of long term loans		(37,635,519)	(37,635,520)
		<u>(90,933,100)</u>	<u>22,518,282</u>
Net cash flows (used in)/ generated from financing activities			
Net change in cash and cash equivalents		(22,517,014)	(24,532,395)
Cash and cash equivalents at the beginning of the year		43,495,722	68,028,117
Cash and cash equivalents at the end of the year	12	<u>20,978,708</u>	<u>43,495,722</u>
Supplementary information for non-cash transactions:			
Additions to right of use assets and lease liabilities	8	-	91,558
Actuarial gain from remeasurement of employee defined benefits obligations	16	(404,000)	(1,715,000)
Impairment in value of inventory against inventory	10	-	6,996,446
Impairment in value of trade receivables against trade receivables	9	4,276,859	844,158
Provision for late delivery against trade receivables	9	-	249,456

The accompanying notes from (1) to (29) form an integral part of these consolidated financial statements

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Saudi Riyals unless otherwise stated)

1. ACTIVITIES

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).

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.

The company have following branches:

Commercial Name – City	Commercial Register Number
Middle East Specialized Cables Company MESC- Khobar Branch	2051023224
Middle East Specialized Cables Company MESC- Jeddah Branch	4030126555

The Company had the following subsidiary and investments as at 31 December 2023. The financial statements of this subsidiary are consolidated, and the investments are recorded at fair value in these consolidated financial statements.

Subsidiary/ Investments	Legal status	Current legal ownership %		Country of Incorporation
		2023	2022	
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	Jordan
MESC - Ras Al-Khaimah	Limited Liability Company	100	100	United Arab Emirates

* 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 Co (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.

On April 12, 2023, the company share in MESC for Medium and High Voltage Cables Company was transferred to syndication banks in Jordan as required by the settlement agreement signed last year. Therefore, the legal ownership become nil.

- 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 SAR 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 SAR 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.

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Saudi Riyals unless otherwise stated)

1. ACTIVITIES (CONTINUED)

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 consolidated financial statements continue to be prepared on the going concern basis.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants.

The consolidated financial statements have been prepared on the historical cost basis except employees defined benefit obligations that have been valued at present value of future liabilities using the projected unit credit method and the assets held for sale that have been valued at fair value less cost to sell as described in the significant accounting policies and other financial assets, measured at amortized cost. The consolidated financial statements are presented in Saudi Riyals, which is the functional and presentation currency of the Group, and all values are rounded to the nearest Saudi Riyal, except where otherwise indicated.

3. BASIS OF CONSOLIDATION OF FINANCIAL STATEMENTS

These consolidated financial statements comprising the consolidated Statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated Statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiaries, as set out in note (1). The Company and its subsidiaries are collectively referred to as the "Group". 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. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired and fair value of pre-existing equity interest in the subsidiary. The excess of the cost of acquisition and amount of Non – controlling interest ("NCI") over the fair value of the identifiable net assets acquired is recorded as goodwill in the consolidated Statement of Financial Position. NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the acquisition date carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in the consolidated statement of profit or loss. Inter -group balances and transactions, and any unrealised income and expenses arising from Inter -group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(All amounts are in Saudi Riyals unless otherwise stated)

4. USE OF JUDGMENTS AND ESTIMATES

In preparing these consolidated financial statements, management has made judgments and estimates 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

An estimate of the useful lives and residual values of property, plant and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Impairment in value of trade receivable

The Impairment in value of trade receivable is determined by reference to a combination of factors to ensure that financial assets are not overpriced due to the probability that they will not be collected, including their quality, age, credit rating and collateral. Economic data and indicators are also taken into account.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a DCF model. The cash flows are derived from the budget for the last five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Impairment in value of slow moving inventory

Inventories are stated at the lower of cost and net realizable value. Adjustments are made to reduce the cost of inventories to net recoverable amount, if necessary.

Influencing factors includes changes in inventory demand, technological changes, deterioration of quality and other quality matters. Accordingly, the Group considers these factors and takes them into account to calculate the provision of idle stock and slow movement. Any adjustments that may result from the difference in these factors are periodically reviewed.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity specific estimates.

Employee defined benefit obligations

Employee defined benefit obligations are determined using an actuarial valuation which requires estimates to be made of the various inputs. These estimates have been disclosed in note 16.

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4. USE OF JUDGMENTS AND ESTIMATES (CONTINUED)

Fair value measurement

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 the 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 the 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 from the asset's highest and best use or by selling it to another market participant that would utilize the asset in its highest and best use.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy. This is 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.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

5. MATERIAL ACCOUNTING POLICIES

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

5.1 New Standards, Amendment to Standards and Interpretations:

a) New and amended standards that do not have a material impact on the financial statements.

The following are the recent changes to IFRS that must be applied in annual periods beginning on January 1, 2023.

- International Financial Reporting Standard (17) - "Insurance Contracts"
- Disclosure of accounting policies, amendments to International Accounting Standard (1) and the Statement of Practice.
- Definition of accounting estimate Amendments to the International Accounting Standard.
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction, these amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- Amendments to IAS 8 – The amendments aim to improve accounting policy disclosures and to help users of financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.1 New Standards, Amendment to Standards and Interpretations (Continued)

The application of the amended standards did not have any material impact on the amounts recognized in the current and prior years.

b) Standards issued but not yet effective.

The standards and interpretations issued but not yet effective until the date of issuance of the company's annual financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

- Classifying liabilities as current or non-current. Amendments to International Accounting Standard (1) apply to annual periods beginning on or after January 1, 2024. That date.
- Lease obligations in sale and leaseback transactions Amendments to IFRS 16 apply to annual periods beginning on or after January 1, 2024.
- Non-current liabilities with commitments Amendments to International Accounting Standard (1), applicable to annual periods beginning on or after January 1, 2024.
- Sale or contribution of assets between the investor and the associate or joint venture. Amendments to IFRS (10) and IAS (28)), the effective date will be determined later.
- Supplier financing arrangements - amendments to IAS 7 and IFRS 7, applicable to annual periods beginning on or after January 1, 2024.
- Inability to exchange a foreign currency - amendments to International Accounting Standard (21), applicable to annual periods beginning on or after January 1, 2025.
- Amendments to IAS 27 – Lack of exchangeability.
- IFRS S1, 'General requirements for disclosure of sustainability-related financial information, this standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.
- IFRS S2, 'Climate-related disclosures', this is the first thematic standard issued that sets out requirements for entities to disclose information about climate related risks and opportunities.

These above standards' amendments are not expected to have a material impact on the Company's financial statements.

5.2 Revenue

Revenue is measured based on the consideration specified in a contract with customer and excludes amount collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer. The principles in IFRS 15 are applied using the following five steps:

Step 1: Identify the contract with customer

The Group accounts for a contract with a customer when:

- The contract has been approved and the parties are committed;
- Each party's rights are identified;
- Payment terms are defined;
- The contract has commercial substance; and
- Collection is probable.

Step 2: Identify the performance obligations

The Group identify all promised goods or services in a contract and determines whether to account for each promised good or service as a separate performance obligation. A good or service is distinct and is separated from other obligations in the contract if both:

- the customer can benefit from the good or service separately or together with other resources that are readily available to the customer; and
- the good or service is separately identifiable from the other goods or services in the contract.

5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.2 Revenue (Continued)

Step 3: Determine the transaction price

The Group determine the transaction price, which is the amount of consideration it expects to be entitled to in exchange for transferring promised goods or services to a customer.

Step 4: Allocate the transaction price

The transaction price in an arrangement is allocated to each separate performance obligation based on the relative standalone selling price of the good or service being provided to the customer.

Step 5: Recognise revenue

Revenue is recognized when control of the goods or services is transferred to the customer. The Group transfers a good or service when the customer obtains control of that good or service. A customer obtains control of a good or service if it has the ability to direct the use of and receive the benefit from the good or service.

The following is a description, accounting policies and significant judgements of the principal activities from which the Group generates revenue.

Sales of goods

Revenue is recognized when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer.

5.3 Leases

The Group assess whether a contract contains a lease, at inception of the contract. For all such lease arrangements the Group recognize right of use assets and lease liabilities except for the short-term leases and leases of low value assets as follows:

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.4 Financial instruments

The Group recognizes a financial asset or a financial liability in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument.

At initial recognition, the Group recognizes a financial instrument at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss.

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets. IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value. The classification depends on the business model for managing the financial asset and the contractual cash flow characteristics of financial asset, determined at the time of initial recognition.

Financial assets are classified into the following specified categories under IFRS 9:

- Debt instruments at amortized cost;
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition;
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition; and
- Financial assets at fair value through profit and loss (FVPL).

Financial assets classified as amortized cost

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss (except for debt investments that are designated as at fair value through profit or loss on initial recognition):

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

If a financial asset does not meet both of these conditions, it is measured at fair value.

The Group makes an assessment of a business model at portfolio level as this best reflects the way the business is managed and information is provided to management. In making an assessment of whether an asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows, the Group considers:

- Management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How management evaluates the performance of the portfolio;
- Whether the management's strategy focus on earning contractual commission income;
- The degree of frequency of any expected asset sales;
- The reason for any asset sales; and
- Whether assets that are sold are held for an extended period of time relative to their contractual maturity or are sold shortly after acquisition or an extended time before maturity.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group will consider the contractual terms of the instrument. This will include assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest is recognized in the consolidated statement of profit or loss.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.4 Financial instruments (Continued)

Financial assets designated as FVOCI with recycling

Debt instruments that meet the following conditions are subsequently measured at FVOCI:

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

For debt financial instruments measured at FVOCI, commission income and impairment losses or reversals are recognized in consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. All other changes in the carrying amount of these instruments are recognized in other comprehensive income and accumulated under the investment revaluation reserve. When these instruments are derecognized, the cumulative gains or losses previously recognized in consolidated statement of other comprehensive income are reclassified to the consolidated statement of profit or loss.

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Group designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost of FVOCI criteria are measured at FVPL. In addition, debt instruments that meet the amortized cost criteria but are designated as at FVPL to avoid accounting mismatch are measured at fair value through income statement. A debt instrument may be designated as at FVPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Group has not designated any debt instrument as FVPL since the date of initial application of IFRS 9 (i.e. 1 January 2018).

Debt instruments are reclassified from amortized cost to FVPL when the business model is changed such that the amortized cost criteria are no longer met. Reclassification of debt instruments that are designated as at FVPL on initial recognition is not allowed.

Financial assets at FVPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in consolidated statement of profit or loss.

Commission income on debt instruments as at FVPL is included in the consolidated statement of profit or loss.

Dividend income on investments in equity instruments at FVPL is recognized in the consolidated statement of profit or loss when the Group's right to receive the dividends is established.

Investment in equity instruments designated as FVOCI

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI. Designation as at FVOCI is not permitted if the equity investment is held for trading.

A financial asset or financial liability is held for trading if:

- It is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in consolidated statement of other comprehensive income and accumulated in other reserves. Gain and losses on such equity instruments are never reclassified to consolidated statement of profit or loss and no impairment is recognized in income statement. Investment in unquoted equity

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.4 Financial instruments (Continued)

instruments which were previously accounted for at cost in accordance with IAS 39, are now measured at fair value. The cumulative gain or loss will not be reclassified to income statement on disposal of the investments.

Dividends on these investments are recognized in statement of income when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

Investment revaluation reserve includes the cumulative net change in fair value of equity investment measured at FVOCI. When such equity instruments are derecognized, the related cumulative amount in the fair value reserve is transferred to retained earnings.

Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECL) on debt instruments that are measured at amortized cost, lease receivables, trade receivables, as well as on loan commitments and financial guarantee contracts.

No impairment loss is recognized for investments in equity instruments. The amount of expected credit losses reflects changes in credit risk since initial recognition of the respective financial instrument.

The Group applies the simplified approach to calculate impairment on trade receivables and this always recognizes lifetime ECL on such exposures. ECL on these financial assets are estimated using a flow rare based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The Group recognizes an impairment gain or loss in the consolidated statement of profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognized in consolidated statement of other comprehensive income and

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.4 Financial instruments (Continued)

accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the consolidated statement of financial position.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset or substantially all the risk and rewards of ownership to another entity. If the Group neither transfer nor retains substantially all the risks and reward of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities

Financial liabilities carried at amortized cost have been classified and measured at amortized cost using the effective yield method.

For financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in consolidated statement of other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in consolidated statement of profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to consolidated statement of profit or loss.

The liability credit reserve includes the cumulative changes in the fair value of the financial liabilities designated as at fair value through profit or loss that are attributable to changes in the credit risk of these liabilities and which would not create or enlarge accounting mismatch in income statement. Amount presented in liability credit reserve are not subsequently transferred to consolidated statement of profit or loss. When such investments are derecognized, the related cumulative amount in the liability credit reserve

is transferred to retained earnings. Since the date of initial application of IFRS 9 (i.e. 1 January 2018), the Group has also not designated any financial liability as at FVPL.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

5.5 Foreign currencies

The Group's consolidated financial statements are presented in Saudi Riyals, which is the presentational and functional currency in Kingdom of Saudi Arabia.

Transactions in foreign currencies are initially recorded by the Group at their market exchange rate against the functional currency at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in consolidated statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in consolidated statement of OCI until the net investment is disposed of, at which time, the cumulative amount is classified to consolidated statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in consolidated statement of OCI.

5.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time, that is more than one year, to get ready.

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.6 Borrowing costs (Continued)

for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use. No borrowing costs are capitalized during idle periods.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in consolidated statement of other comprehensive income and released to consolidated statement of profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in consolidated statement of profit or loss in the period in which they are incurred.

5.7 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

5.8 Employees' benefits

Employees' defined benefits obligations

The employees' defined benefits obligations is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in consolidated statement of other comprehensive income in the period in which they occur. Remeasurements recognized in consolidated statement of other comprehensive income are reflected immediately in retained earnings and will not be reclassified to consolidated statement of profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Group presents the first two components of defined benefit costs in consolidated statement of profit or loss in relevant line items. Remeasurements are presented as part of consolidated statement of other comprehensive income.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits

Retirement benefits made to defined contribution plans are expensed when incurred.

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.9 Zakat

Zakat is calculated and provided for by the Group in accordance with Zakat, Tax and Customs Authority regulations and is charged to consolidated statement of profit or loss. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

5.10 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. When spare parts are expected to be used during more than one period, then they are accounted for as property, plant and equipment.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Group applies the following annual rates of depreciation to its property, plant and equipment:

<u>Category</u>	<u>Rate</u>
Buildings	5%
Plant and machinery	7% to 25%
Furniture, fixtures, office equipment, and computers	10% to 15%
Motor vehicles	20%

Land and capital work in progress is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in consolidated statement of profit or loss.

5.11 Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets acquired in a business combination is their fair value at the effective date of the business combination. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets, which comprises software and test certificates, are amortized over a period of five years and three years respectively. An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

5.12 Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continued use. These assets are measured at book value or fair value less costs to sell, whichever is lower. Impairment losses are recognized upon initial classification as held for sale in profit or loss. Once the intangible assets, property, plant and equipment are classified as held for sale, they are no longer amortized or depreciated.

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.13 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Goodwill and assets that have indefinite useful life, for example land, are tested annually for impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

5.14 Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

5.15 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of 90 days or less, which are subject to insignificant risk of changes in values.

5.16 Expenses

Cost of sales

Cost of sales represents all expenses directly attributable or incidental to the core production activities of the Group.

Selling, marketing and administrative expenses

Selling and marketing expenses are costs arising from the Group's efforts underlying marketing activities and function. All other expenses are classified as administrative expenses. Allocation of common expenses between cost of sales, selling and marketing and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

5.17 Current versus Non-current classification

The Group presents its assets and liabilities in the consolidated statement of financial position based on a current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or

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5. MATERIAL ACCOUNTING POLICIES (CONTINUED)

5.17 Current versus Non-current classification (continued)

- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current assets.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within 12 months after the reporting period; or
- When there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as non-current liabilities.

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6. PROPERTY, PLANT AND EQUIPMENT, NET

Cost	Land	Buildings	Plant and machinery	Furniture, fixtures, office equipment, and computers	Motor vehicles	Work in progress	Total
Balance as at January 1, 2023	8,460,313	134,103,595	357,616,880	18,324,606	6,382,313	6,543,733	531,431,440
Additions during the year	-	1,494,789	3,471,608	828,334	732,197	6,251,080	12,778,008
Transfers from work in progress	-	-	849,126	-	-	(849,126)	-
Disposals during the year	-	-	-	-	(721,500)	-	(721,500)
Balance as at December 31, 2023	8,460,313	135,598,384	361,937,614	19,152,940	6,393,010	11,945,687	543,487,948
<u>Accumulated Depreciation and Impairment</u>							
Balance as at January 1, 2023	-	87,469,050	287,895,464	16,950,526	5,770,225	2,064,251	400,149,516
Depreciation charged during the year	-	5,411,870	11,265,994	429,033	166,300	-	17,273,197
Impairment in value of property, plant, and equipment.	-	-	-	-	-	106,445	106,445
Disposals during the year	-	-	-	-	(676,478)	-	(676,478)
Balance as at December 31, 2023	-	92,880,920	299,161,458	17,379,559	5,260,047	2,170,696	416,852,680
<u>Net Book Value</u>							
As at January 1, 2023	8,460,313	46,634,545	69,721,416	1,374,080	612,088	4,479,482	131,281,924
As at December 31, 2023	8,460,313	42,717,464	62,776,156	1,773,381	1,132,963	9,774,991	126,635,268

During the year ended December 31, 2023, the group sold property and equipment, consisting of 5 vehicles, with a net book value of 45,022 Saudi riyals, for an amount of 69,781 Saudi riyals, resulting in a capital gain of 24,759 Saudi riyals.

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6. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

<u>Cost</u>	<u>Land</u>	<u>Buildings</u>	<u>Plant and machinery</u>	<u>Furniture, fixtures, office equipment, and computers</u>	<u>Motor vehicles</u>	<u>Work in progress</u>	<u>Total</u>
Balance as at January 1, 2022	8,460,313	133,596,489	354,573,397	17,635,257	6,940,408	7,659,665	528,865,529
Additions during the year	-	507,106	1,356,642	689,349	135,000	570,909	3,259,006
Transfers from work in progress	-	-	1,686,841	-	-	(1,686,841)	-
Disposals during the year	-	-	-	-	(693,095)	-	(693,095)
Balance as at December 31, 2022	8,460,313	134,103,595	357,616,880	18,324,606	6,382,313	6,543,733	531,431,440
<u>Accumulated Depreciation and Impairment</u>							
Balance as at January 1, 2022	-	82,085,458	276,750,883	16,566,090	6,363,272	2,192,276	383,957,979
Depreciation charged during the year	-	5,383,592	11,144,581	384,436	56,799	-	16,969,408
Reversal of impairment in value of property, plant, and equipment.	-	-	-	-	-	(128,025)	(128,025)
Disposals during the year	-	-	-	-	(649,846)	-	(649,846)
Balance as at December 31, 2022	-	87,469,050	287,895,464	16,950,526	5,770,225	2,064,251	400,149,516
<u>Net Book Value</u>							
As at January 1, 2022	8,460,313	51,511,031	77,822,514	1,069,167	577,136	5,467,389	144,907,550
As at December 31, 2022	8,460,313	46,634,545	69,721,416	1,374,080	612,088	4,479,482	131,281,924

During the year ended December 31, 2022, the group sold property and equipment, consisting of 8 cars, with a net book value of 43,249 Saudi riyals, for an amount of 93,000 Saudi riyals, resulting in a capital gain of 49,751 Saudi riyals.

Certain items of property, plant and equipment, except land, with a net book value of SAR 61 million (December 31, 2022: SAR 61 million) are mortgaged as collateral against loans (see note 15).

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6. PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

The allocation of depreciation expenses between cost of revenue and general and administrative expenses is as follows:

	December 31, 2023	December 31, 2022
Cost of revenue	16,844,154	16,612,683
General and administrative expenses	429,043	356,725
	<u>17,273,197</u>	<u>16,969,408</u>

7. INTANGIBLE ASSETS, NET

	Software	Test certificates	Total
Cost:			
Balance as at January 1, 2022	4,139,647	4,181,695	8,321,342
Additions during the year	204,914	342,767	547,681
Balance as at December 31, 2022	4,344,561	4,524,462	8,869,023
Additions during the year	-	483,180	483,180
Balance as at December 31, 2023	<u>4,344,561</u>	<u>5,007,642</u>	<u>9,352,203</u>
Accumulated Amortization:			
Balance as at January 1, 2022	1,649,310	3,056,398	4,705,708
Amortization charged for the year	60,065	755,645	815,710
Balance as at December 31, 2022	1,709,375	3,812,043	5,521,418
Amortization charged for the year	74,507	553,804	628,311
Balance as at December 31, 2023	<u>1,783,882</u>	<u>4,365,847</u>	<u>6,149,729</u>
Net Book Value:			
As at January 1, 2022	2,490,337	1,125,297	3,615,634
As at December 31, 2022	2,635,186	712,419	3,347,605
As at December 31, 2023	<u>2,560,679</u>	<u>641,795</u>	<u>3,202,474</u>

The amortization charge has been included in “General and administrative expenses” in the consolidated statement of profit or loss and other comprehensive income.

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8. LEASE CONTRACTS

8-1 RIGHT OF USE ASSETS, NET

Right of use assets represent leased lands which generally have lease terms between 20 to 25 years. The cost and related accumulated depreciation are presented below:

	<u>2023</u>	<u>2022</u>
Cost:		
Balance as at 1 January	10,189,842	10,098,284
Addition during the year	-	91,558
Balance as at 31 December	<u>10,189,842</u>	<u>10,189,842</u>
Accumulated Depreciation:		
Balance as at 1 January	2,688,312	1,993,150
Charged during the year	699,897	695,162
Balance as at 31 December	<u>3,388,209</u>	<u>2,688,312</u>
Net book value	<u>6,801,633</u>	<u>7,501,530</u>

8-2 LEASE LIABILITY

The movement in lease liabilities for the year is as follows:

	<u>2023</u>	<u>2022</u>
Balance as at 1 January	7,704,138	8,124,604
Additions during the year	-	91,558
Finance cost (Note 22)	500,648	535,049
Repayments of lease liability during the year	<u>(1,063,610)</u>	<u>(1,047,073)</u>
Balance at 31 December	<u>7,141,176</u>	<u>7,704,138</u>

Lease liabilities as at the year-end are detailed in the consolidated financial position as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Current portion	699,625	904,658
Non-current portion	<u>6,441,551</u>	<u>6,799,480</u>
	<u>7,141,176</u>	<u>7,704,138</u>

Rent expenses related to short-term leases and low-value assets amounted to SAR 1,311,288 during the year ended 31 December 2023 (31 December 2022: SAR 1,024,845).

The additions during the year 2022 represent the increase in the rental value of the land leased by the Company in Ras Al Khaimah.

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9. TRADE RECEIVABLE AND OTHER DEBIT BALANCES, NET

	<u>Note</u>	<u>December 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
Trade receivables	9-1	313,994,174	292,071,325
Retention receivables		97,034,804	89,094,531
Less: impairment in value of trade receivables	9-2	(15,971,374)	(17,848,233)
Less: impairment in value of retention receivables	9-4	(5,897,067)	(5,897,067)
Less: provision for late delivery to the clients	9-3	(6,984,087)	(5,784,087)
Net trade receivables		382,176,450	351,636,469
Advances to suppliers		13,069,491	9,456,216
Employee loans		1,385,769	1,650,863
Prepaid expenses		1,317,970	2,292,472
Margin deposits		1,221,304	355,523
Other receivables		459,969	3,436,257
		<u>399,630,953</u>	<u>368,827,800</u>

Trade receivables and other debit balances is classified in the consolidated statement of financial position as follows:

Current assets	386,104,833	339,723,900
Non-current assets	13,526,120	29,103,900
	<u>399,630,953</u>	<u>368,827,800</u>

9-1 Trade receivables:

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. 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.

The Group has no customer which comprises 10% of the total trade receivables balance (December 31, 2022: one customer which comprise 11%)

9-2 Movement in impairment in value of trade receivables is as follow:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	17,848,233	25,139,157
Charged/(reversal) for the year	2,400,000	(6,446,766)
Write off during the year	(4,276,859)	(844,158)
Balance at the end of the year	<u>15,971,374</u>	<u>17,848,233</u>

9-3 Movement in provision for late delivery to the clients is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	5,784,087	4,833,543
Charged for the year	1,200,000	1,200,000
Write off during the year	-	(249,456)
Balance at the end of the year	<u>6,984,087</u>	<u>5,784,087</u>

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9. TRADE RECEIVABLE AND OTHER DEBIT BALANCES, NET (CONTINUED)

9-4 Movement in impairment in value of retention receivables is as follows:

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	5,897,067	2,846,060
Charged for the year	-	3,051,007
Balance at the end of the year	<u>5,897,067</u>	<u>5,897,067</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The ageing of impaired trade receivables is as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
0 to 180 days	1,751,923	1,688,045
181 to 360 days	364,658	182,987
361 to 720 days	1,893,361	3,216,952
Over 720 days	11,961,432	12,760,249
	<u>15,971,374</u>	<u>17,848,233</u>

Trade receivables amounting SAR 313,994,174 as at December 31, 2023 (SAR 292,071,325 as at December 31, 2022) includes an amount of SAR 57 million as at December 31, 2023 (SAR 58 million as at December 31, 2022) representing amounts remaining from trade receivables that exceeded its due date at the end of the balance sheet date and no expected credit losses was taken against as per the Group's policy. Some of these balances for the Group are secured by Letters of Credit issued by the customer's bank, and customer agreements for rescheduling the receivables.

The ageing of trade receivables which no impairment provision was taking against are as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
0 to 180 days	291,460,086	264,316,921
181 to 360 days	3,465,635	6,285,474
361 to 720 days	2,850,984	3,173,620
Over 720 days	246,095	447,077
	<u>298,022,800</u>	<u>274,223,092</u>

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10. INVENTORIES, NET

	December 31, 2023	December 31, 2022
Finished goods	99,848,553	84,162,266
Raw and packing materials	64,544,383	79,578,091
Work in process	44,873,619	43,031,829
Spare parts	8,823,084	7,729,717
Goods in transit	1,363,274	353,225
	219,452,913	214,855,128
Less: impairment in value of inventory	(12,059,500)	(9,163,981)
	207,393,413	205,691,147

Movement in the impairment in value of inventory:

	2023	2022
Balance at the beginning of the year	9,163,981	14,557,213
Charge for the year	2,895,519	1,603,214
Write off during the year	-	(6,996,446)
Balance at the end of the year	12,059,500	9,163,981

During the year 2023 the Board of Directors decided to write off an amount of SAR nil related to the non-sellable stock of finished goods and the unusable stock of raw materials (2022: 6,996,446).

11. ASSETS HELD FOR SALE

During 2020, the Company started to implement the procedures for entering into an agreement to sell a group of its owned properties in Jordan and these properties were transferred to assets held for sale after it was classified as property, plant, and equipment. As at December 31, 2023, assets held for sale were presented at fair value less costs to sell amounting to SAR 6,487,811 (December 31, 2022: 6,487,811).

12. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022
Cash on hand	240,687	141,085
Cash at banks	20,738,021	43,354,637
	20,978,708	43,495,722

13. SHARE CAPITAL

	December 31, 2023	December 31, 2022
40 million ordinary shares (December 31, 2022: 40 million ordinary shares) of SAR 10 each	400,000,000	400,000,000

14. STATUTORY RESERVE

In accordance with by-laws of the Company and Companies Law, the Parent Company transfers 10% of its net income for the year to the statutory reserve. The Company may resolve to discontinue such transfers when the reserve totals 30% of the share capital, this reserve is not available for distribution.

The Group didn't transfer any amount to the statutory reserve for the current year as it has accumulated loss as at December 31, 2023.

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15. LOANS

15-1 Long-term loans

	December 31, 2023	December 31,2022
Total loans	-	37,635,519
Less: current portion included in current liabilities	-	(37,635,519)
	<u>-</u>	<u>-</u>

The movement of long term loans is as follows:

	2023	2022
Balance at the beginning of the year	37,635,519	75,271,039
Proceeds during the year	-	-
Paid during the year	(37,635,519)	(37,635,520)
Balance at the end of the year	<u>-</u>	<u>37,635,519</u>

The loans bear interest at prevailing market rates being SIBOR plus a margin as stipulated in the various loan agreements and are secured by promissory notes, corporate guarantees and certain items of property, plant and equipment.

15-2 Short-term loans

	December 31, 2023	December 31, 2022
Murabaha loan	8,966,904	48,000,000
Bank Borrowing	-	13,200,875
	<u>8,966,904</u>	<u>61,200,875</u>

The movement of short term loans is as follows:

	2023	2022
Balance at the beginning of the year	61,200,875	-
Proceeds during the year	144,790,165	114,627,738
Paid during the year	(197,024,136)	(53,426,863)
Balance at the end of the year	<u>8,966,904</u>	<u>61,200,875</u>

Murabaha and bank borrowing bear interest at prevailing market rates being SIBOR or EIBOR plus a margin as stipulated in the various loan agreements and are secured by promissory notes, corporate guarantees and certain items of property, plant, and equipment.

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16. EMPLOYEES' DEFINED BENEFITS OBLIGATIONS

	<u>2023</u>	<u>2022</u>
Balance at the beginning of the year	22,071,404	21,748,326
Current service cost	2,833,641	2,603,002
Interest cost (Note 22)	796,000	409,000
Paid during the year	(2,737,969)	(973,924)
Actuarial gain from remeasurement of employees' defined benefits obligations	(404,000)	(1,715,000)
Balance at the end of the year	<u>22,559,076</u>	<u>22,071,404</u>

The most recent actuarial valuation was performed by a qualified actuary and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Rate of salary increases	3.0 %	3.0 %
Discount rate	<u>4.9 %</u>	<u>4.65 %</u>

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial gain which is recognized in other comprehensive income.

Sensitivity analyses

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Increase in discount rate of 1%	(1,796,250)	(1,241,250)
Decrease in discount rate of 1%	2,085,000	1,391,250
Increase in rate of salary increase of 1%	2,103,750	1,402,500
Decrease in rate of salary increase of 1%	<u>(1,845,000)</u>	<u>(1,271,250)</u>

17. TRADE PAYABLE AND OTHER CREDIT BALANCES

	<u>December 31, 2023</u>	<u>December 31, 2022</u>
Trade payables	209,067,093	197,403,239
Accrued expenses	35,828,629	27,871,770
Advances from customers	23,089,302	12,498,055
VAT payables	5,681,622	5,852,933
Directors remuneration payable	4,453,742	2,552,511
Dividends Payable	41,187	41,187
Other payables	14,900,413	5,575,354
	<u>293,061,988</u>	<u>251,795,049</u>

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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18. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, senior management personnel of the group, managers and entities under joint control or control, or over which a significant influence is exercised by these entities. During the year, the Group entered into the following trading transactions with related parties:

	Relationship	Nature of the transactions	December 31, 2023	December 31, 2022
Middle East Fiber Cables	Affiliate	Sales of goods	276,124	948,315
		Purchases	1,626,577	5,142,813
MESC for Medium and High Voltage Cables Company	Associate	Provision provided	1,445,269	-
Contractors Services Co.	Affiliate	Sales of goods	717,313	472,880

The following balances were outstanding with related parties at the reporting date:

	December 31, 2023	December 31, 2022
Due from a related party:		
MESC for Medium and High Voltage Cables Company	24,830,279	24,830,279
Impairment in value of due from a related party	(24,830,279)	(23,385,010)
	-	1,445,269
Due to related parties:		
Middle East Fiber Cables	325,721	344,995
Middle East Specialized Cables Company- Jordan (MESC Jordan)	11,872,237	11,872,237
	12,197,958	12,217,232

Movement in the impairment in value of due from related parties is as follows:

	2023	2022
Balance at the beginning of the year	23,385,010	23,385,010
Charged for the year (Note 21)	1,445,269	-
Balance at the end of the year	24,830,279	23,385,010

Related parties also include key management personnel of the Group comprised of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Group. During the year, the compensation of key management personnel amounted to SAR 8,027,771 (31 December 2022: SAR 4,513,607).

19. PROVISION FOR ZAKAT

The movement in Zakat provision is as follows:

	2023	2022
Balance at the beginning of the year	47,158,565	27,234,952
Charged for the year	10,150,179	9,837,974
Additional provision for previous years	6,445,702	21,041,576
Paid during the year	(14,186,427)	(10,955,937)
Balance at the end of the year	49,568,019	47,158,565

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19. PROVISION FOR ZAKAT (CONTINUED)

Zakat provision as at the year-end are detailed in the consolidated financial position as follows:

	December 31, 2023	December 31, 2022
Current portion	28,126,321	47,158,565
Non-current portion	21,441,698	-
	49,568,019	47,158,565

The significant components of the zakat base is as follows:

	December 31, 2023	December 31, 2022
Equity – opening balance	325,967,822	338,357,062
Opening provisions and other adjustments	93,375,249	138,156,379
Book value of non-current assets	(98,507,908)	(119,516,125)
	320,835,163	356,997,316
Adjusted net income	75,202,553	25,428,499
Zakat base	396,037,716	382,425,815

Zakat is due at 2.5% of adjusted net income and 2.57768% of the zakat base less the adjusted net income. The Company has received its final assessment for the years up to December 31, 2007 and received unrestricted Zakat certificate. The Company has filed its zakat declaration for the years from December 31, 2008 and up to December 31, 2022 and obtained Zakat certificate for 2022.

During the year 2020, Zakat assessments have been received from the Zakat, Tax and Custom Authority “ZATCA” for the years from 2014 to 2018 with additional zakat liability of SAR 54,652,366. The Company filed an objection against ZATCA assessment for those years.

During the year 2023, a resolution was issued by the First Appeal committee for Income Tax Violations and Disputes regarding the Zakat for the years from 2015 to 2018. As a result of that, the final assessment has been received amounted SAR 37.3 million to be paid on monthly installments over 3 years from October 2023 to August 2026.

During the year 2021, Zakat assessments have been received from the ZATCA for the years from 2019 to 2020 with additional zakat liability of SAR 2,413,009. The company filed an objection against ZATCA assessment for those years. which resulted of cancelling ZATCA assessment.

The management determined the expected zakat provision for the year 2014, with the help of its zakat advisor, who suggested, based on his professional opinion, the formation of an additional provision of SAR 6.4 million.

No provision has been made for income taxation, as the Group did not earn any income, which was subject to income taxation.

20. SELLING AND MARKETING EXPENSES

	December 31, 2023	December 31, 2022
Salaries and related costs	11,414,696	9,815,545
Sales commission	7,181,099	5,829,637
Freight	3,708,667	3,209,161
Promotion, exhibition, and advertising	1,777,046	1,485,373
Lease charges	392,011	201,957
Travel	360,909	395,460
Others	454,728	530,240
	25,289,156	21,467,373

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21. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2023	December 31, 2022
Salaries and related costs	21,363,439	17,793,893
Bank Charges	8,885,551	4,831,325
Software Subscription	7,290,934	1,013,193
Consultancy and professional fees	2,919,808	1,613,734
Impairment in value of due from related parties (note 18)	1,445,269	-
Travel	649,213	681,389
Amortization of intangible assets (note 7)	628,311	815,710
Depreciation (note 6)	429,043	356,725
Repairs and maintenance	364,907	407,304
Lease charges	337,011	272,970
Impairment in value of assets held for sale	-	281,499
Others	1,705,348	1,905,374
	46,018,834	29,973,116

22. FINANCE COST

	December 31, 2023	December 31, 2022
Finance cost on short term and long-term loans	3,866,015	3,004,910
Interest cost for employees defined benefit obligations (Note16)	796,000	409,000
Finance Charges - Material Purchase	6,845,345	2,999,245
Finance cost on lease liability (Note 8/2)	500,648	535,049
	12,008,008	6,948,204

No finance charges were capitalized during the year.

23. EARNING (LOSS) PER SHARE

The calculation of basic/diluted earnings (loss) per share is based on the profit (loss) attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding. Earnings per share as at December 31, 2023 has been calculated on the basis of the weighted average number of shares outstanding during the year amounting to 40,000,000 shares (December 31, 2022: 40,000,000 shares). There are no potential dilutive ordinary shares. The diluted earnings per share is the same as the basic earnings per share since the Group has neither convertible securities nor discounting financial instruments to exercise.

	December 31, 2023	December 31, 2022
Profit from operations	77,134,906	25,699,068
Net profit (loss) for the year	48,935,113	(11,788,217)
Weighted average number of shares	40,000,000	40,000,000
Basic and diluted earnings per share from profit from operations	1.93	0.64
Basic and diluted earnings (loss) per share from net profit (loss) for the year	1.22	(0.29)

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24. COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of SAR 9.1 million (December 31, 2022: SAR 6.7 million) and contingencies in the form of letters of credit and guarantees of SAR 63 million (December 31, 2022: SAR 89 million) at the reporting date.

25. 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:

- Saudi Arabia
- United Arab Emirates

Segment revenues and results

	<u>2023</u>		<u>2022</u>	
	<u>Revenue</u>	<u>Profit before zakat</u>	<u>Revenue</u>	<u>Profit / (loss) before zakat</u>
Revenue and profit before zakat by segment				
Saudi Arabia	617,452,109	58,283,812	557,393,780	21,760,698
United Arab Emirates	376,941,703	7,725,162	312,611,651	(2,206,042)
Intersegment elimination	(67,511,325)	(477,980)	(55,610,084)	(463,323)
	<u>926,882,487</u>	<u>65,530,994</u>	<u>814,395,347</u>	<u>19,091,333</u>
Segment total assets and total liabilities		Total		Total
	Total Assets	Liabilities	Total Assets	Liabilities
Saudi Arabia	647,475,334	269,832,210	654,337,410	326,008,220
United Arab Emirates	254,944,468	199,604,532	228,168,017	180,553,245
Intersegment elimination	(131,289,542)	(75,941,621)	(114,426,619)	(66,778,683)
	<u>771,130,260</u>	<u>393,495,121</u>	<u>768,078,808</u>	<u>439,782,782</u>

Segment revenues reported represent revenue generated from both external customers and related parties. All segments sell similar product ranges.

There is no customer who contributed more than 10% of the Group's total revenue.

Revenue is recognized in the Consolidated Statement of Profit or Loss when a performance obligation is satisfied, at the price allocated to that performance obligation. This is defined as the point in time when control of the products has been transferred to the customer, the amount of revenue can be measured reliably, and collection is probable. The transfer of control to customers takes place according to trade agreement terms. Revenue represents the fair value of the consideration received or receivable for goods sold, net of returns, trade discounts and volume rebates.

26. FINANCIAL INSTRUMENTS

Capital management

The Group manages its capital to ensure it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of equity and debt comprising issued capital, the statutory reserve, accumulated losses and loans.

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26. FINANCIAL INSTRUMENTS (CONTINUED)

Categories of financial instruments

	December 31, 2023	December 31, 2022
Financial assets		
Cash and cash equivalent	20,978,708	43,495,722
Total trade receivable and other debit balances	399,630,953	368,827,800
Due from a related party	-	1,445,269
Less: advances to suppliers	(13,069,491)	(9,456,216)
Less: prepaid expenses	(1,317,970)	(2,292,472)
	406,222,200	402,020,103
Financial liabilities		
Current portion of long-term loans	-	37,635,519
Short-term loans	8,966,904	61,200,875
Trade payable and other credit balances	293,061,988	251,795,049
Due to related parties	12,197,958	12,217,232
Less: Dividends Payable	(41,187)	(41,187)
Less: advances from customers	(23,089,302)	(12,498,055)
	291,096,361	350,309,433

Market risk

The Group was exposed to market risk, in the form of interest rate risk as described below, during the period under review. There were no changes in these circumstances from the previous year.

Foreign currency risk management

The Group's significant transactions are in Saudi Riyals and United States Dollars which are pegged against the Saudi Riyal at a fixed exchange rate. Management monitors fluctuations in foreign exchange rates and manages their effect on the consolidated financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Interest rate and liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The Group does not hedge its exposure to movements in interest rates.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

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26. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate sensitivity analysis (Continued)

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's net profit for the year would have decreased or increased by SAR 44,835 (December 31, 2022: SAR 494,182). The Group's exposure to interest rates has decreased during the year as a result of a decrease in interest-bearing borrowings.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

As at December 31, 2023	<u>Within one year</u>	<u>One year to five years</u>	<u>Over five years</u>	<u>Total</u>
Long-term loans	-	-	-	-
Short-term loans	9,088,438	-	-	9,088,438
Trade payable	293,061,988	-	-	293,061,988
Due to related parties	12,197,958	-	-	12,197,958
Total	<u>314,348,384</u>	<u>-</u>	<u>-</u>	<u>314,348,384</u>
As at December 31, 2022	<u>Within one year</u>	<u>One year to five years</u>	<u>Over five years</u>	<u>Total</u>
Long-term loans	39,801,451	-	-	39,801,451
Short-term loans	61,450,371	-	-	61,450,371
Trade payable	251,795,049	-	-	251,795,049
Due to related parties	12,217,232	-	-	12,217,232
Total	<u>365,264,103</u>	<u>-</u>	<u>-</u>	<u>365,264,103</u>

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and short-term cash investments. Details of how credit risk relating to trade receivables is managed is disclosed in note 9. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating.

Fair value of financial instruments

The directors consider that the carrying values of the financial instruments reported in the statement of financial position approximates their fair values.

27. RETIREMENT BENEFIT INFORMATION

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance (GOSI) in respect of its Saudi Arabian employees. The total amount expensed during the year in respect of this plan was SAR 1,607,310 (December 31, 2022: SAR 1,492,233).

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28. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the year-end that require disclosure or adjustment in these Consolidated Financial Statements.

29. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved on 25 Shaban 1445H (Corresponding to 06 March 2024).