

Riyadh Cables Group Company
(A Saudi Joint Stock Company)
Consolidated Financial Statements
For the year ended 31 December 2023
Together With Independent Auditor's Report

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated financial statements and independent auditor's report
As at 31 December 2023
(All amounts are expressed in Saudi Riyals unless otherwise stated)

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KPMG Professional Services

Roshn Front, Airport Road
P.O. Box 92876
Riyadh 11663
Kingdom of Saudi Arabia
Commercial Registration No 1010425494

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

واجهة روشن، طريق المطار
صندوق بريد ٩٢٨٧٦
الرياض ١١٦٦٣
المملكة العربية السعودية
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

Independent Auditor's Report

To the Shareholders of Riyadh Cables Group Company

Opinion

We have audited the consolidated financial statements of **Riyadh Cables Group Company** a Saudi Joint stock Company, (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising 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 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting 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 ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. 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 International Code of Ethics for Professional Accountants (including the International Independence Standards) (the "Code") that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code of Conduct. 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 year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Independent Auditor's Report (continued)

To the Shareholders of Riyadh Cables Group Company

Key audit matters

Revenue recognition

Note (33) to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The Group applies IFRS 15 'Revenue from contracts with customers'.</p> <p>The Group recognized revenue amounting to SR 7.8 billion for the year ended 31 December 2023.</p> <p>Most revenues from the sale of goods are recognized when the control over the product is transferred to the customer upon actual delivery. Contract revenue is recognized over time using percentage of completion, which is measured based on comparing the actual cost incurred to date to estimated total cost of each contract.</p> <p>Revenue is considered one of the significant indicators for measuring the performance of the Group, resulting in inherent risks through the possibility of recognizing revenue at more than its actual value.</p> <p>Revenue recognition was considered as a key audit matter due to the materiality of the revenue amount and the risks inherent to the overstatement of the revenue amount, which may have a material impact on the Group's consolidated financial statements.</p>	<p>Among other things, we performed the following procedures:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the Group's accounting policies relating to revenue recognition, including those relating to discounts and incentives, and assessed the compliance with the applicable accounting standards. • Assessed the design and implementation and tested the operational effectiveness of internal control related to revenue recognition. • Inquired from the management representatives regarding fraud awareness and the existence of any actual fraud cases. • Assessed the management's estimates related to effect of using judgments and assumptions to the revenue recognition and revenue due for the year. • Performed analytical procedures, including margin analysis for sales compared with the prior year, and obtained explanations to any significant changes. • Tested the reliability and integrity of customers' master data and sales with the data provided to us. • Tested a sample of journal entries relating to revenue accounts and vouched them to the underlying supporting documents. • Performed procedures on the timing of revenue recognition from sales after the products were delivered to the customers and recorded during the correct accounting period. • Evaluated the adequacy of disclosures presented by the management in the consolidated financial statements.



Independent Auditor's Report (continued)

To the Shareholders of Riyadh Cables Group Company

Key audit matters (continued)

Impairment of trade receivables

Note (16) to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2023, the gross trade receivables amounted to SR 1.3 billion, against which a provision for impairment of SR 88.4 million was being maintained.</p> <p>In accordance with the requirements of IFRS 9 'Financial Instruments', the Group has applied the expected credit loss model to account for the impairment of trade receivables.</p> <p>The application of the expected credit loss model to account for the impairment of trade receivables was considered a key audit matter, as the determination of the impairment of trade receivables using the expected credit loss model includes significant judgments and estimates that might have a material impact on the consolidated financial statements of the Group.</p>	<p>Among other things, we performed the following procedures:</p> <ul style="list-style-type: none">• Evaluated the design and implementation and tested the operational effectiveness of the internal controls related to trade receivables, which also includes the account for impairment losses of trade receivables.• Assessed the methodology, assumptions, and estimates used by management in preparing the expected credit loss model, including the assessment of future projections.• Assessed the completeness and accuracy of the aging report of trade receivables.• Involved our specialists to test the key assumptions used by management and assess the reasonableness of the estimates used to determine impairment losses against trade receivables.• Sent confirmations for a sample of trade receivables and checked a sample of the subsequent period collections up to the date of approval of the consolidated financial statements.• Evaluated the adequacy of disclosures presented by the management in the consolidated financial statements



Independent auditor's report (continued)

To the Shareholders of Riyadh Cables Group Company

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, when made 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 IFRS Accounting Standards as issued by the International Accounting Standards Board 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"), the applicable requirements of the Regulations for Companies, Group'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, Board of Directors, are responsible for overseeing the Group's financial reporting process.

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

Our 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 International Standards on Auditing ("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 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 International Standards on Auditing 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.



Independent auditor's report (continued)

To the Shareholders of Riyadh Cables Group Company

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

- 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, then we are required to draw attention in our auditor's report to the related disclosures in the consolidated 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 financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our 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 of Riyadh Cables Group Company and its subsidiaries.

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.

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 period 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.

KPMG Professional Services



Fahad Mubark Al Dossari
License No. 469



Riyadh, 3 Ramadan 1445H
Corresponding to: 13 March 2024

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated financial statements and independent auditor's report
As at 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

<u>ASSETS</u>	Note	<u>2023</u>	<u>2022</u>
Property, plant and equipment, net	9	1,206,659,875	1,119,706,524
Intangible assets, net	10	62,766,995	67,979,431
Investments at fair value through other comprehensive income	11	17,293,564	23,503,554
Investment in a joint venture	12	30,602,500	30,602,500
Right of use assets	13	8,156,317	9,482,493
Investment properties	14	11,510,986	36,058,713
Deferred tax asset	31	5,052,658	3,701,046
Non-current assets		1,342,042,895	1,291,034,261
Inventory	15	1,909,111,440	1,795,741,342
Trade Receivables	16	1,305,105,319	1,300,528,102
Contract assets	17	25,208,489	9,509,543
Advances and other current assets	18	88,607,035	117,076,611
Derivative financial instruments	26	10,802,262	2,873,118
Cash and cash equivalents	19	150,051,628	107,119,942
Current assets		3,488,886,173	3,332,848,658
Total assets		4,830,929,068	4,623,882,919
Equity			
Share capital	20	1,500,000,000	1,500,000,000
Statutory reserve	21	288,326,294	288,326,294
Treasury shares	29	(21,097,836)	-
Retained earnings		448,228,187	305,811,568
Other reserves		31,287,696	26,551,788
Equity attributable to the shareholders of the Company		2,246,744,341	2,120,689,650
Non-controlling interests		(545,883)	(146,950)
Total equity		2,246,198,458	2,120,542,700
Employees' benefits obligations	23	117,297,199	106,574,034
Lease liabilities	13	7,392,489	8,593,331
Deferred tax liability	31	9,898,969	7,573,729
Non-current liabilities		134,588,657	122,741,094
Islamic finance facilities	24	722,123,178	1,468,005,000
Accrued expenses and other liabilities	25	266,518,283	230,268,154
Trade payables	27	1,195,410,422	544,546,547
Derivative financial instruments	26	894,858	9,388,071
Provisions	28	197,175,347	61,582,355
Contract liabilities	17	24,977,269	32,361,162
Provision for Zakat and income tax	32	41,946,426	33,337,757
Lease liabilities	13	1,096,170	1,110,079
Current liabilities		2,450,141,953	2,380,599,125
Total liabilities		2,584,730,610	2,503,340,219
Total equity and liabilities		4,830,929,068	4,623,882,919


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 through 47 form an integral part of these consolidated financial statements.

RIYADH CABLES GROUP COMPANY

(A Saudi Joint Stock Company)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	<u>2023</u>	<u>2022</u>
Revenue	33	7,825,378,127	6,852,306,557
Cost of revenue	34	<u>(6,852,614,689)</u>	<u>(6,205,205,384)</u>
Gross profit		972,763,438	647,101,173
Selling and distribution expenses	35	(111,938,018)	(102,779,469)
General and administrative expenses	36	(135,284,304)	(100,165,790)
Impairment loss on trade receivables, net	16	(42,914,189)	3,123,727
Impairment loss on investment properties	14	(25,639,877)	-
Other income	37	12,565,500	28,231,049
Other expenses	38	(7,632,935)	<u>(17,767,661)</u>
Operating profit		661,919,615	457,743,029
Finance costs	39	(103,327,167)	<u>(72,798,933)</u>
Profit before Zakat and income tax		558,592,448	384,944,096
Zakat and income tax	32	(39,126,206)	(29,208,266)
Deferred tax	31	(973,619)	<u>(3,872,683)</u>
Profit for the year		518,492,623	351,863,147
Profit attributable to:			
Shareholders of the Company		518,769,603	352,319,866
Non-controlling interests		(276,980)	(456,719)
Profit for the year		518,492,623	351,863,147
Earnings per share			
Basic and diluted earnings per share	41	3.46	2.35



Chief Financial Officer



Chief Executive Officer

The accompanying notes 1 through 47 form an integral part of these consolidated financial statements.

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated Statement of Other Comprehensive Income
For the year ended 31 December 2023
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	<u>2023</u>	<u>2022</u>
Profit for the year		<u>518,492,623</u>	<u>351,863,147</u>
Other comprehensive income			
<u>Items that may be reclassified to profit or loss</u>			
Foreign currency translation reserve		(49,593)	499,386
Cash flow hedge effective portion of changes in fair value	26	2,995,491	(14,608,108)
<u>Items that will not be reclassified to profit or loss</u>			
Investments at fair value through other comprehensive income, net		(6,209,990)	(23,120,503)
Re-measurement of post-employment benefit obligations	23	(1,382,984)	5,965,429
Other comprehensive income for the year		<u>(4,647,076)</u>	<u>(31,263,796)</u>
Total comprehensive income		<u>513,845,547</u>	<u>320,599,351</u>
Total comprehensive income attributable to:			
Shareholders of the Company		514,122,527	321,056,070
Non-controlling interests		(276,980)	(456,719)
Total comprehensive income for the year		<u>513,845,547</u>	<u>320,599,351</u>

Chief Financial Officer

Chief Executive Officer

The accompanying notes 1 through 47 form an integral part of these consolidated financial statements.

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated statement of changes in equity
For the year ended 31 December 2023
(All amounts are expressed in Saudi Riyals unless otherwise stated)

Note	Equity attributable to the shareholders of the Company											Non-controlling interests	Total equity	
	Share capital	Statutory reserve	Retained earnings	Treasury shares	Acquisition reserve of a subsidiary	Cash flow hedge reserve	Reserve for revaluation of investments at fair value through other comprehensive income	Employee share plan reserve	Foreign operations translation reserve	Total other reserves	Total			
For the year ended 31 December 2022														
Balance at 1 January 2022	1,500,000,000	253,094,307	218,319,418		22,725,173	-	42,758,745	-	(1,264,063)	64,219,855	2,035,633,580	433,204	2,036,066,784	
Profit for the year	-	-	352,319,866	-	-	-	-	-	-	-	352,319,866	(456,719)	351,863,147	
Other comprehensive income for the year	-	-	5,965,429	-	-	(14,608,108)	(23,120,503)	-	499,386	(37,229,225)	(31,263,796)	-	(31,263,796)	
Total comprehensive income for the year	-	-	358,285,295	-	-	(14,608,108)	(23,120,503)	-	499,386	(37,229,225)	321,056,070	(456,719)	320,599,351	
Transferred from reserve for revaluation of investments at fair value through other comprehensive income to retained earnings	-	-	438,842	-	-	-	(438,842)	-	-	(438,842)	-	-	-	
Transferred to statutory reserve	-	35,231,987	(35,231,987)	-	-	-	-	-	-	-	-	-	-	
Dividends	-	-	(236,000,000)	-	-	-	-	-	-	-	(236,000,000)	(123,435)	(236,123,435)	
Balance at 31 December 2022	1,500,000,000	288,326,294	305,811,568	-	22,725,173	(14,608,108)	19,199,400	-	(764,677)	26,551,788	2,120,689,650	(146,950)	2,120,542,700	
For the year ended 31 December 2023														
Balance at 1 January 2023	1,500,000,000	288,326,294	305,811,568	-	22,725,173	(14,608,108)	19,199,400	-	(764,677)	26,551,788	2,120,689,650	(146,950)	2,120,542,700	
Profit for the year	-	-	518,769,603	-	-	-	-	-	-	-	518,769,603	(276,980)	518,492,623	
Other comprehensive income for the year	-	-	(1,382,984)	-	-	2,995,491	(6,209,990)	-	(49,593)	(3,264,092)	(4,647,076)	-	(4,647,076)	
Total comprehensive income for the year	-	-	517,386,619	-	-	2,995,491	(6,209,990)	-	(49,593)	(3,264,092)	514,122,527	(276,980)	513,845,547	
Treasury shares	29	-	-	(21,097,836)	-	-	-	-	-	-	(21,097,836)	-	(21,097,836)	
Share-based payment	30	-	-	-	-	-	-	8,000,000	-	8,000,000	8,000,000	-	8,000,000	
Dividends	22	-	-	(374,970,000)	-	-	-	-	-	-	(374,970,000)	(121,953)	(375,091,953)	
Balance at 31 December 2023	1,500,000,000	288,326,294	448,228,187	(21,097,836)	22,725,173	(11,612,617)	12,989,410	8,000,000	(814,270)	31,287,696	2,246,744,341	(545,883)	2,246,198,458	


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 through 47 form an integral part of these consolidated financial statements.

RIYADH CABLES GROUP COMPANY

(A Saudi Joint Stock Company)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

	Note	2023	2022
Operating activities:			
Profit for the year before Zakat and income tax		558,592,448	384,944,096
Adjustments for:			
Depreciation of property, plant and equipment	9	59,528,486	57,235,033
Amortization of intangible assets	10	5,573,460	5,081,196
Depreciation of investment properties	14	-	240,956
Depreciation of Right-of-use of assets	13	1,326,176	1,359,616
Interest on lease liabilities	13	311,987	361,793
Adjustments of inventory expected net realizable value	15	18,228,139	416,910
Provision for Impairment loss on trade receivables, net	16	42,914,189	(3,123,727)
Provisions	28	135,592,992	(20,930,273)
Post-employment benefits	23	16,590,012	13,397,463
Impairment losses on investment properties	14	25,639,877	-
Losses on evaluation of financial derivatives		(13,426,866)	(8,093,155)
Losses on disposal of property, plant and equipment	38	7,632,935	1,977,326
Share-based payment expenses	30	8,000,000	-
Gains on disposal of investment properties		-	(17,331,330)
Gains on disposal of investments at fair value through comprehensive income		-	(3,274,019)
Finance costs	39	98,402,450	69,526,557
Changes in:			
Inventory		(131,598,237)	(210,609,666)
Trade receivables		(47,491,406)	(370,392,120)
Contract assets		(15,698,946)	2,237,148
Contract liabilities		(7,383,893)	32,361,162
Advances and other current assets		28,408,050	(57,475,253)
Accrued expenses and other liabilities		36,250,129	86,732,799
Trade payables		650,863,875	323,514,604
Net finance costs paid		(98,402,450)	(69,526,557)
Post-employment benefits paid	23	(7,249,550)	(8,268,714)
Zakat and income tax paid	32	(30,517,537)	(25,560,749)
Net cash generated from operating activities		1,342,086,320	184,801,096
Investing activities			
Payments for the purchase of property, plant and equipment	9	(154,663,672)	(45,291,326)
Payments to purchase investment properties		(1,092,150)	(793,638)
Proceeds from sale of property, plant and equipment		199,537	-
Proceeds from sale of investment properties		-	38,760,000
Payments for investment in a joint venture		-	(30,602,500)
Payments for the purchase of intangible assets	10	-	(5,821,910)
Payments for the purchase of investments at FVOCI		-	(3,116,973)
Proceeds from sale of investments at FVOCI		-	9,691,459
Net cash used in investing activities		(155,556,285)	(37,174,888)
Financing activities			
Repayment of Islamic financing facilities during the year	24	(3,651,796,359)	(4,105,695,000)
Proceeds from Islamic financing facilities during the year	24	2,905,914,537	4,249,525,000
Lease liabilities		(1,526,738)	(1,621,363)
Payments for purchase of treasury shares	29	(21,097,836)	-
Dividends paid		(375,091,953)	(233,404,661)
Cash used in financing activities		(1,143,598,349)	(91,196,024)
Net change in cash and cash equivalents during the year		42,931,686	56,430,184
Cash and cash equivalents at the beginning of the year	19	107,119,942	50,356,201
Effect of exchange rate change on cash and cash equivalents		-	333,557
Cash and cash equivalents at the end of the year	19	150,051,628	107,119,942
Non-cash transactions			
Investments at fair value through other comprehensive income – net change in fair value		(6,209,990)	(23,559,345)
Re-measurements of post-employment benefit obligations	23	(1,382,984)	5,965,429
Statutory reserve		-	35,231,987
Unpaid dividends		-	(2,718,774)
Changes in the fair value of the hedging instruments recognized in OCI		2,995,491	(14,608,108)
Transferred from property, plant and equipment to investment properties		-	21,282,451
Transferred from property, plant and equipment to intangible assets	10	(361,024)	-
Investment properties against settling balance of a customer	16	-	(35,652,250)


Chief Financial Officer


Chief Executive Officer

The accompanying notes 1 through 47 form an integral part of these consolidated financial statements.

RIYADH CABLES GROUP COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements

For the year ended 31 December 2023

(All amounts are expressed in Saudi Riyals unless otherwise stated)

1- REPORTING ENTITY

Riyadh Cables Group Company (“the Company”) was formed as a Saudi Joint Stock Company in accordance with the Regulations for Companies in the Kingdom of Saudi Arabia (“KSA”). The Company operates under Commercial Registration No. 1010052927 issued on 24 Jumada’ II 1435H (corresponding to 24 April 2014). The Company operates under Industrial License No. 396/R dated 12 Jumada’ II 1416H (corresponding to 25 November 1995) amended by Industrial License No. 36/R dated 5 Muharram 1418H (corresponding to 12 May 1997) amended by Industrial License No. 2572 dated 16 Rajab 1434H (corresponding to 26 May 2013). The Company’s registered office is located at Second Industrial Area, P.O. Box 26862 Riyadh 11496, Kingdom of Saudi Arabia.

The principal activities of the Group include the production of isolated and non-isolated cables made from copper as well as aluminum.

On 17 October 2022, the Capital Market Authority (“CMA”) announced the approval of the request of the Riyadh Cables Group Company to register its shares and offer 33 million shares for public subscription in the main market. On 22 November 2022, the shares to be offered represent 22% of the Company’s total shares amounting to 150 million shares.

The Company was listed in Tadawul on 19 December 2022.

The consolidated financial statements include the financial statements of the Company and its subsidiaries listed below (collectively referred to as the “Group”).

Subsidiary	Legal form	Country of Incorporation	Ownership interest held by the Group (directly or indirectly)	
			2023	2022
1-Saudi Modern Company for Metals, Cables and Plastic Industry and its subsidiaries listed below:	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
1.1 Qatar Cables Company LLC	Limited Liability Company	Qatar	50%	50%
1.2 Arabian Gulf Company for Electrical Cables LLC	Limited Liability Company	Kuwait	49%	49%
1.3 Gulf Company Electrical Works	Limited Liability Company	Oman	100%	100%
1.4 Egyptian Riyadh Cable Company for Electrical Works	Joint Stock Company (E.S.C)	Egypt	49%	49%
2-Saudi Modern Company For Specialized Wires And Cables Industry	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
3-Saudi Modern Company for Telephone Cables Industry	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
4-Riyadh Cables Company and its subsidiaries listed below:	A Closed Joint Stock Company	Kingdom of Saudi Arabia	100%	100%
4.1 National Cables Industry Company	A single shareholder limited liability company	UAE	100%	100%
4.2 Alrowad Company for Production of Electrical Cables Limited (*)	A single shareholder limited liability company	Iraq	100%	100%
4.3 Iraqi National Company for Cables Industry	A Limited Liability Company	Iraq	100%	100%
5-Saudi Modern Company for Cables Limited	Limited Liability Company	Kingdom of Saudi Arabia	100%	100%

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1- REPORTING ENTITY (CONTINUED)

Information About Subsidiaries:

***Alrowad Company for Production of Electrical Cables Limited**

On 31 August 2017, National Cables Industry Company (a subsidiary of Riyadh Cables Company) acquired 100% of interest in Alrowad Company for Production of Electrical Cables Limited in Iraq owned by "Abdul Qadir Al Muhaidib & Sons Company" (a Shareholder of the Company). The net assets of Alrowad Company for Production of Electrical Cables Limited at the acquisition date was higher than the cash consideration, and a reserve was recognized as a result of the acquisition process amounting to SR 22,7 million in the consolidated statement of changes in equity.

2- BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") that are endorsed in the Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") and the applicable requirements of the Regulations for Companies and the Company's By-Laws.

3- BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis and the going concern concept, except for the following:

- Employees' defined benefits obligations that have been actuarially evaluated and measured at the present value using the projected unit credit method.
- Investments at fair value through other comprehensive income
- Measuring derivative financial instruments at fair value.

4- FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Saudi Riyals (SR) which is the functional and presentation currency of the Group. All amounts have been rounded to the nearest SR, unless otherwise indicated.

5- BASIS OF CONSOLIDATION

Subsidiaries

The Group accounts for 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 identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Impairment losses are immediately recognized in profits or losses.

Subsidiaries are entities controlled by the Group. Control is achieved when the Group has rights to the returns, and its involvement in the investee has the ability to affect those returns through its control over the investee. Specifically, the Group controls an investee if, and only if, the Group has all the following:

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

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5 BASIS OF CONSOLIDATION (CONTINUED)

Subsidiaries (continued)

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

- The contractual arrangements with the other holders of the voting rights of the investee;
- Rights arising from other contractual arrangements. and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes in one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and deconsolidated from the date that control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the Group. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Accounting for Business Combinations Involving Entities or Businesses Under Common Control

Accounting for business combinations involving entities or businesses under common control is outside the scope of IFRS 3 "Business Combinations". In the case of an absence of specific guidance in IFRS, management uses its judgement in developing and applying an accounting policy that is relevant and reliable. In making that judgement, the management may also consider the most recent pronouncements of other standard-setting bodies that use a similar conceptual framework to develop accounting standards, to the extent that these do not conflict with the IFRS Framework or any other IFRS or Interpretations.

Several such bodies have issued guidance, and some allow the pooling of interests' method in accounting for business combinations involving entities under common control.

The management has adopted the pooling of interest method to account for the business combinations of entities under common control. This method involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts (no fair valuation).
- No new goodwill is recognized as a result of combination. And if there is goodwill arising from the difference between the consideration paid and the equity acquired it is reflected directly in the equity.
- The consolidated statement of profit or loss of the combining entities reflects the results of the full year irrespective of when the combination took place.

Non – controlling interest ("NCI")

NCIs are measured initially at their proportionate share of the acquirer's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions

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5 BASIS OF CONSOLIDATION (CONTINUED)

Accounting for Business Combinations Involving Entities or Businesses Under Common Control (continued)

The share of profits or losses and the net assets that the Group does not control if they exist is presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date when control is lost.

Loss of Control

When the Group loosing control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in the statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

6- NEW STANDARDS, AMENDMENTS TO STANDARDS, AND INTERPRETATIONS

There have been no new standards issued. However, there are a number of amendments to standards that are effective from 1 January 2023 which did not have a material impact on the financial statements.

Effective for annual periods beginning on or after	New Standards and Amendments
1 January 2023	IFRS 17 “Insurance Contracts”, including amendments to initial application of IFRS 17
	Definition of Accounting Estimates - Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”.
	Disclosure Initiative: Accounting Policies – Amendments to IAS 1 “Presentation of Financial Statements” and IFRS Practice Statement 2 “Making Materiality Judgements.”
	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes.
23 May 2023	International Tax Reform—Pillar Two Model Rules- Amendments to IFRS 12

Standards that have been issued but effective for the periods beginning after 1 January 2024 with early adoption allowed for the periods as of 1 January 2023 are listed below:

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6 NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS (CONTINUED)

The Group has not early adopted the new standards or amendments to new IFRSs that have been issued:

Effective for annual periods beginning on or after	New Standards and Amendments
1 January 2024	Classification of liabilities as current or non-current - Amendments to IAS 1 Presentation of Financial Statements” Lease liabilities in sales and lease back amendments to IFRS 16
1 January 2025	Supplier Finance Arrangements- Amendments to IFRS 7 and IAS 7 Lack of exchangeability - Adoption of adjustments to IAS 21
Available for optional adoption/ effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

7- MATERIAL ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements unless otherwise stated. Further, the Group adopted the Disclosure of Accounting Policies (amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Amendments require disclosure of “material” rather than “significant” accounting policies. Although the amendments did not result in any changes in the accounting policy itself, they did affect the accounting policy information that was disclosed in certain cases.

Current versus non-current classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification. Assets are classified as current when:

- 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 twelve months after the reporting period;
- Cash and cash equivalents unless restricted from being exchanged or used to settle liabilities for at least twelve months after the reporting period date.

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of any accumulated depreciation and accumulated impairment losses, if any. Lands and projects in progress are stated at cost less any accumulated impairment losses, if any. Cost includes all amounts necessary for bringing the asset to the present condition and location to be ready for its intended use by management. Such cost includes the cost of replacing part of the property, plant and equipment if the recognition criteria are met, as well as costs incurred during the pre-operating period, less proceeds from sale of experimental production.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (Continued)

When parts of property, plant and equipment are significant in cost compared with total cost of asset, and when these parts/components have useful lives different from other parts and required to be replaced at intervals, the Group has to recognize such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair is performed (planned or unplanned), its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. This is recorded as a separate part with a useful life equal to the period up to the upcoming planned overhaul. The carrying amount of the replaced part is written-off. In case the upcoming repair is made before the planned date, any outstanding carrying amount for previous repair is recorded as an expense. Other repair and maintenance costs are recognized in the consolidated statement of profit or loss as incurred.

Depreciation is calculated from the date for which assets are available for their intended use. Self-constructed assets are from the date of completing such assets and be ready for their intended use. Depreciation on other assets is calculated using the straight-line method over their estimated useful lives as follows:

Depreciation is calculated using the straight-line method over the estimated lives of the assets as follows:

	<u>Expected useful life (the years)</u>
Buildings	20 - 25
Plant and equipment	20 - 30
Strategic spare parts	10
Motor vehicles	4
Furniture & fixtures	4 - 10
Tools	5
Laboratory equipment	10
Computers	10

Lands and projects in progress are not depreciated. The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if required, at end of each year.

Any item of property, plant and equipment is derecognized upon disposal or when it is unlikely that any future economic benefits will arise from the continuing use of the assets. Profits and losses resulting from disposal of property, plant and equipment that are retired, sold or unrecognized are identified by comparing the proceeds with carrying amount of an asset and are recognized under "other income, net" in the statement of profit or loss.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible assets

Intangibles assets are initially recognized at cost less accumulated amortization and impairment losses, if any. Costs associated with maintaining computer software are recognized as an expense as and when incurred.

Amortization is charged to statement of profit or loss by applying the straight-line basis whereby the carrying amount of an asset is amortized over its estimated useful life to the Company unless such life is indefinite. The estimated useful life of intangible assets (computer software) is 15 years.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (Continued)

The Company accounts for impairment, where indications exist, by reducing the asset's carrying amount to the recoverable amount.

Investment in a joint venture

A joint venture is an arrangement where two or more parties have joint control. The joint operations are divided into projects or joint operations based on related rights and obligations. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Based on the Group's assessment of control, interests in joint ventures are recognized using the equity method, and are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which joint control ceases.

Investment Properties

Investment properties are non-current assets held either to earn rental income or for a capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses, if any.

Investment properties are derecognized when they are sold, owner-occupied or in case of not holding it for increase in its value.

Any gain or loss on disposal of investment properties (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the statement of profit or loss. When investment properties that were previously classified as property and equipment are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Expenses incurred for replacing component of investment properties items, which are accounted for separately are capitalized, and carrying amount of replaced component is written off. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of the related investment properties. All other expenses are recognized in the statement of profit or loss when incurred.

Impairment of Non-Financial Assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the highest of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from assets or group of other assets (cash-generating units). Non-financial assets that have been impaired are reviewed for possible reversal of the impairment loss at the end of each reporting period.

Foreign Currencies

Transactions and Balances

Foreign currency transactions are initially recorded by the Group's entities denominated in the functional currency of each of them according to the exchange rate prevailing on the date when the transaction becomes qualified for recognition for the first time. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the reporting date.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Foreign Currencies (continued)

Transactions and Balances (continued)

The differences arising on the settlement or translation of monetary items are recognized in the consolidated statement of profit and loss and other comprehensive income of the Group.

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate prevailing at the date of the initial transaction.

Conversion of the financial statements of the Group's subsidiaries

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Items of assets and liabilities presented for each statement of financial position are translated at the closing rate at the date of statement of financial position.
- Revenues and expenses for each statement of profit or loss and other comprehensive income are transferred at the average exchange rates (unless the average rate does not nearly reasonably represent the effect of the accumulated exchange rates prevailing on the transaction dates, in which case the income and expenses are translated at the exchange rates on the transaction dates);
- All currency exchange differences are recognized in other comprehensive income.

Inventory

Inventory includes raw materials, work in progress, finished goods, supplies and spare parts that are recorded at the lower of cost or net realizable value. Work in progress and finished goods inventory include direct materials, direct labors and an appropriate proportion of fixed and variable indirect expenses.

Costs are assigned to items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is considered as the estimated selling price in ordinary course of business, less estimated costs to completion and the estimated costs necessary to complete the sale.

Financial instruments

Recognition and Initial Measurement

Trade receivables issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. Trade receivables without a significant financing component is initially measured at the transaction price.

Financial Assets

Classification of Financial Assets

On initial recognition, a financial asset is classified as: measured at amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit and loss (FVTPL).

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Assets (continued)

A financial asset is measured at amortized cost if it meets both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) 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.

A financial asset shall be measured at FVTOCI if both of the following conditions are met:

- a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) 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.

A financial asset shall be measured at FVTPL unless it is measured at amortized cost or at FVTOCI.

Financial Assets	IFRS 9 classification
Cash and bank balances	at amortized cost
Trade receivables	at amortized cost
Other non-current assets	at amortized cost

Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

These assets are subsequently measured at fair value. Net profit and loss including interest revenue and dividends are recognized in the consolidated statement of profit or loss.	Financial assets at FVTPL
These assets are subsequently measured at amortized cost using the effective interest rate method. Amortized value is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment are recognized in the statement of income. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.	Financial assets at amortized cost
Subsequently measured at fair value. Interest revenue calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net profits and losses are recognized in OCI. On derecognition, accumulated profits and losses in OCI are reclassified to the consolidated statement of profit or loss.	Financial assets through other comprehensive income (debt investments)
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss. Any profit or loss on derecognition or recognition of investment is recognized in equity, and may not be reclassified to the consolidated statement of profit or loss.	Financial assets through other comprehensive income (investments in equity instruments)

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

Derecognition

A financial asset is derecognized when:

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

Impairment of financial assets

IFRS 9 impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. That replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVTOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at FVTPL.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Presentation of Impairment

Loss provisions for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Impairment losses related to receivables from customers are presented separately in the consolidated statement of profit or loss and other comprehensive income.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Presentation of Impairment (continued)

Expected credit loss assessment for trade and other receivables

The Group applies the IFRS 9 simplified approach in measuring expected credit losses which uses a lifetime expected credit losses provision.

The expected loss rates are based on the payment profiles of receivables over a period of 12 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability the customers to settle the receivables.

The Group has identified GDP of Kingdom of Saudi Arabia, inflation rate and Saudi government spending (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected loss approach breaks the total loss amount modelling into following parts: probability of default (“PD”), loss given default (“LGD”), exposure at default (“EAD”). These are briefly described below:

Loss given default (LGD): This is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD.

Probability of default (PD): the likelihood of a default over a particular time horizon.

Exposure At Default (EAD): This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

The Group uses a point in time PD model to measure its impairment on financial assets. Point-in-time PD models incorporate information from a current credit cycle and assess risk at a point-in-time.

The point-in-time PD term structure can be used to measure credit deterioration and starting PD when performing the provision calculations. Also, when calculating lifetime expected credit losses, after the inputs are correctly converted, cash flows can be projected and gross carrying amount, loss provision, and amortized cost for the financial instrument are then calculated.

Macroeconomic weighted average scenarios

The Group includes macroeconomic factor of GDP to develop multiple scenarios, the purpose is towards the realization of most likely outcome using worst and best case scenarios. The scenario-based analysis includes forward-looking information into the impairment estimation using multiple forward-looking macroeconomic scenarios. The estimate of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes.

After the inputs to the model are adjusted for above mentioned macroeconomic scenarios, PD of each scenario is calculated and then weighted average PD based on likelihood of scenarios is calculated. In the last step, a weighted average lifetime ECL based on the likelihood of the scenarios is determined.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Presentation of Impairment (continued)

Definition of default

In the above context, the Group considers default when:

- the customer is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or
- The customer is more than 360 days past due on any material credit obligation to the Group. As the industry norm suggests that such a period fairly represents default scenario for the Group, this rebuts the presumption of 90 days mentioned in IFRS 9.

The carrying amount of the asset is reduced using the above model and the loss is recognized in the consolidated statement of comprehensive income. Receivables, together with the associated provision are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced. If a write-off is later recovered, the recovery is recognized under other revenues in the consolidated statement of profit or loss.

Specific provision

Specific provision is recognized for each customer separately at each reporting date. The Group recognizes specific provision against receivables from certain customers. Provisions are reversed only when the outstanding amounts are recovered from the customers.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Financial Liabilities

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities mainly include trade and other payables, accrued expenses, other current liabilities, Islamic finance facilities and due to related parties.

After initial recognition, loans and borrowings are subsequently measured at amortized cost using the effective interest rate method.

<u>Financial liabilities</u>	<u>IFRS classification</u>
Trade payables	at amortized cost
Accrued expenses and other current liabilities	at amortized cost
Islamic finance facilities	at amortized cost

Derecognition

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expired.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Financial Liabilities (Continued)

Modifications of Financial Assets and Financial Liabilities

If the terms of a financial asset are modified, the Group evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value.

If the cash flows of the modified asset carried at amortized cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Group recalculates the gross carrying amount of the financial asset and recognizes the amount adjusting the gross carrying amount as modification gain or loss in the consolidated statement of profit or loss.

Financial Liabilities

The Group derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, new financial liabilities based on the modified terms are recognized at fair value. The difference between the carrying amount of the financial liability distinguished and the new financial liability with modified terms is recognized in the consolidated statement of profit or loss.

Financial Derivatives

The Group maintains financial instruments to hedge its exposure related to commodity price. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

At the inception of the hedge relationship and on an ongoing basis, the Group makes an assessment to identify whether the hedging instrument is expected to be “highly effective” in offsetting the changes in fair value or cash flows of the hedged items during the period for which the hedge is determined.

The transaction should be highly probable, whether the actual results of each hedge are within the scope of the risk management policy and for the cash flow hedge of the expected transaction.

Derivatives are initially recognized at fair value, and attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes there in are accounted for as shown below.

Cash Flow Hedge

When a derivative is designated as a cash flow hedging instrument, the effective portion of the changes in the fair value of the defined and qualified derivatives is recognized as changes in cashflows hedges in other comprehensive income, and is accumulated in the hedging reserve in equity. The profit or Loss related to ineffective portion is recognized immediately in the consolidated statement of profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (e.g. when the expected sale of the hedged item occurs). The profit or loss related to the effective portion of the value of the commodity is recognized in the statement of profit or loss under “Cost of revenue”.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Cash Flow Hedge (continued)

However, when the expected transaction that has been hedged results in recognition of a non-financial asset (for example, inventory), the amounts accumulated are transferred from equity and included in the initial cost measurement. Ultimately, the amounts accumulated are recognized in the cost of inventory.

Upon expiration, termination, sale, or transacting the hedge instrument, or when the hedge no longer meets the criteria for hedge accounting, hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount accumulated remains within equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the profit or loss accumulated that was recognized in equity is transferred to the consolidated statement of profit or loss under "Revenue or Cost of Revenue."

Other derivatives

When a financial instrument is not classified as a qualifying hedging relationship, all changes in its fair value are recognized immediately in the consolidated statement of profit or loss.

Offset of financial instruments

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

Non-current assets classified as held for sale are presented separately and are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortization.

Any gain or loss arising from the sale of a discontinued operation or its remeasurement to fair value less costs to sell is presented as part of a single line item, profit or loss from discontinued operations.

Cash and cash equivalents

For the purpose of presentation of the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances, short-term deposits, call deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash, and which are not subject to significant risk of changes in value.

Fair value measurement

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

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

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Offset of financial instruments (continued)

Fair value measurement (continued)

The Company uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market information (unobservable inputs).

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Group determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

Dividends to the shareholders of the Group

Dividends to the shareholders of the Group are recognized as liability in the consolidated financial statements of the Group in the year in which the dividends are approved by the shareholders of the Group.

Employees' benefits

Short-term employees' benefits

Short-term employees' benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Employees benefits are payable to all employees employed under the terms and conditions of the labour laws applicable on the Group, on termination of their employment contracts.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (continued)

Defined contribution plan

Retirement benefit in the form of General Organization of Social Insurance (GOSI) is a defined contribution scheme. The Group has no obligation, other than the contribution payable to the GOSI. The Group recognizes contribution payable to the GOSI as an expense when due.

Defined benefit plans (employees' end of service benefits)

The Group operates defined benefit plans, under the Saudi Labor Law applicable based on employees' accumulated periods of service at the date of statement of financial position.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method. Previously, employees' end of service benefits' liability was calculated at the current value of the vested benefits to which the employee was entitled, should his service be terminated at the reporting date.

Re-measurements, comprising of actuarial gains and losses, the effect of the asset ceiling (excluding amounts included in net interest on the net defined benefit liability) and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognized in statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date on which the Group recognizes related restructuring costs
- Net interest is calculated by applying the discount rate to the net defined benefit liability or asset.

The Group recognizes the following changes in the net defined benefit obligation in the consolidated statement of profit or loss:

- • service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements, and
- • Net interest expense or income.

Share based payments

At the date of vesting share based payments that are settled with equity instruments and generally granted to employees, fair value is recognized as an expense with the corresponding increase in equity over the award vesting period. The amount recognized as an expense is adjusted to reflect the number of awards under which the related service conditions are expected to be met, such that the amount is ultimately based on the number of awards that meet the related service conditions at the vesting date.

Zakat and Income Tax

Zakat

Zakat is calculated in accordance with regulations of Zakat, Tax and Customs Authority in the Kingdom of Saudi Arabia ("ZATCA") on the Saudi shareholders' shares and on an accrual basis. The Zakat charge is recognized in the consolidated statement of profit or loss. The differences, if any, resulting from the final assessments are adjusted in the year when declarations are finalized.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Zakat and Income Tax (continued)

Income tax

Income tax is calculated at the specified rates on the adjusted share of the income of non-Saudi shareholders specified in accordance with the Saudi regulations that are endorsed in the Kingdom of Saudi Arabia, and Also, it is recognized in the consolidated statement of profit or loss

For subsidiaries that are incorporated and operated outside the Kingdom of Saudi Arabia, provision for tax is computed in accordance with the tax regulations of their respective countries, when it is material.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item recognized in the same item of liabilities may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Revenue recognition

The Group applied IFRS 15 'Revenue from contracts with customers'.

Revenue is measured based on consideration specified in a contract with a customer, includes unbilled revenue (contract asset) and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a product or service to a customer.

The Group assess the services promised in a contract with a customer and identifies as a performance obligation either:

- a) Service that is distinct.
- b) Series of distinct services that are substantially the same and that have the same pattern of transfer to the customer (i.e. each distinct service is satisfied over the time and the same method is used to measure progress).

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1 - Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 - Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 - Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Step 4 - Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.

Step 5 - Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- (a) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.
- (b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- (c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

As the performance obligations, where one of the above conditions are met, revenue is recognized overtime basis at which time the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised services it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to advances from customer (contract liability).

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

The application of IFRS 15 has required management to make the following judgements:

Satisfaction of performance obligations

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognizing revenue. The Group has assessed that based on the agreement entered into with the customers, the Group does not create an asset with an alternative use to the Group and usually has an enforceable right to payment for performance completed to date. In these circumstances the Group recognizes revenue over time. Where this is not the case revenue is recognized at a point in time. For sale of goods, revenue is generally recognized at a point in time.

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its agreements with customers. In making such judgment the Group assess the impact of any variable consideration in the contract, due to discount or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract.

Transfer of control in contracts with customers

In case where the Group determines that performance obligations are satisfied at a point in time, revenue is recognized when control over the assets that is subject of contract is transferred to the customer.

In addition, the application of IFRS 15 has resulted in the following estimation process:

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

Allocation of transaction price to performance obligation in contracts with customers

The Group has elected to apply the input method in allocating the transaction price to performance obligations where revenue is recognized over time. The Group considers that the use of the input method, which requires revenue recognition on the basis of the Group's efforts to the satisfaction of performance obligation, provides the best reference of revenue actually earned. In applying the input method, the Group estimates the efforts or inputs to the satisfaction of a performance obligation. In addition to the cost of satisfying contractual obligation to the customers, these estimates mainly include the time elapsed for service contracts.

Other matters to consider

Variable consideration

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which the Group is entitled in exchange for transferring the promised goods or services to a customer. The Group estimates the transaction price on contracts with variable consideration using the expected value or most likely amount method. The method is applied consistently throughout the contract and to similar types of contracts.

Significant financing component

The Group adjusts the promised amount of consideration for the time value of money if the contract contains a significant financing component.

Revenue streams

The Group earns revenue from following sources:

Revenue streams	Revenue recognition
Sale of goods	At point in time
Contract revenue	Over time

Revenue from sale of goods

Revenue is measured based on consideration specified in the contracts with customers and excludes amounts collected on behalf of third parties. The Group recognizes revenue when control of the product is transferred to the customer, which happens upon delivery to the customer.

If the consideration promised in a contract includes a variable amount, the Group estimates the fees to which it is entitled in exchange for transferring the promised goods or services to the customer.

Contract revenue

Contract revenue are recognized over time. Revenue is measured and recognized based on percentage of completion method, which is calculated by comparing between the percentage of actual cost incurred to-date to estimated total cost for each contract.

Estimates of revenue, costs or extent of percentage of completion are revised if circumstances changed. Any resulting increase or decrease in estimated revenue or costs are reflected in profit or loss in the period in which the circumstances that lead to the revision become known to the management.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Contract revenue (continued)

Estimated costs and profits in excess of invoices on incomplete contracts are recognized in current assets as contract assets, and invoices in excess of costs incurred and estimated profits, if any, are recognized in current liabilities as contract liabilities.

Contract costs

Additional costs are recognized to obtain the contract as an expense, unless the Group has reasonable expectation of recovering these costs from its customer, as these costs are explicitly charged to the customers. The Group consumes these costs on a regular basis in conformity with transferring goods or services to a customer.

Contract assets and liabilities

Under IFRS 15, when a party to a contract performs its obligations, the entity shall present in its statement of financial position, contract assets or liabilities, depending on the relationship between the entity's performance and customer payments. Contract assets are an entity's right to consideration in exchange for goods or services that the entity has transferred or implemented to the customer.

Contract liabilities are an entity's obligation to transfer goods or perform services for the benefit of the customer for which the entity received consideration from the customer (or is entitled to a payment for). If the consideration agreed in the contract includes a variable amount, the Company estimates the amount of consideration that the Company is entitled to in exchange for transferring the goods or services agreed upon with the customer.

Other revenues

All other revenues are recognized on an accrual basis when the Group's right to earn the revenues is established.

Cost of sales

Production costs and direct manufacturing expenses are classified as cost of sales. This includes raw material, direct labors, depreciation and other related general indirect costs. This also includes share of the related common overheads.

Selling and distribution expenses

This include any costs incurred to execute or facilitate all sale transactions in the Group. These costs typically include salaries of the sales employees, costs of managing the exhibitions, marketing and distribution expenses, and logistics expenses as well as commissions, fees and the like. This includes share of the related general common costs.

General and administrative expenses

This pertain to operating expenses that are not directly related to the production of any goods or services. This includes share of the related general common costs.

Common expenses between direct cost, selling and distribution expenses, and general and administrative expenses, when required, are allocated on a consistent basis.

Finance cost

The finance cost consists of the interest and other costs that an entity incurs in connection with borrowing of allocated funds through the Group, the interest on the employee's end-of-service benefits according to IAS 19 'Employee Benefits', and interest expenses on lease liabilities in accordance with IFRS 16 'Leases'.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Finance cost (continued)

All other borrowing costs are recognized in the consolidated statement of profit or loss in the year in which they are incurred.

Reporting Segments

An operating segment is a component of the Company:

- That engages in activities from which it may earn revenue and incur expenses.
- Results of its operations are continuously analyzed by chief operating decision maker in order to make decisions related to resource allocation and performance assessment; and
- For which separate financial information is available.

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

IFRS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Group executive management and used to allocate resources to segments and assess their performance. These operating segments described below has been identified in note (36) in accordance with IFRS 8. Most of the Group's revenue, profits and assets arise by its operations in Saudi Arabia and arise from these specific business segments. The executive management monitors the operational results of these operating segments continuously for making decisions about resource allocation and performance evaluation. Segment performance is evaluated based on profit or loss and other performance measurement indicators.

Earnings per share

The Company presents basic earnings per share for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the number of ordinary shares outstanding during the year.

8. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, costs, assets and liabilities, and the disclosure of contingencies at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the asset or liability affected in the future.

These estimates and assumptions are based upon experience and other various factors that are believed to be reasonable under these circumstances and are used to estimate the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised or in the revision period, if the effect of revision is limited to that period only, or they are recognized in the revision period and future periods if the revision affects both current and future periods.

The key assumption concerning the future and key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year is discussed below:

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8. USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Judgments

Information about judgments made in applying accounting policies that have significant effects on the amounts recognized in the consolidated financial statements are included in the following notes:

Note 5 - whether the Company exercises control over an investee.

Note 12 - Investment in a joint venture

Assumptions and Estimation uncertainties

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements, are described below:

Impairment of Non-Financial Assets

At each reporting date, the Group reviews the carrying amounts of its assets to assess whether there is an indication that those assets may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or its value in use.

In assessing value in use, the estimated future cash flows attributable to the asset are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent 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 in prior years. An impairment loss reversal is recognized immediately in the consolidated statement of profit or loss.

Expected Life of Property, Equipment, And Plants

The Group's management determines the expected life of property, plant and equipment for calculating depreciation. The estimate is carried out after considering the expected usage of the assets or obsolescence. Management performs periodic review for the estimated useful lives and depreciation method to ensure that depreciation duration and method are consistent with the expected pattern for the economic benefit of the assets.

Fair Value Estimation of Financial Instruments

The Group uses the most observable market inputs when measuring the fair value of an asset or a liability. Fair values are classified in a fair value hierarchy based on the inputs used in the valuation which are shown as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly or indirectly.
- Level 3: Inputs for the asset or liability that are not based on observable market information (unobservable inputs).

Expected credit loss provision for trade receivables

The Group uses a provision matrix to calculate ECLs of trade receivables. The provision rates are based on days past due for groupings of various customer segments.

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8- USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Assumptions and Estimation Uncertainties (Continued)

Expected credit loss provision for trade receivables (continued)

The provision matrix is initially based on the entire Group's historical observed default rates. The Group calibrates the matrix to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the industry, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECLs is the most sensitive item to changes of circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Expected adjustments of net realizable value

Inventory is stated at the lower of cost and net realizable value. When inventory becomes old or obsolete, an estimate is made for the net realizable value. For individually significant amounts, this estimate is made on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of aging, obsolescence, physical deterioration, quality issues and change in demand and goods pricing.

Assumptions of employees' benefits obligations

The Group operates an end-of-service benefits plan for its employees based on the prevailing Saudi Labor laws. The liability is being accrued based on projected credit unit method in accordance with the periodic actuarial valuations.

Certain actuarial assumptions have been applied as set out in note 23 to these consolidated financial statements for valuation of present value of defined benefit obligations. Any changes in these assumptions in future years might affect gains and losses in those years.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate for the consideration required to settle the present obligation at reporting date taking into account risk and doubts specific to liability. Where the 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 Company expects some or all of economic benefits that are required to settle a provision of third party to be reimbursed, the accrued amount is recognized as an asset if the reimbursed amount is virtually certain and its value can be reliably estimated.

Onerous contracts

Current liabilities - arising from onerous contract - are identified and recognized as provisions. The contract is considered as onerous contract if the Company enters into a contract in which the unavoidable costs of meeting the contractual obligations exceed the financial returns expected to be received under the contract.

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8 USE OF ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

Zakat and Income tax

When calculating the Zakat and income tax expense for the current period, the Group has adjusted its net income and applied certain assumptions to the Zakat and income tax base used to calculate the Zakat and income tax expense. However, the Zakat legislations issued by ZATCA with respect to these amendments are subject to amendments and interpretations that are subject to change. The Group's management has provided its best estimates for those assumptions.

Deferred tax

Deferred tax of temporary differences between the carrying amount of assets and liabilities is recorded in the consolidated financial statements and the tax base used to calculate the taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets for deductible temporary differences are recorded when it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Going concern

The Group's management uses estimates and assumptions to assess the Group's ability to continue as a going concern, including an assessment of any material uncertainties that may cast significant doubts about the Group's ability to continue as a going concern.

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9- PROPERTY, PLANT AND EQUIPMENT, NET

	Land	Buildings (*)	Plant and equipment	Motor vehicles	Furniture & fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (**)	Total
Cost											
1 January 2022	222,687,038	376,298,558	1,943,508,532	16,130,709	28,471,899	50,806,256	111,167,106	18,033,256	9,783,792	69,518,349	2,846,405,495
Additions	-	3,400,193	12,681,554	504,006	1,481,108	3,401,458	16,080,523	117,769	829,301	6,795,414	45,291,326
Disposals	-	-	(2,584,598)	(108,390)	-	-	-	-	-	-	(2,692,988)
Transfers from asset under construction	-	7,688,135	51,111,984	-	318,618	4,467,010	84,970	-	-	(63,670,717)	-
Transferred from property, plant and equipment to investment properties	(4,075,524)	(17,616,499)	-	-	-	-	-	-	-	(647,419)	(22,339,442)
Impact of changes in exchange rates	25,714	27,883	423,486	(43,405)	(277,262)	780	-	-	-	8,632	165,828
31 December 2022	218,637,228	369,798,270	2,005,140,958	16,482,920	29,994,363	58,675,504	127,332,599	18,151,025	10,613,093	12,004,259	2,866,830,219
Accumulated depreciation											
1 January 2022	-	219,648,657	1,280,359,613	15,083,535	25,698,681	46,610,635	88,230,118	12,621,514	3,408,562	-	1,691,661,315
Charge for the year	-	12,166,128	31,835,254	528,285	1,511,147	2,735,315	6,669,411	451,036	1,338,457	-	57,235,033
Disposals	-	-	(607,272)	(108,390)	-	-	-	-	-	-	(715,662)
Transferred from property, plant and equipment to investment properties	-	(1,056,991)	-	-	-	-	-	-	-	-	(1,056,991)
31 December 2022	-	230,757,794	1,311,587,595	15,503,430	27,209,828	49,345,950	94,899,529	13,072,550	4,747,019	-	1,747,123,695
Net carrying amount											
31 December 2022	218,637,228	139,040,476	693,553,363	979,490	2,784,535	9,329,554	32,433,070	5,078,475	5,866,074	12,004,259	1,119,706,524
31 December 2021	222,687,038	156,649,901	663,148,919	1,047,174	2,773,218	4,195,621	22,936,988	5,411,742	6,375,230	69,518,349	1,154,744,180

* This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years until 1454H (corresponding to 2032) that are recognized under right of use assets (Note 13).

** Assets under construction represent work in progress related to the construction of the Group's plant facilities.

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9- PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

	Land	Buildings (*)	Plant and equipment	Motor vehicles	Furniture & fixtures	Tools	Laboratory equipment	Computers	Strategic spare parts	Assets under construction (**)	Total
Cost											
1 January 2022	218,637,228	369,798,270	2,005,140,958	16,482,920	29,994,363	58,675,504	127,332,599	18,151,025	10,613,093	12,004,259	2,866,830,219
Additions	-	1,924,949	13,386,722	979,123	1,980,051	7,022,907	1,107,508	238,844	1,619,485	126,404,083	154,663,672
Disposals	-	(122,182)	(30,580,400)	(789,794)	-	-	(17,850)	-	(568,156)	-	(32,078,382)
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	(361,024)	(361,024)
Transfers from asset under construction	-	2,443,069	1,104,123	-	595,166	258,001	-	-	265,114	(4,665,473)	-
Foreign currency translation differences	(935)	35,341	1,209,062	(34,483)	(1,014,739)	7,378	-	2,761	-	606	204,991
31 December 2023	218,636,293	374,079,447	1,990,260,465	16,637,766	31,554,841	65,963,790	128,422,257	18,392,630	11,929,536	133,382,451	2,989,259,476
Accumulated depreciation	-	230,757,794	1,311,587,595	15,503,430	27,209,828	49,345,950	94,899,529	13,072,550	4,747,019	-	1,747,123,695
Charge for the year	-	11,249,875	33,250,494	547,727	1,165,734	3,809,569	7,539,200	541,489	1,424,398	-	59,528,486
Disposals	-	(17,669)	(23,184,291)	(789,794)	-	-	(17,850)	-	(236,306)	-	(24,245,910)
Foreign currency translation differences	-	36,364	1,195,999	(34,474)	(1,014,697)	7,360	-	2,778	-	-	193,330
31 December 2023	-	242,026,364	1,322,849,797	15,226,889	27,360,865	53,162,879	102,420,879	13,616,817	5,935,111	-	1,782,599,601
Net carrying amount											
31 December 2023	218,636,293	132,053,083	667,410,668	1,410,877	4,193,976	12,800,911	26,001,378	4,775,813	5,994,425	133,382,451	1,206,659,875
31 December 2022	218,637,228	139,040,476	693,553,363	979,490	2,784,535	9,329,554	32,433,070	5,078,475	5,866,074	12,004,259	1,119,706,524

* This item includes buildings constructed on land leased from the Saudi Authority for Industrial Cities and Technology Zones (MODON) for a period of 20 years until 1454H (corresponding to 2032) that are recognized under right of use assets (Note 13).

** Assets under construction represent work in progress related to the construction of the Group's plant facilities.

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

	2023	2022
Cost of sales - Note 34	56,365,674	53,552,973
Selling and distribution expenses - Note 35	385,055	390,454
General and administration expenses - Note 36	2,777,756	3,291,606
	59,528,486	57,235,033

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9- PROPERTY, PLANT AND EQUIPMENT, NET (CONTINUED)

The Group holds assets the cost of which amounts to SR 952.4 million at 31 December 2023, which are fully depreciated but are still unregularly used. The management expects no significant future economic benefits from such assets. the details of such assets are as follows:

	<u>2023</u>	<u>2022</u>
Buildings	94,911,408	94,814,878
Plant and equipment	722,505,703	763,450,895
Motor vehicles	13,426,914	13,252,297
Furniture & fixtures	26,587,290	24,636,088
Tools	38,653,009	37,211,943
Laboratory equipment	49,245,518	48,268,178
Computers	7,047,150	7,033,615
	<u>952,376,992</u>	<u>988,667,894</u>

10- INTANGIBLE ASSETS, NET

	<u>2023</u>	<u>2022</u>
	<u>Computer Software</u>	<u>Computer software</u>
Cost:		
As at 1 January	80,518,515	74,696,605
Additions during the year	361,024	5,821,910
As at 31 December	<u>80,879,539</u>	<u>80,518,515</u>
Amortization:		
As at 1 January	12,539,084	7,457,888
Charge for the year	5,573,460	5,081,196
As at 31 December	<u>18,112,544</u>	<u>12,539,084</u>
Net carrying amount as at 31 December	<u>62,766,995</u>	<u>67,979,431</u>

The above intangible assets represent cost of SAP system.

The amortization charge for the year has been charged as follows:

	<u>2023</u>	<u>2022</u>
General and administration expenses (Note 36)	5,573,460	5,081,196
	<u>5,573,460</u>	<u>5,081,196</u>

11- INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>% of shareholding</u>	<u>2023</u>	<u>2022</u>
Natural Gas Distribution Company- Listed company	7.67%	16,023,324	22,233,314
International Company for Insulation Materials- Non listed company	19.7%	1,270,240	1,270,240
		<u>17,293,564</u>	<u>23,503,554</u>

The Group's investments in International Company for Insulation Materials represent investments in a non- listed company. The company expects no significant difference between the fair value and carrying amount of such investments at 31 December 2023.

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12- INVESTMENT IN A JOINT VENTURE

The Group had investments in a joint venture with Gulf Cable and Electrical Industries Corporation. (Kuwait Shareholding Company) through the establishment of the “Gulf and Riyadh Electric Wires Cables CO. (a limited liability company) based in the state of Kuwait with a share capital of KWD 5 million equals SR 61,2 million. The Group has 50% of the Company’s shares and based on the Group’s assessment, the investment has been treated as an investment in a joint venture. The investment cost of the Group, as at 31 December 2023, amounted to SR 30,6 million (31 December 2022: SR 30.6 million) which represents the Group’s share in the capital, as the “Gulf and Riyadh Electric Wires Cables CO.” has not yet started its commercial operations. There are no transactions within the investment balance during the year.

13- RIGHT OF USE ASSETS

The right-of-use assets are represented in the value of rents of the Group’s lands and warehouses, in addition to rents for workers’ housing, offices and branches of one of the Group’s subsidiaries.

	2023	2022
Right of use assets		
As at 1 January	9,482,493	10,842,109
Depreciation charge for the year	(1,326,176)	(1,359,616)
Right-of-use assets at 31 December	8,156,317	9,482,493
Depreciation charge for the year ended has been allocated as follows:		
	2023	2022
Cost of sales - Note 34	1,326,176	1,359,616
Lease liabilities		
Maturity analysis – contractual discounted cash flows	2023	2022
Discounted lease liabilities included in the consolidated statement of financial position		
Current	1,096,170	1,110,079
Non-current	7,392,489	8,593,331
	8,488,659	9,703,410
	For the year ended 31 December 2023	For the year ended 31 December 2022
Amounts recognized in the consolidated statement of profit or loss		
Depreciation on right of use assets	1,326,176	1,359,616
Interest on lease liabilities	311,987	361,793

14- INVESTMENT PROPERTIES

	2023	2022
Cost:		
As at 1 January	36,058,713	-
Transferred from property, plant and equipment	-	22,339,442
Additions during the year	1,092,150	36,445,888
Disposals during the year	-	(22,485,661)
As at 31 December	37,150,863	36,299,669
Depreciation		
As at 1 January	-	-
Transferred from property, plant and equipment	-	1,056,991
Charge for the year (note 34)	-	240,956
Disposals during the year	-	(1,056,991)
Impairment of investment properties	(25,639,877)	-
As at 31 December	(25,639,877)	240,956
Net carrying amount as at 31 December	11,510,986	36,058,713

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14- INVESTMENT PROPERTIES (CONTINUED)

Investment properties are represented in the ownership of lands in the Arab Republic of Egypt, and its net carrying amount as at 31 December 2023 amounted to SR 11.5. The fair value of the land according to the latest valuation of the land amounted to SR 13.8 million. The fair value of the investment properties has been determined using comparative sales approach by "Consultation company for experience and appraisal", an independent external real estate valuer and registered with the Central Bank of Egypt with No. (59). Even though the land was valued in an amount higher than the amount recognized in 31 December 2023 as stated above, the carrying amount was not adjusted to reflect the last valuation of the land.

15- INVENTORY

	<u>2023</u>	<u>2022</u>
Finished Goods	1,046,045,780	828,299,625
Work in progress	375,033,255	435,627,924
Raw materials	388,554,260	325,786,772
Spare parts	74,215,719	68,710,664
Packaging material	44,768,175	44,400,407
Goods in transit	40,630,152	139,082,246
Projects supplies	8,169,538	3,911,004
Total	1,977,416,879	1,845,818,642
Less: Expected adjustments of net realizable value	(68,305,439)	(50,077,300)
Net inventory	1,909,111,440	1,795,741,342

The Group has a variety of future contracts to meet the price fluctuations risks of copper, aluminum and lead, in order to meet the Group's requirements expected from use in its manufacturing processes. The effect resulting from closing these contracts - contracts to buy or sell non-financial instruments / or contracts for own-use that are not classified as hedging instruments - is recorded in the cost of production in the consolidated statement of profit or loss, except for the ultra-voltage cables inputs and overhead cables. The par value of the unexecuted future contracts for copper, aluminum and lead on 31 December 2023 amounted to US 123.5 million, equivalent to SR 463.1 million. The Group also accounts for hedging contracts for fluctuations in the prices of copper, lead and aluminum, which are used in the product of ultra-voltage cables and overhead conductor cables, in accordance with the policy referred to in note (26) of the notes to the accompanying consolidated financial statements.

Movement in expected adjustments of inventory net realizable value is as follows:

	<u>2023</u>	<u>2022</u>
1 January	50,077,300	49,660,390
Adjustments during the year	18,228,139	589,547
Reversal of adjustments during the year	-	(172,637)
31 December	68,305,439	50,077,300

16- TRADE RECEIVABLES

	<u>2023</u>	<u>2022</u>
Trade receivables	1,393,545,091	1,346,053,685
Impairment loss on trade receivables	(88,439,772)	(45,525,583)
Net trade receivables	1,305,105,319	1,300,528,102

Receivables amounts include due from related parties of SR 13 million (2022: SR 8.2 million).

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16 TRADE RECEIVABLES (CONTINUED)

The ageing of trade receivables is as follows:

	Total	Ageing of receivables				
		0 to 90 days	91-180 days	181-270 days	271-365 days	>365 days
2023	<u>1,393,545,091</u>	<u>1,253,990,524</u>	<u>58,457,513</u>	<u>23,637,287</u>	<u>22,805,932</u>	<u>34,653,835</u>
2022	<u>1,346,053,685</u>	<u>1,242,288,614</u>	<u>70,318,548</u>	<u>6,712,076</u>	<u>2,192,909</u>	<u>24,541,538</u>

Expected Credit Losses Assessment for Trade Receivables

The Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the lifetime expected credit losses for all financial assets measured at amortized cost.

The key inputs into the measurement of ECL are the following variables:

- Probability of default using a statistical model (i.e. normal distribution curve)
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

The movement in provision for expected credit losses for trade receivables is as follows:

	2023	2022
1 January	45,525,583	48,649,310
Provision for Impairment loss on trade receivables	42,914,189	32,528,523
Reversal of provision for Impairment loss on trade receivables	-	(35,652,250)
31 December	88,439,772	45,525,583

17 CONTRACTS ASSETS / LIABILITIES

	2023	2022
Total costs incurred up to reporting date	417,847,478	316,620,774
Total income recognized up to reporting date	47,665,685	36,146,507
Less: Progress billing	(465,281,943)	(375,618,900)
	231,220	(22,851,619)

Balance is as follows:

	2023	2022
Contract assets	25,208,489	9,509,543
Contract liabilities	(24,977,269)	(32,361,162)
	231,220	(22,851,619)

18 ADVANCES AND OTHER CURRENT ASSETS

	2023	2022
Advances to suppliers	41,290,399	80,363,124
Suppliers - receivables (*)	9,393,325	9,400,200
Prepaid expenses	14,414,693	9,713,383
Employees' receivables	1,384,322	3,469,530
Refundable deposits - customs	18,913,210	7,212,555
Other	3,211,086	6,917,819
	88,607,035	117,076,611

(*) This balance represents the value of discounts due for the year from the suppliers of the company.

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19 CASH AND CASH EQUIVALENTS

	<u>2023</u>	<u>2022</u>
Cash at banks	149,550,511	106,721,322
Cash in hand	501,117	398,620
	<u>150,051,628</u>	<u>107,119,942</u>

20 SHARE CAPITAL

As at 31 December 2023 and 2022, the Group's share capital consists of 150 million shares at SR 10 each. The total issued capital is SR 1.5 billion. The Group's share capital consists of Saudi shareholders and foreign founders.

21 STATUTORY RESERVE

In accordance with the Company's by-laws and the Regulations for Companies in Kingdom of Saudi Arabia valid up to January 2023, the Company is required to transfer 10% of the net profit of the year to statutory reserve until such reserve reaches 30% of the capital. However, with the introduction of the new Regulations for Companies in Kingdom of Saudi Arabia, the requirement to maintain the statutory reserve is no longer in effect. Accordingly, the Company's shareholders, in the Extraordinary General Assembly meeting held on 20 June 2023, decided to amend the Company's by-laws in accordance with the new Regulations for Companies and to cancel the item related to the creation of a statutory reserve. The legal formalities for amending the Company's by-laws have been finalized.

22 DIVIDENDS

On 20 June 2023, the Company's Extraordinary General Assembly meeting decided to approve the distribution of dividends of SR 225 million at SR 1.50 per share. On 3 October 2023, the Board of Directors decided to distribute interim cash dividends to shareholders for the first half of 2023 amounting to SR 149.97 million at SR 1 per share. Such dividends were repaid in full (2022: SR 236 million at SR 1.57 per share).

23 EMPLOYEES' BENEFITS OBLIGATIONS

The Group operates defined benefit plans in line with the labor law requirements in the countries where the Group's entities operate. The payments under the plan are based on the employees' final salaries and allowances and their cumulative years of service at the date of their termination of employment.

The employees' termination benefits plans are unfunded.

The amounts recognized in the consolidated statement of financial position and the movements in the net defined benefits obligations during the year are as follows:

	<u>2023</u>	<u>2022</u>
1 January	106,574,034	107,410,714
Current service cost	11,977,282	10,486,880
Interest cost	4,612,730	2,910,583
Paid during the year	(7,249,550)	(8,268,714)
Actuarial gains/losses	1,382,984	(5,965,429)
Impact of Foreign currency exchange translation differences	(281)	-
31 December	<u>117,297,199</u>	<u>106,574,034</u>

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23 EMPLOYEES' BENEFITS OBLIGATIONS

Significant actuarial assumptions

The significant actuarial assumptions used were as follows:

	2023	2022
Discount rate	4.80 %	4.50%
Salary growth rate	2.00 %	2.00%
Assumed retirement age	60	60

Sensitivity analysis

The sensitivity of the defined benefit obligations to changes in the principal assumptions used is as follows:

		Impact on the balance of the defined benefit obligations in 2023	
		Increase in assumption	Decrease in assumption
	<u>Change</u>		
Discount rate	1%	(106,835,064)	(104,626,064)
Salary growth rate	1%	(113,531,064)	(98,927,064)
		Impact on the balance of the defined benefit obligations in 2022	
	<u>Change</u>	Increase in assumption	Increase in assumption
Discount rate	1%	(90,491,260)	(103,821,507)
Salary growth rate	1%	(103,932,718)	(90,290,363)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to happen, and changes in some assumptions may be related to others. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit obligation recognized in the consolidated statement of financial position.

24 ISLAMIC FINANCE FACILITIES

The Group entered into credit facilities agreements with several local banks to support the working capital during the year with a total amount of SR 3 billion (2022: SR 3.4 billion) at Islamic Murabaha rates that ranges between 0.8% to 1% (+-) SAIBOR. All credit facilities were granted according to promissory notes approved by some members of the Board of Directors according to the authorities granted to them and approved by the Company's Board of Directors. Interest rates on short-term loans are based on Saudi Inter Bank Offer Rate (SIBOR) plus a variable rate during the year.

	2023	2022
1 January	1,468,005,000	1,324,175,000
Utilized during the year	2,905,914,537	4,249,525,000
Paid during the year	(3,651,796,359)	(4,105,695,000)
31 December	722,123,178	1,468,005,000

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25 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2023</u>	<u>2022</u>
Advances from costumers	153,033,434	133,933,856
Accrued VAT	55,983,614	53,214,651
Accrued expenses	36,892,014	23,141,886
Employee accruals	14,898,495	18,611,749
Other	5,710,726	1,366,012
	<u>266,518,283</u>	<u>230,268,154</u>

26 DERIVATIVE FINANCIAL INSTRUMENTS**Forwards and futures**

They are contractual agreements to either buy or sell a specified commodity or financial instrument at a specified price and date in the future. Forwards are customized contracts to meet specific needs.

The Group has adopted a comprehensive system for measuring and managing risks. Part of the risk management process is related to managing the Group's exposure to fluctuations in certain inventory raw materials prices to reduce its exposure to variability risks in inventory prices to acceptable levels as determined by the Board of Directors.

The Group uses commodity forwards to hedge against certain inventory raw material prices risk on copper, aluminum and lead related to producing ultra-voltage cables as well as overhead cables. The hedging relationship and objective are documented, including details of the hedged items and the hedging instrument. Transactions are accounted for as a fair value hedge.

The following table shows the details of par value and carrying amount as at the reporting date:

<u>31 December 2023</u>	Par value of hedging instruments	Carrying amount of hedging instruments	
	Current	Assets	Liabilities
Commodity derivatives	<u>292,850,593</u>	<u>10,802,262</u>	<u>894,858</u>
	292,850,593	10,802,262	894,858

The Group purchases copper and lead on an ongoing basis as its operating activities require a continuous supply of these materials. The increased fluctuations of these materials prices led the management to decide to enter into forwards contracts for materials related to high voltage cables and overhead conductor cables.

The impact of the cash flow hedge for these items on the statement of financial position is as follows:

	<u>31 December 2022</u>	<u>Change in fair values of hedging instruments</u>	<u>31 December 2023</u>
Copper	14,751,692	(15,099,108)	(347,416)
Aluminum	-	10,707,340	10,707,340
Lead	(143,584)	1,396,277	1,252,693
	<u>14,608,108</u>	<u>(2,995,491)</u>	<u>11,612,617</u>

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27 TRADE PAYABLES

	<u>2023</u>	<u>2022</u>
Trade payables*	185,909,248	222,934,612
Suppliers facilities- banks **	1,009,501,174	321,611,935
	<u>1,195,410,422</u>	<u>544,546,547</u>

* Payables amounts include dues to related parties of SR 747,726 (2022: SR 18,149) (Note 39).

** Suppliers' facilities are represented in the value of balances due to a supplier, which were settled through SABB Bank in accordance with the agreement (suppliers financing arrangements) out of the total facilities agreement concluded with the bank amounting to a total of SR 1.5 billion (note 40.2)

28 PROVISIONS FOR ONEROUS CONTRACTS

* The balance of provision for onerous contracts amounted to SR 197.2 million (2022: SR 61.6 million) related to certain contracts that include a current obligation by the Company to supply cables, which may result in a change in the prices of raw materials after the date of contract. This is for all the Company's products, except for the ultra-voltage cables and overhead conductor cables, with which the price of the raw material is hedged.

The movement of provisions is as follows:

	<u>2023</u>	<u>2022</u>
1 January	61,582,355	82,512,628
Creation of provision	135,592,992	-
Provisions no longer required	-	(20,930,273)
31 December	<u>197,175,347</u>	<u>61,582,355</u>

The increase in the provisions balance of onerous contracts is attributed to the increase in the selling orders upon which the provisions were calculated due to the increase in the sales volume during the period, in addition to the increase in metal supply prices from raw material suppliers that are used as a basis for provision calculation.

29 TREASURY SHARES

On 14 Shawwal 1444H (corresponding to 4 May 2023), the Board of Directors proposed the purchase of a maximum 500 thousands shares of the Group's shares and allocate them to the long-term employees' incentive share scheme. On 2 Dhul-Hijjah 1444H (corresponding to 20 June 2023), the Extraordinary General Assembly approved the Board of Directors' resolution that the purchase to be financed from the Group's own resources using its cash balances or credit facilities, and the Board of Directors or its authorized representative shall be entitled to complete the purchase at the time and price it deems appropriate within a maximum period of 12 months from the date of the resolution of the Extraordinary General Assembly. The company holds the purchased shares for maximum period of 5 years as of the date of the General Assembly's approval in order to allocate them to qualified employees. After this period, the Group is committed to following the procedures and regulations stipulated in the relevant laws and regulations.

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29 TREASURY SHARES (CONTINUED)

On 14 September 2023, the Group purchased 282,500 shares at an average price of SR 74.1 each, at a cost of SR 21.1 million. The following is the number of outstanding shares at 31 December 2023.

Number of outstanding shares as at 1 January 2023	150,000,000
Number of treasury shares acquired during the year	(282,500)
Number of outstanding shares as at 31 December 2023	<u>149,717,500</u>

30 SHARE-BASED PAYMENTS PROGRAM

The Group formulated the share-based payment program and it was signed by the Group and the employees on 21 December 2023, which is the vesting date as of the beginning of 2023.

Total No. of shares vested	283,300
The average fair value per share on vesting date	SR 82.1
Vesting date	31 December 2025
Settlement method:	Equity

In line with the launch of the long-term benefits plan, the management approved the policies and the related regulations. Moreover, it prepared a regular distribution plan within the framework of the long-term employee benefits plan over a period of three years. Based on the Group's performance conditions, as of January 2023 to December 2025, the performance-related shares will be distributed in 2026.

The shares to be settled for equity instruments were valued at their fair value on the date of vesting by applying the Discount for lack of Marketability Method (DLOM). This method takes into account the exercise price, the effect of any discounts (where applicable), the share price on the vesting date, the probability of vesting, and the expected price fluctuations of basic shares. As a result of this valuation, the fair value of share is determined to be at SR 82.1 as at 21 December 2023, based on the exercise price amounting to SR 89.90 and 95% vesting probability.

Total expenses related to the program for the period ended 31 December 2023 amounted to SR 8 million, which were included in the expenses items in the consolidated statement of profit or loss and other comprehensive income, with the amount recorded in the share-based payments reserve item under equity in accordance with the requirements of IFRS 2: share-based payments.

31 DEFERRED TAXES

Significant deferred tax assets and liabilities recognized by the Group are as follows:

	31 December 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Fixed assets	-	9,898,969	-	7,573,729
Expected adjustments of inventory realizable value	666,203	-	695,172	-
Employees' benefits obligations	1,192,015	-	1,644,092	-
Provision for Impairment loss on trade receivables	1,054,201	-	573,953	-
Provision for onerous contracts	2,140,239	-	787,829	-
	<u>5,052,658</u>	<u>9,898,969</u>	<u>3,701,046</u>	<u>7,573,729</u>

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32 ZAKAT AND INCOME TAX

Zakat and Income Tax Status

Riyadh Cables Group Company

- The Group finalized the Zakat assessments up to the year 2018. The Zakat and tax assessments for the years from 2019 to 2022 are still under review by Zakat, Tax and Customs Authority (“ZATCA”) for the Group companies. The Group did not receive any assessments that require making provisions as of 31 December 2023.
- The Group has filed its Zakat returns for all years up to 31 December 2022, and Zakat certificate for the year 2022 was issued, which expires on 30 April 2024.
- On 27 April 2022, the Company received a letter of returns amendment from ZATCA for the 2016 return, which resulted in Zakat differences amounting to SR 36.86 million. The Company filed an appeal to these differences for that financial year during the permitted statutory period. On 18 April 2023, the Company submitted a request for the settlement of Zakat disputes amounting to (SR Nil), which was approved by the Zakat and Tax Dispute Settlement Committee on 6 June 2023, and the committee's decision was approved by ZATCA on 7 June 2023. Accordingly, the Company did not have any Zakat dues for the disputed period.

Zakat and income tax is calculated on the separate financial statements of the Group’s companies. Zakat due from Saudi shareholders and tax due from non-Saudi shareholders have been calculated according to the separate financial statements of each company in the Group.

The subsidiaries outside the Kingdom of Saudi Arabia are subject to the tax provisions of the Gulf Cooperation Council Countries, Egypt and Iraq, and there are no tax disputes or claims from any tax authority for those mentioned Companies up to 31 December 2023.

Provision For Zakat and Income Tax

Movement in Zakat and the provision for income tax for the years ended 31 December 2023 and 2022 is as follows:

	For the year ended 31 December	
	2023	2022
1 January	33,337,757	29,690,240
Charged during the year	39,126,206	29,208,266
Prior year adjustments	(1,890,751)	-
Payments made during the year	(28,626,786)	(25,560,749)
31 December	41,946,426	33,337,757

33 REVENUE

	For the year ended 31 December	
	2023	2022
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time	7,607,486,650	6,782,376,370
Contract revenue over time	217,891,477	69,930,187
	7,825,378,127	6,852,306,557

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33 REVENUE (CONTINUED)

	<u>For the year ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Geographical markets		
Domestic revenue	6,111,553,652	5,138,730,091
External revenue	1,713,824,475	1,713,576,466
	<u>7,825,378,127</u>	<u>6,852,306,557</u>

34 COST OF REVENUE

	<u>For the year ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Materials	6,446,992,919	5,870,962,951
Salaries and employees' related benefits	224,288,536	181,710,701
Depreciation expense- (note 9 & 13)	57,691,850	54,912,589
Repairs and maintenance	49,617,949	37,550,989
Electricity and other benefits	56,983,411	45,298,056
Other	17,040,024	14,770,098
	<u>6,852,614,689</u>	<u>6,205,205,384</u>

35 SELLING AND DISTRIBUTION EXPENSES

	<u>For the year ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Salaries and employees' related benefits	43,001,145	43,289,870
Cargo charges	44,797,370	38,459,352
Sales commission	4,335,880	3,918,327
Quality testing expenses	2,017,930	2,797,888
Rental expenses	876,481	774,591
Insurance expense	1,374,237	1,513,229
Advertising and showrooms expenses	5,326,712	3,521,718
Depreciation expense - (note 9)	385,055	390,454
Communication expenses	633,350	520,403
Other expenses	9,189,858	7,593,637
	<u>111,938,018</u>	<u>102,779,469</u>

36 GENERAL AND ADMINISTRATIVE EXPENSES

	<u>For the year ended 31 December</u>	
	<u>2023</u>	<u>2022</u>
Salaries and employees' related benefits	90,450,075	69,983,525
Depreciation expense- (note 9 & 10)	8,351,216	8,613,758
Legal and professional	10,842,419	4,471,558
Maintenance and repair expense	8,717,093	6,675,051
Travel and insurance expense	984,512	562,235
Communications and network expense	1,562,141	1,065,467
Offices supplies expense	903,204	1,030,452
Other expenses	13,473,644	7,763,744
	<u>135,284,304</u>	<u>100,165,790</u>

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37 OTHER INCOME

	For the year ended 31 December	
	2023	2022
Foreign currency exchange gains	4,113,545	-
Gains on sale of investment properties	-	17,331,330
Revenue from rentals	452,843	230,250
Gains on sale of financial investments at FVOCI	-	3,274,019
Revenue from sale of scraps	5,592,607	-
Other	2,406,505	7,395,450
	12,565,500	28,231,049

38 OTHER EXPENSES

	For the year ended 31 December	
	2023	2022
Foreign exchange losses	-	(15,790,335)
Losses on sale and disposal of property, plant and equipment	(7,632,935)	(1,977,326)
	(7,632,935)	(17,767,661)

39 FINANCE COSTS

	For the year ended 31 December	
	2023	2022
Bank interests	84,698,754	56,660,589
Bank commissions	13,703,696	12,865,968
Interest on employees' defined benefits obligations	4,612,730	2,910,583
Interest on lease liabilities	311,987	361,793
	103,327,167	72,798,933

40 REPORTING SEGMENTS

The Group's activities include a number of sectors as follows: -

- Cables and wire segment: includes electrical cables
- High voltage cables segment: includes ready-made projects
- Other segments: includes telephone cables and services

<u>As at and for the year ended 31 December 2023</u>	<u>Cables and wires</u>	<u>High voltage cables</u>	<u>Other</u>	<u>Total</u>
Revenue	7,582,072,560	217,891,477	25,414,090	7,825,378,127
Cost of revenue	(6,647,219,513)	(193,481,346)	(11,913,830)	(6,852,614,689)
Expenses	(244,502,460)	(1,061,250)	(1,658,612)	(247,222,322)
Provision for Impairment loss on trade receivables	(38,941,448)	(3,835,016)	(137,725)	(42,914,189)
Impairment losses of investment properties	(25,639,877)	-	-	(25,639,877)
Other income	11,550,269	1,015,231	-	12,565,500
Other expenses	(7,632,935)	-	-	(7,632,935)
Finance costs	(100,108,704)	(1,923,344)	(1,295,119)	(103,327,167)
Profit before Zakat and income tax	529,577,892	18,605,752	10,408,804	558,592,448
Total assets	4,373,765,072	400,673,281	56,490,715	4,830,929,068
Total liabilities	2,333,811,958	227,278,640	23,640,012	2,584,730,610

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40 REPORTING SEGMENTS (CONTINUED)

<u>As at and for the year ended 31 December 2022</u>	<u>Cables and wires</u>	<u>High voltage cables</u>	<u>Other</u>	<u>Total</u>
Revenue	6,772,651,126	69,930,187	9,725,244	6,852,306,557
Cost of revenue	(6,146,312,777)	(59,619,457)	726,850	(6,205,205,384)
Expenses	(201,379,419)	(1,033,341)	(532,499)	(202,945,259)
Provision for Impairment loss on trade receivables	4,841,752	(1,223,551)	(494,474)	3,123,727
Other income	7,265,284	20,965,766	-	28,231,050
Other expenses	(17,767,662)	-	-	(17,767,662)
Finance costs	(71,090,742)	(1,020,037)	(688,154)	(72,798,933)
Income before Zakat and income tax	<u>348,207,562</u>	<u>27,999,567</u>	<u>8,736,967</u>	<u>384,944,096</u>
Total assets	<u>3,770,448,634</u>	<u>793,501,958</u>	<u>59,932,327</u>	<u>4,623,882,919</u>
Total liabilities	<u>1,793,185,653</u>	<u>665,823,483</u>	<u>44,331,083</u>	<u>2,503,340,219</u>

The information by geographical distribution is as follows:

<u>As at and for the period ended 31 September 2023</u>	<u>Inside Kingdom of Saudi Arabia</u>	<u>Outside Kingdom of Saudi Arabia</u>	<u>Total</u>
Revenue	<u>6,111,553,652</u>	<u>1,713,824,475</u>	<u>7,825,378,127</u>
Total non-current assets	<u>1,156,824,213</u>	<u>185,218,682</u>	<u>1,342,042,895</u>
<u>As at and for the period ended 30 December 2022</u>	<u>Inside Kingdom of Saudi Arabia</u>	<u>Outside Kingdom of Saudi Arabia</u>	<u>Total</u>
Revenue	<u>5,138,730,091</u>	<u>1,713,576,466</u>	<u>6,852,306,557</u>
Total non-current assets	<u>1,125,879,703</u>	<u>165,154,558</u>	<u>1,291,034,261</u>

41 EARNINGS PER SHARE – BASIC AND DILUTED

Basic and diluted earnings per share is calculated by dividing the profit for the period attributable to the shareholders of the Company by the weighted average number of ordinary and diluted shares outstanding during the year.

	<u>2023</u>	<u>2022</u>
Net profit for the year	<u>518,769,603</u>	<u>352,319,866</u>
Weighted average number of shares	<u>149,959,730</u>	<u>150,000,000</u>
Basic and diluted earnings per share	<u>3.46</u>	<u>2.35</u>
Ordinary shares		
	<u>2023</u>	<u>2022</u>
Outstanding ordinary shares at the beginning of the year	<u>150,000,000</u>	150,000,000
Weighted average number of shares repurchased during the year	<u>(37,683)</u>	-
Weighted-average number of ordinary shares at the end of the year	<u>149,962,317</u>	<u>150,000,000</u>

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41 EARNINGS PER SHARE – BASIC AND DILUTED (CONTINUED)

Diluted shares

	<u>2023</u>	<u>2022</u>
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share at the end of the year.	149,962,317	150,000,000
Impact of share options	<u>(2,587)</u>	-
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share at the year end.	<u>149,959,730</u>	<u>150,000,000</u>

42 RELATED PARTIES TRANSACTIONS AND BALANCES

Related parties of the Group consist of the shareholders having control or significant influence, key management personnel, and Companies which are directly or indirectly controlled or influenced by the shareholders, key management personnel. The transactions with related parties are made on terms approved by the Board of the Directors of the Group. The Group and its related parties transact with each other in the ordinary course of business. The transactions and the balances between the Group's companies have been eliminated in preparing these consolidated financial statements.

Transactions with a related party that have been performed during the year, in the ordinary course of business, are summarized below:

	<u>Nature of relationship</u>	<u>Nature of transaction</u>	<u>2023</u>	<u>2022</u>
Masdar Building Material	Owned by a shareholder	Purchases	1,230,180	1,068,413
		Sales	61,468,625	39,413,083
Thabat Contracting Company	Owned by a shareholder	Sales	1,326,302	9,429,860
Masdar Technical Supplies	Owned by a shareholder	Purchases	77,192	149,693
Jadeer Logistics Services Co	Owned by a shareholder	Purchases	10,085,413	326,370
Communications Solutions Company	Owned by a shareholder	Sales	1,787,287	-

Compensation and benefits to key management personnel

	<u>2023</u>	<u>2022</u>
Salaries and short-term benefits	11,788,300	20,666,855
End-of-services benefits	509,900	297,750
	<u>12,298,200</u>	<u>20,964,605</u>

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42- RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

Balances due from / (to) related parties resulting from transactions with related parties are as follows:

Due from related parties - classified as trade receivables

	<u>2023</u>	<u>2022</u>
Thabat Contracting Company	-	2,926,522
Masdar Building Material Company	12,284,354	5,286,490
Communications Solutions Company	1,671,510	-
	<u>13,955,864</u>	<u>8,213,012</u>

Due to related parties- classified as trade payables

	<u>2023</u>	<u>2022</u>
Masdar technical supplies	3,816	18,149
Thabat Contracting Company	88,020	-
Jadeer Logistics Services Co	655,890	-
	<u>747,726</u>	<u>18,149</u>

43 FINANCIAL INSTRUMENTS

43.1 Fair Value of Financial Instruments

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

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

The Company uses appropriate valuation techniques with surrounding conditions for which sufficient data are available to measure fair value, maximizing the use of appropriate inputs that can be monitored and minimizing the use of inputs that cannot be monitored to the greatest extent possible.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset at its maximum and best use or by selling it to another market participant who may use the asset at its maximum and best use.

All assets and liabilities whose fair values are measured or disclosed in the financial statements are classified in the fair value hierarchy. This is described as follows, based on the lowest input level that is important for the overall measurement:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be obtained at the measurement date.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for assets or liabilities either directly (such as prices) or indirectly (derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market information (unobservable inputs).

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43 FINANCIAL INSTRUMENTS

43.1 Fair Value of Financial Instruments

For assets and liabilities that are measured in the financial statements at fair value on a recurring basis, the Company determines whether transfers have been made between hierarchy levels by reassessing the classification (based on the lowest input level that is significant for the overall measurement) at the end of each reporting period.

The Group is exposed to risks as a result of using financial instruments. The following explains the Company's objectives, policies and operations to manage these risks and methods used to measure them in addition to quantitative information related to these risks in the accompanying financial statements.

There were no significant changes that may expose the Company to financial instrument risks through its objectives, policies and operations to manage these risks and methods used that are different from what have been used in prior years unless otherwise indicated.

- The Company's management considers the fair value for trade receivables, Islamic financing facilities, balances of related parties, trade payables, accrued expenses and other liabilities that approximate to their carrying amount due to short term financial instruments.
- Financial instruments are exposed to change in value risk as a result of changes in commission rates of the financial assets and liabilities with variable commission.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximate of fair value.

	Carrying amount		Fair value				
	Hedging instruments	Investments at fair value through other comprehensive income	Total	Level 1	Level 2	Level 3	Total
	In Saudi Riyals						
31 December 2023							
Financial Assets							
Derivative financial instruments	10,802,262	-	10,802,262	-	10,802,262	-	10,802,262
Investments at fair value through other comprehensive income	-	17,293,564	17,293,564	-	-	-	-
Financial liabilities							
Derivative financial instruments	894,858	-	894,858	-	894,858	-	894,858
31 December 2022							
Financial assets							
Derivative financial instruments	2,873,118	-	2,873,118	-	2,873,118	-	2,873,118
Investments at fair value through other comprehensive income	-	23,503,554	23,503,554	22,233,314	-	1,270,240	23,503,554
Financial liabilities							
Derivative financial instruments	9,388,071	-	9,388,071	-	9,388,071	-	9,388,071

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43 FINANCIAL INSTRUMENTS

43.1 Fair Value of Financial Instruments

Valuation technique and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as significant unobservable input used.

Financial instruments measured at fair value

<u>Type</u>	<u>Valuation approach</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Derivative financial instruments	Broker quotes	Not applicable	Not applicable
Investments at fair value through other comprehensive income	The average assessment weight for each is as follows: - Discounted cash flows: The valuation model considers the present value of the net cash flows expected to be generated by the Company. The cash flow projections include estimates for 5 years weighted at 80%; and - Price-to-book value (P/B), Comparable (Similar companies)	Weighted average cost of capital ("WACC") 28.9%	The estimated fair value would increase/ (decrease) if the weighted average cost of capital is (lower)/ higher.

43.2 Financial Instruments Risk Management

The Group's activities expose it to a variety of financial risks, the most important of which are the risks listed below:

- Credit risk
- Liquidity risk
- Market risk (currency risk, interest rate risk and commodity risk)

This note presents information about the Group's exposure to each of the above risks, Group's objectives, policies and processes for measuring and managing risk and the Group's management of capital, in addition to the quantitative disclosures included in these consolidated financial statements.

Risk management framework

The Board of Directors is full responsible for the establishment and oversight of the Group's risk management framework. The board of directors has established a Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee will report regularly to the board of directors on its activities.

The Group's current risk management policies are established to identify and analyze the risks faced by the Group, so as to set appropriate risk limits and controls, and to monitor risks and abide by limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and establishment of standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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43 FINANCIAL INSTRUMENTS

43.2 Financial Instruments Risk Management (continued)

The audit committee of the Group oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The internal audit provide assistance to the audit committee of the Group in its control role. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which will be reported to the audit committee.

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's trade receivables and cash at banks. The Group's significant credit risks are represented in the following:

Trade Receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management takes into account the demographics of the Group's customer base, including the default risks for the industry and the country in which customers operate, as these factors may have an impact on credit risk, especially in current economic conditions. Geographically, there is no concentration of credit risk.

The Group only transacts with recognized and creditworthy third parties. It is the Group's policy that all customers who wish to transact on credit terms are subject to credit verification procedures. Credit quality of the customer is assessed based on an extensive credit rating scorecard. In addition, the receivables balances are continuously monitored, resulting in the Group being exposed to bad debts is not material.

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using internal and external rating criteria. Credit quality of the customer is assessed based on an extensive credit rating scorecard. Outstanding customer receivables are monitored regularly.

The Group establishes a provision for trade receivables impairment that represents its estimate of lifetime expected credit losses on trade receivables. The main components of this provision are a specific loss component that relates to significant exposures.

Individually, and other is collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss provision is determined based on historical data of payment statistics for similar financial assets.

The other categories of financial events do not result in significant credit risk.

The carrying amount of financial assets represents the maximum credit exposure.

	31 December 2023		31 December 2022	
	Balance	Impairment	Balance	Impairment
Less than 3 months	1,253,990,524	14,195,075	1,242,288,614	11,208,818
More than 3 months and less than 6 months	58,457,513	15,454,855	70,318,548	4,718,012
More than 6 months and less than one year	46,443,219	24,136,007	8,904,985	5,057,215
Greater than one year	34,653,835	34,653,835	24,541,538	24,541,538
Total	<u>1,393,545,091</u>	<u>88,439,772</u>	<u>1,346,053,685</u>	<u>45,525,583</u>

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43- FINANCIAL INSTRUMENTS (CONTINUED)

Credit Risk (Continued)

Trade Receivables (Continued)

For trade receivables, the Group applies the simplified approach of IFRS 9 to measure expected credit losses, which are used specifically for the expected credit losses for all financial assets measured at amortized cost.

The key inputs into the measurement of ECL are the following variables:

- Probability of default using a statistical model (i.e. normal distribution curve)
- GDP of the Kingdom of Saudi Arabia, the rate of inflation and Saudi government spending, as variables of the macroeconomic, to calibrate the historical loss rate.

For cash at banks, cash and cash equivalents are deposited with banks with a credit rating of BBB- and higher. The Group regularly updates its cash flows. Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit limits are established for all customers using internal and external rating criteria.

Outstanding customer receivables are monitored regularly.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Furthermore, the Group maintains various credit alternatives.

The table below summarizes the maturity terms of the Company's financial liabilities based on contractual undiscounted payments:

31 December 2023	Less than 1 year	1-5 years	Over 5 years	Carrying amount
Short-term Islamic finance facilities	722,123,178	-	-	722,123,178
Trade payables	185,004,296	-	-	185,004,296
Suppliers facilities- banks	1,009,501,174	-	-	1,009,501,174
Lease liabilities	1,530,679	8,147,248	-	8,488,659
Accrued expenses and other liabilities	113,484,849	-	-	113,484,849
	2,031,644,176	8,147,248	-	2,038,602,156

31 December 2022	Less than 1 year	1-5 years	Over 5 years	Carrying amount
Short-term Islamic finance facilities	1,468,005,000	-	-	1,468,005,000
Trade payables	222,934,612	-	-	222,934,612
Suppliers facilities- banks	321,611,935	-	-	321,611,935
Lease liabilities	1,530,679	9,677,927	-	9,703,410
Accrued expenses and other liabilities	96,334,298	-	-	96,334,298
	2,243,929,780	9,677,927	-	2,118,589,255

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43 FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Financial Instruments Risk Management (continued)

Suppliers facilities- banks

The Group entered into an agreement (suppliers financing arrangements) with SABB Bank to obtain payment facilities for suppliers, and the total facility agreement concluded with the bank amounted to SR 1.5 billion, of which SR 1 billion was utilized for one of the suppliers up to 31 December 2023.

Market risk

Market risk is the risk that potentially affect changes in market prices such as currency rates, interest rates and equity prices.

The operations of some subsidiaries outside the Kingdom are exposed to additional risks represented by significant changes in currency rates, which may affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable standards, while optimizing the return.

The Group enters into financial derivatives contracts to manage market risks. All these transactions are carried out within the guidelines set by the Board of Directors.

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group, which is primarily Saudi Riyals.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is maintained to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The following table demonstrates the sensitivity of the Group to a reasonably possible change in the Saudi Riyals against USD, Euro, and EGP by 5% higher or lower with all other variables held constant, of the Group's monetary assets and liabilities. There were no changes in other currency exchange rates as of 31 December 2023.

	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2023	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2023	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2023
	EGY sensitivity in SR	USD sensitivity in SR	Euro sensitivity in SR
<i>Increase by 5%</i>	795,670	(35,352,350)	(171,291)
<i>Decrease by 5%</i>	(795,670)	35,352,350	171,291

	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2022	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2022	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2022
	EGY sensitivity in SR	USD sensitivity in SR	Euro sensitivity in SR
<i>Increase by 5%</i>	909,467	(25,874,335)	(178,604)
<i>Decrease by 5%</i>	(909,467)	25,874,335	178,604

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43 FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Financial Instruments Risk Management (continued)

The Group's exposure to foreign currency risk at the end of the reporting year, in SR, is as follows:

	2023				2022			
	Trade Receivables	Trade payables	Cash and cash equivalents	Credit facilities Short-term	Trade receivables	Trade payables	Cash and cash equivalents	Short-term credit facilities
USD	59,491,420	865,174,608	98,636,189	-	147,375,885	467,374,268	12,436,685	209,925,000
Euro	-	3,600,267	174,449	-	-	4,171,042	598,968	-
BD	18,517,926	-	359	-	12,280,334	-	533,582	-
KWD	45,318,355	3,737,041	773,478	-	45,300,410	3,383,785	4,303,371	-
AED	433,553,462	5,183,519	13,786,728	-	646,250,982	5,991,044	14,168,337	-
EGP	6,340,195	751,839	10,325,042	-	5,650,795	1,194,114	13,732,652	-
Other	57,144,887	94,611	14,034,001	-	736,129	-	816,911	-

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate, because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to loans with floating interest rate.

To reduce volatility and increase predictability of interest expenses, the Group may use debt issuance or enter into simple financial derivatives such as interest rate swaps.

The Group's exposure to the risk of changes in the interest rate market mainly due to loans. Loans at variable rates expose the Group to a change in cash flows as a result of changes in interest rates.

The Group's exposure to risk of changes in interest rates is as follows:

	For the year ended 31 December	
	2023	2022
Loans with variable interest rate	722,123,178	1,468,005,000

Interest rate sensitivity

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased (decreased) profits or losses by the amounts shown below. The analysis assumes that all other variables, especially the foreign exchange rate, remain constant.

31 December 2023	Statement of profit or loss	
	Increase by 100 points	Decrease 100 Points
Loans with variable interest rate	7,221,232	(7,221,232)
Suppliers facilities- banks	10,095,012	(10,095,012)
Change in cash flows	17,316,244	(17,316,244)

31 December 2022	Statement of profit or loss	
	Increase by 100 points	Decrease 100 Points
Loans with variable interest rate	14,680,050	(14,680,050)
Suppliers facilities- banks	3,216,119	(3,216,119)
Change in cash flows	17,896,169	(17,896,169)

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43 FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Financial Instruments Risk Management (continued)

Commodity risk

The Group is exposed to the impact of market fluctuations on the prices of various inputs to production including aluminum and copper. The Group manages some key elements of commodity price risk through the use of fixed-price forward contracts.

44 CAPITAL MANAGEMENT

Risk Management

Capital is equity attributable to the equity holders of the Group. The primary objective to the Group's capital management is to support its business and maximize shareholder value.

The policy of the Board of Directors is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the Company. The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions.

The Board of Directors monitors the return on capital, which the Group defines as result from operating activities divided by adjusted total equity. The Board of Directors also monitors the level of dividends to shareholders. There were no changes in the Group's approach to capital management during the year.

Neither the Group nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's debt to adjusted capital ratio at the end of the reporting year was as follows:

	<u>2023</u>	<u>2022</u>
Total liabilities	2,584,730,610	2,503,340,219
Less: cash and cash equivalents	(150,051,628)	(107,119,942)
Net debt	2,434,678,982	2,396,220,277
Total equity	2,246,198,458	2,120,542,700
Debt to equity ratio	108%	113%

45 COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2023, the Group has commitments of SR 170 million (31 December 2022: SR 55 million) relating to capital expenditures for expansion works in the Group's factories.

Legal claim contingency

The Group faces, in its ordinary course of business, lawsuits, which are under litigation. While the ultimate results of these matters cannot be determined with certainty, the Group's management and its legal advisor does not expect that they will have a material effect on the consolidated financial statements of the Group.

Contingent liabilities

The contingent liabilities amounted to SR 798.5 million (31 December 2022: SR 566 million) against bank facilities in the form of letters of credit and letters of guarantee obtained by the Group from several local banks against a commission for granting facilities without any bank cover.

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46 SUBSEQUENT EVENTS

On 25 Shaaban, 1445H (corresponding to March 6, 2024), the company's Board of Directors held and decided to recommend to the general assembly the distribution of cash dividends to the shareholders for the second half of the year 2023 by an amount of SR 149.7m at SR 1.50 per share.

47 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been approved by the Board of Directors on 25 Sha'aban 1445H (corresponding to 6 March 2024).