

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
together with
INDEPENDENT AUDITOR'S REPORT
For the year ended 31 December 2024

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
As at 31 December 2024
(All amounts are expressed in Saudi Riyals unless otherwise stated)

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KPMG Professional Services Company

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

Headquarters in Riyadh

شركة كي بي إم جي للاستشارات المهنية مساهمة مهنية

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
Saudi Joint stock Company

Opinion

We have audited the consolidated financial statements of **Riyadh Cables Group Company**, (the "Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2024, 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 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with international financial reporting standard as issued by the International Accounting Standards Board (IFRS) 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's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current 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
Saudi Joint stock Company

Key audit matters

Revenue recognition

Refer to Note 7 for the accounting policy related to revenue recognition and Note (33) for the related disclosures to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>The group applies IFRS15 'Revenue from contracts with customers'.</p> <p>The group recognized revenue amounting to SR 9 billion for the year ended 31 December 2024.</p> <p>Revenue mainly resulted from the sale of goods after the transfer of control to customers, while revenue from other long term installation contracts are recorded over time using percentage of completion, of each contract.</p> <p>Revenue is considered one of the significant indicators for measuring the performance of the Group and also included risk of fraud, resulting in significant inherent risks related to through the possibility of recognizing revenue which might does not meet revenue recognition criteria and recorded the revenue during the correct accounting period and might have a material impact on the consolidated financial statements of the Group.</p>	<p>Our audit procedures performed included, among other audit procedures, the following:</p> <ul style="list-style-type: none"> • Evaluated the Group's accounting policies relating to revenue recognition in light with applicable financial reporting framework. • 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. • Performed analytical procedures, including margin analysis for sales compared with the prior year, and obtained explanations to any significant changes. • Tested a sample of journal entries relating to revenue accounts and related supporting documents. • Tested a sample of revenue transactions before and after the reporting date through tracing the invoices back to the relevant customers' acceptance documents to ensure that the revenue is properly recorded in 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
Saudi Joint stock Company

Key audit matters (continued)

Impairment of trade receivables

Refer to Note 7 for the accounting policy related to financial assets and Note (16) for the related disclosure to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2024, the gross trade receivables amounted to SR 2.1 billion, against which a provision for impairment of SR 111.9 million was 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 on trade receivables includes significant judgments and estimates from management, macro-economic factors and study of historical trends relating to the group's trade receivable collections experience in relation to the inputs used for the calculation in line with the requirements of IFRS 9 which might have a material impact on the consolidated financial statements of the Group.</p>	<p>Our audit procedures performed included, among other audit procedures, the following:</p> <ul style="list-style-type: none"> • Evaluated the Group's accounting policies relating to trade receivables in light of the applicable financial reporting framework. • 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 completeness and accuracy of the aging report of trade receivables. • Involved our internal valuation specialists to assist us in reviewing the modeling framework and test the key assumptions used by management and assess the reasonableness of the estimates used to determine impairment losses against trade receivables. • 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
Saudi Joint stock 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 that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-Laws and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, 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
Saudi Joint stock 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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, actions taken to eliminate threats or safeguards applied.

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 Company



Fahad Mubark Al Dossari
License No. 469



Riyadh, 17 Ramadan 1446 H
Corresponding to: 17 March 2025

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)


Consolidated Statement of Financial Position


As at 31 December 2024

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

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Property, plant and equipment, net	9	1,336,038,944	1,206,659,875
Intangible assets, net	10	57,163,451	62,766,995
Investments at fair value through other comprehensive income	11	26,347,118	17,293,564
Equity-accounted investees	12	31,409,377	30,602,500
Right of use assets	13	7,073,017	8,156,317
Investment properties	14	10,030,841	11,510,986
Deferred tax asset	31	9,673,252	5,052,658
Non-current assets		<u>1,477,736,000</u>	<u>1,342,042,895</u>
Inventory	15	2,126,036,688	1,909,111,440
Trade receivables	16	2,022,901,423	1,305,105,319
Contract assets	17	15,207,694	25,208,489
Advances and other current assets	18	73,989,450	88,607,035
Derivative financial instruments	26	5,040,118	10,802,262
Cash and cash equivalents	19	90,672,725	150,051,628
Current assets		<u>4,333,848,098</u>	<u>3,488,886,173</u>
Total assets		<u>5,811,584,098</u>	<u>4,830,929,068</u>
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)	(21,097,836)
Retained earnings		814,601,950	448,228,187
Other reserves		42,523,242	31,287,696
Equity attributable to the shareholders of the Company		<u>2,624,353,650</u>	<u>2,246,744,341</u>
Non-controlling interests		(476,754)	(545,883)
Total equity		<u>2,623,876,896</u>	<u>2,246,198,458</u>
LIABILITIES			
Employees' benefits obligations	23	125,899,543	117,297,199
Lease liabilities	13	6,296,317	7,392,489
Deferred tax liability	31	6,526,171	9,898,969
Non-current liabilities		<u>138,722,031</u>	<u>134,588,657</u>
Islamic finance facilities	24	433,053,112	722,123,178
Accrued expenses and other liabilities	25	381,082,442	266,518,283
Trade and other payables	27	1,598,433,491	1,195,410,422
Derivative financial instruments	26	83,413,600	894,858
Provisions	28	423,305,127	197,175,347
Contract liabilities	17	61,191,218	24,977,269
Provision for zakat and income tax	32	67,410,011	41,946,426
Lease liabilities	13	1,096,170	1,096,170
Current liabilities		<u>3,048,985,171</u>	<u>2,450,141,953</u>
Total liabilities		<u>3,187,707,202</u>	<u>2,584,730,610</u>
Total equity and liabilities		<u>5,811,584,098</u>	<u>4,830,929,068</u>

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


Chairman of Board of Directors
Mr. Khaled A. Al-Gwaiz


Chief Financial Officer
Mr. Baha Eissa


Chief Executive Officer
Mr. Borjan Sehovac

RIYADH CABLES GROUP COMPANY

(A Saudi Joint Stock Company)


Consolidated Statement of Profit or Loss

For the year ended 31 December 2024

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

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Revenue	33	9,007,360,867	7,825,378,127
Cost of revenue	34	(7,720,838,516)	(6,852,614,689)
Gross profit		1,286,522,351	972,763,438
Selling and distribution expenses	35	(127,902,473)	(111,938,018)
General and administrative expenses	36	(156,466,439)	(148,988,000)
Impairment loss on trade receivables	16	(23,425,991)	(42,914,189)
Impairment loss on investment properties	14	(1,480,145)	(25,639,877)
Other income	37	11,045,285	11,956,363
Other expenses	38	(19,853,434)	(7,632,935)
Operating profit		968,439,154	647,606,782
Finance income		2,315,929	609,137
Finance costs	39	(89,982,628)	(89,623,471)
Profit before zakat and income tax		880,772,455	558,592,448
Zakat and income tax	32	(71,884,690)	(39,126,206)
Deferred tax	31	7,993,392	(973,619)
Profit for the year		816,881,157	518,492,623
Profit attributable to:			
Shareholders of the Company		816,689,852	518,769,603
Non-controlling interests		191,305	(276,980)
Profit for the year		816,881,157	518,492,623
Earnings per share			
Basic and diluted earnings per share	41	5.45	3.46

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


Chairman of Board of Directors
Mr. Khaled A. Al-Gwaiz



Chief Financial Officer
Mr. Baha Eissa


Chief Executive Officer
Mr. Borjan Sehovac

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)
Consolidated Statement of Other Comprehensive Income
For the year ended 31 December 2024
(All amounts are expressed in Saudi Riyals unless otherwise stated)

	<u>Notes</u>	<u>2024</u>	<u>2023</u>
Profit for the year		816,881,157	518,492,623
Other comprehensive income			
<u>Items that are or may be reclassified subsequently to profit or loss</u>			
Foreign currency translation differences		(126,047)	(49,593)
Cash flow hedge effective portion of changes in fair value	26	(5,691,961)	2,995,491
<u>Items that will not be reclassified to profit or loss</u>			
Investments at fair value through other comprehensive income, net change in fair value		9,053,554	(6,209,990)
Re-measurement of post-employment benefit obligations	23	(1,163,589)	(1,382,984)
Other comprehensive income for the year		2,071,957	(4,647,076)
Total comprehensive income		818,953,114	513,845,547
Total comprehensive income attributable to:			
Shareholders of the Company		818,761,809	514,122,527
Non-controlling interests		191,305	(276,980)
Total comprehensive income for the year		818,953,114	513,845,547

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



Chairman of Board of Directors
Mr. Khaled A. Al-Gwaiz



Chief Financial Officer
Mr. Baha Eissa



Chief Executive Officer
Mr. Borjan Sehovac

RIYADH CABLES GROUP COMPANY

(A Saudi Joint Stock Company)

Consolidated statement of changes in equity

For the year ended 31 December 2024

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

Equity attributable to the shareholders of the Company													
Notes	Share capital	Statutory reserve	Retained earnings	Treasury shares	Acquisition reserve of a subsidiary	Cash flow hedge reserve	Other reserves			Total other reserves	Total	Non-controlling interests	Total equity
							Reserve for revaluation of investments at FVOCI	Employee share plan reserve	Foreign operations translation reserve				
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	-	-	-	(21,097,836)	-	-	-	-	-	-	(21,097,836)	-	(21,097,836)
Share-based payment	-	-	-	-	-	-	-	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
For the year ended 31 December 2024													
Balance at 1 January 2024	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
Profit for the year	-	-	816,689,852	-	-	-	-	-	-	-	816,689,852	191,305	816,881,157
Other comprehensive income for the year	-	-	(1,163,589)	-	-	(5,691,961)	9,053,554	-	(126,047)	3,235,546	2,071,957	-	2,071,957
Total comprehensive income for the year	-	-	815,526,263	-	-	(5,691,961)	9,053,554	-	(126,047)	3,235,546	818,761,809	191,305	818,953,114
Share-based payment	30	-	-	-	-	-	-	8,000,000	-	8,000,000	8,000,000	-	8,000,000
Dividends	22	-	(449,152,500)	-	-	-	-	-	-	-	(449,152,500)	(122,176)	(449,274,676)
Balance at 31 December 2024	1,500,000,000	288,326,294	814,601,950	(21,097,836)	22,725,173	(17,304,578)	22,042,964	16,000,000	(940,317)	42,523,242	2,624,353,650	(476,754)	2,623,876,896

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

Chairman of Board of Directors

Mr. Khaled A. Al-Gwaiz

Chief Financial Officer

Mr. Baha Eissa

Chief Executive Officer

Mr. Borjan Sehovac

RIYADH CABLES GROUP COMPANY

(A Saudi Joint Stock Company)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

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

	Notes	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before Zakat and income tax		880,772,455	558,592,448
Adjustments for:			
Depreciation of property, plant and equipment	9	61,957,017	59,528,486
Amortization of intangible assets	10	5,603,544	5,573,460
Share of profit in Equity accounted investee		(806,877)	-
Depreciation of Right-of-use of assets	13	1,083,300	1,326,176
Interest on lease liabilities	13	275,124	311,987
Adjustments of inventory expected net realizable value	15	69,764,761	18,228,139
Provision for Impairment loss on trade receivables	16	23,425,991	42,914,189
Provisions	28	226,129,780	135,592,992
Post-employment benefits	23	17,139,455	16,590,012
Impairment losses on investment properties	14	1,480,145	25,639,877
Revaluation of financial derivatives		82,588,925	(13,426,866)
Losses on disposal of property, plant and equipment	38	324,919	7,632,935
Share-based paymesnt expenses	30	8,000,000	8,000,000
Finance costs	39	84,378,537	84,698,754
		1,462,117,076	951,202,589
Changes in:			
Inventory		(286,690,009)	(131,598,237)
Trade receivables		(741,222,095)	(47,491,406)
Contract assets		10,000,795	(15,698,946)
Contract liabilities		36,213,949	(7,383,893)
Advances and other current assets		14,490,144	28,408,050
Accrued expenses and other liabilities		114,564,159	36,250,129
Trade payables		403,023,069	650,863,875
Net finance costs paid		(84,653,661)	(85,010,741)
Post-employment benefits paid	23	(9,699,306)	(7,249,550)
Zakat and income tax paid	32	(46,421,105)	(30,517,537)
Net cash generated from operating activities		871,723,016	1,341,774,333
Investing activities			
Payments for the purchase of property, plant and equipment	9	(194,985,837)	(154,663,672)
Payments to purchase investment properties		-	(1,092,150)
Proceeds from sale of property, plant and equipment		3,324,832	199,537
Net cash used in investing activities		(191,661,005)	(155,556,285)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of Islamic financing facilities during the year		(4,010,530,338)	(3,651,796,359)
Proceeds from Islamic financing facilities during the year	24	3,721,460,272	2,905,914,537
Lease liabilities		(1,096,172)	(1,214,751)
Payments for purchase of treasury shares	29	-	(21,097,836)
Dividends paid		(449,274,676)	(375,091,953)
Cash used in financing activities		(739,440,914)	(1,143,286,362)
Net change in cash and cash equivalents during the year		(59,378,903)	42,931,686
Cash and cash equivalents at the beginning of the year	19	150,051,628	107,119,942
Cash and cash equivalents at the end of the year	19	90,672,725	150,051,628
CASH FLOWS FROM NON-CASH TRANSACTIONS			
Investments at fair value through other comprehensive income – net change in fair value		9,053,554	(6,209,990)
Re-measurements of post-employment benefit obligations	23	(1,163,589)	(1,382,984)
Changes in the fair value of the hedging instruments recognized in OCI		(5,691,961)	2,995,491
Transferred from property, plant and equipment to intangible assets	10	-	(361,024)

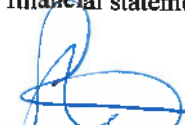
The accompanying notes 1 through 47 form an integral part of these consolidated financial statements.



Chairman of Board of
Directors
Mr. Khaled A. Al-Gwaiz



Chief Financial Officer
Mr. Baha Eissa



Chief Executive Officer
Mr. Borjan Sehovac

RIYADH CABLES GROUP COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2024
(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.

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)	
			2024	2023
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%
5. Saudi Modern Company for Cables Limited	Limited Liability Company	Kingdom of Saudi Arabia	100%	100%

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1. REPORTING ENTITY (CONTINUED)

***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.

** During the period all assets and liabilities of Iraq National company for cables Industry was transferred to Al Rowad Company for Production of Electrical Cables Limited by its carrying amount, and liquidated " transactions under common control" where that Al Rowad Company and Iraqi National Cables Industry are owned by 100% for National Cables Company which owned by 100% for Riyadh Cables Group. There is no impact on the group figures on the consolidated financial statements

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IFRS") 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 company. 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)

Non – controlling interest (“NCI”) (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 losing 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.

Interests in equity-accounted investees

The Group’s interests in equity-accounted investees comprise interests in a joint venture. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Interests in the joint venture are accounted for under the equity method. They are initially recognised 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 equityaccounted investees, until the date on which joint control ceases.

6. NEW ACCOUNTING STANDARDS OR AMENDMENTS FOR 2024 AND FORTHCOMING REQUIRMENTS

Number of accounting standards, amendments to or interpretations of accounting standards have been issued. However, which did not have a material impact on the group financial statements.

- **New currently effective requirements:** This table lists the recent changes to the Accounting Standards that are required to be applied with an annual reporting period beginning on 1 January 2024.

Effective date	New Accounting Standards or Amendments
1 January 2024	Non-current Liabilities with Covenants – Amendments to IAS 1 and; Classification of Liabilities as Current or Non-current – Amendments to IAS 1
	Lease Liability in a Sale and Leaseback – Amendments to IFRS 16
	Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7

- **Forthcoming requirements:** This table lists the recent changes to the Accounting Standards that are required to be applied for annual reporting periods beginning after 1 January 2024 and that are available for early adoption in annual reporting periods beginning on 1 January 2024.

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6 NEW ACCOUNTING STANDARDS OR AMENDMENTS FOR 2024 AND FORTHCOMING REQUIRMENTS (CONTINUED)

Effective date	New Accounting Standards or Amendments
1 January 2025	Lack of Exchangeability -Amendments to IAS 21
1 January 2026	Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7
	Annual Improvements to IFRS Accounting Standards - Volume 11
1 January 2027	IFRS 18 Presentation and Disclosure in Financial Statements
	IFRS 19 Subsidiaries without Public Accountability: Disclosures
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

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

7. MATERIAL ACCOUNTING POLICES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements unless otherwise stated.

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;
- It does not have the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The Group has adopted Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants (Amendments to IAS 1) from 1 January 2024. The amendments apply retrospectively, If any. They clarify certain requirements for determining whether a liability should be classified as current or non-current and require new disclosures for non- current loan liabilities that are subject to covenants within 12 months after the reporting period.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

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.

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 (number of years)</u>
Buildings	20 – 25 or lease term whichever is lower
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 consolidated 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 consolidated 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)

Intangible assets (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. 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 consolidated 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 consolidated statement of profit or loss when incurred.

Investment property includes land, which is not depreciated.

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

Cash and bank balances
Trade receivables
Other non-current assets

IFRS 9 classification

at amortized cost
at amortized cost
at amortized cost

Subsequent measurement

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

Financial assets at FVTPL	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 amortized cost	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 consolidated statement of profit or loss. Any gain or loss on derecognition of an investment is recognized in the consolidated statement of profit or loss.
Financial assets through other comprehensive income (debt investments)	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. 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)	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.

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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

The Group recognises loss allowances for ECLs on trade receivables which disclosed below note (16).

Loss allowances for trade receivables or contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when:

- The debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a 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.

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 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.

7. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Presentation of Impairment (continued)

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.

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 90 days past due on any material credit obligation to the Group.

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.

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7 MATERIAL ACCOUNTING POLICIES (CONTINUED)

Presentation of Impairment (continued)

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.

Financial liabilities

IFRS classification

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.

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.

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7. MATERIAL ACCOUNTING POLICIES (*CONTINUED*)

Financial Liabilities (Continued)

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”.

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.”

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7. MATERIAL ACCOUNTING POLICIES (*CONTINUED*)

Cash Flow Hedge (continued)

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

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.

The Group 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.

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7. MATERIAL ACCOUNTING POLICIES (*CONTINUED*)

Fair value measurement (continued)

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.

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.

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7. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Employees' benefits (continued)

Defined Benefits plans (continued)

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.

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.

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, 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.

Pillar Two

The Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) addresses the tax challenges arising from the digitalisation of the global economy. The Global AntiBase Erosion Model Rules (Pillar Two model rules) apply to multinational enterprises (MNEs) with annual revenue in excess of EUR 750 million per their consolidated financial statements.

These rules, applicable on a jurisdictional basis, aim to ensure a minimum level of taxation on income generated in each jurisdiction in which an entity operates.

The Group continues to follow Pillar Two legislative developments, to evaluate the potential future impact on its Consolidated Financial Statements.

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7. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Zakat and Income Tax (continued)

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.

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.

Treasury Shares

When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve.

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.

Revenue recognition

Revenue is recognised when the cables are delivered and have been accepted by customers at their premises. The group recognizes revenue when the transfer of control of a product or services 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.

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7. MATERIAL ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (continued)

- 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.
- 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 goods or 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 applied 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.

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 primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date.

Contract liabilities primarily relate to the advance consideration received from customers for construction of cables, for which revenue recognized over time. an entity's obligation to transfer cables and installation services. 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.

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)

Reporting Segments

An operating segment is a component of the Group:

- That engages in activities from which it may earn revenue and incur expenses.
- Results of its operations are continuously analyzed by chief executive officer 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 (40) 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 and diluted earnings per share for its ordinary shares. Basic earnings per share is calculated based on the profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding. Diluted earnings per share is calculated based on the profit or loss attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

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 group 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 that 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 group 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.

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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 2023	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											
1 January 2023	-	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

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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 2024	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
Additions	-	2,002,459	9,851,125	2,237,775	1,878,478	5,778,574	2,560,416	842,831	4,593,337	165,240,842	194,985,837
Disposals	-	(800,000)	(16,636,671)	(1,199,476)	(158,252)	(69,730)	-	-	(1,598,281)	-	(20,462,410)
Transfers from AUC	-	2,621,981	25,841,248	-	727,446	396,900	-	-	-	(29,587,575)	-
Impact of changes in forex exchange rates	(2,103)	(6,118)	(22,542)	(144)	(393)	(878)	-	(276)	-	(2,393)	(34,847)
31 December 2024	218,634,190	377,897,769	2,009,293,625	17,675,921	34,002,120	72,068,656	130,982,673	19,235,185	14,924,592	269,033,325	3,163,748,056
Accumulated depreciation	-	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
Charge for the year	-	11,559,599	34,306,057	708,133	1,472,733	4,873,970	6,818,431	575,389	1,642,705	-	61,957,017
Disposals	-	(421,333)	(14,087,840)	(1,199,476)	(158,252)	(69,730)	-	-	(892,688)	-	(16,829,319)
Impact of changes in forex exchange rates	-	(3,403)	(13,392)	(110)	(309)	(725)	-	(248)	-	-	(18,187)
31 December 2024	-	253,161,227	1,343,054,622	14,735,436	28,675,037	57,966,394	109,239,310	14,191,958	6,685,128	-	1,827,709,112
Net carrying amount											
31 December 2024	218,634,190	124,736,542	666,239,003	2,940,485	5,327,083	14,102,262	21,743,363	5,043,227	8,239,464	269,033,325	1,336,038,944
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

* 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:

	2024	2023
Cost of sales - Note 34	58,558,735	56,365,674
Selling and distribution expenses - Note 35	437,585	385,056
General and administration expenses - Note 36	2,960,697	2,777,756
	61,957,017	59,528,486

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

The Group holds assets the cost of which amounts to SR 972,8 million as at 31 December 2024 (31 December 2023: SR 952,4 million), which are fully depreciated but are still in use. The details of such assets are as follows:

	<u>2024</u>	<u>2023</u>
Buildings	107,083,476	94,911,408
Plant and equipment	688,485,187	722,505,703
Motor vehicles	12,227,438	13,426,914
Furniture & fixtures	24,407,750	26,587,290
Tools	41,348,916	38,653,009
Laboratory equipment	89,765,420	49,245,518
Computers	9,523,862	7,047,150
	<u>972,842,049</u>	<u>952,376,992</u>

10. INTANGIBLE ASSETS, NET

	<u>2024</u>	<u>2023</u>
	<u>Software</u>	<u>Software</u>
Cost:		
As at 1 January	80,879,539	80,518,515
Additions during the year	-	361,024
As at 31 December	<u>80,879,539</u>	<u>80,879,539</u>
Amortization:		
As at 1 January	18,112,544	12,539,084
Charge for the year	5,603,544	5,573,460
As at 31 December	<u>23,716,088</u>	<u>18,112,544</u>
Net carrying amount as at 31 December	<u>57,163,451</u>	<u>62,766,995</u>

The above intangible assets represent cost of SAP system.

The amortization has been charged to general and administration expenses (Note 36).

11. INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>% of</u>	<u>2024</u>	<u>2023</u>
	<u>Shareholding</u>		
Natural Gas Distribution Co	7.7%	26,334,977	16,023,324
International Co for Insulation Materials	19.7%	12,141	1,270,240
		<u>26,347,118</u>	<u>17,293,564</u>

There are no additions, disposal or dividendes received for those investments during the year, the changes compared with the last year is related to the fair value measurements. The information about the fair value measurement, is included in Note (43.1).

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12. EQUITY-ACCOUNTED INVESTEEES

The Group had investments in (Gulf and Riyadh Electric Wires Cables CO – LLC a Kuwait company) a “joint venture” with (Gulf Cable and Electrical Industries Corporation, “a Kuwait Shareholding Company”).

The joint venture has not yet started its commercial operations.

The following table summarizes the financial information of the Gulf and Riyadh Electric wires Cables Company:

	2024	2023
	50%	50%
Group’s percentage ownership interest		
Current assets (including cash and equivalents-2024: SAR 2,8 million, 2023 30,6 million)	62,835,726	61,597,658
Non-current liabilities	(-)	(-)
Current liabilities	(16,972)	(392,658)
Net Assets	62,818,754	61,205,000
Group’s share of net assets (50%)	31,409,377	30,602,500
Carrying amount of interest in joint venture	31,409,377	30,602,500
Profit and total comprehensive income (100%)	1,613,754	618,564
Group’s share of total comprehensive income (50%)	806,877	309,282

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.

	2024		2023
	Depreciation	Balance	Depreciation
			Balance
Lands	(997,721)	6,945,235	(1,240,597)
Warehouses	(85,579)	127,782	(85,579)
Total right of use assets	(1,083,300)	7,073,017	(1,326,176)
			8,156,317

The depreciation has been charged to cost of sales Note (34)

Lease liabilities

Discounted lease liabilities included in the consolidated statement of financial position

Current	1,096,170	1,096,170
Non-current	6,296,317	7,392,489
	7,392,487	8,488,659

Total amount of interest expenses on the lease liabilities recognized on the profit or loss statement amounted to SR 275,124 in 2024 (2023: SR 311,987).

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14. INVESTMENT PROPERTIES

	<u>2024</u>	<u>2023</u>
Cost:		
As at 1 January	37,150,863	36,058,713
Additions during the year	-	1,092,150
As at 31 December	<u>37,150,863</u>	<u>37,150,863</u>
Accumulated impairment		
As at 1 January	(25,639,877)	-
Impairment during the year	(1,480,145)	(25,639,877)
As at 31 December	<u>(27,120,022)</u>	<u>(25,639,877)</u>
Net carrying amount as at 31 December	<u>10,030,841</u>	<u>11,510,986</u>

Investment properties are represented in the ownership of lands in the Arab Republic of Egypt, and the net carrying amount as at 31 December 2024 amounted to SR 10 million as per the fair value calculation for the land according to the latest valuation of the land which determined using comparative market approach by (International Engineering Consulting) “the valuer”, an independent external real estate valuer, registered in the Central Bank of Egypt with No. (37).

15. INVENTORY

	<u>2024</u>	<u>2023</u>
Finished Goods	1,226,136,677	1,046,045,780
Work in progress	464,126,999	375,033,255
Raw materials	306,655,673	388,554,260
Spare parts	42,940,174	74,215,719
Packaging materials	55,635,180	44,768,175
Goods in transit	165,597,590	40,630,152
Projects supplies	3,014,595	8,169,538
Total	<u>2,264,106,888</u>	<u>1,977,416,879</u>
Less: Allowance of net realizable value	(138,070,200)	(68,305,439)
Net inventory	<u>2,126,036,688</u>	<u>1,909,111,440</u>

The group has a variety of future contracts to meet the price fluctuations risks of copper, aluminum and lead. The effect resulting from closing these contracts - contracts to buy or sell non-financial itmes / 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 extra high-voltage cables inputs and overhead conductor cables. The par value of the unexecuted future contracts for copper, aluminum and lead on 31 December 2024 amounted to USD 375 million, equivalent to SR 1,409 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 extra high-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 inventory net realizable value is as follows:

	<u>2024</u>	<u>2023</u>
1 January	68,305,439	50,077,300
Adjustments during the year*	69,764,761	18,228,139
31 December	<u>138,070,200</u>	<u>68,305,439</u>

* Adjustments during the year charged to P&L (note 34).

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16. TRADE RECEIVABLES

	<u>2024</u>	<u>2023</u>
Trade receivables	2,134,767,186	1,393,545,091
Impairment loss on trade receivable	(111,865,763)	(88,439,772)
Net trade receivables	<u>2,022,901,423</u>	<u>1,305,105,319</u>

Receivables amounts include due from related parties of SR 1,7 million (2023: SR 13 million).

For exposure and impairment amount losses please refer to (note 43.2)

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:

	<u>2024</u>	<u>2023</u>
1 January	88,439,772	45,525,583
Provision for Impairment loss on trade receivables	<u>23,425,991</u>	<u>42,914,189</u>
31 December	<u>111,865,763</u>	<u>88,439,772</u>

17. CONTRACTS ASSETS / LIABILITIES

A- Contracts Assets

	<u>2024</u>	<u>2023</u>
Total costs incurred up to reporting date	61,655,771	113,527,620
Total income recognized up to reporting date	6,908,978	17,928,367
Less: Progress billing	(53,357,055)	(106,247,498)
Contract assets	<u>15,207,694</u>	<u>25,208,489</u>

The Movement of the Contract assets:-

	<u>2024</u>	<u>2023</u>
Opening balance	25,208,489	9,509,543
Recognized as a revenue during the year	293,263,766	185,530,315
Billing during the year	(303,264,561)	(169,831,369)
Closing Balance	<u>15,207,694</u>	<u>25,208,489</u>

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17. CONTRACTS ASSETS / LIABILITIES (CONTINUED)

B- Contracts Liabilities

	<u>2024</u>	<u>2023</u>
Total costs incurred up to reporting date	796,404,549	304,319,857
Total income recognized up to reporting date	86,687,660	29,737,319
Less: Progress billing	(821,900,991)	(359,034,445)
Contract Liabilities	<u>61,191,218</u>	<u>24,977,269</u>

The movement of the contract liabilities:

	<u>2024</u>	<u>2023</u>
Opening balance	(24,977,269)	(32,361,162)
Recognized as a revenue during the year	24,977,269	32,361,162
Billing during the year	(61,191,218)	(24,977,269)
Closing Balance	<u>(61,191,218)</u>	<u>(24,977,269)</u>

18. ADVANCES AND OTHER CURRENT ASSETS

	<u>2024</u>	<u>2023</u>
Advances to suppliers	30,898,897	41,290,399
Suppliers – Debit Balance (*)	6,659,708	9,393,325
Prepaid expenses	14,186,484	14,414,693
Employees' receivables	921,739	1,384,322
Refundable deposits - customs	18,395,231	18,913,210
Other	2,927,391	3,211,086
	<u>73,989,450</u>	<u>88,607,035</u>

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

19. CASH AND CASH EQUIVALENTS

	<u>2024</u>	<u>2023</u>
Cash at banks – current accounts	88,946,278	149,550,511
Cash in hand	1,726,447	501,117
	<u>90,672,725</u>	<u>150,051,628</u>

20. SHARE CAPITAL

The Company's share capital as at 31 December 2024 amounted to SR 1.5 billion (2023: SR 1.5 billion), consists of 150 million shares (2023: 150 million shares) of SAR 10 each. The Company's share capital consists of Saudi shareholders and foreign founders.

21. STATUTORY RESERVE

The statutory reserve included in the consolidated financial statements as of 31 December 2024, and 31 December 2023, was required under the previous Company's by-laws. However, following amendments to the Company's by-laws the requirement to set aside a statutory reserve has been removed.

22. DIVIDENDS

On 21 April 2024, the Ordinary General Assembly of the Company approved the Board of Directors recommendation to distribute cash dividends of SR 224,576,250 to shareholders at SR 1.5 per share. and on 03 september 2024, the Board of Directors decided to distribute interim cash dividends to shareholders for the first half of 2024 amounting to SR 224,576,250 at SR 1.5 per share. (for the year ended 31 December 2023 SR 374,970,000 at SR 2.5 per share).

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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>2024</u>	<u>2023</u>
1 January	117,297,199	106,574,034
Current service cost	11,810,488	11,977,282
Interest cost	5,328,967	4,612,730
Paid during the year	(9,699,306)	(7,249,550)
Actuarial loss	1,163,589	1,382,984
Impact of foreign currency exchange translation differences	(1,394)	(281)
31 December	<u>125,899,543</u>	<u>117,297,199</u>

The significant actuarial assumptions used were as follows:

	<u>2024</u>	<u>2023</u>
Discount rate	5.2%	4.80%
Salary growth rate	2%	2%
Assumed retirement age	60	60

Sensitivity analysis

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

		<u>Impact on the balance of the defined benefit obligations in 2024</u>	
	<u>Change</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	1%	(7,717,371)	8,795,428
Salary growth rate	1%	8,996,451	(8,017,241)
		<u>2023</u>	
	<u>Change</u>	<u>Increase in assumption</u>	<u>Decrease in assumption</u>
Discount rate	1%	(10,462,135)	12,671,135
Salary growth rate	1%	3,766,135	(18,370,135)

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.

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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 2,4 billion (2023: SR 3 billion) at Islamic Murabaha rates that a variable range (+) SAIBOR. All credit facilities were granted according to promissory notes. murabaha rates on short-term loans are based on Saudi Inter Bank Offer Rate SIBOR plus a variable rate during the year.

	<u>2024</u>	<u>2023</u>
1 January	722,123,178	1,468,005,000
Utilized during the year	3,721,460,272	2,905,914,537
Paid during the year	(4,010,530,338)	(3,651,796,359)
31 December	<u>433,053,112</u>	<u>722,123,178</u>

25. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	<u>2024</u>	<u>2023</u>
Refundable deposits from customers	191,521,994	153,033,434
Accrued VAT	94,010,286	55,983,614
Accrued expenses	44,113,286	36,892,014
Employee accruals	27,012,716	14,898,495
Other	24,424,160	5,710,726
	<u>381,082,442</u>	<u>266,518,283</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 extra high-voltage cables as well as overhead conductor cables. The hedging relationship and objective are documented, including details of the hedged items and the hedging instrument. Transactions are accounted for as a cash flow hedge.

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

<u>31 December 2024</u>	Par value of hedging instruments	Carrying amount of hedging instruments	
	<u>Current</u>	<u>Assets</u>	<u>Liabilities</u>
Commodity derivatives used for hedging	751,558,341	3,415,403	29,808,257
Other forward commodity contracts	657,970,748	1,624,715	53,605,343
	<u>1,409,529,089</u>	<u>5,040,118</u>	<u>83,413,600</u>

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26. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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:

	31 December 2023	Change in fair values of hedging instruments	31 December 2024
Copper	(347,416)	2,218,937	1,871,521
Aluminum	10,707,340	(1,394,928)	9,312,412
Lead	1,252,693	4,867,952	6,120,645
	<u>11,612,617</u>	<u>5,691,961</u>	<u>17,304,578</u>

27. TRADE AND OTHER PAYABLES

	2024	2023
Trade payables*	164,402,300	185,909,248
Suppliers' facilities- banks **	<u>1,434,031,191</u>	<u>1,009,501,174</u>
	<u>1,598,433,491</u>	<u>1,195,410,422</u>

* Payables amounts include dues to related parties of SR 1,9 million (2023: SR 747,726) (Note 42).

** The group participates in a supplier finance arrangement under which its suppliers may elect to receive early payment of their invoices from a bank (SAB, GIB and Rajhi Bank). Under the arrangement, the bank agrees to pay amounts due to participating suppliers in respect of invoices owed by the group and the group repays the bank at a later date. The principal purpose of this arrangement is to facilitate efficient payment processing and provide the willing suppliers early payment terms, compared with the related invoice payment due date. The group has not derecognised the original trade payables relating to the arrangement because neither a legal release was obtained nor was the original liability substantially modified on entering into the arrangement. From the group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating; however, the arrangement does provide willing suppliers with the benefit of early payment. Additionally, the group does not incur any additional interest towards the bank on the amounts due to the suppliers. The group therefore includes the amounts subject to the arrangement within trade payables because the nature and function of these payables remains the same as those of other trade payables. There were no significant non-cash changes in the carrying amount of financial liabilities subject to supplier finance arrangements. Range of payment due dates:

- Trade payables subject to supplier finance arrangement (Any time upon request once the group receiving the goods) comparable trade payables (30 days after invoice date)
- For additional information about liquidity risk, see (note 43.2).

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28. PROVISIONS

The movement of provisions is as follows:

	<u>2024</u>	<u>2023</u>
1 January	197,175,347	61,582,355
Provision during the year	<u>226,129,780</u>	<u>135,592,992</u>
	<u>423,305,127</u>	<u>197,175,347</u>

The provision related to onerous contracts, which measured at the present value of the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract, considering the increase in the cost of metals prices. This calculation of the provision for all the group's products, except for some certain cables which the price of their metals is hedged.

29. TREASURY SHARES

On 14 Shawwal 1444H (corresponding to 4 May 2023), the Board of Directors proposed the purchase of a maximum 500 thousand shares of the company'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. 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.

	<u>2024</u>	<u>2023</u>
Number of outstanding shares as at 1 January	149,717,500	150,000,000
Number of treasury shares acquired during the year	-	(282,500)
Number of outstanding shares as at 31 December	<u>149,717,500</u>	<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

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30. SHARE-BASED PAYMENTS PROGRAM (CONTINUED)

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 2024 amounted to SR 8 million (31 December 2023 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 2024		31 December 2023	
	Assets	Liabilities	Assets	Liabilities
Fixed assets	-	6,526,171	-	9,898,969
Expected adjustments of inventory realizable value	1,920,337	-	666,203	-
Employees' benefits obligations	1,354,516	-	1,192,015	-
Provision for Impairment loss on trade receivables	1,844,045	-	1,054,201	-
Provision for onerous contracts	4,554,354	-	2,140,239	-
	<u>9,673,252</u>	<u>6,526,171</u>	<u>5,052,658</u>	<u>9,898,969</u>

32. ZAKAT AND INCOME TAX

Zakat and Income Tax Status

Riyadh Cables Group Company

- The Group finalized the Zakat assessments up to the year 2019. The Zakat and tax assessments for the years from 2020 to 2023 are still under review by Zakat, Tax and Customs Authority ("ZATCA") for the group entities and there is no assessment received from ZATCA where required provision as of 31 December 2024.

The Group has filed its Zakat returns for all years up to 31 December 2023, and Zakat certificate for the year 2023 was issued, which expires on 30 April 2025.

Zakat and income tax is calculated on the separate financial statements of the group's entities. Zakat due from Saudi shareholders and tax due from Non-Saudi shareholders have been calculated according to the separate financial statements of each entity 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.

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32. ZAKAT AND INCOME TAX (CONTINUED)

Provision For Zakat and Income Tax

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

	For the year ended 31 December	
	2024	2023
1 January	41,946,426	33,337,757
Charged during the year	71,884,690	39,126,206
Prior year adjustments	(1,862,169)	(1,890,751)
Payments made during the year	(44,558,936)	(28,626,786)
31 December	67,410,011	41,946,426

33. REVENUE

	For the year ended 31 December	
	2024	2023
<u>Timing of revenue recognition</u>		
Goods transferred at a point in time (*)	8,689,119,832	7,607,486,650
Contract revenue over time (**)	318,241,035	217,891,477
	9,007,360,867	7,825,378,127

(*) The Group has a revenue recognition policy at a point in time where the goods are delivered and acknowledged by customers.

(**) The company uses the input method for revenue recognition as it reliably reflects progress in cable installation projects based on actual costs incurred.

34. COST OF REVENUE

	For the year ended 31 December	
	2024	2023
Materials	7,310,471,233	6,446,992,919
Salaries and employees' related benefits	228,705,610	224,288,536
Depreciation expense- (note 9 & 13)	59,642,035	57,691,850
Repairs and maintenance	42,796,717	49,617,949
Utilities expenses	57,355,534	56,983,411
Other	21,867,387	17,040,024
	7,720,838,516	6,852,614,689

35. SELLING AND DISTRIBUTION EXPENSES

	For the year ended 31 December	
	2024	2023
Salaries and employees' related benefits	46,108,991	43,001,145
Cargo charges	52,777,895	44,797,370
Sales commission	4,479,619	4,335,880
Quality testing expenses	1,208,510	2,017,930
Insurance expense	1,469,236	1,374,237
Advertising and showrooms expenses	8,899,884	5,326,712
Depreciation expense - (note 9)	437,585	385,056
Communication expenses	619,149	633,350
Other expenses	11,901,604	10,066,338
	127,902,473	111,938,018

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36. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2024	2023
Salaries and employees' related benefits	104,142,626	90,450,075
Maintenance and repair expense	12,296,252	8,717,093
Bank Charges	13,380,658	13,703,696
Depreciation expense- (note 9 & 10)	8,564,241	8,351,216
Legal and professional	6,044,277	10,842,419
Travel and insurance expense	2,061,819	984,512
Communications and network expense	945,629	1,562,141
Offices supplies expense	962,572	903,204
Other expenses	8,068,365	13,473,644
	156,466,439	148,988,000

37. OTHER INCOME

	For the year ended 31 December	
	2024	2023
Foreign currency exchange gains	-	4,113,545
Revenue from rentals	261,232	452,843
Revenue from sale of scraps	8,738,621	5,592,607
Other	2,045,432	1,797,368
	11,045,285	11,956,363

38. OTHER EXPENSES

	For the year ended 31 December	
	2024	2023
Foreign currency exchange losses	16,835,214	-
Losses on disposal of property, plant and equipment	324,919	7,632,935
Others	2,693,301	-
	19,853,434	7,632,935

39. FINANCE COSTS

	For the year ended 31 December	
	2024	2023
Bank interests	84,378,537	84,698,754
Interest on employees' defined benefits obligations	5,328,967	4,612,730
Interest on lease liabilities	275,124	311,987
	89,982,628	89,623,471

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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 turnkey projects
- Other segments: includes telephone cables and services

<u>As at and for the year ended 31 December 2024</u>	<u>Cables and wires</u>	<u>High voltage cables (turnkey projects)</u>	<u>Other</u>	<u>Total</u>
Revenue	8,645,913,121	339,347,923	22,099,823	9,007,360,867
Cost of revenue	(7,408,197,361)	(312,478,225)	(162,930)	(7,720,838,516)
Expenses	(281,393,063)	(1,329,339)	(1,646,510)	(284,368,912)
Provision for Impairment loss on trade receivables	(14,694,793)	(5,545,151)	(3,186,047)	(23,425,991)
Impairment losses of investment properties	(1,480,145)	-	-	(1,480,145)
Other expenses	(19,595,158)	-	(258,276)	(19,853,434)
Other income	10,743,993	301,292	-	11,045,285
Finance costs/income	(86,755,170)	(157,030)	(754,499)	(87,666,699)
Profit before Zakat and income tax	844,541,424	20,139,470	16,091,561	880,772,455
Total assets	5,381,715,601	353,698,959	76,169,538	5,811,584,098
Total liabilities	3,019,596,338	142,028,844	26,082,020	3,187,707,202

<u>As at and for the year ended 31 December 2023</u>	<u>Cables and wires</u>	<u>High voltage cables (turnkey projects)</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	(258,206,156)	(1,061,250)	(1,658,612)	(260,926,018)
Provision for Impairment loss on trade receivables	(38,941,448)	(3,835,016)	(137,725)	(42,914,189)
Impairment lossess of investment properties	(25,639,877)	-	-	(25,639,877)
Other income	10,941,132	1,015,231	-	11,956,363
Other expenses	(7,632,935)	-	-	(7,632,935)
Finance costs/ income	(85,795,871)	(1,923,344)	(1,295,119)	(89,014,334)
Income 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)

The information by geographical distribution is as follows:

<u>As at and for the period ended 31 December 2024</u>	<u>Inside Kingdom of Saudi Arabia</u>	<u>Outside Kingdom of Saudi Arabia</u>	<u>Total</u>
Revenue	<u>6,896,984,090</u>	<u>2,110,376,777</u>	<u>9,007,360,867</u>
Total non-current assets	<u>1,258,556,463</u>	<u>219,179,537</u>	<u>1,477,736,000</u>
<u>As at and for the period ended 31 December 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>

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>2024</u>	<u>2023</u>
Net profit for the year	<u>816,689,852</u>	<u>518,769,603</u>
Weighted average number of shares	<u>149,717,500</u>	<u>149,962,317</u>
Basic and diluted earnings per share	<u>5.45</u>	<u>3.46</u>

The diluted earnings per share does not differ significantly to the basic earnings per share for the year ended 31 December 2024 and 31 December 2023. The calculation for the weighted average for ordinary shares and diluted shares explained below:

Ordinary shares

	<u>2024</u>	<u>2023</u>
Outstanding ordinary shares	<u>150,000,000</u>	<u>150,000,000</u>
Treasury shares	<u>(282,500)</u>	<u>(37,683)</u>
Weighted average of ordinary shares	<u>149,717,500</u>	<u>149,962,317</u>

Diluted shares

	<u>2024</u>	<u>2023</u>
Weighted average number of ordinary shares	<u>149,717,500</u>	<u>149,962,317</u>
Impact of share options	<u>(97,279)</u>	<u>(2,587)</u>
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share at the year end.	<u>149,620,221</u>	<u>149,959,730</u>

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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:

	Nature of relationship	Nature of transaction	2024	2023
Masdar Building Material	Owned by a shareholder	Purchases	1,823,443	1,230,180
		Sales	65,690,538	61,468,625
Thabat Contracting Company	Owned by a shareholder	Sales	160,530	1,326,302
Masdar Technical Supplies	Owned by a shareholder	Purchases	75,250	77,192
Jadeer Logistics Services Co	Owned by a shareholder	Purchases	7,661,626	10,085,413
Communications Solutions Company	Owned by a shareholder	Sales	-	1,787,287
LIGHT TECHNOLOGIES Co. Ltd	Owned by a shareholder	Purchases	300,150	
		Sales	480,700	
AFAQ AL HIKMA DEVELOPMENT CO	Owned by a shareholder	Sales	105,150	
JASMINE MEADOWS AGRICURAL CO	Owned by a shareholder	Sales	368,284	

Compensation and benefits to key management personnel

	2024	2023
Salaries and short-term benefits	13,198,564	11,788,300
End-of-services benefits	589,275	509,900
Long term incentives plan	2,750,000	2,750,000
	16,537,839	15,048,200

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

Due from related parties - classified as trade receivables	2024	2023
Masdar Building Material Company	1,733,691	12,284,354
Communications Solutions Company	-	1,671,510
	1,733,691	13,955,864
Due to related parties- classified as trade payables	2024	2023
Masdar technical supplies	1,042	3,816
Thabat Contracting Company	15,913	88,020
Jadeer Logistics Services Co	1,952,113	655,890
	1,969,068	747,726

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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).

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.

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43. FINANCIAL INSTRUMENTS (CONTINUED)

43.1 Fair Value of Financial Instruments (continued)

	Carrying amount			Fair value			
	Hedging instruments	Investments at fair value through other comprehensive income	Total	Level 1	Level 2	Level 3	Total
31 December 2024	In Saudi Riyals						
Financial Assets							
Derivative financial instruments	5,040,118	-	5,040,118	-	5,040,118	-	5,040,118
Investments at fair value through other comprehensive income	-	26,347,118	26,347,118	26,334,977	-	12,141	26,347,118
Financial liabilities							
Derivative financial instruments	83,413,600	-	83,413,600	-	83,413,600	-	83,413,600
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	16,023,324	-	1,270,240	17,293,564
Financial liabilities							
Derivative financial instruments	894,858	-	894,858	-	894,858	-	894,858

Valuation technique and significant unobservable inputs

Level 2 include derivative financial instruments "forwards commodity contracts". The Group relies on the counterparty for the valuation of these derivatives. The valuation techniques applied by the counterparties include the use of forward pricing standard models using present value calculations and mid-market valuations.

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

Financial instruments measured at fair value

Type	Valuation approach	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
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") 23.8%	The estimated fair value would increase/ (decrease) if the weighted average cost of capital is (lower)/ higher.

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43. FINANCIAL INSTRUMENTS (CONTINUED)

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.

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.

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43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Financial Instruments Risk Management (continued)

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.

One of the components of the allowance is specific loss component that relates to individually 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 2024		31 December 2023	
	Balance	Impairment	Balance	Impairment
Less than 30 days	1,894,720,100	36,068,153	1,170,410,784	14,195,075
More than 30 days and less than 60 days	60,205,062	11,219,991	49,497,707	15,454,855
More than 60 days and less than 90 days	33,158,854	5,261,670	34,158,338	24,136,007
Greater than 90 days	146,683,170	59,315,949	139,478,262	34,653,835
Total	<u>2,134,767,186</u>	<u>111,865,763</u>	<u>1,393,545,091</u>	<u>88,439,772</u>

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.

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43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Financial Instruments Risk Management (continued)

Liquidity risk-Countinued

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

31 December 2024	Less than 1 year	1-5 years	Over 5 years	Carrying amount
Short-term Islamic finance facilities	438,925,012	-	-	433,053,112
Trade payables	164,402,300	-	-	164,402,300
Suppliers' facilities- banks	1,434,031,191	-	-	1,434,031,191
Lease liabilities	1,138,457	7,326,613	-	7,392,487
Accrued expenses and other liabilities	189,560,448	-	-	189,560,448
	2,228,057,408	7,326,613	-	2,228,439,538
31 December 2023	Less than 1 year	1-5 years	Over 5 years	Carrying amount
Short-term Islamic finance facilities	730,938,873	-	-	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
	2,040,459,871	8,147,248	-	2,038,602,156

Suppliers' facilities- banks

The group entered into an agreement (suppliers financing arrangements) with SAB, GIB and RAJHI Bank to obtain payment facilities for suppliers, and the total facility agreement concluded with the bank amounted to SR 2,2 billion, of which SR 1,4 billion was utilized for one of the suppliers up to 31 December 2024.

Supplier Finance agreements

Qualitative information

The Group has entered into an agreement with a bank under which the bank pays the full invoice amount directly to the supplier on the invoice date. The Group subsequently settles the amount with the bank within 30 days. Under this arrangement, the bank charges a commission, which is borne by the supplier and does not affect the Group. This arrangement does not result in any significant changes to the company's payment terms or financial liabilities, as the terms of payment remain consistent, and no additional costs are incurred by the Group.

	31 December 2024	31 December 2023
Carrying amount of financial liabilities		
Trade and other payables	162,402,300	185,909,248
suppliers have received payment from finance provider	1,434,031,191	1,009,501,174

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43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Financial Instruments Risk Management (continued)

	31 December 2024	31 December 2023
Range of payment due dates		
Liabilities that are part of the arrangements	Any time upon request once the group receiving the goods	Any time upon request once the group receiving the goods
Trade payables that are not part of the arrangements	30 days of the invoice date	30 days of the invoice date

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 2024.

	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2024	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2024	Profit/(loss) through statement of profit or loss and other comprehensive income for the year ended 31 December 2024
	EGY sensitivity in SR	USD sensitivity in SR	Euro sensitivity in SR
<i>Increase by 5%</i>	297,491	(69,841,640)	(98,696)
<i>Decrease by 5%</i>	(297,491)	69,841,640	98,696

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43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Financial Instruments Risk Management (continued)

	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

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

	2024				2023			
	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	103,261,333	1,395,737,476	15,643,342	120,000,000	59,491,420	865,174,608	98,636,189	-
Euro	5,942,995	11,127,482	3,210,558	-	-	3,600,267	174,449	-
BD	11,989,190	-	1,459,548	-	18,517,926	-	359	-
KWD	49,523,188	2,476,628	2,570,974	-	45,318,355	3,737,041	773,478	-
AED	665,103,539	36,217,776	11,997,466	-	433,553,462	5,183,519	13,786,728	-
EGP	1,496,640	456,431	4,909,613	-	6,340,195	751,839	10,325,042	-
Other	-	710,557	248,264	-	57,144,887	94,611	14,034,001	-

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	
	2024	2023
Loans with variable interest rate	<u>433,053,112</u>	<u>722,123,178</u>

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43. FINANCIAL INSTRUMENTS (CONTINUED)

43.2 Financial Instruments Risk Management (continued)

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 2024	Statement of profit or loss	
	Increase by 100 points	Decrease 100 Points
Loans with variable interest rate	4,330,531	(4,330,531)
Change in cash flows	18,760,843	(18,760,843)

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)
Change in cash flows	17,316,244	(17,316,244)

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.

Climate change

The Group is subject to climate change related risks. Greenhouse gas emissions associated with fuel and electricity consumption have an impact not only on the environment but also on Group's financial bottom line. The Group developing a sustainability strategy, outlining how it will improve its energy performance, Also the Group published its sustainability report.

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.

	2024	2023
Earning from operating activities	871,723,016	1,341,774,333
Divided by: adjusted total equity	2,623,876,896	2,246,198,458
Return on the capital	33%	59.7%

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44. CAPITAL MANAGEMENT (CONTINUED)

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

	<u>2024</u>	<u>2023</u>
Total liabilities	3,187,707,202	2,584,730,610
Less: cash and cash equivalents	(90,672,725)	(150,051,628)
Net debt	3,097,034,477	2,434,678,982
Total equity	2,623,876,896	2,246,198,458
Debt to equity ratio	118%	108%

45. COMMITMENTS AND CONTINGENCIES

Capital commitments

As at 31 December 2024, the Group has commitments of SR 131 million (31 December 2023: SR 170 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. No reliable estimate of the potential financial impact can be made at this time.

Contingent liabilities

The contingent liabilities amounted to SR 1 bilion (31 December 2023: SR 798.5 million) against bank facilities in the form of letters of credit and letters of guarantee obtained by the Group from several local banks in exchange for a fee or commission, and that these facilities do not have any collateral or cover provided by the bank. And those liabilities do not create an immediate liability unless the Group fails to fulfill its contractual obligations with the supplier.

46. SUBSEQUENT EVENTS

On 10 Ramadan, 1446H (corresponding to March 10, 2025), 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 2024 by an amount of SR 299.4m at SR 2 per share.

On January 22, 2025, the Board of Directors approved the procedures for purchasing the Abdullah Al-Shamsan Group's factory, On January 26, 2025, Riyadh Cables Group Company signed an agreement with Crown Paper Industry Company to purchase the Abdullah Al-Shamsan Industrial Group factory, which is located on leased land from the Saudi Industrial Cities Authority. The total cost of the transaction amounted to SR 75 million . The group is currently working on completing the regulatory procedures to finalize the purchase.

47. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been approved by the Board of Directors on 10 Ramadan 1446H (corresponding to 10 March 2025).