

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF MIDDLE EAST SPECIALIZED CABLES COMPANY (MESC)

(A Saudi Joint Stock Company)

Opinion:

We have audited the consolidated financial statements of **Middle East Specialized Cables Company** (A Saudi Joint Stock Company) (the “**Company**”) and its subsidiary referred to together as (the “**Group**”), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policies, and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) that are endorsed in the Kingdom of Saudi Arabia, and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

Basis for Opinion:

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

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT(CONTINUED)

Key Audit Matters (continued)

Key audit matters	How the matter was addressed in our audit
<p>Revenue recognition: During the year ended 31 December 2024, the Group's revenue approximately amounted to SAR 1.1 billion (2023: SAR 926.9 million).</p> <p>Revenue recognition is a key performance indicator, hence there is a risk that management may override controls to misrepresent revenue transactions to increase profitability. Therefore, revenue recognition is a considered a key audit matter.</p> <p>Please refer to note No. (5.2) for revenue accounting policy on the accompanying consolidated financial statements.</p>	<p>We have performed the following procedures regarding revenue recognition:</p> <ul style="list-style-type: none"> • Evaluating the appropriateness of the accounting policies related to the revenue recognition of the Group by taking into consideration the requirements of IFRS 15 as endorsed in the Kingdom of Saudi Arabia "Revenue from Contracts with Customers". • Evaluating the design, implementation and testing of the operational effectiveness of the Group's control procedures, including the control procedures to prevent fraud when recognizing revenue in accordance with the Group's policy. • Testing sales transactions, on a sample basis, and perform cut-off tests of revenue made at the beginning and end of the year to assess whether the revenue has been recognized in the correct period. • Testing revenue transactions, on a sample basis, and verifying supporting documents, which included receipts signed by customers, to ensure the accuracy and validity of revenue recognition.
<p>Impairment in value of trade receivables: As at 31 December 2024, the Group recognized impairment in value of trade receivables of SAR 18.9 million (31 December 2023: SAR 16 million). The Group's Impairment in value of trade receivables are based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated by taking into account the credit loss experience, aging of trade receivables, customers' repayment history and customers' financial position and an assessment of both the current and forecast general economic conditions. All of which involve a significant degree of management judgement. We have identified impairment in value of trade receivables as a key audit matter because recognition of loss allowance is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.</p> <p>Please refer to note No. (5.4) for the impairment in value of trade receivables accounting policy and note No. (10) for the relevant disclosure on the accompanying consolidated financial statements.</p>	<p>Our audit procedures to assess impairment in value of trade receivables included the following:</p> <ul style="list-style-type: none"> • Assessing the design and implementation of management's key controls relating to credit control, debt collection and estimation of expected credit losses; • Assessing, on a sample basis, whether items in the trade debtors' ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with underlying documentation, which included sales invoices and goods delivery notes; • Obtaining an understanding of the key parameters and assumptions of the expected credit loss model adopted by the management, including historical default data and management's estimated loss rates; • Assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and • Inspecting, on a sample basis, cash receipts from customers subsequent to the financial year end relating to trade receivables balances as at 31 December 2024 with bank statements and relevant remittance documentation.

INDEPENDENT AUDITOR’S REPORT (CONTINUED)

Key Audit Matters (continued)

Key audit matters (continued)	How the matter was addressed in our audit (continued)
<p>Inventory: Inventory is considered a key audit matter due to the nature of the activity of the group that depends primarily on the inventory in generating revenue and the extend of its impact on business results. As at December 31, 2024, the group’s inventory balance amounted to SAR 261 million (December 31, 2023: SAR 207.4 million), which is approximately 35.4% of the total current assets and 28.1% of the total assets of the group (December 31, 2023: 33.4% of the total current assets and 26.9% of the total assets), and given the importance of the inventory balance, valuations, and assumptions related to its obsolescence and decline in its value, this matter was considered a major matter for audit. Please refer to note No. (5.15) for the inventory accounting policy and note No. (11) for the relevant disclosure on the accompanying consolidated financial statements.</p>	<p>We have performed the following procedures regarding existence and valuation of inventory balance:</p> <ul style="list-style-type: none"> - Attending the physical inventory count held by the group. - Evaluating the design and effectiveness of internal control procedures for the inventory accounting cycle. - Evaluating the appropriateness and adequacy of disclosures related to inventory in the consolidated financial statements. - Testing the valuation of inventory measurement at cost price or net realizable value, whichever is lower.

Other information included in the Group's annual report for the year ended 31 December 2024

Management is responsible for the other information, the other information comprises the information included in the Group's annual report for the year ended 31 December 2024, other than the consolidated financial statements and the auditor's report thereon.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

For Al-Kharashi & Co.



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Riyadh:
Ramadan 26, 1446H
March 26, 2025G

