SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
AND INDEPENDENT AUDITORS' REPORT

Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

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Independent Auditors' Report

To the Shareholders
Saudi Cable Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Qualified Opinion

We have audited the consolidated financial statements of **Saudi Cable Company** (**A** Saudi Joint Stock Company) ("**The Company**") **and its subsidiaries** ("**The Group**"), which comprise the consolidated statement of financial position as of December 31, 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the accompanying notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the paragraph of basis for Qualified Opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants.

Basis for Qualified Opinion

The subsidiary; Mass Kablo Ve Ticaret Anonim Sirketi, reported a net loss amounting to SAR 21.9 million for the year ended December 31, 2019 and its accumulated losses as of have reached to SAR 435.2 million, representing 91.2% of the Subsidiary's share capital, which indicate a significant doubt about its ability to continue as going concern and its ability to meet its obligations when it becomes due. The Subsidiary has been and is still in the process of restructuring its liabilities to its creditors and plans to reduce its payables with future cash flows from its current projects. Therefore, the Company's Management does not foresee any risk regarding going concern and has prepared their financial statements under going concern basis. Accordingly, these facts raise an indication of going concern issue and we are not able to obtain a sufficient appropriate audit evidence to satisfy ourselves that the subsidiary will be able to continue its operation in the future.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the professional code of conduct and ethics, that are endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the 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 qualified opinion.

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Independent Auditors' Report - Continued

To the Shareholders
Saudi Cable Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Emphasis of Matter

We draw attention to the following:

As stated in note (2) to the consolidated financial statements. The Group adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Accordingly, the cumulative effect of applying IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019 without adjusting the comparative financial information Which will continue to be presented under IAS 17 and IFRIC 4.

As stated note in (32) to the consolidated financial statements, stating that during the year 2020, the Company has finalized it's capital increase procedures by way of rights issue of SAR 250 million, where proceeds were deposited to the Company on February 20, 2020. After fulfilling all regulatory requirements, the Company's share capital has increased to SAR 360,614,060 consisting of 36,061,406 shares.

Other Matter

The Group's current liabilities exceeded its current assets by SAR 187.1 million (2018: SAR 369.9 million), which indicates that the Group is unable to meet its short-term liabilities when it becomes due, the Group's management believes that it will be able to manage its cash flow for the future in order to meet its short-term liabilities when becomes due.

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. Below are the description of each key audit matters and how our audit procedures were addressed to these key audit matters:

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Independent Auditors' Report - Continued

To the Shareholders
Saudi Cable Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Key Audit Matters – Continued

Bank Borrowings And Financial Restructuring	
Key Audit Matters	***How our audit addressed key audit matters***
On February 23, 2016, the Group has entered into financial restructuring agreements with its four main lenders, which requires the Group to comply with additional covenants and allows the Group to reschedule repayment of its debts over a period of 7 years, with a final payment at the end of December 2022 and subject to certain additional requirements. The total debt restructured was SAR 793 million including accumulated financing costs of SAR 85 million. On April 17, 2017, the Group had entered into a final settlement Agreement with BNP Paribas Bank on the basis of which the Group made a payment of SAR 40 million. Based on the terms of the said agreement, on receipt of SAR 40 million by BNP Paribas Bank, the loan amount of BNP Paribas Bank shall be reduced from SAR 142 million to SAR 24.99 million. Accordingly, the Group has reversed the obligation through profit and loss, by SAR 77 million. On June 11, 2017, the Group finalized further renegotiations to "Restructuring Framework Agreement" through an amendment and restructuring by the Participating Banks (excluding BNP Paribas Bank) and have agreed to defer the repayment of the loans for a further period. According to the terms of the said agreement, the Company shall increase its capital through issuance of right shares and settle an amount of SAR 188.38 million, from the said proceeds by 30 June 2018. The remaining amount of SAR 371.65 million is due in equal instalments commencing from December 31, 2018 to June 30, 2022. On December 25, 2018, the Group entered into a Final Settlement Agreement with National Commercial Bank and Bank Al Jazira on the basis of which Saudi Cable Company paid an amount of SAR 110 million, against receiving a waiver for the balance SAR 203 million due to these banks. Accordingly, the Group has reversed the obligation through profit and loss. On 28 November 2019, the Company and Al Rajhi Bank agreed on an indicative term sheet that further restructured outstanding debt of SR 264.18 million over 2 tranches due collectively over 7 years with early periods being grace. The management believes that the rescheduling will take a place during the first quarter of 2020. On 30 December, 2019, the Company and Saudi Industrial Development Fund reached an agreement effectively deferring majority for the dues of SR 107.29 million. The management believe that the remaining balance with Al Rajhi Bank, will continue until mutual terms and conditions are agreed apart from the previous restructuring agreement.	We performed the following procedures: • Obtain the agreed financial restructuring agreements. • Assess the design and implementation and tested the effectiveness of the Group's control. • Check the facilities' agreements with banks, the repayment schedules of loans and the actual loan repayments and terms and conditions. • Obtain bank confirmations that confirm the loans balances.

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Independent Auditors' Report - Continued

To the Shareholders
Saudi Cable Company
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Jeddah, Kingdom of Saudi Arabia

Key Audit Matters - Continued

Inventory	
Key Audit Matters	***How our audit addressed key audit matters***
As of December 31, 2019, the Group's inventories balance was SAR 98.88 million (2018: SAR 112.29 million) net of provision for obsolete and slow moving inventories, amounting to SAR 42.1 million (2018: SAR 55.6 million). Inventory are stated at the lower of cost or net realizable value and the group makes provisions where necessary. At each reporting date, the management reviews valuation of inventories and the cost of inventories are written down where inventories are expected to be sold at below cost.	We performed the following audit procedures: ▪ Assess the design and implementation and evaluate the effectiveness of the Group's control. ▪ Evaluate reasonableness and appropriateness of Group's policy related to inventories. ▪ Recalculate obsolete and slow moving provision according to the Group's policy and inventory ageing records. ▪ Inquire about obsolete or slow moving inventory items during our observation of inventory count. ▪ Test the net realizable value for finished goods inventories by considering actual sales post year - end and the assumption used by management to check whether inventories are valued at the lower of cost and net realizable value.

Other Information

Management is responsible for the other information. Other information comprises the information included in the Group's 2019 annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' 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 other information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Independent Auditors' Report - Continued

To the Shareholders
Saudi Cable Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

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 IFRSs as endorsed in KSA, the applicable requirements of the Companies' Law, the Company's By-Laws and for such internal control as management determine 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.

The audit committee is responsible for overseeing the Group's financial reporting process.

Auditors' 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 auditors' 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 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 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.

- 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.

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Independent Auditors' Report - Continued

To the Shareholders
Saudi Cable Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements - Continued

- 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 auditors' 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 auditors' 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.

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

العظم والسديري وال الشيخ وشركاؤهم
محاسبون ومراجعون قانونيون
License No. 323/11/148 ترخيص رقم ٣٢٣/١١/١٤٨
Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountant R

AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants

Abdullah M. AlAzem
License No. 335

6 Sha'aban 1441H (March 30, 2020)
Jeddah, Kingdom of Saudi Arabia

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	**December 31, 2019**	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents	4	**7,064**	15,488
Accounts receivable	5	**138,954**	225,714
Unbilled revenue	6	**46,213**	18,845
Inventories	7	**98,879**	112,287
Due from related parties	18	**187**	25,709
Retentions receivable - current portion	8	**63,940**	64,153
Prepaid expenses and other debit balances	9	**166,401**	169,288
Total current assets		**521,638**	631,484
Non-current assets			
Financial assets at fair value through other comprehensive income		**45**	45
Investment in an associate	10	**318,180**	321,982
Retentions receivable - non-current portion	8	**32,077**	35,738
Investment properties	11	**2,975**	3,053
Property, plant and equipment	12	**330,415**	393,380
Deferred tax asset	14	**8,346**	8,408
Intangible assets	15	**25,764**	2,500
Right of use assets	13	**8,096**	-
Total non-current assets		**725,898**	765,106
Total assets		**1,247,536**	1,396,590
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term loans	16	**16,384**	50,492
Long-term loans - current portion	16	**37,915**	188,373
Obligations under finance lease – current portion	17	**524**	1,103
Accounts payable		**283,022**	276,574
Due to related parties	18	**56,022**	50,749
Accrued expenses and other liabilities	19	**244,862**	332,147
Provision for zakat and income tax	14	**69,435**	101,946
Lease liabilities - current portion	13	**569**	-
Total current liabilities		**708,733**	1,001,384
Non-current liabilities			
Long-term loans– non-current portion	16	**378,181**	183,658
Obligations under finance lease – non-current portion	17	**688**	469
Retentions payable		**8,066**	7,018
Employee benefit obligations	20	**52,168**	42,264
Lease liabilities - non-current portion	13	**7,935**	-
Total non-current liabilities		**447,038**	233,409
Total liabilities		**1,155,771**	1,234,793
SHAREHOLDERS' EQUITY			
Share capital	21	**110,614**	110,614
Fair value reserve	22	**826**	958
Foreign currency translation reserve		**(6,403)**	(6,703)
Employee benefits reserve		**(3,320)**	2,277
(Accumulated losses) / retained earnings		**(7,409)**	55,006
Total Shareholders' equity		**94,308**	162,152
Non-controlling interest		**(2,543)**	(355)
Total equity		**91,765**	161,797
Total liabilities and equity		**1,247,536**	1,396,590

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	FOR THE YEAR ENDED DECEMBER 31 **2019**	2018
Revenue		**381,274**	865,023
Costs of revenue		**(416,451)**	(960,889)
Gross loss		**(35,177)**	(95,866)
General and administrative expenses	23	**(51,369)**	(76,840)
Selling and distribution expenses	24	**(20,856)**	(35,420)
Loss from main operations for the year		**(107,402)**	(208,126)
Finance charges		**(13,551)**	(43,981)
Group's share of profit / (loss) from an associate	10	**395**	(86,490)
Gain from sale of a subsidiary	29	**-**	47,280
Other income – net	25	**68,638**	228,099
Loss for the year before zakat and income tax		**(51,920)**	(63,218)
Zakat	14	**(11,666)**	(11,000)
Income tax benefits	14	**26**	5,591
Loss for the year		**(63,560)**	(68,627)
Other Comprehensive income:			
Group's share of foreign currency translation reserve		**300**	365
Fair value reserve adjustments	22	**(132)**	12,608
Actuarial (losses) / gains from revaluation of employee benefits reserve	20	**(5,570)**	2,277
Total comprehensive loss for the year		**(68,962)**	(53,377)
Loss for the year attributable to			
Parent Company shareholders		**(61,831)**	(62,952)
Non-controlling interests		**(1,729)**	(5,675)
		(63,560)	(68,627)
Total comprehensive loss attributable to			
Parent Company shareholders		**(67,260)**	(47,702)
Non-controlling interests		**(1,702)**	(5,675)
		(68,962)	(53,377)
Earnings / (Loss) per share (basic and diluted):			
Loss from main operations for the year	26	**(9.71)**	(6.77)
Loss for the year	26	**(5.75)**	(2.23)
Loss for the year / attributable to shareholders	26	**(5.59)**	(2.05)

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of Saudi Arabian Riyals)

	Share capital	Fair value Reserve	Foreign currency translation reserve	Employee benefits reserve	Retained earnings / (accumulated losses)	Total	Non-controlling interest (NCI)	Total shareholders' equity
Balance at January 1, 2018	404,114	(11,650)	(7,068)	-	(175,542)	209,854	5,596	215,450
Loss for the year	-	-	-	-	(62,952)	(62,952)	(5,675)	(68,627)
Fair value adjustments	-	12,608	-	-	-	12,608	-	12,608
Movement in foreign currency translation reserve	-	-	365	-	-	365	-	365
Movement in non-controlling interests	-	-	-	-	-	-	(276)	(276)
Actuarial gains from revaluation of employee benefits reserve	-	-	-	2,277	-	2,277		2,277
Absorption of accumulated losses against share capital	(293,500)	-	-	-	293,500	-	-	-
Balance at December 31, 2018	110,614	958	(6,703)	2,277	55,006	162,152	(355)	161,797
Loss for the year	-	-	-	-	**(61,831)**	**(61,831)**	**(1,729)**	**(63,560)**
Fair value adjustments	-	**(132)**	-	-	-	**(132)**	-	**(132)**
IFRS 16 application adjustments (Note 2)	-	-	-	-	**(584)**	**(584)**	-	**(584)**
Movement in foreign currency translation reserve	-	-	**300**	-	-	**300**	-	**300**
Movement in non-controlling interests	-	-	-	-	-	-	**(486)**	**(486)**
Actuarial losses from revaluation of employee benefits reserve	-	-	-	**(5,597)**	-	**(5,597)**	**27**	**(5,570)**
Balance at December 31, 2019	**110,614**	**826**	**(6,403)**	**(3,320)**	**(7,409)**	**94,308**	**(2,543)**	**91,765**

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Expressed in thousands of Saudi Arabian Riyals)

	FOR THE YEAR ENDED DECEMBER 31	
	2019	2018
Cash flows from operating activities:		
Loss for the year before zakat and income tax	**(51,920)**	(63,218)
Adjustments for:		
Gain from sale of a subsidiary	-	(47,280)
Depreciation of property, plant and equipment, investment properties, and right of use assets	**34,756**	50,338
Provision / (Reversal of provision) for doubtful debts	**1,931**	(4,748)
Reversal of provision for slow-moving inventories	**(13,518)**	(8,976)
Gain from loans restructuring with commercial banks	**(17,607)**	(228,827)
Loss from disposal of property, plant and equipment	**32**	-
Amortization of intangible assets	**8,311**	4,395
Deferred tax asset	**88**	2,004
Group's Share of (profit) / loss from an associate	**(395)**	86,490
Employee benefit obligations	**6,761**	8,456
Finance charges	**13,551**	43,981
Reversal of provision for zakat	**(32,790)**	-
Changes in operating assets and liabilities:		
Accounts receivable	**84,829**	108,605
Retention receivable	**3,874**	(5,630)
Due from related parties	**25,522**	(25,522)
Prepayments and other debit balances	**5,590**	5,952
Unbilled revenue	**(27,368)**	29,712
Inventories	**26,926**	146,462
Accounts payables	**6,448**	(62,499)
Retention payable	**1,048**	7,018
Accrued expenses and other liabilities	**(70,099)**	26,438
Due to related parties	**5,273**	(13,814)
Cash resulted from operating activities	**11,243**	59,337
Zakat paid	**(11,387)**	(11,000)
Finance charges paid	**(11,954)**	(42,499)
Employee benefits paid	**(2,427)**	(17,849)
Net cash used in operating activities	**(14,525)**	(12,011)
Cash flows from investing activities		
Additions to property, plant and equipment	**(1,670)**	(32,092)
Additions to intangible assets	**(780)**	(1,455)
Proceed from sale of a subsidiary	-	175,125
Financial assets at fair value through other comprehensive income	-	616
Dividends received from an associate	-	25,933
Net cash (used in) / provided by investing activities	**(2,450)**	168,127
Cash flows from financing activities		
Net movement in long and short-term loans	**9,957**	(207,118)
Net movement in obligations under finance lease	**(360)**	(17,136)
Lease payments	**(1,046)**	-
Net change in restricted cash	-	362
Net cash provided by / (used in) financing activities	**8,551**	(223,892)
Net change in cash and cash equivalents	**(8,424)**	(67,776)
Cash and cash equivalents at the beginning of the year	**15,488**	83,264
Cash and cash equivalents at the end of the year	**7,064**	15,488
Non-cash items:		
Absorption of accumulated losses against share capital	-	(293,500)
Fair value adjustments	**(132)**	12,608
Actuarial gains / (losses) from revaluation of employee benefits reserve	**(5,570)**	2,277
Movement in foreign currency translation reserve	**300**	365

The accompanying notes from 1 to 34 form an integral part of these consolidated financial statements.

(Expressed in thousands of Saudi Arabian Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Cable Company ("the Company" or "the Parent Company") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030009931 dated 27 Rabi AlThani 1396H, (corresponding to April 27, 1976).

The Group's ("Parent Company" and its "subsidiaries") activities comprises manufacturing and supplying electrical and telecommunication cables, copper rod, PVC compounds, wooden reels and related products. The Group is also engaged in the contracting, trading, distribution and supply of cables, electronic products, information technology products and related accessories.

The Company location details are as follows:
Saudi Cable Company
P. O. Box 4403, Jeddah 21491
Kingdom of Saudi Arabia

The accompanying consolidated financial statements include assets, liabilities and the results of operations of the Company and its subsidiaries and branches, and as follows:

Company's name	Principal activities	Country of incorporation	Percentage of ownership	
			2019	2018
Domestic				
Saudi Cable Company for Marketing Limited	Purchase and sale of electrical cables and related products	Saudi Arabia	**100%**	100%
Mass Projects for Power and Telecommunications Limited	Turnkey power and telecommunication projects	Saudi Arabia	**100%**	100%
Mass Centers for Distribution of Electrical Products Limited	Electrical and telecommunication distribution services	Saudi Arabia	**100%**	100%
International				
Mass Kablo Yatirim Ve Ticaret Anonim Sirketi	Holding Company (Previously Mass Holding Company)	Turkey	**100%**	100%
Mass International Trading Company Limited (dormant)*	International trading	Ireland	**100%**	100%
Saudi Cable Company (U.A.E) L.L.C.	Sale of cables and related products	United Arab Emirates	**100%**	100%
Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S	Manufacture and distribution of electronic gears and goods	Turkey	**94%**	94%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	**100%**	100%
Fairhaven Holdings Ltd *	Holding company	Seychelles	**100%**	-
Kablat Holding Limited*	Holding company	Malta	**100%**	-
Gozo Gayrimenkul Anonim Sirketi*	Holding company	Turkey	**100%**	-
Valleta Gayrimenkul Anonim Sirketi*	Holding company	Turkey	**100%**	-

(Expressed in thousands of Saudi Arabian Riyals)

The investments in the subsidiaries,Mass International Trading Company Limited, Fairhaven Holdings Ltd, Gozo Gayrimenkul Anonim Sirketi, Kablat Holding Limited, and Valleta Gayrimenkul Anonim Sirketi were accounted based on the financial statements prepared by the management of subsidiaries. The management believes that there are no material adjustments to the financial statements provided and the management believes that these accounts are not significant to the consolidated financial statements.

As at December 31, the Group has the following investments in equity accounted investees:

Company's name	Principal activities	Country of incorporation	Percentage of ownership	
			2019	2018
Midal Cables W.L.L.	Conductors & related products	Bahrain	**50%**	50%
XECA International Information Technology	Implementation of information Systems and network services	Saudi Arabia	**25%**	25%

All subsidiaries and equity accounted investees have the same year-end as the Parent Company.

2. BASIS OF PREPARATION

Statement of compliance

This consolidated financial statements of the company and its branches and subsidiaries (the "Group") have been prepared in accordance with the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants.

Basis of measurement

This consolidated financial statements of the Group has been prepared on a historical cost basis except for the items which measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern assumption.

Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SAR), which is the Group's functional currency and Group's reporting currency. All financial information presented in SAR has been rounded to the nearest thousand except where otherwise indicated.

Changes in accounting policies

a) **New IFRS, IFRIC and amendments thereof, adopted by the Group**

The Group have adopted the following new standards, amendments and revisions to existing standards, which were issued by the International Accounting Standards Board (IASB) have been effective from 01 January 2019 and accordingly adopted by the Group:

Standard/Amendments	Description
IFRS 16	Leases (see below)
IFRIC 23	Uncertainty over Income Tax Treatments
IAS 28	Long term interests in associates and joint ventures
IAS 19	Plan amendments, curtailments or settlements
IFRS 3,11 and IAS 12, 23	Annual Improvements to IFRS 2015 - 2017 cycle.

The adoption of the amended standards and interpretations applicable to the Group except for the application of IFRS 16 "Leases" have no significant impact on these consolidated financial statements.

IFRS 16 - Leases

IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases and requires tenants to account for all leases under one model in the statement of financial position similar to accounting for finance leases under IAS 17. The standard includes two waivers of lease recognition - "low value asset" leases and short-term leases (leases of 12 months or less). At the inception of the lease, the lessee recognizes the obligation to pay the lease payments (the lease obligation) and the asset that represents the right to use the asset during the lease term (right to use the asset). Tenants will have to recognize separately the interest expense from the lease obligation and depreciation expense from the right to use the asset. Tenants will also have to re-measure the lease liability when certain events occur (i.e., a change in the lease term or a change in future lease payments as a result of the change in the index or rate used to determine these payments).

In general, the lessee will recognize the amount of the re-measurement of the lease obligation as an adjustment to the right to use the asset. The accounting of the lessor remains in accordance with International Financial Reporting Standard No. 16, with no material change to the current accounting in accordance with IAS 17. Lessors will continue to classify all leases using the same accounting principle as IAS 17 and distinguish between two types of leases: operating leases and finance leases.

IFRS 16 requires tenants and lessors to provide more comprehensive disclosures than disclosures under IAS 17. IFRS 16 applies to annual periods beginning on or after 1 January 2019. Early adoption permitted, but not before the entity applies IFRS 15. The tenant may choose to apply the standard either full retrospective approach or modified retrospective approach. The standard allows certain exemptions.

The Group adopted IFRS 16 on January 1, 2019 using the modified retrospective approach. Accordingly, the cumulative effect of applying IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings as at January 1, 2019 without adjusting the comparative financial information Which will continue to be presented under IAS 17 and IFRIC 4.

The Group has elected to use the proposed exemptions by the standard for leases with a lease term of 12 months or less from the date of initial application of the standard, in addition to leases contracts for which the underlying asset is low in value.

(Expressed in thousands of Saudi Arabian Riyals)

The table below shows the impact of the application of IFRS 16 on the consolidated statement of financial position as at January 1, 2019

	December 31, 2018	Impact of IFRS 16	January 1, 2019
ASSETS			
Current assets			
Prepaid expense and other debit balances	169,288	(240)	169,048
Total current assets	631,484	(240)	631,244
Non-current assets			
Right of use assets	-	7,959	7,959
Total non-current assets	765,106	7,959	773,065
Total assets	1,396,590	7,719	1,404,309
EQUITY			
Retained earnings	55,006	(584)	54,422
Total equity	161,797	(584)	161,213
Current liabilities			
Lessees liabilities – Current	-	512	512
Total current liabilities	1,001,384	512	1,001,896
Non-current liabilities			
Lessees liabilities	-	7,791	7,791
Total non-current liabilities	233,409	7,791	241,200
Total liabilities	1,234,793	8,303	1,243,096
Total liabilities and equity	1,396,590	7,719	1,404,309

b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group annual financial statements are listed below. The Group intends to adopt these standards when they become effective.

Standard/Interpretation	Description	Effective from periods beginning on or after the following date
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2020
IFRS 9	Financial Instruments	1 January 2020

Critical accounting estimates and judgments

The preparation of Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities and the related disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment of the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation of uncertainty at the reporting date, that might have a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on parameters available at the time of preparing the consolidated financial statements.

Existing circumstances, assumptions, and estimation concerning the future may change due to changes in market or circumstances arising beyond the control of the Group. Such changes in assumptions are reflected when they occur.

Information about estimates and judgments used in applying the accounting policies that could potentially have an effect on the amounts recognized in the consolidated financial statements, are discussed below:

(a) *Allowance for impairment of trade receivables*

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgments in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

(b) *Provision for inventory obsolescence and slow moving*

The Group determines its provision for inventory obsolescence and slow moving inventory based on historical experience, current condition, and current and future expectations with respect to sales or use. The estimates of the Group's provision for inventory obsolescence slow moving inventory could change from period to period, due to the change in inventory remaining useful life from year to another.

(c) *Useful lives and residual values of property, plant and equipment*

The management determines the estimated useful lives and residual values of property, plant and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets or physical wear and tear. Management reviews the useful lives and residual value annually and future depreciation charges are adjusted when management believes that the useful lives differ from previous estimates.

(d) *Impairment of non-financial assets with definite useful lives*

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell, or its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or group of assets.

When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is decreased to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

(e) *Employee benefits – defined benefit plans*

The value of post-employment defined benefits are the present value of the related obligation, as determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, withdrawal before normal retirement age, mortality rates etc. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of this consolidated financial statement:

Basis of consolidation

a) *Subsidiaries*

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:

- the Group has power over the entity;
- the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to influence the amount of the entity's returns.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed during the year, if any, are presented in the consolidated statement of profit or losses and other comprehensive income from the date of the acquisition or up to the date of disposal, as appropriate.

b) *Transactions eliminated on consolidation*

Intra-group balances, revenues and expenses arising from intra-group transactions, are eliminated in preparation of the consolidated financial statements. Unrealized gains or losses arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee.

Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Property, plant and equipment

a) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials, direct labor, any other costs directly attributable to bringing the assets to a working condition as their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment item, and are recognized in net within other income in the profit or loss.

b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group. The carrying amount of the replaced part is derecognized. The costs of the day-to-day maintenance servicing of property, plant and equipment are recognized in profit or loss when incurred.

c) Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents cost of an asset, or other amount substituted for the cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life. Land is not depreciated.

The estimated useful life for the current and comparative periods are as follows:

Description	**Years**
Buildings	15 – 50
Machineries, Equipment and Vehicles	4 – 20
Furniture, fixtures and office equipment	4 – 10

Depreciation methods, useful life and residual values are reviewed at least annually and adjusted prospectively if required.

Projects under construction

Projects under construction are measured at cost which comprises construction costs, equipment, and related direct costs. Projects under construction which will be used by the Group are not depreciated until its ready for use where its transferred to property, plant and equipment or investment properties based on the nature of asset use.

Right-of-use assets

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

Lease liabilities

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

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

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Intangible assets

Intangible assets comprise development cost, deferred cost, rights and licenses which have finite life and are amortized over 3 to 22 years from the implementation date. These assets are tested for impairment whenever there is an indication that the intangible may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least annually. Any change in the estimated useful life is treated as a change in accounting estimate and accounted for prospectively.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories comprise all costs of purchase plus other charges incurred thereon, after deducting rebates and discounts. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Trade receivable

Trade receivables are amounts due from customers for products sold and services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Subsequent recoveries of amount previously written-off are credited to profit or loss against "General and administrative expenses".

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other highly liquid investments with original maturities of three months or less from the date of acquisition.

Share capital

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Statutory reserve

In accordance with the Company's By-laws and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer 10% of the profit for the year to a statutory reserve until it equals to at least 30% of its share capital. This reserve currently is not available for distribution to the shareholders of the Group.

Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period.

Offsetting

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to offset the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.
Under IFRS 9, on initial recognition, a financial asset is classified as financial assets measured at amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value, for an item not at FVTPL, plus transaction costs that are directly attributable to its acquisition.

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 gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortized cost	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognized in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized as earlier under IAS 39.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment

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

Impairment losses related to trade receivables are presented in the Consolidated Statement of Profit or Loss.

Hedge Accounting

IFRS 9 requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognised in retained earnings as at 1 January 2018 as amount was not material. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

Leases

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the asset or assets subject to the lease arrangement. Payments made under operating leases are charged to profit or loss on a Straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty, net of anticipated rental income (if any), is recognized as an expense in the period in which termination takes place.

Impairment of assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds the recoverable amount, which is the higher of the fair value less costs of disposal and value in use. The fair value less costs of disposal is arrived based on available data from binding sales transactions at arm's length, for similar assets. The value in use is arrived based on a discounted cash flow (DCF) model, whereby the future expected cash flows discounted using a pre- tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Employee benefits

Short-term employee benefits

Short term employee benefits are expensed based on the length of period related services were provided. A liability is recognized 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.

Post-employment benefits

The Group's obligation under employee end of service benefit plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuarial using the projected unit credit method. Re-measurements of the defined benefit liability, which comprise actuarial gains and losses are recognised immediately in OCI. The Group determines the interest expense on the defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the defined benefit liability, taking into account any changes in the defined benefit liability during the period as a result of benefit payments. Interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Revenue recognition from Contracts with Customers and related assets and liabilities

Cable manufacturing and installation

Revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of the products or services. Revenue is measured as the amount of consideration the Group expects to receive in exchange for transferring goods or providing services. The expected costs associated with the base warranties continue to be recognized as expense when the products are sold. The Group does not provide extended maintenance coverages beyond the base warranties. The Group does not have any material significant payment terms as payment is received in advance, at or shortly after the point of sale.

Performance Obligations

In most cases, the entire contract is accounted for as one performance obligation. Less commonly, however, the Group may promise to provide distinct goods or services within a contract in which case the contracts are separated into more than one performance obligation. Mostly the Group sells standard products with observable standalone sales. In such cases, the observable standalone sales are used to determine the standalone selling price.

Timing of revenue recognition

The Group generally recognizes revenue at a point in time except for certain long-term contracts, which are on a cost-to-cost method. The Group transfers control and recognizes a sale when the product is delivered to the customer, for the majority of the revenue contracts. The amount of consideration received and revenue recognized rarely changes. The Group adjusts the estimate of revenue, if any, at the earlier of when the most likely amount of consideration expected to be received changes or when the consideration becomes fixed. Management uses an observable price to determine the stand-alone selling price for separate performance obligations or a cost-plus margin approach when one is not available.

Cash received in advance of revenue being recognized is treated as current deferred revenue and classified under advances from customers, except for the portion expected to be settled beyond 12 months of the consolidated statement of financial position date, which is classified as non-current deferred revenue.

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on the consolidated statement of financial position. In most instances, amounts are billed as work progress in accordance with agreed-upon contractual terms, upon achievement of contractual milestones. These assets and liabilities are reported on the consolidated statement of financial position on a contract-by-contract basis at the end of each reporting period. In certain instances, deposits are generally received from customers upon contract execution and upon achievement of contractual milestones. These deposits are liquidated when revenue is recognized.

Contract Assets — Contract assets include unbilled amounts typically resulting from sales under long-term contracts when the cost-to-cost method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer, and right to payment is not just subject to the passage of time. Amounts may not exceed their net realizable value. Contract assets are generally classified as current, except when the contract is greater than 12 months.

Contract Liabilities — the contract liabilities consist of advance payments and billings in excess of revenue recognized and deferred revenue. The Group may also receive up-front payments, which in most cases are recognized ratably over the contract term OR adjusted against the subsequent invoices. The contract assets and liabilities are reported in a net position on a contract by-contract basis at the end of each reporting period.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it belongs.

IAS 23, Borrowing cost requires any incremental transaction cost to be amortized using the Effective Interest Rate (EIR). The Group accounts for finance cost (Interest cost and amortization of transaction cost) as per the effective interest rate method. For floating rate loans, EIR determined at initial recognition of loan liabilities is used for the entire contract period. Borrowing cost incurred for any qualifying assets are capitalized as part of the cost of the asset.

Zakat

The Group is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense for the Group and zakat related to the Company's ownership in the Saudi Arabian subsidiary is charged to the profit or loss. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

Zakat and are provided on an accrual basis. The zakat charge is computed on zakat base and adjusted profit. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Income tax

With regard to deferred tax assets, they recognized when future taxable profits are probably to be realized, and temporary differences can be utilized. Deferred tax assets are reviewed at the end of each financial year and reduced when the associated tax benefits are not probable.

(Expressed in thousands of Saudi Arabian Riyals)

Expenses

Selling, distribution, and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue. Allocations between selling, distribution, and general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic and diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Segment reporting

Operating Segment

Operating segments are reported in a manner consistent with the internal reporting provided to the operating decision maker.

An operating segment is group of assets and operations:

- Engaged in revenue producing activities;
- Results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- Financial information is separately available.

Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Group.

4. CASH AND CASH EQUIVALENTS

	2019	2018
Cash in hand	**1,119**	716
Cash at banks	**5,945**	14,772
Cash and cash equivalents for cash flow purposes	**7,064**	15,488
	7,064	15,488

5. ACCOUNTS RECEIVABLES

	2019	2018
Trade receivables	**288,518**	373,347
Less: allowance for doubtful debts	**(149,564)**	(147,633)
	138,954	225,714

(Expressed in thousands of Saudi Arabian Riyals)

Allowance for doubtful debts Movement was as follows:

	2019	2018
January 1	**147,633**	158,648
Provision (reversals) during the year	**1,931**	(4,748)
Written-off	-	(6,267)
	149,564	147,633

6. UNBILLED REVENUE

Unbilled revenue represents revenue recognized, but not yet billed as at December 31, 2019. This also includes an amount of SR 1.01 million (2018: SR 2.2 million) which remains overdue for billing for more than one year. The management believes that this amount will be invoiced and collected during 2020.

7. INVENTORIES

	2019	2018
Raw materials	**43,587**	54,780
Finished goods	**37,490**	42,890
Work in process	**20,397**	32,622
Spare parts and wooden reels	**39,515**	37,623
	140,989	167,915
Less: Provision for slow moving and obsolete inventories	**(42,110)**	(55,628)
	98,879	112,287

Provision for slow moving and obsolete inventories movement was as follows:

	2019	2018
January 1	**55,628**	64,604
Provision reversals	**(13,518)**	(8,976)
	42,110	55,628

8. RETENTIONS RECEIVABLES

Retention receivables represent amounts withheld by the customers in accordance with the terms of the agreements for sales and turnkey projects.

	2019	2018
Within one year	**63,940**	64,153
Current portion	**63,940**	64,153
More than one year to two years	**31,676**	35,501
More than two years to five years	**401**	237
Non-current portion	**32,077**	35,738
	96,017	99,891

(Expressed in thousands of Saudi Arabian Riyals)

9. PREPAYMNETS AND OTHER DEBIT BALANCES

	2019	2018
Receivable from Sales of a subsidiary	**77,170**	75,000
Deposits	**24,014**	31,856
Advances to suppliers	**33,184**	30,963
Prepaid expenses	**8,375**	9,070
Value added tax	**10,457**	6,894
Other receivables	**13,201**	15,505
	166,401	169,288

10. INVESTMENT IN AN ASSOCIATE

10.1 The movement in investments in an associate is as follows:

	2019	2018
January 1	**321,982**	416,844
Group share from profit (losses) for the year	**395**	(86,490)
Group share of net movement of unrealized loss relating to cash flow hedges and translation of foreign operations	**(4,197)**	17,561
Dividends received	-	(25,933)
	318,180	321,982

10.2 Summarized financial information of associate company is as follows:

Midal Cable W.L.L.	Ownership %	Assets	Liabilities	Revenues	Net loss
2019	**50%**	**1,523,524**	**888,394**	**2,831,659**	**790**
2018	50%	1,605,135	967,808	3,221,141	(172,980)

10.3 The Group has reduced the carrying value of investment in Xeca international Company for information technology to SAR Nil in the previous years.

11. INVESTMENT PROPERTIES

	2019	2018
Cost:		
Balance at January 1	**3,934**	47,123
Disposal	-	(43,189)
Balance at December 31	**3,934**	3,934
Depreciation:		
Balance at January 1	**881**	19,292
Disposal	-	(19,371)
Charge for the year	**78**	960
Balance at December 31	**959**	881
Net book value	**2,975**	3,053

Investment properties includes buildings held by Elimsan Salt Cihazlari ye Elektromekanik San ve Tic, subsidiaries based in Turkey. The Group has pledged its investment properties with a local bank (a bank registered in Turkey) to secure credit facilities. The fair value of investment property as of December 31, 2019 was SR 3,060,000 (2018: 3,076,740).

(Expressed in thousands of Saudi Arabian Riyals)

12. PROPERTY, PLANT AND EQUIPMENT

	Lands	Buildings	Machinery, Equipment and Vehicles	Furniture, Fixtures and office equipment	Capital work in progress	Total
Cost:						
Balance at January 1, 2018	152,700	413,577	1,245,958	148,310	31,900	1,992,445
Additions during the year	-	12	1,978	382	29,720	32,092
Disposals during the year	(10,407)	(127,700)	(360,788)	(15,773)	(24,277)	(538,945)
Balance at December 31, 2018	142,293	285,889	887,148	132,919	37,343	1,485,592
Additions during the year	-	**4**	**1,500**	**82**	**84**	**1,670**
Disposals during the year	-	-	**(27)**	**(5)**	-	**(32)**
Transfers during the year	-	**(450)**	**1,039**	**(615)**	**(30,769)**	**(30,795)**
Balance at December 31, 2019	**142,293**	**285,443**	**889,660**	**132,381**	**6,658**	**1,456,435**
Accumulated depreciation:						
Balance at January 1, 2018	-	253,967	1,029,810	138,938	-	1,422,715
Charge for the year	-	7,068	40,792	1,518	-	49,378
Disposals during the year	-	(63,915)	(302,924)	(13,042)	-	(379,881)
Balance at December 31,2018	-	197,120	767,678	127,414	-	1,092,212
Charge for the year	-	**5,856**	**26,491**	**1,461**	-	**33,808**
Balance at December 31, 2019	-	**202,976**	**794,169**	**128,875**	-	**1,126,020**
Net book value:						
December 31, 2019	**142,293**	**82,467**	**95,491**	**3,506**	**6,658**	**330,415**
December 31, 2018	142,293	88,769	119,470	5,505	37,343	393,380

Certain machinery and equipment at December 31, 2019 having cost of SR 5.69 million (December 31, 2018: SR 5.69 million) and net book value of SR 4.4 million (December 31, 2018: SR 4.97 million) have been acquired under finance lease arrangement.

At December 31, 2019 certain assets with a net book value of SR 138.55 million (December 31, 2018: SR 120.38 million) were pledged as collateral to certain credit facilities.

13. Leases

13.1 Right of use assets

The movement in right of use assets was as follow:

	2019
1 January 2019	**7,959**
Depreciation	**(870)**
Additions during the year	**1,007**
Net book value at December 31	**8,096**

The depreciation expense was charged to the statement of profit and loss within general and administrative expenses.

(Expressed in thousands of Saudi Arabian Riyals)

13.2 Lease liabilities

Lease liabilities at December 31, 2019 are allocated as follows:

	2019
Within one year	**569**
Between one to five years	**3,983**
More than five years	**3,952**
Total lease liabilities at December 31	**8,504**

The weighted average incremental borrowing rate applied to lease liabilities was 4.4%. Total interest expense on lease liabilities for the year was SAR 382 thousands.

14. ZAKAT AND INCOME TAX

a) Charge for the year

	2019	2018
Zakat charge for the year	**11,666**	11,000
Tax interest for the year	**(26)**	(5,591)
Zakat and income tax charge for the year	**11,640**	5,409

Zakat computation for the years ended December 31, 2019 and 2018 was based on the financial statements of the parent Company and its subsidiaries.

Foreign subsidiaries are subject to income tax in accordance with the tax laws of the countries of their incorporation. Provisions for income tax of foreign subsidiaries are charged to the consolidated statement of profit or loss.

b) Provision for Zakat and income tax

The movement in provision for zakat and income tax during the year ended December 31 is as the follows:

	2019	2018
Balance at January 1	**101,946**	101,946
Charge for the year	**11,666**	11,000
Payments during the year	**(11,387)**	(11,000)
Reversal of provision	**(32,790)**	-
	69,435	101,946

Components of zakat base

The Group's local subsidiaries file separate zakat and income tax declarations on unconsolidated basis. The significant components of the zakat base of each company under zakat and income tax regulations are principally comprised of shareholders' equity, provisions at the beginning of year, long-term borrowings and estimated taxable income, less deductions for the net book value of property, plant and equipment, investments and certain other items.

(Expressed in thousands of Saudi Arabian Riyals)

The movement in deferred tax asset during the year ended December 31 is as follows:

	2019	2018
Balance at January 1	**8,408**	4,821
Tax benefits	**26**	5,591
Adjustments	**(88)**	(2,004)
	8,346	8,408

At December 31, 2019, deferred tax asset amounting to SR 8.3 million (2018: SR 8.4 million) relates to a foreign subsidiary of the Group and the management believes that it is recoverable.

c) Zakat Status

Saudi Cable Company

The General Authority of Zakat and Tax (GAZT) assessed a zakat liability of SR 22 million on the Company for the years 2002 to 2004. The Company objection was filed in court but ended not being in its favor. As a result, the bank guarantee with BNP Paribas of SR 11 million was immediately in-cashed by the GAZT and remaining was paid during the year 2019.

GAZT issued the assessment for the years 2005 to 2007 and claimed additional zakat and withholding tax liability of SR 35.7 million. The Company objected the said assessment and approached the Preliminary Appeal Committee (PAC) for the review and decision. PAC approved the GAZT point of view. Accordingly, the Company filed an appeal against PAC's decision with Higher Appeal Committee (HAC), which also ruled in favor of GAZT. As a last resort, the Company file a petition with BOG, which is still under review.

The GAZT has raised assessment for the years 2008 and 2009 with additional liability of 32.9 million. The company has filed an appeal against the GAZT's assessment with the Preliminary Appeal Committee (PAC).

The GAZT issued the assessment for the years from 2010 to 2012 and claimed additional Zakat liability of SR 66.97 million. The company has filed an appeal against the GAZT's assessment with the Preliminary Appeal Committee (PAC). PAC approved the GAZT point of view. Accordingly, the Company filed an appeal against PAC's decision with Higher Appeal Committee (HAC), which is under review.

The Company has made a final settlement with the General Authority of Zakat and Tax (GAZT) for the years 2005 to 2012 resolution No. (148/1441) and dated 29/1/2020 issued by the Committee for the settlement of Zakat and Tax disputes in the amount of SR 65.8 million, the Company paid 10% from the total due amount, and the remaining due amount for Zakat will be paid on ten instalments.

The Company has submitted the financial statements and zakat returns for the years 2013 to 2018 to the GAZT and the zakat due from these declarations has been paid and the Company has obtained restricted zakat certificates for those years, and the authority has requested additional information and documents for those years for the purpose of issuing the final Zakat assessments.

Mass Centers for Distribution of Electrical Products Limited

The GAZT issued the Zakat assessments for the years from 1998 to 2007, which showed Zakat liability of Saudi Riyals 1 million. The Company filed an appeal with the Higher Appeal Committee (HAC) against the said assessments and is confident of favorable outcome. The Company filed its Zakat returns for the years ended December 31, 2008 to 2010. The GAZT did not issue the final Zakat assessments for the said years till to date. Although, the Company is essentially dormant but is in the process to file the Zakat returns for the years from 2011 to 2018.

Mass Projects for Power & Telecommunications Limited

The GAZT issued the Zakat assessments for the years from 1999 to 2004 and claimed additional Zakat differences of SR 3.2 million. The Company filed an objection against the GAZT assessment.

The GAZT issued the amended Zakat assessment of the Company for the years ended December 31, 1999 to 2004 based on the Company's objection, which has shown a Zakat liability reduction of SR 13,462. The Company has requested the GAZT to transfer its objection for the said years to the Preliminary Objection Committee (POC). The POC issued its decision, by which the Zakat differences were reduced by SR 2.1 million.

The Company filed an appeal against the said POC's decision with the Higher Appeal Committee (HAC) and submitted a bank guarantee of SR 1.0 million, which is still under review by HAC.

The GAZT issued the Zakat assessments for the years from 2005 to 2012 and claimed additional Zakat differences of SR 34.7 million. The Company filed an objection against the GAZT assessments, and GAZT recently issued the amended zakat assessment which has shown zakat reduced by SR 6.9 million and the objection was escalated with the POC and is still under study by the committee.

The Company has filed the financial statements and zakat returns for the years 2013 to 2018 to the GAZT and the zakat due from these assessment has been paid, and the Company has obtained restricted zakat certificates for those years. The authority has issued a final zakat assessment for the year 2016 in the amount of SR 2.7 million and the Company has complained to the Committee for the Adjudication of Tax violations and disputes, and for the rest of the years the Authority has not issued a final Zakat assessment to date.

Saudi Cable Company for Marketing Limited

The GAZT issued the final assessment for the years 1996 to 2004, and claimed Zakat differences of Saudi Riyals 17 million. The Company filed its objection against the said Zakat differences and is confident of favorable outcome. The Company filed its Zakat returns for the years 2005 to 2007. The GAZT did not issue the final Zakat assessment for the said years till to date. Although, the Company is essentially dormant but is in the process to file the Zakat returns for the years up to 2018.

(Expressed in thousands of Saudi Arabian Riyals)

15. INTANGIBLE ASSETS

	Development cost	Deferred cost	Rights and licenses	Total
2018				
January 1, 2018	13,421	2,272	3,365	19,058
Additions during the year	-	-	1,455	1,455
Amortizations during the year	(1,650)	(2,272)	(473)	(4,395)
Disposals during the year	(11,771)	-	(1,847)	(13,618)
December 31, 2018	-	-	2,500	2,500
2019				
January 1, 2019	-	-	**2,500**	**2,500**
Additions during the year	**780**	-	-	**780**
Transferred from Property and equipment	**27,011**	-	**3,784**	**30,795**
Amortizations during the year	**(7,928)**	-	**(383)**	**(8,311)**
December 31, 2019	**19,863**	-	**5,901**	**25,764**

16. BANK BORROWINGS AND FINANCIAL RESTRUCTURING

The Group has several financing arrangements with local and foreign banks and development financial institutions with short and long-term maturity to finance its working capital and capital expenditure requirements. All these loans are obtained at prevailing commercial rates.

Short term loans are secured by assignment of Group's receivables and has contractual maturity within one year, whereas the loans relating to subsidiaries' are secured by the Company's guarantee.

Short-term loans as at December 31 comprise the following:

	2019	2018
Local banks	**16,076**	3,141
Lenders of subsidiaries (outside Saudi Arabia)	**308**	47,351
	16,384	50,492

Long-term loans comprise the following:

	2019	2018
Restructured Loans from commercial banks	**264,176**	261,892
Lenders of subsidiaries (outside Saudi Arabia)	**44,630**	889
Loan from a SIDF	**107,290**	109,250
	416,096	372,031
Less: current portion of long term loans	**(37,915)**	(188,373)
Non-current portion of long term loans	**378,181**	183,658

On February 23, 2016, the Group has entered into financial restructuring agreements with its four main lenders, which requires the Group to comply with additional covenants and allows the Group to reschedule repayment of its debts over a period of 7 years, with a final payment at the end of December 2022 and subject to certain additional requirements. The total debt restructured was SAR 793 million including accumulated financing costs of SAR 85 million.

(Expressed in thousands of Saudi Arabian Riyals)

Furthermore, the Group has agreed to dispose certain domestic and international real estate properties and utilize its proceeds for repayment of restructured Murabaha Facility Agreement amounting to SR 172.93 million. Moreover, the Group shall not create charge, mortgage, lien, pledge or other encumbrance on any of the Group's property, revenue or assets without obtaining the consent of Financing Institutions.

On April 17, 2017, the Group had entered into a final settlement Agreement with BNP Paribas Bank on the basis of which the Group made a payment of SAR 40 million. Based on the terms of the said agreement, on receipt of SAR 40 million by BNP Paribas Bank, the loan amount of BNP Paribas Bank shall be reduced from SAR 142 million to SAR 24.99 million. Accordingly, the Group has reversed the obligation through profit and loss, by SAR 77 million.

On June 11, 2017, the Group finalized further renegotiations to "Restructuring Framework Agreement" through an amendment and restructuring by the Participating Banks (excluding BNP Paribas Bank) and have agreed to defer the repayment of the loans for a further periods. According to the terms of the said agreement, the Company shall increase its capital through issuance of right shares and settle an amount of SAR 188.38 million, from the said proceeds by 30 June 2018. The remaining amount of SAR 371.65 million is due in equal installments commencing from December 31, 2018 to June 30, 2022.

On December 25, 2018, the Group entered into a Final Settlement Agreement with National Commercial Bank and Bank Al Jazira on the basis of which Saudi Cable Company paid an amount of SAR 110 million, against receiving a waiver for the balance SAR 203 million due to these banks. Accordingly, the Group has reversed the obligation through profit and loss.

On 28 November 2019, the Company and Al Rajhi Bank agreed on an indicative term sheet that further restructured outstanding debt of SR 264.18 million over 2 tranches due collectively over 7 years with early periods being grace. The management believes that the rescheduling will take a place during the first quarter of 2020.

On 30 December, 2019, the Company and Saudi Industrial Development Fund reached an agreement effectively deferring majority for the dues of SR 107.29 million.

The management believe that the remaining balance with Al Rajhi Bank, will continue until mutual terms and conditions are agreed apart from the previous restructuring agreement.

The outstanding facilities are secured by a promissory note and mortgage of part of Group's property, plant and equipment.

In line with the revised term of the repayment, the principal amounts including the mark-up, payable are as follows:

	Repayment amount for Restructured Loan	SIDF	Total Repayments
Within one year	19,433	2,000	21,433
More than one year to two years	38,867	30,000	68,867
More than two years to five years	205,876	75,290	281,166
	264,176	**107,290**	**371,466**

(Expressed in thousands of Saudi Arabian Riyals)

17. OBLIGATIONS UNDER FINANCE LEASE

Finance leases relate to manufacturing equipment leases with a term of 5 years or less. The Group has options to purchase the equipment for a nominal amount at the end of the lease agreement. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

	2019	2018
Minimum lease payments	**1,519**	1,744
Less: financial charges not yet due	**(307)**	(172)
Present value of minimum lease payments	**1,212**	1,572
Less: current portion	**(524)**	(1,103)
Non - current portion	**688**	469

The leased assets have been acquired under finance lease arrangements, remaining balance of SR 1.6 million is payable in equal monthly installments.

The present value of minimum lease payments has been determined at an effective interest rate of 6% per annum. Future lease payments as at December 31, are as follows:

	2019	2018
Obligation under finance lease	**1,212**	1,572
Within one year	**524**	1,103
Within two years to five years	**688**	469

18. RELATED PARTIES TRANSACTIONS AND BALANCES

a) Related parties include the Company's shareholders and their relatives up to the fourth generation, associated and affiliated companies (including equity accounted investees) and key management personnel of the Company. Terms and conditions of these transactions are approved by the Grpup's Board of Directors.

b) Related party transactions mainly represent purchase and sale of finished goods and recharging of expenses from / to affiliates. These are undertaken at mutually agreed terms and are approved by the Group 's Board of Directors.

c) Significant related party transactions and balances arising there from as at December 31 are summarized as below:

Due from related parties

Transaction with	**Relationship**	**Nature of transaction**	**Transactions during the year ended December 31,**		**Balance as of December 31**	
			2019	2018	**2019**	2018
Hidada Limited	Affiliate	Sale of goods	-	-	**187**	187
Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi	previously subsidiary	Sales of goods and expenses	-	17,540	-	25,522
					187	25,709

(Expressed in thousands of Saudi Arabian Riyals)

Due to related parties

Transaction with	Relationship	Nature of transaction	Transactions during the year ended December 31,		Balance as of December 31	
			2019	2018	**2019**	2018
Midal Cables W.L.L	Associate	Purchase of raw material	**11,461**	9,662		
		Directors remuneration	**2,344**	469		
		Dividends received	-	25,933		
		Others	**1,868**	26	**9,101**	3,374
Xenel Industries Limited	Shareholder	Expenses recharged by the Group	**8**	562	**43,531**	43,540
Chem Global Limited	Affiliate	Expenses incurred by the Group	-	-	**664**	664
Hidada Limited	Affiliate	Expenses incurred by the Group	-	-	**1,452**	1,452
Xeca International Information Technology	Associate	Expenses incurred by the Group	**445**	750	**1,274**	1,719
					56,022	50,749

Remuneration of Directors and Key Management Personnel

Key management includes personnel / executive directors and members of the Board of Directors.

	2019	2018
Directors Remuneration	**1,121**	952

The remuneration of the key management personnel during the year was as follows:

	2019	2018
Short term benefits	**4,519**	4,343
Post-employment benefit	**237**	223

Short term benefits include the monthly gross salary paid to the key management personnel which include basic salary, allowances and other incentives.

Post-employment benefits include the current service cost for the employees' end of service benefit.

(Expressed in thousands of Saudi Arabian Riyals)

19. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	2019	2018
Accrued finance charges	**6,652**	25,595
Accrued expenses	**39,925**	61,745
Payable to shareholders of subsidiary *	**89,745**	89,745
Advances from customers	**49,445**	89,326
Billing in excess of work performed	**32,178**	32,182
Provision of legal claims	**15,803**	16,391
Other	**11,114**	17,163
	244,862	332,147

* The liability represents the payments to the shareholders of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S ("Elimsan Salt") under an agreement of purchase of shares by Mass Kablo. According to agreement, Mass Kablo is required to pay 90% of the net profit to the shareholders of Elimsan Salt till the year ended December 2014. However, if there is no profit during this period, Mass Kablo was liable to pay US$ 14.256 million in 2014 and thereafter US$ 5 million in each year ended 2015 and 2016. As at December 31, 2019 no such amount has been paid by the Company to the shareholders of Elimsan Salt.

20. EMPLOYEES' BENEFIT OBLIGATION

	2019	2018
Balance at January 1	**44,464**	56,269
Charged to profit and loss during the year	**6,761**	8,456
Payment during the year	**(2,427)**	(15,649)
Adjustments resulted from disposal subsidiary	-	(2,335)
Charged to other comprehensive	**5,570**	(2,277)
	54,368	44,464
Advances against Employee benefits obligation	**(2,200)**	(2,200)
	52,168	42,264

The actuarial valuation was performed using the expected credit module. The main assumptions used for actuarial purposes were the discount rate, the salary increase rate, and the employees turnover rate.

	2019	2018
Discount rate	**2.85%**	4.25%
Long term salary increases	**2.85%**	4.25%

21. SHARE CAPITAL

The share capital consisted of 11,061,406 shares of Saudi Arabian Riyals 10 each as at December 31, 2019. (As at December 31, 2018: 11,061,406 shares).

On June 4, 2017, the Board of Directors' resolved to reduce the share capital of the Company by SR 355.89 million by reducing the number of shares in the exchange ratio of 1:2.14, subsequent to approval of Capital Market Authority. Consequently, the revised shares are 40,411,434 shares of Saudi Arabian Riyal 10 each as at December 31, 2017.

(Expressed in thousands of Saudi Arabian Riyals)

On August 2, 2018, the Board of Directors' decided to reduce the share capital of the Company by SR 293.5 million by reducing the number of shares by 1:1.38, subsequent to approval of Capital Market Authority. Consequently, the revised shares are 11,061,406 shares of Saudi Arabian Riyal 10 each as at December 31, 2019 (2018: SR 11,061,406).

On 2 Sha'ban 1440H (corresponding to April 7, 2019), the Board of directors of the Company recommended an increase in the Company's capital by way of a rights issue with a total value of SR 250 million by issuing 25,000,000 shares at SR 10 each. The Company's request for capital increase was approved by the Capital Market Authority on December 2, 2019 and subsequently presented and unanimously approved by the Company's shareholders at the extraordinary general assembly held on December 31, 2019. However, as the legal formalities were not completed by year ended December 31, 2019, the Company's share capital remained at SR 110,614,060 consisting of 11,061,406 shares at SR 10 each.

22. FAIR VALUE RESERVE

Fair value reserve mainly represents the unrealized (losses) gain arising from the fair value of derivatives. The Movement in fair value reserve is as follows as of December 31:

	2019	2018
Balance at January 1	**958**	(11,650)
Net movement in unrealized (losses) / gains relating to cash flow hedges of the Company and its subsidiaries	**(4,497)**	(4,588)
Net movement in unrealized gains / (losses) relating to cash flow hedges of the equity accounted investee	**4,365**	17,196
Total adjustments to fair value reserve	**(132)**	12,608
Balance at December 31	**826**	958

23. GENERAL AND ADMINISTRATIVE EXPENSES

	For the year ended December 31	
	2019	2018
Salaries and related benefits	**34,301**	39,526
Professional fees	**7,332**	8,327
Depreciation and Amortizations	**1,145**	12,045
Bank charges	**718**	1,426
Repairs and maintenance	**2,354**	2,456
Traveling and transportation expenses	**1,661**	1,767
Rent and insurance	**956**	1,354
Utilities	**1,056**	1,651
Trainings	**54**	71
Printing, stationery and advertisements	**175**	104
Others	**1,617**	8,113
	51,369	76,840

(Expressed in thousands of Saudi Arabian Riyals)

24. SELLING AND DISTRIBUTION EXPENSES

	For the year ended December 31	
	2019	2018
Salaries and related benefits	**6,709**	11,788
Freight, insurance and transportation	**6,360**	15,783
Repairs and maintenance	**217**	98
Depreciation	**4,821**	42
Rent	-	234
Utilities	**108**	97
Printing, stationery and advertisements	**27**	39
Others	**2,614**	7,339
	20,856	35,420

25. OTHER INCOME, NET

	For the year ended December 31	
	2019	2018
Net foreign exchange (loss) / gains	**(954)**	344
Gain from loan restructuring with commercial banks	**17,607**	228,827
Reversal of allowance for doubtful debts	-	4,748
Reversal of provisions	**45,027**	-
Income from shared services	**3,233**	-
Other income / (loss)	**3,725**	(5,820)
	68,638	228,099

26. EARNINGS PER SHARE

Earnings per share the years ended December 31, 2019 and 2018 has been computed by dividing the operating loss and net loss for each years by weighted average number of shares outstanding during such years. As of December 31, 2019 the weighted average number of shares outstanding is 11,061 thousands shares (2018: 30,762 thousands shares).

27. COMMITMENTS AND CONTINGENCIES

	2019	2018
Property mortgage and guarantees	**171,068**	167,313
Outstanding forward metal contracts	**79,180**	91,036
Contingent liabilities in respect of performance and bid bonds	**44,433**	54,849
Authorized and contracted for capital expenditure commitments	**3,738**	4,222

In addition to providing guarantees in respect of bank facilities available to certain subsidiaries, the parent company has also provided undertakings to support such subsidiaries in meeting their liabilities as they fall due.

(Expressed in thousands of Saudi Arabian Riyals)

28. SEGMENTAL INFORMATION

Operating Segment

The Group has the following main business segments:

- Sale of manufactured goods.
- Turnkey power and telecommunication projects (based on the contracts).

These form the basis of internal management reporting of main business segments

	Sale of goods		Contract revenue		Total	
	2019	2018	**2019**	2018	**2019**	2018
Assets	**1,065,426**	1,209,781	**182,110**	186,809	**1,247,536**	1,396,590
Liabilities	**841,852**	1,160,313	**313,919**	74,480	**1,155,771**	1,234,793
Net revenue	**291,289**	801,223	**89,985**	63,800	**381,274**	865,023
Net (loss)/ income	**(71,055)**	(62,833)	**9,224**	(119)	**(61,831)**	(62,952)

Geographic Information

The Group's operations are conducted in Kingdom of Saudi Arabia, UAE and Turkey. Selected financial information summarized by geographic area, is as follows:

2019	**Saudi Arabia**	**UAE**	**Turkey**	**Other**	**Total**
Assets	**842,451**	**36,667**	**368,230**	**188**	**1,247,536**
Liabilities	**846,946**	**1,860**	**306,895**	**70**	**1,155,771**
Net revenue	**348,626**	**6,391**	**26,257**	-	**381,274**
Net (loss)/income	**(41,223)**	**1,303**	**(21,911)**	-	**(61,831)**
2018	Saudi Arabia	UAE	Turkey	Other	Total
Assets	962,400	23,768	410,422	-	1,396,590
Liabilities	902,312	2,292	330,189	-	1,234,793
Net revenue	625,290	76,705	163,028	-	865,023
Net (loss) / profit	14,624	(1,713)	(75,863)	-	(62,952)

29. DISPOSED SUBSIDIARY

The board of director decided in its meeting dated July 12, 2018 to sell one of the subsidiaries in Turkey (Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi). The subsidiary was sold on 31 August 2018, the details of sale of subsidiary as follow:

	2018
Amount agreed by agreement	**250,125**
Contingent liabilities from sale transaction	**133**
Total Amount agreed by agreement	**250,258**
Present value of net assets at date of disposal	**(185,728)**
Gain on sale before income tax	**64,530**
Income tax	**(17,250)**
Gain on sale	**47,280**

(Expressed in thousands of Saudi Arabian Riyals)

30. MANAGEMENT RISK OF FINANCIAL INSTRUMENTS

The Group's activities expose it to a variety of financial risks, credit risk, liquidity risk and market price risk.

a) Credit Risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. The Group is exposed to credit risk on its bank balances, trade receivables, from related parties, and retentions as follows:

	2019	2018
Cash at Banks	**5,945**	14,772
Accounts receivable, other debit balances, and due from related parties	**305,542**	420,711
Retentions receivable	**96,017**	99,891
	407,504	535,374

b) Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company deals mainly in US $ and Saudi Riyal (SR). As the SR is pegged to the US $, balances in SR are not considered to represent significant currency risk.

c) Commodity price risk

The Group is exposed to the impact of market fluctuations of the price of various inputs to production. The Group prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of commodity prices to manage the risk.

d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposed to the risk of changes in market interest rates relates primarily to the Company borrowings with floating interest rates. The Group manages its exposure to interest rate risk by continuously monitoring movements in interest rates.

e) Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

(Expressed in thousands of Saudi Arabian Riyals)

Following are the contractual maturities at the end of the reporting period of financial liabilities. The amounts are grossed and undiscounted, and include estimated interest payments.

December 31, 2019	**Carrying amount**	**On Demand or Less than one year**	**From one year to 5 years**	**More than 5 years**
Non - Derivatives Financial Instruments				
Short term loans	**16,384**	**16,384**	-	-
Long term loans	**416,096**	**37,915**	**378,181**	-
Due to related parties	**56,022**	**56,022**	-	-
Accounts Payable	**283,022**	**283,022**	-	-
	771,524	**393,343**	**378,181**	-

December 31, 2018	Carrying amount	On Demand or Less than one year	one year to 5 years	More than 5 years
Non - Derivatives Financial Instruments				
Short term loans	50,492	50,492	-	-
Long term loans	372,031	188,373	183,658	-
Due to related parties	50,749	50,749	-	-
Accounts Payable	276,574	276,574	-	-
	749,846	566,188	183,658	-

December 31, 2019	**Carrying amount**	**On Demand or Less than one year**	**one year to 5 years**	**More than 5 years**
Derivatives Financial Liabilities				
Forward contracts	-	-	-	-
	-	-	-	-

December 31, 2018	Carrying amount	On Demand or Less than one year	One year to 5 years	More than 5 years
Derivatives Financial Liabilities				
Forward contracts	1,659	1,659	-	-
	1,659	1,659	-	

(Expressed in thousands of Saudi Arabian Riyals)

31. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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 approximation of fair value.

	Carrying amount		Fair Value			
	Amortized Cost	Fair Value	Level (1)	Level (2)	Level (3)	Total
December 31, 2019						
Financial Assets						
Cash and cash equivalents	7,064	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	45	-	45	-	45
Derivative Financial instruments	-	2,703	-	2,703	-	2,703
Retentions receivable	96,017	-	-	-	-	-
Accounts receivable, other receivable and due from related parties	305,542	-	-	-	-	-
	408,623	2,748	-	2,748	-	2,748
Financial Liabilities						
Accounts payable	283,022	-	-	-	-	-
Due to related parties	56,022	-	-	-	-	-
Short term loans	16,384	-	-	-	-	-
Long term loans	416,096	-	-	-	-	-
	771,524	-	-	-	-	-
December 31, 2018						
Financial Assets						
Cash and cash equivalents	15,488	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	45	-	45	-	45
Retentions receivable	99,891	-	-	-	-	-
Accounts receivable, other receivable and due from related parties	420,711	-	-	-	-	-
	536,090	45	-	45	-	45
Financial Liabilities						
Accounts payable	276,574	-	-	-	-	-
Derivative Financial instruments	-	1,659	-	1,659	-	1,659
Due to related parties	50,749	-	-	-	-	-
Short term loans	50,492	-	-	-	-	-
Long term loans	372,031	-	-	-	-	-
	749,846	1,659	-	1,659	-	1,659

32. SUBSEQUENT EVENT

• Subsequent to December 31, 2019, the Company finalized procedures related to the capital increase by way of rights issue of SR 250 million where proceeds were deposited to the Company on February 20, 2020. After fulfilling all regulatory requirements, the Company's share capital post increase was SR 360,614,060 consisting of 36,061,406 shares.

• During the court hearing held on 23rd of January 2020, on the case No. 2015/366 regarding the dispute between Mass Kablo Yatırım ve Tic. A.Ş and the minority shareholders of Elimsan the final verdict was provided in favor of Mass Kablo Yatırım ve Tic. A.Ş. the financial statements of Mass Kablo Yatırım ve Tic. A.Ş includes a provision of USD 23.931.427 relating to the said legal claim case. As of the reporting date the reasoned decision pertaining to this case has not been issued by the court. There were no further material events after the reporting date.

• The spread of novel coronavirus (COVID-19) across multiple geographies was confirmed in early 2020, causing disruptions to businesses and economic activities. The Group considers this outbreak to be a non-adjusting post consolidated financial statements event. At this early stage, the Group is in the process of assessing any potential impact. The management and those charged with governance will continue to monitor the situation and accordingly update all stakeholders as soon as more information is available. Changes in circumstances may require enhanced disclosures or recognition of adjustments in the condensed interim financial statements of the Group of the subsequent periods in the financial year 2020.

33. COMPARATIVES FIGURES

Certain figures have been reclassified in comparative 2018 consolidated financial statements to conform with the presentation in the current year.

34. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been approved by the Board of Directors on 6 Sha'aban 1441H, (corresponding to March 30, 2020)