

**SAUDI CABLE COMPANY**  
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED  
FINANCIAL INFORMATION  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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**REVIEW REPORT ON THE CONDENSED  
CONSOLIDATED INTERIM FINANCIAL INFORMATION**

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

**Introduction**

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudi Cable Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as of March 31, 2017, and the related condensed consolidated interim statements of comprehensive income, condensed consolidated interim statements of cash flows and condensed consolidated interim statements changes in shareholders equity for the three months period then ended and the attached notes 1 through 21 which form an integral part of these condensed consolidated interim financial information. This condensed consolidated interim financial information is the responsibility of the management and have been prepared by them and presented in accordance with IAS 34, "Interim Financial Reporting" and IFRS 1, "Adoption of International Financial Reporting Standards for the First Time" adopted in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

**Scope of review**

We conducted our review in accordance with International Auditing Standard review 2410 "Interim Financial Information performed by the independence auditor of the entity" endorsed by the Saudi Organization for Certified Public Accountants. A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with International Auditing Standard adopted in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

**Observations resulting in qualified review conclusion**

- a. During the period ended March 31, 2017 the Group reported a net loss amounting to SR 23.7 million (March 31, 2016: SR 58.6 million) and its accumulated losses as of the same date have reached to SR 474.77 million (March 31, 2016: SR 337.81 million), representing 62.47% (March 31, 2016: 44.45%) of the Company's share capital. Moreover, shareholders approved a capital reduction in its Extraordinary General Assembly held on June 4, 2017. Subsequently, the Capital Market Authority (CMA) endorsed the reduction.

Moreover, on February 23, 2016, the Group's debt amounted to SR 793 million repayable over next seven years under a "Restructuring Agreement" with its four major lenders ("Participating Banks"), subject to the fulfilment of conditions, including repayment terms of SR 84 million during 2016 and an amount of SR 224 million by 31 December 2017, mainly through the issuance of equity shares (see Note 10). These factors indicate the existence of material uncertainties that casts significant doubts on the Group's ability to continue as going concern. However, if the equity shares issuance is not possible by June 30, 2018, the Group may adopt means to generate sufficient cash, including the sale of an equity shares in an associate to meet its commitment towards the Participating Banks. In this regard, on August 22, 2017, in accordance with a shareholders' agreement between Saudi Cables Company and Zayani Investment Company (the "Second Shareholder), the Company formally expressed its interest in selling its shares in Medal Cables Company and the second shareholder has the option of accepting the offer by November 22, 2017.

In October 2017, the Participating Banks in the restructuring alliance confirmed the provision of continuous support in the event of non-payment by the Company unintentionally due to unforeseen circumstances, as stated and more:

If the issue of the rights issue is delayed and the Company is unable to generate sufficient cash to settle the outstanding amounts on June 30, 2018, the Participating Banks will review the current repayment terms and defer the obligations for a sufficient period to ensure that the Company's operations do not cease.

The Company shall be exempted from any breach of debt contracts resulting from such delay.

The Group's ability to operate in accordance with the concept of continuity depends on the success of the above events.

Although the Group has an internal plan to support the Group's ability to achieve its operational objectives, to provide sufficient resources to continue the businesses in the near future, to meet its debt obligations and to meet its working capital requirements and financial liabilities when and when they are due.

- b. We were unable to obtain sufficient appropriate evidence in respect of the recoverability of unbilled revenues amounted to SR 19.87 million (December 31, 2016: SR 28.66 million) that is overdue for more than one year. This relates to one of the subsidiaries and represents revenue earned but not yet billed at March 31, 2017.
- c. We were unable to obtain sufficient appropriate evidence in respect of the recoverability of development costs amounting to SR 19.64 million, in the absence of commercial and financial feasibility of specialized cables and its accessories (December 31, 2016: SR 20.68 million).
- d. The Group has carried out the transition in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (together formed IFRS) issued by the International Accounting Standards Board (IASB) and adopted by the Saudi Organization for Certified Public Accountants and the applicable laws and regulations in the Kingdom of Saudi Arabia. The financial statements ended 31 December 2015 are the opening financial statements as of January 1, 2016 to meet the requirements for the adoption of IFRS for the first time as of January 1, 2017. We were unable to determine the impact of the conversion to the International Financial Reporting Standards whether the condensed consolidated interim financial information reflects the first-time adoption of IFRS due to the conversion procedures have not been completed.

#### Qualified review conclusion

Based on our review, except for the effects of the matters described in the paragraphs mentioned above, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects, in accordance with IAS 34 and IFRS 1 accepted in the Kingdom of Saudi Arabia.

#### Emphasis of matter

In accordance with the Board of Directors' decision issued on June 4, 2017, Saudi Cables Company has amortized the accumulated losses by SR 355.89 million by reducing the Company's capital. Accordingly, the Company's new capital has reached to SR 404 million.



**AlAzem & AlSudairy**  
**Certified Public Accountants**



**Abdullah M. AlAzem**  
**License No. 335**

19 Jumada Alula 1439H (February 05, 2018)  
Jeddah, Saudi Arabia

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**(UNAUDITED)**

(Expressed in thousands of Saudi Arabian Riyals)

	Notes	As at March 31,2017 (Unaudited)	As at December 31, 2016 (restated)	As at January 01, 2016 (restated)
<b><u>ASSETS</u></b>				
<b>Current assets</b>				
Cash and cash equivalents	4	120,935	29,359	60,094
Trade receivables	5	339,106	466,030	521,414
Unbilled revenue	6	37,228	47,218	64,322
Inventories	7	268,978	281,417	331,802
Retentions receivable - current portion		66,116	74,147	88,698
Prepayments and other current assets		136,506	110,463	156,230
<b>Total current assets</b>		<b>968,869</b>	<b>1,008,934</b>	<b>1,222,560</b>
<b>Non-current assets</b>				
Investments in securities		661	661	650
Investments in subsidiaries and associate		461,271	470,971	469,985
Retentions receivable - non-current portion		49,838	51,853	71,988
Investment properties		28,576	28,794	29,757
Property, plant and equipment	8	625,173	649,526	767,068
Deferred tax asset		5,815	5,568	5,834
Intangible assets	9	26,911	29,150	150,542
<b>Total Non-current assets</b>		<b>1,198,245</b>	<b>1,236,523</b>	<b>1,495,824</b>
<b>Total assets</b>		<b>2,167,114</b>	<b>2,245,457</b>	<b>2,718,384</b>
<b><u>LIABILITIES AND SHAREHOLDERS' EQUITY</u></b>				
<b>Current liabilities:</b>				
Short-term loans	10	139,277	142,522	742,122
Long-term loans - current portion	10	265,671	265,671	177,209
Obligations under finance lease – current portion		7,310	9,358	9,454
Accounts payable		354,872	406,865	463,995
Due to related parties		59,075	68,790	62,949
Accrued expenses and other current liabilities	11	302,378	278,784	393,827
Zakat and income-tax	15	93,697	91,056	80,191
<b>Total current liabilities</b>		<b>1,222,280</b>	<b>1,263,136</b>	<b>1,929,747</b>
<b>Non-current liabilities</b>				
Long-term loans	10	596,030	594,515	173,472
Obligations under finance lease		14,912	14,871	20,126
Employees' end of service benefits		59,579	67,686	67,444
<b>Total non-current liabilities</b>		<b>670,521</b>	<b>677,072</b>	<b>261,042</b>
<b>Total liabilities</b>		<b>1,892,801</b>	<b>1,940,208</b>	<b>2,190,789</b>
<b><u>SHAREHOLDERS' EQUITY</u></b>				
Share capital	12	760,000	760,000	760,000
Statutory reserve	13	-	-	63,432
Cumulative changes in fair values		(2,136)	5,095	(13,694)
Foreign currency translation reserve		(14,348)	(14,348)	(9,143)
Accumulated losses	19	(474,769)	(451,115)	(279,154)
<b>Total Shareholders' equity before Non-controlling interests</b>		<b>268,747</b>	<b>299,632</b>	<b>521,441</b>
Non-controlling interests		5,565	5,617	6,154
<b>Total Shareholders' equity</b>		<b>274,313</b>	<b>305,249</b>	<b>527,595</b>
<b>Total liabilities and Shareholders' equity</b>		<b>2,167,114</b>	<b>2,245,457</b>	<b>2,718,384</b>

The accompanying notes 1 to 21 form an integral part of this interim condensed consolidated financial information and should be read together with the interim condensed consolidated financial information financial information review report

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(UNAUDITED)**

(Expressed in thousands of Saudi Arabian Riyals)

	Notes	<b>For the three month ended 31 March</b>	
		<b>2017</b> <b>(Unaudited)</b>	<b>2016</b> <b>(Unaudited)</b>
Revenue		<b>340,194</b>	386,664
Costs of revenue		<b>(328,352)</b>	(400,431)
<b>Gross profit</b>		<b>11,842</b>	(13,767)
Selling and distribution expenses		<b>(10,740)</b>	(13,975)
General and administrative expenses		<b>(23,153)</b>	(32,314)
<b>Loss from operations</b>		<b>(22,051)</b>	(60,056)
Financial charges - net		<b>(16,076)</b>	(14,199)
Share of profit from subsidiaries and associate		<b>14,956</b>	15,974
Other income - net		<b>3,121</b>	2,148
<b>Net loss for the period before zakat and tax and non-controlling interests</b>		<b>(20,050)</b>	(56,133)
Zakat and income-tax	15	<b>(3,655)</b>	(2,750)
<b>Net loss for the period before non-controlling interests</b>		<b>(23,705)</b>	(58,883)
Non-controlling interests		<b>51</b>	221
<b>Net loss for the period attributable to the Company's shareholders</b>		<b>(23,654)</b>	(58,662)
<b>Other Comprehensive income :</b>			
Company's share of foreign currency translation		-	(5,787)
<b>Total comprehensive income for the period</b>		<b>(23,654)</b>	(64,449)
<b>Profit / (loss) per share from:</b>			
Loss per share from operations for the period (SR)	14	<b>(0.29)</b>	(0.79)
Net loss per share for the period (SR)	14	<b>(0.31)</b>	(0.77)

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**SAUDI CABLE COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**  
(Expressed in thousands of Saudi Arabian Riyals)

	Equity attributable to the shareholders' of the Parent Company						Non- controlling interests (NCI)	Total equity
	Share capital	Statutory reserve	Cumulative changes in fair values	Foreign currency translation reserve	Accumulated losses	Total		
Balance at January 1, 2017 (restated)	760,000	-	5,095	(14,348)	(451,115)	299,632	5,617	305,249
Net comprehensive loss for the period	-	-	-	-	(23,654)	(23,654)	(51)	(23,705)
Fair value adjustments	-	-	(7,231)	-	-	(7,231)	-	(7,231)
<b>Balance at March 31, 2017 (unaudited)</b>	<b>760,000</b>	<b>-</b>	<b>(2,136)</b>	<b>(14,348)</b>	<b>(474,769)</b>	<b>268,747</b>	<b>5,566</b>	<b>274,313</b>
Balance at January 1, 2016 (restated)	760,000	63,432	(13,694)	(9,143)	(279,154)	521,441	6,154	527,595
Net comprehensive loss for the period	-	-	-	-	(58,662)	(58,662)	(221)	(58,883)
Fair value adjustments	-	-	19,182	-	-	19,182	-	19,182
Foreign currency translation reserve movement	-	-	-	(5,787)	-	(5,787)	-	(5,787)
<b>Balance at March 31, 2016 (unaudited)</b>	<b>760,000</b>	<b>63,432</b>	<b>5,488</b>	<b>(14,930)</b>	<b>(337,816)</b>	<b>476,174</b>	<b>5,933</b>	<b>482,107</b>

The accompanying notes 1 to 21 form an integral part of this interim condensed consolidated financial information and should be read together with the interim condensed consolidated financial information review report

**SAUDI CABLE COMPANY**  
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**  
(Expressed in thousands of Saudi Arabian Riyals)

	<b>For the three month ended March 31</b>	
	2017 (Unaudited)	2016 (Unaudited)
	Notes	
<b>Cash flows from operating activities:</b>		
Net loss before Zakat and income-tax and non-controlling interests	(20,050)	(56,133)
<b>Adjustments for:</b>		
Depreciation of property, plant and equipment and investment properties	26,094	27,321
Provision for doubtful debts	(2,052)	-
Provision for slow-moving inventories	(2,347)	19,047
Loss on disposal of property, plant and equipment and investment property	-	3,518
Amortization of intangible assets	3,800	4,158
Share of income from subsidiaries and associate	(14,956)	(15,974)
Provision for employees' end of service benefits	1,418	2,854
Finance charges	11,576	15,082
Change in fair value of investment	-	(11)
<i>Changes in operating assets and liabilities:</i>		
Trade receivable	128,976	85,033
Retention receivables	10,046	4,862
Prepayments and other current assets	(30,936)	14,937
Unbilled revenue	9,990	4,479
Inventories	14,786	(41,340)
Accounts payable	(51,993)	(27,881)
Deferred tax asset	(247)	-
Accrued expenses and other current liabilities	21,466	(5,103)
Due to related parties	(9,715)	(5,636)
	<b>95,856</b>	<b>29,213</b>
Zakat and income-tax paid	(1,014)	(31)
Financial charges paid	(11,576)	(5,504)
Employees' end of service benefits paid	(9,525)	(596)
<b>Net cash used in operating activities</b>	<b>73,741</b>	<b>23,082</b>
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(1,523)	(4,351)
Additions to intangible assets	(1,561)	(2,822)
Dividend received from an equity accounted investee	24,656	39,327
<b>Net cash provided by investing activities</b>	<b>21,572</b>	<b>32,154</b>
<b>Cash flows from financing activities</b>		
Net movement in long and short-term loans	(1,730)	(54,430)
Net movement in obligations under finance lease	(2,007)	(2,921)
Net movement in restricted cash against financing	(33,317)	(11,303)
<b>Net cash provided used in financing activities</b>	<b>(37,054)</b>	<b>(68,654)</b>
Net movement in cash and cash equivalents	58,259	(13,418)
Cash and cash equivalents at the beginning of the period	29,359	33,479
<b>Cash and cash equivalents at the end of the period</b>	<b>87,618</b>	<b>20,061</b>
<b>Supplemental schedule of non-cash information:</b>		
Cumulative changes in fair value of derivative financial instruments	7,231	19,182
Foreign currency translation movement	-	5,787

The accompanying notes 1 to 21 form an integral part of this interim condensed consolidated financial information and should be read together with the interim condensed consolidated financial information financial information review report

**SAUDI CABLE COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

(Expressed in thousands of Saudi Arabian Riyals)

**1. THE COMPANY, SUBSIDIARIES AND ITS 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 following “subsidiaries”) activities are 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 registered office of the Company is located at the following address:

Saudi Cable Company  
P. O. Box 4403, Jeddah 21491  
Kingdom of Saudi Arabia

The accompanying interim condensed consolidated financial statements include assets, liabilities and the results of the operations of the following subsidiaries:

Company’s name	Principal activities	Country of incorporation	Effective % of ownership	
			2017	2016
<b>Domestic</b>				
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%
<b>International</b>				
Mass Kablo Yatirim Ve Ticaret Anonim Anonim Sirketi	Holding Company (Previously Mass Holding Company)	Turkey	100%	100%
Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi	Manufacture, supply and trading of electrical cables	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	94%	94%

**SAUDI CABLE COMPANY**  
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As at March 31, the Group has the following investments in equity accounted investees:

<u>Company's name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>% of ownership</u>	
			<u>2017</u>	<u>2016</u>
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.

The condensed consolidated interim financial information prepared in accordance with the International Financial Reporting Standards ("IFRS") has been approved by the board of directors on February 5, 2018.

**2. Basis of preparation**

**Statement of compliance**

This condensed consolidated interim financial information of the Company has been prepared in compliance with IAS 34 "Interim Financial Reporting" and IFRS 1 "First time adoption of International Financial Reporting Standards" as endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia as well as other standards and pronouncements endorsed by SOCPA.

For all periods up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with local generally accepted accounting principles as issued by SOCPA ("previous GAAP"). The Group will prepare its first annual consolidated financial statements for the year ending December 31, 2017 in accordance with IFRS as endorsed by SOCPA in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. This condensed interim financial information for the three months ended December 31, 2017 is the first condensed consolidated financial information prepared by the Group for general purpose in accordance with IAS 34 "Interim Financial Reporting" endorsed by Saudi Organization for Certified Public Accountants (SOCPA) in the Kingdom of Saudi Arabia as well as other standards and pronouncements endorsed by SOCPA. Also, see not 17.

This condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements. IAS 34 states that the interim condensed financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than IFRSs requires in annual financial statements. However, since the Group's latest annual financial statements were prepared using previous GAAP, this condensed consolidated interim financial information includes some additional disclosures to enable the users to understand how the transition to IFRSs have affected previously reported amounts.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
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(Expressed in thousands of Saudi Arabian Riyals)

**Basis of measurement**

This condensed consolidated interim financial information has been prepared on a historical cost basis except for derivative financial instruments and investments at fair value through profit or loss which are measured at fair value.

**Changes in accounting policies**

Standards issued but not yet effective up to the date of issuance of the Group's condensed consolidated interim financial information are listed below.

<b>Effective for annual periods beginning on or after</b>	<b>Standard, amendment or interpretation</b>	<b>Summary of requirements</b>
Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted	IFRS 15 – Revenue from contracts with customers	IFRS 15 establishes a five step model for all types of revenue contracts, accordingly revenue can either be recognised at appoint in time or over a period of time. The standard replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for Construction of Real Estate and IFRIC 18 Transfer of Assets from Customers.
Annual reporting periods beginning on or after 1 January 2019, early adoption is permitted	IFRS 16 – Leases	IFRS 16 proposes a lease classification that would be based on the nature of asset that was the subject of the lease. Accordingly, all leases would be classified as Type A or Type B leases. The standard features a right of use (ROU) model that would require leases to recognise most leases on the balance sheets as lease liabilities with corresponding right of use assets.
Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted	IFRS 9 – Financial instruments	IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The Group is currently assessing the implications of adopting the above mentioned standards on the Group's consolidated financial statements on adoption.

**Critical accounting estimates and judgments**

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

(Expressed in thousands of Saudi Arabian Riyals)

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The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing 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 when the condensed consolidated interim condensed consolidated financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

(a) *Allowance for impairment of trade receivables*

An allowance for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The Group provides an amount as allowance for doubtful trade receivables on a monthly basis and reassesses the closing balance at each reporting date based on ageing of receivables and the detailed analysis of receivable from each customers on a case to case basis and adjusts the closing balance of the allowance accordingly.

(b) *Allowance for inventory obsolescence*

The Group determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to sales or use. The estimate of the Group's allowance for inventory obsolescence could change from period to period, which could be due to differing remaining useful life of the portfolio of inventory from year to year.

(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 where management believes the useful lives differ from previous estimates.

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

The Company 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 Company 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. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down 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.

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

(Expressed in thousands of Saudi Arabian Riyals)

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*(a) Employee benefits – defined benefit plan*

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 annually.

**3. Significant accounting policies**

The accounting policies set out below have been applied consistently in the preparation of this condensed consolidated interim financial information and in preparing the opening statement of financial position at January 1, 2016 for the purposes of transition to IFRS, except for the application of relevant exceptions or available exemptions as stipulated in IFRS 1. Details of such transition adjustments are disclosed in Note 17.

**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:

- i) the Group has power over the entity;
- ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii) the Group has the ability to use its power over the entity to affect 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 of during the year, if any, are included in the condensed consolidated statement of 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 and transactions, arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Income, expenses and unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised 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.

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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 and direct labor, any other costs directly attributable to bringing the assets to a working condition for 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, and are recognised net within other income in profit or loss.

*(b) Subsequent costs*

The cost of replacing a part of an item of property, plant and equipment is recognised 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, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as 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 cost, less its residual value.

Depreciation is recognised 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:

	<b>Years</b>
• Buildings	15 – 50
• Machinery and equipment	4 – 20
• Furniture and fixtures	4 – 10

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

**Intangible assets**

Intangible assets comprise development cost, deferred cost, rights and licenses which have finite life and are amortised over 3 to 22 years from the implementation date. These 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.

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**Inventories**

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on weighted average method, and includes expenditure incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling 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.

**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 amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

**Financial instruments**

The Group classifies its financial assets, to the extent applicable, in the following categories:

- financial assets at fair value through profit or loss (FVTPL)
- loans and receivables
- held-to-maturity investments
- available-for-sale financial assets (AFS)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

*Reclassification*

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

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Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

*Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

*Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

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*Impairment*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

*Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

*Assets classified as available-for-sale*

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

*Income recognition*

*Interest income*

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

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*Dividends*

Dividends are recognised as income in other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

**Derivative financial instruments**

Derivative financial instruments, principally representing profit rate swap, are initially recorded at cost and re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instrument, as it does not qualify for hedge accounting, are recognized in profit or loss as part of "Fair value (loss)/gain on derivative financial instruments" as they arise and the resulting positive and negative fair values are reported under assets and liabilities, respectively, in the consolidated statement of financial position.

**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 (other than goodwill and intangible assets with indefinite useful life, if any which are tested at least annually for impairment), 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 recognised in profit or loss. Impairment losses recognised 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 as the related services are 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.

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*Post-employment benefits*

**Defined benefit plans**

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 actuary using the projected unit credit method. Remeasurements 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 then 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**

Sale of goods is recognised when the significant risks and rewards of ownership has been transferred to the customer, and the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the Group. Revenue is measure net of returns, trade discounts and volume rebates. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

**Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised 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 there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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.

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**Zakat**

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat expense for the Company 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 expense are recognized in each interim period based on the best estimate of the weighted average annual zakat rate expected for the full financial year. Amounts accrued for zakat expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual zakat rate changes.

**Earnings per share**

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

**Segment reporting**

*Operating Segment*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief 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.

**First time adoption of IFRS**

This condensed consolidated interim financial information for the three-months ended March 31, 2017 has been prepared in compliance with IAS 34 "Interim Financial Reporting" and IFRS 1 "First time adoption of International Financial Reporting Standards" as endorsed by SOCPA in the Kingdom of Saudi Arabia and other standards and pronouncements endorsed by SOCPA. For periods up to and including the year ended December 31, 2016, the Company prepared its interim financial statements in accordance with the previous GAAP as issued by SOCPA.

Accordingly, the Group has prepared condensed consolidated interim financial information that comply with IAS 34 "Interim Financial Reporting" as endorsed by SOCPA and other standards and pronouncements endorsed by SOCPA as at March 31, 2017, together with the comparative condensed consolidated statement of financial position as of December 31, 2016 and January 1, 2016 and condensed consolidated interim statement of comprehensive income for the three-months ended March 31, 2016, as described in the summary of significant accounting policies. In preparing the condensed consolidated interim financial information, the Company's opening statement of financial position was prepared as at January 1, 2016 which is the Company's date of transition to IFRS. This note explains the principal adjustments made by the Company in restating its previous GAAP financial statements, including the statement of financial position as at January 1, 2016 and the financial statements for the periods ended March 31, 2016 and December 31, 2016.

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**4. CASH AND BANK BALANCES**

Cash and Bank balances comprise the following:

	<b>March 31, 2017</b> <b>(Unaudited)</b>	December 31, 2016
Cash in hand	610	6,000
Cash at banks in current accounts	87,008	22,042
Cash and cash equivalents for cash flow purposes	87,618	28,042
Restricted cash *	33,317	1,317
Cash and bank balances	<b>120,935</b>	<b>29,359</b>

\* Restricted cash represents the cash held in current accounts, under lien, not available to the Group for its operations.

**5. TRADE RECEIVABLES**

Trade receivables comprise the following:

	<b>March 31, 2017</b> <b>(Unaudited)</b>	December 31, 2016
Other customers	499,316	628,199
Related parties	216	309
	499,532	628,508
Less: provision for doubtful debts	(160,426)	(162,478)
	<b>339,106</b>	<b>466,030</b>

**6. UNBILLED REVENUE**

Unbilled revenue represents project related revenue recognized, using the percentage of completion method, but not yet billed as at March 31, 2017. This also includes an amount of SR 19.87 million (December 31, 2016: SR 28.66 million) which remains overdue for billing for more than one year. The management believes that this amount will be invoiced and collected.

**7. INVENTORIES**

Inventories comprise the following:

	<b>March 31, 2017</b> <b>(Unaudited)</b>	December 31, 2016
Raw materials	140,935	132,600
Finished goods	109,042	69,959
Work in process	77,472	137,593
Spare parts and wooden reels	35,333	36,023
	362,782	376,175
Less: Allowance for slow moving and obsolete inventories	(93,804)	(94,758)
	<b>268,978</b>	<b>281,417</b>

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**8. PROPERTY PLANT AND EQUIPMENT**

Certain machinery and equipment at March 31, 2017 having cost of SR 42.4 million (December 31, 2016: SR 31.5 million) and net book value of SR 29.7 million (December 31, 2016: SR 25.2 million) have been acquired under finance lease arrangement.

At March 31, 2017 certain assets with a net book value of SR 221.2 million (December 31, 2016: SR 120.3 million) were pledged as collateral to certain credit facilities.

**9. INTANGIBLE ASSETS**

Intangible assets comprise the following:

	<b>March 31, 2017</b> <b>(Unaudited)</b>	December 31, 2016
Development cost	<b>19,635</b>	20,857
Deferred cost	<b>3,976</b>	4,544
Rights and licenses	<b>3,300</b>	3,749
	<b>26,911</b>	29,150

**10. BANK BORROWINGS AND FINANCIAL RESTRUCTURING**

The Group has several financing arrangements with local and foreign banks and development financial institutions (DFI) 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 comprise the following:

	<b>March 31, 2017</b> <b>(Unaudited)</b>	December 31, 2016
Saudi British Bank	<b>27,839</b>	5,483
Bank Al Bilad	-	9,791
Lenders of subsidiaries (outside Saudi Arabia)	<b>111,438</b>	127,248
	<b>139,277</b>	142,522

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Long term loans comprise the following:

	<b>March 31, 2017</b> <b>(Unaudited)</b>	December 31, 2016
Restructured Loans from commercial banks	749,511	747,996
Restructured Loan from a DFI	112,190	112,190
	<b>861,701</b>	860,186
Less: current portion of long term loans	<b>(265,671)</b>	(265,671)
Non-current portion of long term loans	<b>596,030</b>	594,515

On February 23, 2016, the Group secured 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, culminating with a final payment at the end of December 2022 subject to certain additional requirements. The total debt restructured is SR 793 million SAR including accumulated financing costs of SR 85 million SAR. The said agreement mainly stipulates following conditions:

- Total repayment of debt by 2022, beginning from June 30, 2016
- Rights issue of Company's shares to take place before December 31, 2017
- Maintaining financial covenants, throughout the financing period including leverage ratios, minimum cash cover and minimum cash balance requirements.
- Assignment of all the dividends, commission, income, distributions and other proceeds, whether in cash or otherwise, including the proceeds arising out of the liquidation of investments from the equity accounted investee.
- Pledge of bank accounts for amounts not exceeding SR 15.5 million.

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 DFI.

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

	<b>Repayment amount for Restructured Loan</b>	<b>SIDF</b>	<b>Total Repayments</b>
Within one year	127,000	1,960	128,960
Between one to two years	251,110	1,960	253,070
Between two to five years	226,477	89,410	315,887
After five years until December 31, 2022	107,428	18,860	126,288
	<b>712,015</b>	<b>112,190</b>	<b>824,205</b>

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**11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

Accrued expenses and other current liabilities comprise the following:

	<b>March 31, 2017</b>	December 31,
	<b>(Unaudited)</b>	2016 (Restated)
Accrued finance charges	<b>11,412</b>	6,912
Accrued expenses	<b>175,952</b>	170,532
Advances from customers	<b>90,888</b>	74,315
Billing in excess of contract revenue	<b>24,126</b>	27,115
	<b>302,378</b>	278,874

**12. SHARE CAPITAL**

The share capital consists of 76,000,000 shares of Saudi Arabian Riyals 10 each as at March 31, 2017 and March 31, 2016 respectively.

**13. STATUTORY RESERVE**

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Group has established a statutory reserve by appropriation of 10% of net income until the reserve equaled 30% of the share capital. This reserve is not available for dividend distribution. As the Group have accumulated losses, therefore, no amount has been transferred to statutory reserve during the current year. Article of association has not been modified to agree with paragraph related to adjusting statutory reserve on new Regulations for Companies.

**14. LOSS PER SHARE**

Loss per share from operations for the period/year is calculated by dividing loss from operations by the weighted average number of outstanding shares during the period. Loss per share has been calculated on loss from operations attributable to the Group (including non-controlling interests).

Net loss per share for the period is calculated by dividing the net loss attributable to the equity holders of the Company for the period by the weighted average number of outstanding shares during the period.

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**15. ZAKAT AND INCOME TAX**

Below is the status of zakat and income tax for the Companies in the Group:

***Saudi Cable Company***

The General Authority of Zakat and Tax (GAZT) has assessed additional Zakat liability amounting to Saudi Riyals 50.70 million on the Company for the years 1993 to 2004. The Company objected against part of the additional liabilities, which is still under an appeal at various levels between GAZT and Board of grievances (BOG).

GAZT issued the assessment for the years 2005 to 2007 and claimed additional zakat and withholding tax liability of SR 35.69 million. The Company objected against the said assessment, which was transferred to 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 is under review by the HAC.

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 72.22 million. The Company objected against the said assessment, which is still under review by the GAZT till to date.

The Company booked a provision of Saudi Riyals 81 million against current and above mentioned assessment years by the GAZT. The Company filed its Zakat returns for the year 2013 and 2014 and has obtained the restricted Zakat certificates.

**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 2015.

**Mass Projects for Power & Telecommunications Limited**

The Company filed its Zakat returns for the years from 1999 to 2014, The GAZT issue its final Zakat Assessments for the years 1999 to 2004 and claimed additional Zakat differences of Saudi Riyals 3 million. The Company filed an objection against the DZIT assessment, which is still under review by GAZT. Final assessments for the years 2005 to 2014 were not issued by the GAZT till 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 2014.

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**16. COMMITMENTS AND CONTINGENCIES**

In addition to the notes 3, 10 and 15, the following are the commitments and contingencies:

	<b>March 31, 2017</b> <b>(Unaudited)</b>	December 31, 2016
Outstanding forward metal contracts	<b>51,221</b>	40,508
Contingent liabilities in respect of performance and bid bonds	<b>85,892</b>	86,097
Authorized and contracted for capital expenditure commitments	<b>421</b>	4,667
Corporate guarantees issued	<b>42,958</b>	21,938

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.

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**17. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING  
STANDARDS ("IFRS")**

- **Impact of adoption of IFRS on the statement of financial position as at January 1, 2016:**

	Amounts previously reported (SOCPA)	Effect of transition to IFRS	Opening IFRS statement of financial position
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	60,094	-	60,094
Trade receivables	521,414	-	521,414
Unbilled revenue	64,322	-	64,322
Inventories	331,802	-	331,802
Retentions receivable - current portion	88,698	-	88,698
Prepayments and other current assets	156,230	-	156,230
<b>Total current assets</b>	<b>1,222,560</b>		<b>1,222,560</b>
<b>Non-current assets</b>			
Investments in securities	650	-	650
Investments in equity accounted investees	469,985	-	469,985
Retentions receivable - non-current portion	71,988	-	71,988
Investment properties	29,757	-	29,757
Property, plant and equipment	681,578	85,490	767,068
Deferred tax asset	5,834	-	5,834
Intangible assets	150,542	-	150,542
<b>Total Non-current assets</b>	<b>1,410,334</b>	<b>85,490</b>	<b>1,495,824</b>
<b>Total assets</b>	<b>2,632,894</b>	<b>85,490</b>	<b>2,718,384</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term loans	742,122	-	742,122
Long-term loans - current portion	177,209	-	177,209
Obligations under finance lease – current portion	9,454	-	9,454
Accounts payable	463,995	-	463,995
Due to related parties	62,949	-	62,949
Accrued expenses and other current liabilities	392,827	1,000	393,827
Zakat and income-tax	80,191	-	80,191
<b>Total current liabilities</b>	<b>1,928,747</b>	<b>1,000</b>	<b>1,929,747</b>
<b>Non-current liabilities:</b>			
Long-term loans	173,472	-	173,472
Obligations under finance lease	20,126	-	20,126
Employees' end of service benefits	69,444	(2,000)	67,444
<b>Total non-current liabilities</b>	<b>263,042</b>	<b>(2,000)</b>	<b>261,042</b>
<b>Total liabilities</b>	<b>2,191,789</b>	<b>(1,000)</b>	<b>2,190,789</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	760,000	-	760,000
Statutory reserve	63,432	-	63,432
Cumulative changes in fair values	(13,694)	-	(13,694)
Foreign currency translation reserve	(9,143)	-	(9,143)
Accumulated losses	(365,644)	86,490	(279,154)
<b>Total equity attributable to the shareholders' of the Parent Company</b>	<b>434,951</b>	<b>86,490</b>	<b>521,441</b>
Non-controlling interests	6,154	-	6,154
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>441,105</b>	<b>86,490</b>	<b>527,595</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,632,894</b>	<b>85,490</b>	<b>2,718,384</b>

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• **Impact of adoption of IFRS on the statement of financial position as at December 31, 2016:**

	Amounts previously reported (SOCPA)	Effect of transition to IFRS	Opening IFRS statement of financial position
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	29,359	-	29,359
Trade receivables	466,030	-	466,030
Unbilled revenue	47,218	-	47,218
Inventories	281,417	-	281,417
Retentions receivable - current portion	74,147	-	74,147
Prepayments and other current assets	110,763	-	110,763
<b>Total current assets</b>	<b>1,008,934</b>	<b>-</b>	<b>1,008,934</b>
<b>Non-current assets:</b>			
Investments in securities	661	-	661
Investments in equity accounted investees	470,971	-	470,971
Retentions receivable - non-current portion	51,853	-	51,853
Investment properties	28,794	-	28,794
Property, plant and equipment	600,641	48,885	649,526
Deferred tax asset	5,568	-	5,568
Intangible assets	29,150	-	29,150
<b>Total Non-current assets</b>	<b>1,187,638</b>	<b>48,885</b>	<b>1,236,523</b>
<b>Total assets</b>	<b>2,196,572</b>	<b>48,885</b>	<b>2,245,457</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Short-term loans	142,522	-	142,522
Long-term loans - current portion	265,671	-	265,671
Obligations under finance lease – current portion	9,358	-	9,358
Accounts payable	406,865	-	406,865
Due to related parties	68,790	-	68,790
Accrued expenses and other current liabilities	277,782	1,000	278,782
Zakat and income-tax	91,056	-	91,056
<b>Total current liabilities</b>	<b>1,262,044</b>	<b>1,000</b>	<b>1,263,044</b>
<b>Non-current liabilities:</b>			
Long-term loans	594,515	-	594,515
Obligations under finance lease	14,871	-	14,871
Employees' end of service benefits	69,686	(2,000)	67,686
<b>Total non-current liabilities</b>	<b>679,072</b>	<b>(2,000)</b>	<b>677,072</b>
<b>Total liabilities</b>	<b>1,941,208</b>	<b>(1,000)</b>	<b>1,940,208</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	760,000	-	760,000
Statutory reserve	-	-	-
Cumulative changes in fair values	5,095	-	5,095
Foreign currency translation reserve	(14,348)	-	(14,348)
Accumulated losses	(501,115)	49,885	(451,115)
<b>Total equity attributable to the shareholders' of the Parent Company</b>	<b>249,747</b>	<b>49,885</b>	<b>299,632</b>
Non-controlling interests	5,709	-	5,709
<b>Total Shareholders' Equity</b>	<b>255,456</b>	<b>49,885</b>	<b>305,341</b>
<b>Total Liabilities And Shareholders' Equity</b>	<b>2,196,572</b>	<b>48,885</b>	<b>2,245,457</b>

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- **Impact of adoption of IFRS on the statement of income for the three month ended 31 March as follow:**

	Amounts previously reported (SOCPA)	Effect of transition to IFRS	Opening IFRS statement of financial position
Revenue	386,664	-	386,664
Costs of revenue	(391,492)	(8,939)	(400,431)
<b>Gross profit</b>	<b>(4,828)</b>	<b>(8,939)</b>	<b>(13,767)</b>
Selling and distribution expenses	(13,975)	-	(13,975)
General and administrative expenses	(32,314)	-	(32,314)
<b>Loss from operations</b>	<b>(51,117)</b>	<b>(8,939)</b>	<b>(60,056)</b>
Financial charges	(14,199)	-	(14,199)
Share of profit from equity accounted investees	15,974	-	15,974
Other income - net	2,148	-	2,148
<b>Net loss for the period before zakat and income-tax and non-controlling interests</b>	<b>(47,194)</b>	<b>(8,939)</b>	<b>(56,133)</b>
Zakat and income-tax	(2,750)	-	(2,750)
<b>Net loss for the period before non-controlling interests</b>	<b>(49,944)</b>	<b>(8,939)</b>	<b>(58,883)</b>
Non-controlling interests	221	-	221
<b>Net loss for the period attributable to the Company's shareholders</b>	<b>(49,723)</b>	<b>(8,939)</b>	<b>(58,662)</b>

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**18. 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	
	2017	2016	2017	2016	2017	2016
Assets	1,967,360	2,300,102	199,754	276,130	2,167,114	2,576,232
Liabilities	1,552,693	1,673,789	340,109	420,336	1,892,802	2,094,125
Net Sales	325,310	379,915	14,884	6,749	340,194	386,664
Net (loss) / gain	(25,180)	(56,506)	1,524	(2,156)	(23,656)	(58,662)

*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:

	Saudi Arabia	UAE	Turkey	Total
<b>2017</b>				
Assets	1,336,723	43,448	786,943	2,167,114
Liabilities	1,385,630	5,104	502,068	1,892,802
Net Sales	236,409	14,478	89,308	340,195
Net loss	(15,590)	(936)	(7,130)	(23,656)
<b>2016</b>				
Assets	1,665,455	50,250	860,527	2,576,232
Liabilities	1,537,718	10,892	545,515	2,094,125
Net Sales	256,809	33,704	96,151	386,664
Net loss	(49,503)	536	(9,695)	(58,662)

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**19. ACCUMULATED LOSSES AND GOING CONCERN**

During the three months period ended March 31, 2017 the Group reported a net loss amounted to SR 23.66 million (March 31, 2016: 58.66 million) and its accumulated losses have reached to SR 474.77 million (December 31, 2016: SR 451.12 million), which is 62.47% (December 31, 2016: 59.36%) of the Company's share capital. These circumstances indicate the existence of uncertainties that may cast doubt on the Group's ability to continue as a going concern. Management has made an internal assessment and comprehensive plans that supports the Group's ability to achieve its operational goals that provides adequate resources for continuing the business for the foreseeable future, with sufficient cash resources available to service its debt obligations and to meet its working capital requirements and financial commitments as and when they fall due. Accordingly, this interim condensed consolidated financial information has been prepared on a going concern basis.

Furthermore, on February 23, 2016, upon signing of the financial restructuring agreements with four of its lenders; the Group managed to defer repayment of its debt amounting to SR 793 million over a period of 7 years culminating with a final payment at the end of December 2022 (Note 10). This has, however, reduced the required cash outflows from SR 793 million to SR 6.2 million during 2016 and SR 315 million during 2017 (Note 10). Additionally, the Group is pursuing alternatives to reduce the percentage of accumulated losses as compared to share capital some of these would require prior regulatory approval.

**20. RISK MANAGEMENT**

The Group's exposure to the risks and its approach to managing these risks are discussed below.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's principal financial assets are cash, accounts receivables.

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. Concentration of credit risk indicates the relative sensitivity of the Group's performance to developments affecting a particular segment of customers. The Group's credit risk is primarily attributable to the cash, amounts due from related parties including retention balances and accounts receivables.

The amounts presented in the interim condensed consolidated financial statement of financial position are net of allowance for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

b) Interest rate risk

Interest rate risk arises from the possibility that changes in interest will affect the value of the financial instruments. The Group is not exposed to floating interest rate on its loans as the appraisal fees are charge in full at the inception of the loans.

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c) Currency risk

Certain of the Group's payables and debts are denominated in foreign currencies which expose the Group to risk of fluctuation in these currencies. The Group may from time to time enter into forward exchange contracts to manage foreign currency risks and requirements primarily related to the import of certain materials.

d) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. to meet liabilities relating to financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly and at a value close to its fair value, Liquidity risk is managed through periodic monitoring to ensure that sufficient liquidity is available to meet any future liabilities.

**21. FAIR VALUES**

Fair value is the amount for which an asset is exchanged or a liability settled between knowledgeable and willing parties on fair terms. Where the financial instruments of the Company are recognized on the historical cost basis only and there are differences between the carrying amounts and the fair value estimates, management believes that the fair values of the Group's financial assets and liabilities approximate their carrying amounts, except for investments.