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SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended December 31, 2015
with
INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Partners
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INDEPENDENT AUDITORS' REPORT

The Shareholders
Saudi Cable Company
Jeddah, Kingdom of Saudi Arabia

We have audited the accompanying consolidated financial statements of Saudi Cable Company ("the Company") and its subsidiaries (collectively referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2015 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 33 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article (123) of the Regulations for Companies and Company's Bylaws, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Except for the matters described in the Basis for qualified opinion qualification paragraph, we conducted our audit in accordance with generally accepted auditing standards in Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG

Basis for Qualified Opinion

a. At December 31, 2015 Group's current liabilities exceeded current assets by SR 706.18 million (December 31, 2014: SR 845.08 million) and accumulated losses have reached to SR 365.64 million (December 31, 2014: SR 367.33 million), representing 48.11% (December 31, 2014: 48.33%) of the Company's share capital. Subsequent to the year end, on February 23, 2016 the Group managed to secure restructuring of its debt amounting to SR 793 million with four main lenders, allowing the Group to reschedule payment over the next 7 years period; subject to the fulfilment of various conditions primarily before December 31, 2017 (see note 14), the likelihood of which, cannot be predicted with reasonable certainty. Moreover, certain legal formalities are pending with another financier for the awarding of a waiver for the breach of loan covenants and for matching the tenor of their loan with other restructured loans. These circumstances indicate the existence of material uncertainties that may cast doubt about the Group's ability to continue as a going concern.

   Although management has an internal plan that supports the Group's ability to achieve its operational goals and that provides sufficient resources for continuing the business for the foreseeable future, with sufficient cash resources available to service its debt obligations, meet its working capital requirements and financial commitments as and when due. However, it does not reflect any adjustments that might result from a failure to fulfill the requirements of the recent loan restructuring agreement. Accordingly, the notes to the consolidated financial statements do not sufficiently disclose the implications on Group's financial position of a failure to fulfil these requirements.

b. We were unable to obtain sufficient appropriate audit evidence in respect of the recoverability of unbilled revenues of SR 45.26 million (December 31, 2014: SR 50.40 million) that is overdue for more than one year. This relates to one of the subsidiaries and represents revenue earned but not yet billed as at December 31, 2015.

c. We were unable to obtain sufficient appropriate audit evidence in respect of the commercial and financial feasibility of development cost incurred for the development of specialised cables and accessories, amounting to SR 66.77 million (December 31, 2014: SR 67.3 million), which has been included under intangible assets.

Qualified opinion

In our opinion, except for the possible effects of the matters described in the Basis of Qualified Opinion paragraphs:

1) the consolidated financial statements taken as a whole, present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015 and the consolidated results of its operations and its cash flows for the year then ended, in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia appropriate to the circumstances of the Group; and

2) comply with the requirements of the Regulations for Companies and the Company's Bylaws with respect to the preparation and presentation of the financial statements.

For KPMG Al Fozan & Partners

Ebrahim Oboud Baeshen
License No.382

C.R. 46
KPMG Al Fozan & Partners
Certified Public Accountants

Jumada Al Awal 16, 1437H
Corresponding to February 25, 2016

SAUDI CABLE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
As at December 31, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	2015	2014
ASSETS			
Current assets:			
Cash and Bank balances	5	**60,094**	61,951
Trade receivables	6	**521,414**	357,065
Unbilled revenue	7	**64,322**	77,081
Inventories	8	**331,802**	418,878
Retentions receivable - current portion	6	**88,698**	90,688
Prepayments and other current assets	9	**156,230**	110,777
Total current assets		**1,222,560**	1,116,440
Non-current assets:			
Investments in securities		**650**	624
Investments in equity accounted investees	10	**469,985**	469,583
Retentions receivable	6	**71,988**	132,056
Investment properties	11	**29,757**	30,719
Property, plant and equipment	12	**681,578**	747,202
Deferred tax asset		**5,834**	5,524
Intangible assets	13	**150,542**	153,645
Total non-current assets		**1,410,334**	1,539,353
Total assets		**2,632,894**	2,655,793
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term loans	14	**742,122**	842,342
Long-term loans - current portion	14	**177,209**	204,609
Obligations under finance lease – current portion	15	**9,454**	9,919
Accounts payable		**463,995**	351,186
Accrued expenses and other current liabilities	16	**392,827**	447,153
Due to related parties	27	**62,949**	41,571
Zakat and income-tax	17	**80,191**	64,740
Total current liabilities		**1,928,747**	1,961,520
Non-current liabilities:			
Long-term loans	14	**173,472**	160,281
Obligations under finance lease	15	**20,126**	28,896
Employees' end of service benefits	18	**69,444**	67,937
Total non-current liabilities		**263,042**	257,114
Total liabilities		**2,191,789**	2,218,634

The accompanying notes form an integral part of these consolidated financial statements

SAUDI CABLE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET - Continued
As at December 31, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	**2015**	2014
EQUITY			
Share capital	19	**760,000**	760,000
Statutory reserve	20	**63,432**	63,432
Cumulative changes in fair values	21	**(13,694)**	(20,123)
Foreign currency translation reserve		**(9,143)**	(6,234)
Accumulated losses		**(365,644)**	(367,331)
Total equity attributable to the shareholders' of the Parent Company		**434,951**	429,744
Non-controlling interests (NCI)		**6,154**	7,415
Total equity		**441,105**	437,159
Total liabilities and equity		**2,632,894**	2,655,793

The accompanying notes form an integral part of these consolidated financial statements

SAUDI CABLE COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	2015	2014
Revenue	29	**1,918,059**	1,716,321
Costs of revenue	29	**(1,849,654)**	(1,709,658)
Gross profit		**68,405**	6,663
General and administrative expenses	22	**(114,620)**	(124,090)
Selling and distribution expenses	23	**(55,859)**	(84,058)
Loss from operations		**(102,074)**	(201,485)
Financial charges-net	24	**(21,733)**	(112,039)
Share of profit from equity accounted investees	10	**83,763**	114,540
Other income - net	25	**54,778**	8,683
Net income / (loss) for the year before zakat and income-tax and non-controlling interests		**14,734**	(190,301)
Zakat and income-tax	17	**(13,900)**	(13,535)
Net income / (loss) for the year before non-controlling interests		**834**	(203,836)
Non-controlling interests		**853**	2,157
Net income / (loss) for the year attributable to the Company's shareholders		**1,687**	(201,679)
Loss per share from operations for the year (SR)	26	**(1.34)**	(2.65)
Earnings / (loss) per share from net profit / (loss) for the year (SR)	26	**0.02**	(2.65)

The accompanying notes 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, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	**2015**	2014
Cash flows from operating activities:			
Net income / (loss) before Zakat and income-tax and non-controlling interests		**14,734**	(190,301)
Adjustments for:			
Depreciation of property, plant and equipment and investment properties	11 & 12	**76,581**	79,341
Amortization of intangible assets	13	**15,974**	16,485
Impairment of goodwill		**--**	12,342
(Reversal) / provision for doubtful debts	6	**(40,130)**	3,970
Provision for slow-moving inventories	8	**22,108**	35,123
Loss / (gain) on disposal of property, plant and equipment and investment property		**1,708**	(5,526)
Change in fair value of investments		**(26)**	1,698
Deferred tax asset		**1,790**	(2,709)
Change in non-controlling interest - net		**(408)**	5,103
Share of profit from equity accounted investees	10	**(83,763)**	(114,540)
Provision for employees' end of service benefits	18	**13,355**	16,663
Finance charges - net	24	**21,733**	112,039
Changes in operating assets and liabilities:			
Trade receivables		**(124,219)**	386,678
Retention receivables		**62,058**	(222,744)
Prepayments and other current assets		**(45,453)**	51,794
Unbilled revenue		**12,759**	130,910
Inventories		**64,968**	66,469
Accounts payable		**112,809**	(268,586)
Accrued expenses and other current liabilities		**(23,218)**	146,567
Due to related parties		**21,378**	(13,465)
		124,738	247,311
Zakat and income-tax paid		**(549)**	(929)
Financial charges paid	24	**(42,835)**	(51,614)
Employees' end of service benefits paid	18	**(11,848)**	(7,384)
Net cash provided by operating activities		**69,506**	187,384
Cash flows from Investing activities			
Additions to property, plant and equipment	12	**(19,079)**	(2,251)
Additions to intangible assets	13	**(12,871)**	(17,257)
Proceeds from disposal of property, plant and equipment		**7,376**	8,346
Dividends received from an equity accounted investees	10	**76,875**	87,167
Net cash provided by investing activities		**52,301**	76,005
Cash flows from financing activities			
Net movement in long and short-term loans		**(114,429)**	(259,068)
Net movement in obligations under finance lease		**(9,235)**	(11,454)
Net movement in restricted cash against financing		**164**	65,110
Net movement in other long-term liabilities		**-**	(52,945)
Net cash used in financing activities		**(123,500)**	(258,357)
Net movement in cash and cash equivalents		**(1,693)**	5,032
Cash and cash equivalents at the beginning of the year		**35,172**	30,140
Cash and cash equivalents at the end of the year	5	**33,479**	35,172
Supplemental schedule of non-cash information:			
Cumulative changes in fair value of derivative financial instruments		**(6,429)**	43,210
Foreign currency translation movement		**2,909**	(951)

The accompanying notes 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, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Equity attributable to the shareholders' of the Parent Company							
	Share capital	Statutory reserve	Cumulative changes in fair values	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests (NCI)	Total equity
Balance at January 1, 2014	760,000	63,432	23,087	(7,185)	(165,652)	673,682	4,469	678,151
Net loss for the year	-	-	-	-	(201,679)	(201,679)	(2,157)	(203,836)
Fair value adjustments	-	-	(43,210)	-	-	(43,210)	-	(43,210)
Foreign currency translation reserve movement	-	-	-	951	-	951	-	951
Other changes in NCI	-	-	-	-	-	-	5,103	5,103
Balance at December 31, 2014	760,000	63,432	(20,123)	(6,234)	(367,331)	429,744	7,415	437,159
Net profit / (loss) for the year	-	-	-	-	1,687	1,687	(853)	834
Fair value adjustments	-	-	6,429	-	-	6,429	-	6,429
Foreign currency translation reserve movement	-	-	-	(2,909)	-	(2,909)	-	(2,909)
Other changes in NCI	-	-	-	-	-	-	(408)	(408)
Balance at December 31, 2015	**760,000**	**63,432**	**(13,694)**	**(9,143)**	**(365,644)**	**434,951**	**6,154**	**441,105**

(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 Thani 1396H, corresponding to April 27, 1976.

The objectives of the Group ("Parent Company" and its following "subsidiaries") are to manufacture and supply 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 consolidated financial statements include assets, liabilities, the results of the operations and the cash flows of the following subsidiaries:

Company's name	Principal activities	Country of incorporation	Effective % of ownership 2015	2014
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 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 trade	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%**	79%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	**94%**	79%

1. THE COMPANY, SUBSIDIARIES AND ITS PRINCIPAL ACTIVITIES (continued)

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

Company's name	Principal activities	Country of incorporation	% of ownership 2015	% of ownership 2014
Midal Cables W.L.L.	Conductors & related products Implementation of information	Bahrain	**50%**	50%
XECA International Information Technology	Systems and network services	Saudi Arabia	**25%**	25%

All subsidiaries and equity accounted investees have the same reporting period as of the Parent Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia, issued by Saudi Organizations for Certified Public Accountants (SOCPA).

(b) Basis of measurement

The accompanying consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale investments and derivative financial instruments which are stated at fair values, using the accrual basis of accounting and the going concern concept (Note 3).

(c) Basis of consolidation

These consolidated financial statements comprise the financial statements of the parent company and its subsidiaries, as explained in Note (1) above.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the right to variability of return from its involvement with the investee and its ability to affect those returns through its power over the investee, is considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealised gains and losses arising from intra-group transactions are also eliminated.

2. BASIS OF PREPARATION (continued)

(c) Basis of consolidation (continued)

Non-controlling interests

Non-controlling interest ("NCI") represents the interest in subsidiary companies, not held by the Company which are measured at their proportionate share in the subsidiary's identifiable net assets. Transactions with Non-controlling interest parties are treated as transactions with parties external to the Group.

(d) Functional and presentation currency

These consolidated financial statements have been presented in Saudi Arabian Riyals (SR) which is the Group's presentation currency and Parent Company's functional currency. All financial information presented in SR has been rounded to the nearest thousand, unless otherwise stated.

(e) Use of estimates and judgments

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

The key areas requiring significant management judgments are as follows:

- *Provision for trade receivable*
  A provision for impairment of trade receivable 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 agreement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators of objective evidence that the trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognised considering the length of time considering past recovery rates.

- *Impairment of slow moving and obsolete inventories*
  The management makes a provision for slow moving and obsolete inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of year.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

- *Impairment of non-financial assets*

  Non-current assets including goodwill are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognised for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income, immediately in the consolidated statement of income. Impairment losses recognised on goodwill are not reversible.

  The company performs impairment reviews annually if events or changes in circumstances indicate a potential impairment. Determination of the assets' recoverable amount on assets involves the use of estimates and can have a material impact on the respective values as at December 31, 2015 and ultimately the amount of any impairment. During the year, the Company has engaged an external consultant to assess the carrying value of the assets and the provisions for impairment required, if any.

- *Cost to complete the projects*

  As part of application of percentage of completion method on contract accounting, the cost to complete the project is estimated. These estimates include, amongst other items, the construction costs, variation orders by contractors and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods. Contract variations are recognised as revenue to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of judgment by management based on prior experience, application of contract terms and relationships with the contract owners and stage of negotiations reached.

- *Contract claims*

  A claim is an amount that that the contractor seeks to collect from the customer or another party as reimbursements for costs not included in the contract price. A claim may arise from customer caused delays, prolongation costs, cost of acceleration of project, program errors in specification or design and disputed variation in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are only included in contract revenue when the amount has been accepted by the customer and can be reliably measured.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

- *Useful lives of property and equipment*
  The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

3. GOING CONCERN AND POST BALANCE SHEET EVENT

At December 31, 2015, the Group's current liabilities exceeded its current assets by SR 706.18 million (December 31, 2014: SR 845.08 million) and accumulated losses have reached to SR 365.64 million (December 31, 2014: SR 367.33 million), which is 48.11% (December 31, 2014: 48.33%) of the Company's share capital. These circumstances indicate the existence of material 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, meeting its working capital requirements and financial commitments as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

However, 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 14). This has not resulted in reclassification of debt to long term in accordance with the applicable financial reporting framework. 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 14).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

a) Cash and bank balances

Cash and bank balances comprises of cash on hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three-month or less, if any.

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks in current accounts and other short-term highly liquid investments with original maturities of three-month or less, if any, which are available to the Group without any restrictions.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Trade receivables

Trade receivables are stated at original invoice amount less provisions made for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of receivables. Bad debts are written off when identified, against its related provisions. The provisions are charged to consolidated statement of income and any subsequent recovery of receivable amounts previously written off are credited to consolidated statement of income.

c) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the weighted average method. Cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value comprises estimated selling price in the ordinary course of business, less further production costs to completion and appropriate selling and distribution costs. Provision is made, where necessary, for non-metal components of obsolete, slow moving and defective stocks.

d) Investments

i) Investment in equity accounted investees

Investment in equity accounted investees in which the Group exercises significant influence are recorded using the equity method, under which the investment is stated initially at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the investee. These are referred to as associates or jointly controlled entities. The Group's share in the investees' net income for the period is included in the consolidated statement of income and its share in post-acquisition movement in reserves is recognised directly in the Group’s statement of changes in equity. Dividends are recorded when the right to receive the dividend is established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments (continued)

ii) Investments in Securities (Available-for-sale)

Investments purchased neither with the intention of being held to maturity nor for trading purposes are designated as available for sale investments and initially recorded at cost and subsequently measured at fair value. Unrealised gains and losses on subsequent measurement are reported as a separate component of equity until the investment is derecognised or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity, is included in the consolidated statement of income for the year.

Fair value is determined by reference to the market value in the open market. If fair value is not available, cost is considered to be the most appropriate objective and reliable measurement of the fair value of investments.

Dividend income is recognised when the right to receive the dividend is established.

e) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the consolidated statement of income when incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment. The estimated useful lives of assets over which the asset will be depreciated are as follows:

	No. of years
Buildings	15 - 50
Plant and machineries	4 - 20
Furniture and fixtures	3 - 15

Capital work-in-progress

Capital work-in-progress represents all costs relating directly and indirectly to the projects in progress and is capitalised as property and equipment when the project is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are carried at cost less accumulated depreciation and impairment losses, if applicable. The estimated useful lives over which the investment property is depreciated is 50 years.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is including in the consolidated statement of income in the period in which the investment property is derecognised.

g) Intangibles

i) Goodwill

Goodwill represents the excess of the investment over the Group's share in the fair value of the identifiable net assets of the investee company at the date of acquisition and is stated at cost less any impairment, if any. Goodwill is not amortised but is reviewed for impairment, at least annually, to determine whether any objective indicator of impairment exists unless an event or change in circumstances occur during the year indicating an impairment of the carrying value which requires a valuation of goodwill during the year.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

ii) Research and development costs

Research costs are charged to the consolidated statement of income in the period in which they are incurred.

Development activities involve a conversion of the results of the research activities into a plan or design for new products, services and technological mechanism or for significant improvement on existing products, services or mechanisms, regardless of the purpose whether being for sale or use. Development costs are recorded when they occur as period costs and charged to consolidated statement of income. Development costs can only be capitalised if all of the following conditions are met:

- Clear identification of the product or the process, and the possibility of separating and measuring costs related to the product or the process in a reliable manner.
- The technological feasibility of the process or the product has been established.
- The intention of the Group to produce and market or use the product or the process.
- Existence of adequate resources, or ensuring that such resources could be made available to complete the development project and to market or use the product or process.
- Existence of a market for the product or the process. If the product or process is used inside the Group, the Group's benefits from the use should be confirmed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Borrowings

Borrowings are recognised at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalised up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the consolidated statement of income.

i) Trade payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

j) Deferred tax

Deferred tax applicable on foreign operations, is recognised on differences between the carrying amounts of assets and liabilities in the financial statements of the subsidiary and the corresponding tax bases which are used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

k) Zakat and income-tax

The Group is subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income-tax ("DZIT"). Foreign subsidiaries are subject to the relevant income-tax regulations in their countries of domicile. Group's zakat and its share in the foreign subsidiaries income-tax are accrued and charged to the consolidated statement of income currently. Foreign income-tax attributable to the foreign subsidiaries' shareholders are charged to the minority shareholders in accompanying consolidated financial statements. Additional zakat and foreign income-tax liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalised.

l) Employees' end-of-service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

The foreign subsidiaries' end of service liability is determined in accordance with the applicable laws of the country in which the subsidiaries' are registered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Revenue

Revenue is recognised to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group,
- it can be reliably measured, regardless of when the payment is being made,
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable as per the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognised.

Sales of goods

Sales of goods are recognised when products are delivered or shipped to customers and when risks and rewards are transferred. Sales represent the invoiced value of the goods supplied during the period, net of discounts and returns.

Contract Revenue

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognised under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The percentage of completion is then applied to the total contract value to determine the revenue earned to date. When the current estimate of total contract costs and revenues indicate a loss, provision is made for the entire loss on the contract irrespective of the amount of work done. Revenue recognised in excess of amounts billed to customers are classified under current assets as unbilled revenue. Amounts billed to customers in excess of revenue recognised are classified under current liabilities as billings in excess of revenue.

n) Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products. All other expenses excluding cost of sales and financial charges are classified as general and administrative expenses.

Allocations between cost of sales, selling and distribution expenses and general and administrative expenses, when required, are made on a consistent basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Provisions

A provision is recognised in the consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for restructuring costs are recognised when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

p) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognised amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

q) Segmental reporting

Operating Segment:

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segments and to assess its performance. An operating segment is a separately identifiable group of assets, operations or entities engaged in revenue producing activities, and its financial information is separately available.

Geographical Segment:

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

r) Derivative financial instruments

i) The Group uses derivative financial instruments such as metal futures, to hedge the exposure against metal price changes risk on purchases and sale of goods.

   Derivative financial instruments are initially recognised at fair value and subsequently re-measured at fair value. Derivatives are recognised as a financial asset if it has a positive fair value and as a financial liability if has a negative fair value.

   The gain or loss on re-measurement to fair value is recognised immediately in the consolidated statement of income. However, changes in fair value of derivative financial instruments that qualify for cash flow hedge accounting are recorded as derivative financial instruments in the consolidated balance sheet and taken to other reserves in statement of changes in equity.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Derivative financial instruments (continued)

The derivative instruments used by the Group are designated as cash flow hedges.

When the hedging instrument matures or expires or the hedge ceases to be effective, any associated accumulated gain or loss in other reserves is reclassified to statement if income in the same period during which the hedged item affects statement of income.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the consolidated statement of income as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the consolidated statement of income for the period.

ii) The Group uses interest rate swaps to manage its exposure to interest rate fluctuations on its bank borrowings.

Interest rate swaps, if material, are presented as a non-current asset in case of favorable contracts or a non-current liability in case of unfavorable contracts if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

s) Foreign currencies

Foreign currency transactions
Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated statement of income. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate at the date of initial recognition.

Foreign operations
Assets and liabilities of foreign operations are converted into Saudi Arabian Riyals at the exchange rates in effect at the balance sheet date. The equity components of foreign subsidiaries with the exception of retained earnings are translated at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' income statements are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi Arabian Riyals are reported as a separate component of equity (foreign currency translation reserve) attributable to shareholders of the Company in the consolidated financial statements.

(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Leasing

Leases are classified as capital leases whenever the terms of the lease, transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognised as assets of the Group at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the consolidated statement of income over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting year.

Rentals payable under operating leases are charged to consolidated statement of income on a straight line basis over the term of the operating lease.

5. CASH AND BANK BALANCES

Cash and Bank balances at December 31, comprise the following:

	2015	2014
Cash on hand	**431**	490
Cash at bank - current accounts	**33,048**	34,682
Cash and cash equivalents for cash flow statement Purposes	**33,479**	35,172
Restricted cash	**26,615**	26,779
Cash and bank balances	**60,094**	61,951

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

(Expressed in thousands of Saudi Arabian Riyals)

6. TRADE RECEIVABLES

6.1 Trade receivables at December 31, comprise the following:

	2015	2014
Other customers	**690,701**	567,343
Related parties (Note 27)	**861**	--
	691,562	567,343
Less: provision for doubtful debts	**(170,148)**	(210,278)
	521,414	357,065

6.2 The movement in provision for doubtful debts is as follows:

	2015	2014
Balance at January 1	**210,278**	206,308
Provision for the year	**--**	3,970
Reversal of provision for the year (Note 6.3)	**(40,130)**	--
Balance at December 31	**170,148**	210,278

6.3 During the year, the Group has recovered significant amount of outstanding debts and accordingly provision held against these debts has been reversed. The recoveries of the old outstanding receivables are principally driven by the improvements in the collection process, including rigorous follow up with the customers.

6.4 The Group's receivables are held as collateral by the banks against short term bank debts (Note 14).

6.5 The ageing of trade receivables is as follows:

	Up to six months	*Above six and up to one year*	*Above one year*	Total
December 31, 2015	**382,766**	**114,528**	**194,268**	**691,562**
December 31, 2014	286,020	137,790	143,533	567,343

6.6 The provision analysis of the Group's receivable is as follows:

		Past due but not impaired			
	Neither past due nor impaired	*Above three and up to six months*	*Above six and up to twelve months*	*Above twelve months*	*Total*
31 December 2015	**215,557**	**99,438**	**97,194**	**109,225**	**521,414**
31 December 2014	171,582	15,655	87,782	82,046	357,065

6.7 Retention receivable represents amounts withheld by the customers in accordance with the terms of the agreements for sales and turnkey projects. The amounts are expected to be collected by December 2017.

(Expressed in thousands of Saudi Arabian Riyals)

7. UNBILLED REVENUE

Unbilled revenue at December 31, comprise the following:

	2015	2014
Unbilled revenue	**65,811**	78,570
Less: Provision for unbilled revenue	**(1,489)**	(1,489)
Net unbilled revenue	**64,322**	77,081

Unbilled revenue represents project related revenue recognised, using percentage of completion method, but not yet billed as at December 31, 2015. This also includes an amount of SR 45.26 million (December 31, 2014: SR 50.4 million) which remains overdue for billing for more than one year. The management believes that this amount will be invoiced and collected during 2016.

8. INVENTORIES

Inventories at December 31, comprise the following:

	2015	2014
Raw materials	**189,445**	188,826
Finished goods	**140,341**	210,550
Work in process	**58,237**	74,424
Spare parts and wooden reels	**31,938**	28,466
	419,961	502,266
Less: Allowance for slow moving and obsolete inventories	**(88,159)**	(83,388)
	331,802	418,878

The movement in provision for slow moving and obsolete inventories is as follows:

	2015	2014
Balance at January 1	**83,388**	58,333
Provision made during the year	**22,108**	35,123
Written off during the year	**(17,337)**	(10,068)
Balance at December 31	**88,159**	83,388

(Expressed in thousands of Saudi Arabian Riyals)

9. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayment and other current assets balances at December 31, comprise the following:

	2015	2014
Advances to suppliers	**51,543**	26,886
Deposits (Note 9.1)	**46,860**	43,362
Prepaid expenses	**25,575**	15,596
Other receivables	**32,252**	24,933
	156,230	110,777

9.1 Deposits include an amount of SR 8.7 million (2014: SR 8.8 million) paid to the Custom Authorities on account of custom duty levied on the Company for certain imports of copper rods, the main raw material for cable production and it is considered duty exempt for all cable producers. Based on the exemption available in the Customs Act, the Company is pursuing this matter with the relevant authorities for the refund of such deposit, the Company is confident that the amount will be fully recovered by December 31, 2016.

10. INVESTMENT IN EQUITY ACCOUNTED INVESTEES

10.1 The carrying value of the investments in equity accounted investees as on December 31, comprise of the following:

	2015	2014
Midal Cables W.L.L. (Note 10.2 and 10.3)	**469,985**	469,583
Xeca International Information Technology (Note 10.4)	**--**	--
	469,985	469,583

10.2 The movement in investments in equity accounted investees is as follows:

	2015	2014
Balance at January 1	**469,583**	437,902
Share in net income of equity accounted investees	**83,763**	114,540
Share of net movement of unrealised (loss) / gain relating to cash flow hedges and translation of foreign operations	**(6,486)**	4,308
Dividends	**(76,875)**	(87,167)
Balance at December 31	**469,985**	469,583

(Expressed in thousands of Saudi Arabian Riyals)

10. INVESTMENT IN EQUITY ACCOUNTED INVESTEES (continued)

10.3 Summarised financial information of major equity accounted investee is as follows:

Midal Cable W.L.L.	Ownership %	Assets	Liabilities	Revenues	Net income
2015	50%	1,926,521	991,583	3,598,511	168,135
2014	50%	2,208,379	1,179,499	3,004,976	234,829

10.4 As Xeca Information Technology has reported losses during previous years, the Company's carrying value of investments has reduced to SR NIL (2014: SR NIL).

11. INVESTMENT PROPERTIES

The movement in investment properties during the year ended December 31, 2015 is analyzed as under:

	2015	2014
Cost:		
Balance at January 1	**47,123**	47,734
Disposals during the year	**--**	(611)
Balance at December 31	**47,123**	47,123
Depreciation:		
Balance at January 1	**16,404**	15,439
Charge for the year	**962**	965
Balance at December 31	**17,366**	16,404
Net book value	**29,757**	30,719

11.1 The Group has pledged its investment properties with AK Bank to secure credit facilities.

11.2 The depreciation over investment property is allocated to general and administrative expenses.

(Expressed in thousands of Saudi Arabian Riyals)

12. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment during the year ended December 31, 2015 is analyzed as under:

	Lands	Buildings	Plant, machineries and Vehicles	Furniture and fixtures	Capital work-in-progress	Total
Cost:						
Balance at January 1, 2015	178,933	435,507	1,342,282	146,339	12,929	2,115,990
Additions during the year	--	341	--	985	17,753	19,079
Disposals during the year	(7,463)	(1,927)	(12,423)	(91)	--	(21,904)
Transfers during the year	--	1,270	6,898	2,080	(10,248)	--
Balance at December 31, 2015	171,470	435,191	1,336,757	149,313	20,434	2,113,165
Accumulated depreciation:						
Balance at January 1, 2015	--	241,706	1,015,637	111,445	--	1,368,788
Additions during the year	--	12,183	49,879	13,557	--	75,619
Disposals during the year	--	(356)	(12,216)	(248)	--	(12,820)
Balance at December 31, 2015	--	253,533	1,053,300	124,754	--	1,431,587
Net book value:						
December 31, 2015	**171,470**	**181,658**	**283,457**	**24,559**	**20,434**	**681,578**
December 31, 2014	178,933	193,801	326,645	34,894	12,929	747,202

12.1 Capital work-in-progress represents buildings and plant and machineries under construction.

12.2 Depreciation charge for the year ended December 31, has been allocated as follows:

	2015	2014
Cost of sales	**61,380**	65,464
General and administrative expenses (Note 22)	**13,883**	12,543
Selling and marketing expenses (Note 23)	**356**	369
	75,619	78,376

12.3 Certain machinery and equipment at December 31, 2015 having cost of SR 25.1 million (2014: SR 25.1 million) and net book value of SR 22.1 million (2014: SR 22.5 million) have been acquired under finance lease arrangement. (Note 15)

12.4 At December 31, 2015 certain assets with a net book value of SR 224.1 million (2014: SR 133.9 million) were pledged as collateral to certain credit facilities.

(Expressed in thousands of Saudi Arabian Riyals)

13. INTANGIBLE ASSETS

The movement in intangible assets during the year ended December 31, 2015 is analyzed as under:

	Goodwill	Development cost	Rights and licenses	Deferred cost	Total
Cost:					
Balance at January 1, 2015	74,216	118,163	16,853	24,555	233,787
Additions during the year	--	12,593	143	135	12,871
Balance at December 31, 2015	74,216	130,756	16,996	24,690	246,658
Accumulated amortisation:					
Balance at January 1, 2015	--	50,859	13,607	15,676	80,142
Charge during the year	--	13,125	311	2,538	15,974
Balance at December 31, 2015	--	63,984	13,918	18,214	96,116
Net book value:					
December 31, 2015	**74,216**	**66,772**	**3,078**	**6,476**	**150,542**
December 31, 2014	74,216	67,304	3,246	8,879	153,645

13.1 On July 31, 2009, the Group acquired 79% of the issued share capital of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. (group of companies) for a consideration of SR 128.34 million that resulted in goodwill amounting to SR 86.56 million. During the year ended December 31, 2014, the Group performed an impairment analysis and consequently, SR 12.34 million was recorded as impairment.

During the year ended December 31, 2015, a detailed impairment assessment of goodwill was carried out by an independent consultant, based on which management believes that no impairment is required in goodwill. Key assumptions of the assessment were as follows:

- Weighted average cost of capital – 9.74%
- Accounts receivable turnover – 81 days
- Terminal Growth rate – 3.5%
- Accounts payable turnover – 157 days
- Effective tax rate – 20%

14. 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 the Group's receivables and have contractual maturity within one year, whereas the loans relating to subsidiaries' are secured by the Company's guarantee. At December 31, 2015, short term loans comprise of the following lenders:

(Expressed in thousands of Saudi Arabian Riyals)

14. BANK BORROWINGS AND FINANCIAL RESTRUCTURING (continued)

	2015	2014
Bank Al Jazira	**76,191**	77,864
BNP Paribas	**70,189**	69,880
Saudi British Bank	**41,251**	15,233
National Commercial Bank	**218,142**	220,442
Al Rajhi Bank	**164,889**	164,889
Bank Al Bilad	**31,431**	97,698
Lenders of subsidiaries (outside Saudi Arabia)	**140,029**	196,336
	742,122	842,342

Long term loans as at December 31, comprise the following:

	2015	2014
Current portion of long term loans		
Al Rajhi Bank	**169,599**	169,599
Saudi Industrial Development Fund (DFI)	**--**	27,400
BNP Paribas	**7,610**	7,610
	177,209	204,609
Non-current portion of long term loans		
Saudi Industrial Development Fund (DFI)	**112,960**	98,160
Lenders of subsidiaries (outside Saudi Arabia)	**60,512**	62,121
	173,472	160,281
Total long term loans	**350,681**	364,890

At December 31, 2015, the Group has overdue loans amounting to SR 779 million out of total debt of SR 1,093 million. On April 7, 2015, the Company was able to secure agreement on the "Indicative Restructuring Terms" with a consortium of banks with an aim to provide joint lenders, certain additional securities and rights on some of the Group's assets and permitting the Company to extend term of the loan up to eight years. Moreover on August 12, 2015, the DFI had also agreed to match the tenor of their loan with other banks' restructured loan.

(Expressed in thousands of Saudi Arabian Riyals)

14. BANK BORROWINGS AND FINANCIAL RESTRUCTURING (continued)

Subsequent to the year end, on February 23, 2016, the Group secured financial restructuring agreements with its four main lenders which, requires the Company to comply with additional covenants and allows the Company 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 including accumulated financing costs of SR 85 million. The said agreement mainly stipulates following conditions:

- Total repayment of debt by 2022, beginning from June 30, 2016
- Right 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 Company has unconditionally 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 Company shall not create charge, mortgage, lien, pledge or other encumbrance on any of the Company's property, revenue or assets without obtaining the consent of DFI.

Since the relevant restructuring agreements were not signed at December 31, 2015, in accordance with applicable financial reporting framework, these debts are not reclassified from short term to long term liabilities. However, in line with the revised term of the repayment, the principal amounts payable are as follows:

	Repayment amount for Restructured Loan	DFI	Total Repayments
Within one year	5,412	770	6,182
Between one to two years	275,852	38,963	314,815
Between two to five years	297,491	46,200	343,691
After five years until December 31, 2022	214,701	27,024	241,725
	793,456	112,957	906,413

(Expressed in thousands of Saudi Arabian Riyals)

15. OBLIGATION 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.

	2015	2014
Minimum lease payments	**33,090**	44,140
Less: financial charges not yet due	**(3,510)**	(5,325)
Present value of minimum lease payments	**29,580**	38,815
Less: current portion shown under current liabilities	**(9,454)**	(9,919)
Non - current portion shown under current liabilities	**20,126**	28,896

The leased assets have been acquired under finance lease arrangements for a total lease value of SR 48.62 million, and remaining balance of SR 29.58 million payable in equal monthly instalments effective from 2015.

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:

	2015	2014
Obligation under finance lease	**29,580**	38,815
Within one year	**9,454**	9,919
Within two to five years	**20,126**	28,896

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities, at December 31, comprise the following

	2015	2014
Accrued financial charges (Notes 24)	**55,640**	76,742
Advances from customers	**99,080**	115,888
Billing in excess of contract revenue	**33,140**	45,984
Negative fair value of derivatives (Note 16.1)	**46,049**	50,289
Accrued commission	**13,346**	16,728
Employee payable	**10,741**	23,003
Payable to shareholders of Elimsan (Note 16.2)	**89,461**	89,203
Other current liabilities	**45,370**	29,316
	392,827	447,153

(Expressed in thousands of Saudi Arabian Riyals)

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES (continued)

16.1 Accrued interest includes an amount of SR 35.11 million (2014: SR 34.80 million) payable for the interest rate swap which matured on April 30, 2015 with a negative fair value of SR 35.11 million. This payable is rescheduled as part of the restructuring agreement as disclosed in note 14.

16.2 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, 2015 no such amount has been paid by the Company to the shareholders of Elimsan Salt.

17. ZAKAT AND INCOME TAX

a) Charge for the year

Zakat and income tax charge for the year ended December 31 comprises the following

	2015	2014
Zakat charge for the year	**16,000**	15,000
Deferred tax	**(2,100)**	(1,465)
Zakat and income tax charge for the year	**13,900**	13,535

Zakat computation for the years ended December 31, 2015 and 2014 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 income.

b) Accrued Zakat and income tax

The movement in accrued zakat during the year ended December 31 is as follows:

	2015	2014
Balance at January 1	**64,740**	50,276
Add: Charge for the year	**16,000**	15,000
Less: Payments during the year	**(549)**	(536)
Balance at December 31	**80,191**	64,740

(Expressed in thousands of Saudi Arabian Riyals)

17. ZAKAT AND INCOME TAX (continued)

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

	2015	2014
Balance at January 1	**5,524**	957
Net movement during the year	**310**	4,567
Balance at December 31	**5,834**	5,524

At December 31, 2015, deferred tax asset amounting to SR 5.83 million (2014: SR 5.5 million) relates to a foreign subsidiary of the Group and the management believes that it is recoverable.

Status of assessments:

Saudi Cable Company

The Department of Zakat and Income Tax (DZIT) 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 DZIT and Board of grievances (BOG).

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

The DZIT 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 DZIT till to date.

The Company booked a provision of Saudi Riyals 79 million against current and above mentioned assessment years by the DZIT. The Company filed its Zakat returns for the year 2013 and 2014 and has obtained the restricted Zakat certificates.

(Expressed in thousands of Saudi Arabian Riyals)

17. ZAKAT AND INCOME TAX (continued)

Mass Centers for Distribution of Electrical Products Limited

The DZIT 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 DZIT 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 DZIT 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 DZIT. Final assessments for the years 2005 to 2014 were not issued by the DZIT till to date.

Saudi Cable Company for Marketing Limited

The DZIT 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 DZIT 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.

18. EMPLOYEES' END OF SERVICE BENEFIT

The movement in employees' end of service benefit liability is as follows:

	2015	2014
January 1	**67,937**	58,658
Provision for the year	**13,355**	16,663
Paid during the year	**(11,848)**	(7,384)
December 31	**69,444**	67,937

19. SHARE CAPITAL

The share capital consists of 76,000,000 shares of Saudi Riyals 10 each as at December 31, 2015 and 2014.

(Expressed in thousands of Saudi Arabian Riyals)

20. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company has to establish a statutory reserve by appropriation of 10% of net income until the reserve equaled 50% of the share capital. This reserve is not available for dividend distribution. As the Company have accumulated losses, therefore, no amount has been transferred to statutory reserve during the current year.

21. CUMULATIVE CHANGES IN FAIR VALUES

Movement in cumulative changes in fair values is as follows as of December 31:

	2015	2014
Balance at January 1	**(20,123)**	23,087
Net movement in realised/unrealised (losses)/gains on available-for-sale investments	**24**	(902)
Net movement in unrealised (losses)/gains relating to cash flow Hedges of the Company and equity accounted investee	**6,405**	(42,308)
Balance at December 31	**(13,694)**	(20,123)

22. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprises of the following:

	2015	2014
Salaries and related benefits	**40,731**	48,965
Professional charges	**14,100**	18,057
Depreciation (Note 11 and 12)	**14,845**	12,543
Amortisation (Note 13)	**15,974**	16,485
Bank charges	**5,085**	2,101
Repairs and maintenance	**4,899**	4,988
Traveling and transportation expenses	**3,088**	3,852
Provision for doubtful receivables (Note 6.2)	**--**	3,970
Rent and insurance	**2,650**	2,347
Utilities	**2,127**	2,682
Trainings	**2,046**	1,900
Printing and Stationery	**1,129**	737
Others	**7,946**	5,463
	114,620	124,090

(Expressed in thousands of Saudi Arabian Riyals)

23. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprises of the following:

	2015	2014
Salaries and related benefits	**24,799**	29,321
Freight, Insurance and Transportation	**22,872**	42,750
Repair and maintenance	**1,263**	1,386
Professional charges	**1,335**	1,962
Depreciation (Note 12)	**356**	369
Rent	**1,835**	2,188
Utilities	**460**	548
Printing and stationery	**519**	351
Other	**2,420**	5,183
	55,859	84,058

24. FINANCIAL CHARGES – NET

During the year ended December 31, 2015, an amount of SR 62 million (December 31, 2014: Nil) has been reversed that had been accrued in the current and prior periods. The financial charges reversal relates to the borrowings obtained under Islamic principles, that is formally agreed as part of restructuring agreement signed on February 23, 2016. (Note 14).

The movement of accrued financial charges is as follows:

	2015	2014
Balance at January 1	**76,742**	16,317
Charge for the year	**84,123**	112,039
Reversal made during the year	**(62,390)**	**--**
	21,733	112,039
Payments made during the year	**(42,835)**	(51,614)
Balance at December 31	**55,640**	76,742

25. OTHER INCOME – NET

Other income comprises of the following:

	2015	2014
Reversal of provision for doubtful receivables (Note 6.3)	**40,130**	**--**
Impairment of goodwill	**--**	(12,342)
Foreign exchange gain	**8,127**	(473)
Others	**6,521**	21,498
	54,778	8,683

(Expressed in thousands of Saudi Arabian Riyals)

26. EARNINGS / LOSS PER SHARE

Earnings / loss per share for the years ended December 31, 2015 and 2014 have been computed by dividing the net profit / (loss) and loss from operations for such years by the weighted average number of shares outstanding at the end of the year. Diluted earnings per share is also same as basic earnings per share.

27. RELATED PARTIES TRANSACTIONS AND BALANCES

a) Related parties include the Company's shareholders and their relatives upto 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 Company's management.

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 Company's Board of Directors

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

1. Due from related parties

Transaction with	Relationship	Nature of transaction	Transaction during the year ended December 31, 2015	2014	Closing balance 2015	2014
Hidada Limited	Affiliate	Sale of goods	**1,207**	--	**483**	--
Xeca International Information Technology	Associate	Shared services	**4,105**	--	**378**	--
					861	--

(Expressed in thousands of Saudi Arabian Riyals)

27. RELATED PARTIES (continued)

2. Due to related parties

Transaction with	Relationship	Nature of transaction	Transaction during the year ended December 31, 2015	2014	Closing balance 2015	2014
Midal Cables W.L.L	Associate	Purchase of raw material	**27,276**	7,025		
		Director remuneration	**1,875**	1,875		
		Dividend received	**76,875**	87,167		
		Other	**4,736**	2,019	**22,237**	2,687
Xenel Industries Limited	Shareholder	Expenses recharged by the Group	**2,377**	2,866	**38,596**	36,219
Chem Global Limited	Affiliate		**--**	--	**664**	664
Hidada Limited	Affiliate	Expenses incurred by the Group	**--**	993	**1,452**	1,452
Xeca International Information Technology	Associate	Expenses incurred by the Group	**--**	6,742	**--**	**549**
					62,949	41,571

3. Remuneration of Directors and Key Management Personnel

	2015	2014
Directors Remuneration	45	72

The remuneration of management during the year was as follows:

	2015	2014
Short term benefits	8,365	7,354
Post employment benefit	312	256

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

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

(Expressed in thousands of Saudi Arabian Riyals)

28. COMMITMENTS AND CONTINGENT LIABILITIES

In addition to contingencies mentioned in note 17 following are the additional commitments and contingent liabilities of the Group

	2015	2014
Outstanding forward metal contracts	**103,278**	411,840
Contingent liabilities in respect of performance and bid bonds	**128,799**	182,394
Authorised and contracted for capital expenditure commitments	**8,833**	9,774
Corporate guarantees issued	**61,196**	79,217

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

29. 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**	
	2015	2014	**2015**	2014	**2015**	2014
Revenue	**1,827,034**	1,563,179	**91,025**	153,142	**1,918,059**	1,716,321
Costs of revenue	**1,766,995**	1,567,793	**82,659**	141,865	**1,849,654**	1,709,658
Net (loss) / profit	**(5,254)**	(183,990)	**6,941**	(17,689)	**1,687**	(201,679)
Trade receivable	**381,738**	244,901	**139,676**	112,164	**521,414**	357,065
Property, plant and equipment	**676,635**	740,296	**4,943**	6,906	**681,578**	747,202
Short-term loans	**669,375**	769,595	**72,747**	72,747	**742,122**	842,342
Long-term loans	**255,217**	269,426	**95,464**	95,464	**350,681**	364,890

(Expressed in thousands of Saudi Arabian Riyals)

29. SEGMENTAL INFORMATION (continued)

Geographic Information:

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

2015	**Saudi Arabia**	**UAE**	**Turkey**	**Total**
Revenue	**1,329,427**	**80,843**	**507,789**	**1,918,059**
Costs of revenue	**1,308,733**	**76,616**	**464,305**	**1,849,654**
Net profit / (loss)	**25,040**	**364**	**(23,717)**	**1,687**
Trade receivable	**336,826**	**34,546**	**150,042**	**521,414**
Property, plant and equipment	**329,725**	**24**	**351,829**	**681,578**
Short-term loans	**602,093**	**--**	**140,029**	**742,122**
Long-term loans	**290,169**	**--**	**60,512**	**350,681**

2014	Saudi Arabia	UAE	Turkey	Total
Revenue	1,129,271	45,716	541,334	1,716,321
Costs of revenue	1,137,021	42,557	530,080	1,709,658
Net loss	(124,087)	(708)	(76,884)	(201,679)
Trade receivable	288,475	5,642	62,948	357,065
Property, plant and equipment	376,221	118	370,863	747,202
Short-term loans	646,006	--	196,336	842,342
Long-term loans	302,769	--	62,121	364,890

30. OPERATING LEASES

Rent expense for the year ended December 31, 2015 amounted to SR 6.375 million (December 31, 2014: SR 5.10 million).

31. RISK MANAGEMENT

The Group has exposure to the following risks:

- Interest rate risk
- Liquidity risk
- Credit risk
- Currency risk
- Commodity price risk

This note represents information about the Group's exposure to each of the above risks, Group's objectives, policies and processes for measuring and managing such risks.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. Senior management are responsible for developing and monitoring the Group's risk management policies and report regularly to the Board of Directors on their activities.

31. RISK MANAGEMENT (continued)

a) Commission rate risk

Commission rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Group is exposed to commission rate risk mainly on the amounts due to banks. The Group monitors the fluctuation, where applicable, in the interest rates and also entered into an interest rate Swap with a commercial to hedge future adverse fluctuation in interest rates on its long term borrowing. All the borrowings of the Company are on floating commission rate

b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. This risk is managed by the Group's treasury department by monitoring the maturity profile of the Group and affiliates' financial assets and liabilities to ensure that adequate liquidity is maintained. The Group's financial liabilities primarily consist of short term and long term loans, accounts payable, finance lease obligations, other liabilities and due to related parties. This assists the Group in monitoring the cash flow requirements to ensure that it has sufficient liquidity. The Group also monitors the levels of expected cash inflows on trade and other receivables together with the expected cash outflows on trade payables and bank borrowings, including finance costs. The management expects net cash outflow of SR 37 million and SR 315 million, towards bank borrowings, during the years ending December 31, 2016 and December 31, 2017 respectively.

As at December 31, 2015, the Group's current liabilities exceeded its current assets by SR 706.18 million (December 31, 2014: SR 845.08 million). However subsequent to the year end, on February 23, 2016, the restructuring agreements were signed by the Group and its four main lenders that allows the Group to reschedule and repay its debts amounting to SR 793 million including the financial charges payable over a period of 7 years culminating with a final payment at the end of December 2022. The detailed repayments as per the terms of the debt restructuring agreements are disclosed in note 14.

c) 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.

Credit risk arises from the possibility that assets could be impaired because counter parties cannot meet their obligations in transactions involving financial instruments. The Group has established procedures to manage credit exposure including credit approvals, credit limits and guarantee requirements. An allowance for potential doubtful receivables is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on delinquent receivables.

31. RISK MANAGEMENT (continued)

c) Credit risk (continued)

The amounts presented in the balance sheet 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.

d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. Except for operations of foreign subsidiaries, the Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year.

e) Commodity price risk

The Group is exposed to commodity price risk uses commodity based derivative instruments to manage, some of the risks arising from fluctuations in commodity prices. Where these derivatives have been designated as cash flow hedges of underlying commodity price expenses, certain gains and losses attributable to these instruments are deferred in shareholders' equity and recognised in the consolidated statement of operations when the underlying hedged transaction crystalizes or is no longer expected to occur.

The Group's activities expose it primarily to the financial risks of changes in metal pricing. The Group enters into derivative financial instruments to manage its exposure to metal pricing.

32. FAIR VALUES

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Management believes that the fair values of the Company's financial assets and liabilities, except for the investments in equity accounted investees, are not materially different from their carrying values.

33. APPROVAL OF THE FINANCIAL STATEMNETS

These consolidated financial statements were approved for issuance by the Board of Directors on Jumada Al Awal 16, 1437H corresponding to February 25, 2016.