

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)**
For the three months period ended March 31, 2016



KPMG Al Fozan & Partners
Certified Public Accountants
Zahran Business Centre, Tower A, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com.sa

License No. 46/11/323 issued 11/3/1992

REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Cable Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (collectively referred to as the "Group") as at March 31, 2016, the related interim consolidated statements of income, cash flows and changes in equity for three months period then ended and the attached notes 1 through 20 which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

We conducted our review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). 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 generally accepted auditing standards, 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 three months period ended March 31, 2016 the Group reported a net loss amounting to SR 49.72 million (March 31, 2015: 7.94 million) and its accumulated losses as of that date have reached to SR 415.37 million (March 31, 2015: SR 375.27 million), representing 54.65% (March 31, 2015: 49.38%) of the Company's share capital. Moreover as of the balance sheet date, the group has a total debt obligation amounting to SR 1.13 billion. These circumstances indicate the existence of material uncertainties that may cast doubt about the Group's ability to continue as a going concern.

However, on February 23, 2016, the Group managed to secure restructuring of its overdue debt amounting to SR 793 million with four main lenders, allowing the Group to repay this balance over the next 7 years, subject to the fulfilment of various conditions primarily before 31 December 2017 (note 12). Moreover, certain legal formalities are pending with another financier for matching the tenor of its loan with other restructured loans.



Although management has an internal plan that supports the Group's ability to achieve its operational goals, provide sufficient resources for continuing the business for the foreseeable future, service its debt obligations and meet its working capital requirements and financial commitments as and when they fall due. However, it does not reflect any adjustments that might result from a failure to fulfill the requirements of the recent loan restructuring agreement. 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 approvals. Accordingly, the notes to the consolidated interim 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 evidence in respect of the recoverability of unbilled revenues upto SR 41.94 million (March 31, 2015: SR 55.6 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, 2016.
- c. We were unable to obtain sufficient appropriate evidence in respect of the recoverability of development costs amounting to SR 64.95million, in the absence of commercial and financial feasibility of specialised cables and accessories (March 31, 2015: SR 64.19 million).

Qualified review conclusion

Based on our review, except for the effects of matters described in the paragraphs mentioned above, we are not aware of any material modifications that should be made to the interim consolidated financial statements for them to be in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners
Certified Public Accountants**

Ebrahim Oboud Baeshen
License No. 382



Rajab 14, 1437H
Corresponding to April 21, 2016

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

	<u>Notes</u>	<u>March 31,</u> <u>2016</u>	<u>March 31,</u> <u>2015</u>
<u>ASSETS</u>			
Current assets:			
Cash and Bank balances	5	57,979	64,068
Trade receivables	6	436,381	425,497
Unbilled revenue	7	59,843	78,404
Inventories	8	354,095	357,705
Retentions receivable - current portion		97,230	66,178
Prepayments and other current assets		141,293	165,377
Assets classified as held for disposal	9	40,142	--
Total current assets		<u>1,186,963</u>	<u>1,157,229</u>
Non-current assets:			
Investments in securities		661	624
Investments in equity accounted investees		444,779	423,441
Retentions receivable - non-current portion		58,594	156,274
Investment properties		29,517	30,482
Property, plant and equipment	10	624,127	732,773
Deferred tax asset		5,834	4,222
Intangible assets	11	149,206	150,927
		<u>1,312,718</u>	<u>1,498,743</u>
Total assets		<u>2,499,681</u>	<u>2,655,972</u>
<u>LIABILITIES AND EQUITY</u>			
Current liabilities:			
Short-term loans	12	155,438	768,495
Long-term loans - current portion	12	6,181	192,008
Obligations under finance lease – current portion		6,366	7,011
Accounts payable		436,114	400,271
Due to related parties		57,313	39,689
Accrued expenses and other current liabilities	13	290,530	438,468
Zakat and income-tax		82,910	68,730
Total current liabilities		<u>1,034,852</u>	<u>1,914,672</u>
Non-current liabilities:			
Long-term loans	12	968,278	215,091
Obligations under finance lease		20,293	27,852
Employees' end of service benefits		71,702	68,034
Total non-current liabilities		<u>1,060,273</u>	<u>310,977</u>

The accompanying notes 1 through 20 form an integral part of these interim consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

As at March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

	<u>Notes</u>	March 31, 2016	March 31, <u>2015</u>
<u>EQUITY</u>			
Share capital	14	760,000	760,000
Statutory reserve	15	63,432	63,432
Cumulative changes in fair values		5,488	(15,738)
Foreign currency translation reserve		(14,930)	(9,143)
Accumulated losses		(415,367)	(375,273)
Total equity attributable to the shareholders' of the Parent Company		398,623	423,278
Non-controlling interests		5,933	7,045
Total equity		404,556	430,323
Total liabilities and equity		2,499,681	2,655,972

The accompanying notes 1 through 20 form an integral part of these interim consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three-months period ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

	Notes	For the three-months period ended March 31,	
		<u>2016</u>	<u>2015</u>
Revenue	17	386,664	498,350
Costs of revenue	17	(391,492)	(469,014)
Gross profit		(4,828)	29,336
Selling and distribution expenses		(13,975)	(14,917)
General and administrative expenses		(32,314)	(30,217)
Loss from operations		(51,117)	(15,798)
Financial charges		(14,199)	(25,139)
Share of profit from equity accounted investees		15,974	33,609
Other income - net		2,148	3,062
Net loss for the period before zakat and income-tax and non-controlling interests		(47,194)	(4,266)
Zakat and income-tax		(2,750)	(4,046)
Net loss for the period before non-controlling interests		(49,944)	(8,312)
Non-controlling interests		221	370
Net loss for the period attributable to the Company's shareholders		(49,723)	(7,942)
Loss per share from operations for the period (SR)	16	(0.67)	(0.21)
Net loss per share for the period (SR)	16	(0.65)	(0.10)

The accompanying notes 1 through 20 form an integral part of these interim consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the three months period ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Net loss before Zakat and income-tax and non-controlling interests	(47,194)	(4,266)
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	18,382	18,818
Provision for doubtful debts	--	749
Provision / (reversal of provision) for slow-moving inventories	19,047	(5,257)
Loss on disposal of property, plant and equipment and investment property	3,518	712
Amortization of intangible assets	4,158	3,994
Share of income from equity accounted investees	(15,974)	(33,609)
Provision for employees' end of service benefits	2,854	2,422
Finance charges	15,082	19,416
Change in fair value of investment	(11)	--
Changes in operating assets and liabilities:		
Trade receivable	85,033	(69,181)
Retention receivables	4,862	292
Prepayments and other current assets	14,937	(54,600)
Unbilled revenue	4,479	(1,323)
Inventories	(41,340)	66,430
Accounts payable	(27,881)	49,085
Accrued expenses and other current liabilities	(5,103)	(12,888)
Due to related parties	(5,636)	(1,882)
	<u>29,213</u>	<u>(21,088)</u>
Zakat and income-tax paid	(31)	--
Financial charges paid	(5,504)	(7,740)
Employees' end of service benefits paid	(596)	(2,325)
Net cash used in operating activities	<u>23,082</u>	<u>(31,153)</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(4,351)	(4,864)
Additions to intangible assets	(2,822)	(1,276)
Dividend received from an equity accounted investee	39,327	75,000
Net cash provided by investing activities	<u>32,154</u>	<u>68,860</u>
Cash flows from financing activities		
Net movement in long and short-term loans	(54,430)	(31,638)
Net movement in obligations under finance lease	(2,921)	(3,952)
Net movement in restricted cash against financing	(11,303)	15,156
Net cash provided by / (used in) financing activities	<u>(68,654)</u>	<u>(20,434)</u>
Net movement in cash and cash equivalents	(13,418)	17,273
Cash and cash equivalents at the beginning of the period	33,479	35,172
Cash and cash equivalents at the end of the period	<u>20,061</u>	<u>52,445</u>
Supplemental schedule of non-cash information:		
Cumulative changes in fair value of derivative financial instruments	19,182	4,385
Foreign currency translation movement	5,787	(2,909)

The accompanying notes 1 through 20 form an integral part of these interim consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months period ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

	Equity attributable to the shareholders' of the Parent Company					Total	Non-controlling interests (NCI)	Total equity
	Share capital	Statutory reserve	Cumulative changes in fair values	Foreign currency translation reserve	Accumulated losses			
Balance at January 1, 2016	760,000	63,432	(13,694)	(9,143)	(365,644)	434,951	6,154	441,105
Net loss for the period	--	--	--	--	(49,723)	(49,723)	(221)	(49,944)
Fair value adjustments	--	--	19,182	--	--	19,182	--	19,182
Foreign currency translation reserve movement	--	--	--	(5,787)	--	(5,787)	--	(5,787)
Balance at March 31, 2016	760,000	63,432	5,488	(14,930)	(415,367)	398,623	5,933	404,556
Balance at January 1, 2015	760,000	63,432	(20,123)	(6,234)	(367,331)	429,744	7,415	437,159
Net loss for the period	--	--	--	--	(7,942)	(7,942)	(370)	(8,312)
Fair value adjustments	--	--	4,385	--	--	4,385	--	4,385
Foreign currency translation reserve movement	--	--	--	(2,909)	--	(2,909)	--	(2,909)
Balance at March 31, 2015	760,000	63,432	(15,738)	(9,143)	(375,273)	423,278	7,045	430,323

The accompanying notes 1 through 20 form an integral part of these interim consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(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 interim consolidated financial statements include assets, liabilities and the results of the operations of the following subsidiaries:

<u>Company’s name</u>	<u>Principal activities</u>	<u>Country of incorporation</u>	<u>Effective % of ownership</u>	
			<u>2016</u>	<u>2015</u>
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%

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

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

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>2016</u>	<u>2015</u>
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 year-end as of the Parent Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying interim consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia and in accordance with Accounting Standards on Interim Financial Reporting, issued by Sandi Organization for Certified Public Accountants standard (SOCPA).

The interim results may not be an indicator of the annual results of the Group. The interim consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and should be read in conjunction with the latest annual audited consolidated financial statements of the Group.

(b) Basis of measurement

The accompanying interim 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).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months period and year ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

2. BASIS OF PREPARATION (continued)

(c) Basis of consolidation

These interim consolidated financial statements comprise the interim 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 unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim consolidated financial statements.

Non-controlling interest

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 interim 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 interim 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

The key areas requiring significant management judgments are as follows:

- *Impairment of trade receivables*

A provision 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 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 recognized 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.

- *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 recognized 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 recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income, immediately in the consolidated statement of income. Impairment losses recognized on goodwill are not reversible.

The company performs impairment reviews annually or 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, 2016 and ultimately the amount of any impairment.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

- *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, once confirmed 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 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.

- *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. ACCUMULATED LOSSES AND GOING CONCERN

During the three months period ended March 31, 2016 the Group reported a net loss amounted to SR 49.72 million (March 31, 2015: 7.94 million) and its accumulated losses have reached to SR 415.37 million (March 31, 2015: SR 375.27 million), which is 54.65% (March 31, 2015: 49.38%) of the Company's share capital. Moreover as of the balance sheet date, the Group has a total debt obligation amounting to SR 1.13 billion. 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, these consolidated financial statements have been prepared on a going concern basis.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months period and year ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

3. ACCUMULATED LOSSES AND GOING CONCERN (continued)

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 12). 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 12). 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Cash and cash equivalents

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.

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 interim 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 interim consolidated statement of income and its share in post-acquisition movement in reserves is recognized directly in the Group's statement of changes in equity. Dividends are recorded when the right to receive the dividend is established.

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 derecognized 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 interim consolidated statement of income for the period.

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 recognized 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 capitalized during the period of time that is required to complete and prepare the asset for its intended use.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, plant and equipment (continued)

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:

	<u>Number of years</u>
Buildings	15 – 50
Plant and machineries	4 – 20
Furniture and fixtures	4 – 10

Capital work-in-progress

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

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 interim consolidated statement of income in the period in which the investment property is derecognized.

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 amortized 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Intangibles (continued)

ii) Research and development costs

Research costs are charged to the interim 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 interim consolidated statement of income. Development costs can only be capitalized 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.

h) Non-current assets held for disposal

Non-current assets that are classified as held for disposal are measured at the lower of their carrying amount and fair value less costs to sell. Assets are transferred to non-current assets held for disposal when it is expected that the carrying amount will be recovered principally through disposal rather than from continuing use.

i) Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized 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 interim consolidated statement of income.

j) 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Deferred tax

Deferred tax applicable on foreign operations, is recognized 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 recognized for all taxable temporary differences and deferred tax assets are recognized 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 utilized.

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.

l) 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 interim consolidated statement of income currently. Foreign income-tax attributable to the foreign subsidiaries' shareholders are charged to the minority shareholders in accompanying interim 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 finalized.

The Group withholds taxes on Transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with DZIT regulations.

m) 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 interim 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Revenue

Revenue is recognized 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 recognized.

Sales of goods

Sales of goods are recognized 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 recognized 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 recognized in excess of amounts billed to customers are classified under current assets as unbilled revenue. Amounts billed to customers in excess of revenue recognized are classified under current liabilities as billings in excess of revenue.

o) 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Provisions

A provision is recognized in the interim 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 recognized when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

q) 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 recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

r) 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 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.

s) 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 recognized at fair value and subsequently re-measured at fair value. Derivatives are recognized as a financial asset if it has a positive fair value and as a financial liability if has a negative fair value.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) **Derivative financial instruments (continued)**

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

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 of 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 recognized in the interim 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 recognized 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 recognized in equity is transferred to the interim 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 realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

t) **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 interim balance sheet date. All differences are taken to the interim 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.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

t) Foreign currencies (continued)

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 interim consolidated financial statements.

u) 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 recognized 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 interim 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 interim consolidated statement of income on a straight line basis over the term of the operating lease.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

5. CASH AND BANK BALANCES

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

	<u>2016</u>	<u>2015</u>
Cash in hand	577	585
Cash at banks in current accounts	19,484	51,860
Cash and cash equivalents for cash flow statement purposes	20,061	52,445
Restricted cash	37,918	11,623
Cash and bank balances	<u>57,979</u>	<u>64,068</u>

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

6. TRADE RECEIVABLES

Trade receivables at March 31, comprise the following:

	<u>2016</u>	<u>2015</u>
Other customers	606,162	635,608
Related parties	367	167
	606,529	635,775
Less: provision for doubtful debts	(170,148)	(210,278)
	<u>436,381</u>	<u>425,497</u>

7. UNBILLED REVENUE

Unbilled revenue represents project related revenue recognised, using the percentage of completion method, but not yet billed as at March 31, 2016. This also includes an amount of SR 41.94 million (March 31, 2015: SR 55.6 million) which remains overdue for billing for more than one year. The management believes that this amount will be invoiced and collected during 2016.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

8. INVENTORIES

Inventories at March 31, comprise the following:

	<u>2015</u>	<u>2014</u>
Raw materials	179,470	150,830
Finished goods	145,275	162,421
Work in process	84,286	91,625
Spare parts and wooden reels	32,524	27,389
	<u>441,555</u>	<u>432,265</u>
Less: Allowance for slow moving and obsolete inventories	<u>(87,460)</u>	<u>(74,560)</u>
	<u><u>354,095</u></u>	<u><u>357,705</u></u>

9. ASSETS CLASSIFIED AS HELD FOR DISPOSAL

As part of the restructuring agreement, the Group has agreed to dispose certain domestic and international real estate properties and utilize its proceeds for repayment of the loans (Note 12). Accordingly, these assets are classified as held for disposal. As at March 31, 2016, the assets held for disposal amount to SR 40.12 million.

10. PROPERTY PLANT AND EQUIPMENT

10.1 Certain machinery and equipment at March 31, 2016 having cost of SR 37.8 million (March 31, 2015: SR 36 million) and net book value of SR 27.6 million (March 31, 2015: SR 28.3 million) have been acquired under finance lease arrangement.

10.2 At March 31, 2016 certain assets with a net book value of SR 205.9 million (March 31, 2015: SR 210.5 million) were pledged as collateral to certain credit facilities.

11. INTANGIBLE ASSETS

Intangible assets as at March 31, comprise the following:

	<u>2016</u>	<u>2015</u>
Goodwill (Note 11.1)	74,216	74,216
Development cost	64,952	64,199
Rights and licenses	10,038	12,512
	<u>149,206</u>	<u>150,927</u>

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months period and year ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

11. INTANGIBLE ASSETS (continued)

11.1 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.

11.2 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 was required to be recorded in goodwill.

12. 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. As on March 31, short term loans comprise the following:

	<u>2016</u>	<u>2015</u>
Bank Al Jazira	20	77,907
BNP Paribas	126	70,092
Saudi British Bank	17,288	13,617
National Commercial Bank	--	220,442
Al Rajhi Bank	--	164,888
Bank Al Bilad	27,718	85,962
Lenders of subsidiaries (outside Saudi Arabia)	<u>110,286</u>	<u>135,587</u>
	<u>155,438</u>	<u>768,495</u>

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

	<u>2016</u>	<u>2015</u>
Restructured Loans from commercial banks	861,499	308,939
Restructured Loan from a DFI	<u>112,960</u>	<u>98,160</u>
Total	974,459	407,099
Less: current portion of long term loans	<u>(6,181)</u>	<u>(192,008)</u>
Non-current portion of long term loans	<u>968,278</u>	<u>215,091</u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months period and year ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

12. BANK BORROWINGS AND FINANCIAL RESTRUCTURING (continued)

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 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
- 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:

	Repayment amount for Restructured <u>Loan</u>	<u>DFI</u>	Total <u>Repayments</u>
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
	<u>793,456</u>	<u>112,957</u>	<u>906,413</u>

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as at March 31, comprise the following:

	<u>2016</u>	<u>2015</u>
Accrued finance charges	9,090	123,352
Accrued expenses	153,748	167,647
Advances from customers	93,866	113,292
Billing in excess of contract revenue	33,826	34,177
	<u>290,530</u>	<u>438,468</u>

14. SHARE CAPITAL

The share capital consists of 76,000,000 shares of Saudi Arabian Riyals 10 each as at March 31, 2016 and March 31, 2015.

15. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company has established 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.

16. 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.

The calculation of diluted earnings per share is not applicable to the Company.

17. 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)

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months period and year ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

17. SEGMENTAL INFORMATION (continued)

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

	<u>Sale of goods</u>		<u>Contract revenue</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue	366,110	472,238	20,554	26,112	386,664	498,350
Costs of revenue	373,530	448,165	17,962	20,849	391,492	469,014
Net loss	(47,568)	(7,112)	(2,155)	(830)	(49,723)	(7,942)
Trade receivables	316,357	299,098	120,024	126,399	436,381	425,497
Property, plant and equipment	619,578	726,379	4,549	6,394	624,127	732,773
Short-term loans	155,438	695,748	--	72,747	155,438	768,495
Long-term loans	806,248	311,635	168,211	95,464	974,459	407,099

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:

	<u>Saudi Arabia</u>	<u>UAE</u>	<u>Turkey</u>	<u>Total</u>
2016				
Revenue	256,809	33,704	96,151	386,664
Costs of revenue	270,423	31,643	89,426	391,492
Net (loss) / profit	(40,564)	536	(9,695)	(49,723)
Trade receivables	273,138	41,485	121,758	436,381
Property, plant and equipment	232,861	28	391,238	624,127
Short-term loans	45,152	--	110,286	155,438
Long-term loans	906,412	--	68,047	974,459
2015				
Revenue	379,834	13,640	104,876	498,350
Costs of revenue	357,335	12,783	98,896	469,014
Net profit / (loss)	3,514	16	(11,472)	(7,942)
Trade receivables	320,473	12,049	92,975	425,497
Property, plant and equipment	318,991	78	413,704	732,773
Short-term loans	632,909	-	135,586	768,495
Long-term loans	290,168	-	116,931	407,099

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the three-months period and year ended March 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

18. ZAKAT AND INCOME TAX

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

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 81 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.

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
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the three-months period and year ended March 31, 2016

(Expressed in thousands of Saudi Arabian Riyals)

18. ZAKAT AND INCOME TAX (continued)

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.

19. COMMITMENTS AND CONTINGENCIES

In addition to the notes 3, 12 and 18, following are the commitments and contingencies:

	<u>2016</u>	<u>2015</u>
Outstanding forward metal contracts	<u>159,715</u>	<u>214,952</u>
Contingent liabilities in respect of performance and bid bonds	<u>125,829</u>	<u>186,631</u>
Authorized and contracted for capital expenditure commitments	<u>1,164</u>	<u>4,475</u>
Corporate guarantees issued	<u>57,917</u>	<u>84,642</u>

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.

20. APPROVAL OF THE FINANCIAL STATEMENTS

These interim consolidated financial statements were approved for issuance by the Board of Directors on Rajab 14, 1437H, corresponding to April 21, 2016.