SAUDI CABLE COMPANY
(A Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three-months and twelve-months period ended December 31, 2016

KPMG

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REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Cable Company (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") as at December 31, 2016, the related interim consolidated statement of income for three –months and twelve- months periods then ended, the interim consolidated statements of cash flows and changes in equity for the twelve - months period then ended and notes 1 through 21 which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's 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

i) We draw attention to note 3 to the accompanying interim consolidated financial statements, which describes the basis on which these consolidated financial statements have been prepared. For the year ended December 31, 2016 the Group has suffered a net loss of SR 198.79 million (December 31, 2015: net profit of SR 1.69 million) and as at that date, the Group's current liabilities exceeded its current assets by SR 253.11 million (December 31, 2015: 706.19) and its accumulated losses have reached to SR 501 million (December 31, 2015: SR 365.64 million), representing 65.92 % of the share capital (December 31, 2015: 48.11%). In addition, the Group had aggregated debt amounting to SR 796 million repayable over next 7 years under "Restructuring Framework Agreement" with its four main lenders ("the Participating Banks"), subject to the fulfillment of conditions including repayment of SR 84 million during 2016 and SR 224 million by 31 December 2017; primarily through issuance of right shares (see note 11). These factors indicate the existence of a material uncertainty which may cast significant doubt on the Company's and the Group's ability to continue as a going concern.

Management has developed internal plans to achieve the Group's operational goals during the foreseeable period; ensuring sufficient resources are available for the continuing business, servicing debt obligations and adhering to other financial commitments as and when they fall due. In this regard, the following arrangements were made subsequent to December 31, 2016 (also see note 20):

- On May 1, 2017, the Board of Directors recommended to reduce the share capital of the Company by absorption of accumulated losses of the Company up to SR 355.89 million. Subsequently, the Capital Market Authority ("CMA") has authorized such reduction on May 8, 2017 which has been approved by the shareholders in their extra ordinary general meeting held on June 4, 2017.

- On April 17, 2017, the Company concluded the final settlement agreement with BNP Paribas on the basis of which its total obligation of SR 142 million has been reduced to SR 24.99 million after the payment of SR 40 million on April 18, 2017. This has resulted in a reversal of the obligation through statement of income and reduction in accumulated losses by SR 77 million.

- On June 11, 2017 the Company finalized a further renegotiation to "Restructuring Framework Agreement" through an amendment and restatement agreement (hereinafter referred as "second amendment agreement") by virtue of which the Participating Banks (excluding BNP Paribas) have agreed to defer all amount beyond 12 months from the date of this agreement, except a payment of SR 10 million due in December 2017. Subsequently, the Company shall increase capital through issuance of right shares and settle an amount of SR 188.38 million from the said proceeds by June 30, 2018. The remaining amount of SR 371.65 million is payable in equal semi-annual installments commencing from December 31, 2018 to June 30, 2022.

In an event that the rights issue cannot be achieved by June 30, 2018; the Group may pursue alternative options for generating sufficient cash through disposal of an equity stake in an associate and meet its obligations to the participation banks. The Group's interim consolidated financial statements do not sufficiently disclose the uncertainties around the right issue or Group's ability to generate sufficient cash from alternative sources.

ii) We were unable to obtain sufficient appropriate evidence in respect of the recoverability of unbilled revenues up to SR 28.66 million (December 31, 2015: SR 45.26 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 December 31, 2016.

iii) We were unable to obtain sufficient appropriate evidence in respect of the recoverability of development costs amounting to SR 20.86 million, in the absence of commercial and financial feasibility of specialized cables and accessories (December 31, 2015: SR 66.77 million).

Qualified review conclusion

Based on our review, except for the possible 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.

Ebrahim Oboud Baeshen
License No. 382

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Certified Public Accountants
KPMG Al Fozan & Partners

Jeddah, Ramadan 27, 1438H
Corresponding to June 22, 2017

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET
As at December 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	2016 (Unaudited)	2015 (Audited)
ASSETS			
Current assets:			
Cash and bank balances	5	**29,359**	60,094
Trade receivables	6	**466,030**	521,414
Unbilled revenue	7	**47,218**	64,322
Inventories	8	**281,417**	331,802
Retentions receivable - current portion		**74,147**	88,698
Prepayments and other current assets		**110,763**	156,230
Total current assets		**1,008,934**	1,222,560
Non-current assets:			
Investments in securities		**661**	650
Investments in equity accounted investees		**470,971**	469,985
Retentions receivable		**51,853**	71,988
Investment properties		**28,794**	29,757
Property, plant and equipment	9	**600,641**	681,578
Deferred tax asset		**5,568**	5,834
Intangible assets	10	**29,150**	150,542
Total non-current assets		**1,187,638**	1,410,334
Total assets		**2,196,572**	2,632,894
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term loans	11	**142,522**	742,122
Long-term loans - current portion	11	**265,671**	177,209
Obligations under finance lease – current portion		**9,358**	9,454
Trade payables		**406,865**	463,995
Due to related parties		**68,790**	62,949
Accrued expenses and other current liabilities	12	**277,782**	392,827
Zakat and income-tax	18	**91,056**	80,191
Total current liabilities		**1,262,044**	1,928,747
Non-current liabilities:			
Long-term loans	11	**594,515**	173,472
Obligations under finance lease		**14,871**	20,126
Employees' end of service benefits		**69,686**	69,444
Total non-current liabilities		**679,072**	263,042
Total liabilities		**1,941,116**	2,191,789

The accompanying notes 1 through 21 form an integral part of these interim consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (continued)
As at December 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	**2016 (Unaudited)**	2015 (Audited)
EQUITY			
Share capital	13	**760,000**	760,000
Statutory reserve	14	--	63,432
Cumulative changes in fair values		**5,095**	(13,694)
Foreign currency translation reserve		**(14,348)**	(9,143)
Accumulated losses		**(501,000)**	(365,644)
Total equity attributable to the shareholders' of the Parent Company		**249,747**	434,951
Non-controlling interests		**5,709**	6,154
Total equity		**255,456**	441,105
Total liabilities and equity		**2,196,572**	2,632,894

The accompanying notes 1 through 21 form an integral part of these interim consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME
For the three-months and twelve-months period ended December 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	For the three-months period ended December 31, 2016 (Unaudited)	For the three-months period ended December 31, 2015 (Unaudited)	For the twelve-months period ended December 31, 2016 (Unaudited)	For the twelve-months period ended December 31, 2015 (Audited)
Revenue		**354,570**	449,837	**1,564,555**	1,918,059
Costs of revenue		**(335,776)**	(451,084)	**(1,488,599)**	(1,849,654)
Gross profit / (loss)		**18,794**	(1,247)	**75,956**	68,405
Selling and distribution expenses		**(10,904)**	(15,190)	**(51,924)**	(55,859)
General and administrative expenses		**(33,640)**	(33,047)	**(129,162)**	(114,620)
Loss from operations		**(25,750)**	(49,484)	**(105,130)**	(102,074)
Financial charges-net		**(17,086)**	45,234	**(65,257)**	(21,733)
Impairment of Intangible assets		**(111,931)**	--	**(111,931)**	--
Share of profit from equity accounted investees		**7,354**	15,590	**42,577**	83,763
Other income – net	15	**5,233**	1,939	**51,460**	54,778
Net (loss) / profit for the period before zakat and income-tax and non-controlling interests		**(142,180)**	13,279	**(188,281)**	14,734
Zakat and income-tax	18	**(2,577)**	(1,830)	**(10,952)**	(13,900)
Net (loss) / profit for the period before non-controlling interests		**(144,757)**	11,449	**(199,233)**	834
Non-controlling interests		**(356)**	152	**445**	853
Net (loss) / profit for the period attributable to the parent Company's shareholders		**(145,113)**	11,601	**(198,788)**	1,687
Loss per share from operations for the period (SR)	16	**(0.34)**	(0.65)	**(1.38)**	(1.34)
(Loss) / earnings per share from net (loss) / profit for the period (SR)	16	**(1.91)**	0.15	**(2.62)**	0.02

The accompanying notes 1 through 21 form an integral part of these interim consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
For the twelve-months period ended December 31, 2016
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	2016 (Unaudited)	2015 (Audited)
Cash flows from operating activities:			
Net (loss) / profit before zakat and income-tax and non-controlling interests		**(188,281)**	14,734
Adjustments for:			
Depreciation of property, plant and equipment and investment properties		**68,795**	76,581
Amortization of intangible assets		**15,365**	15,974
Impairment of goodwill	10	**74,216**	--
Impairment of intangible assets	10	**37,715**	--
Reversal for provision for doubtful debts	15	**(5,793)**	(40,130)
Provision for slow-moving inventories		**6,599**	22,108
(Gain) / loss on disposal of property, plant and equipment and investment property	15	**(41,102)**	1,708
Provision against investment		**(11)**	(26)
Deferred tax asset		**179**	1,790
Movement in non-controlling interests – net		**--**	(408)
Share of profit from equity accounted investees		**(42,577)**	(83,763)
Provision for employees' end of service benefits		**5,502**	13,355
Finance charges		**65,258**	21,733
Changes in operating assets and liabilities:			
Trade receivables		**61,177**	(124,219)
Retention receivables		**34,686**	62,058
Prepayments and other current assets		**59,438**	(45,453)
Unbilled revenue		**17,104**	12,759
Inventories		**43,786**	64,968
Trade payables		**(57,130)**	112,809
Accrued expenses and other current liabilities		**(31,405)**	(23,218)
Due to related parties		**5,841**	21,378
		129,362	124,738
Zakat and income-tax paid		**--**	(549)
Financial charges paid		**(41,678)**	(42,835)
Employees' end of service benefits paid		**(5,260)**	(11,848)
Net cash provided by operating activities		**82,424**	69,506
Cash flows from investing activities			
Additions to property, plant and equipment		**(23,671)**	(19,079)
Additions to intangible assets		**(5,904)**	(12,871)
Proceeds from disposal of property, plant and equipment		**77,878**	7,376
Dividends received from an equity accounted investee		**41,202**	76,875
Net cash provided by investing activities		**89,505**	52,301
Cash flows from financing activities			
Net change in long and short-term loans		**(197,313)**	(114,429)
Net change in obligations under finance lease		**(5,351)**	(9,235)
Net changes in restricted cash against financing		**25,298**	164
Net cash used in financing activities		**(177,366)**	(123,500)
Net movement in cash and cash equivalents		**(5,437)**	(1,693)
Cash and cash equivalents at the beginning of the period	5	**33,479**	35,172
Cash and cash equivalents at the end of the period	5	**28,042**	33,479
Supplemental schedule of non-cash information:			
Cumulative changes in fair value of derivative financial instruments		**18,789**	(6,429)
Foreign currency translation movement		**(5,205)**	2,909

The accompanying notes 1 through 21 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
For the twelve-months period December 31, 2016
(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, 2015	760,000	63,432	(20,123)	(6,234)	(367,331)	429,744	7,415	437,159
Net profit for the year	-	-	-	-	1,687	1,687	(853)	834
Fair value adjustments	-	-	6,429	-	-	6,429	-	6,429
Foreign currency movement	-	-	-	(2,909)	-	(2,909)	-	(2,909)
Net movement in NCI	-	-	-	-	-	-	(408)	(408)
Balance at December 31, 2015 (Audited)	760,000	63,432	(13,694)	(9,143)	(365,644)	434,951	6,154	441,105
Net loss for the year	-	-	-	-	(198,788)	(198,788)	(445)	(199,233)
Fair value adjustments			18,789		-	18,789	-	18,789
Absorption of accumulated losses through transfer of statutory reserve (Note 14)	-	(63,432)	-	-	63,432	-	-	-
Foreign currency movement	-	-	-	(5,205)	-	(5,205)	-	(5,205)
Balance at December 31, 2016 (Unaudited)	**760,000**	**-**	**5,095**	**(14,348)**	**(501,000)**	**249,747**	**5,709**	**255,456**

The accompanying notes 1 through 21 form an integral part of these interim consolidated financial statements.

(Expressed in thousands of Saudi Arabian Riyals)

1. THE COMPANY, SUBSIDAIRIES 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:

Company's name	Principal activities	Country of incorporation	Effective % of ownership 2016	2015
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%**	94%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	**94%**	94%

(Expressed in thousands of Saudi Arabian Riyals)

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 2016	2015
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 that of the Parent Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

These 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.

The new Regulation for Companies issued through Royal Decree M/3 on November 11, 2015 (hereinafter referred as "the Law") came into force on Rajab 25, 1437H (corresponding to May 2, 2016). The Company shall amend its by-laws for the changes, if any, to align the by-laws with the provision of the law.

(b) Basis of measurement

These 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).

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 interests

Non-controlling interests ("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.

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.

- *Costs 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 costs 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 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)

- *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.

- *Impairment of non-financial assets*
  Non-current assets 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 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 intangible assets and 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.

3. ACCUMULATED LOSSES AND GOING CONCERN

During the year ended December 31, 2016, the Group has incurred a net loss of SR 198.79 million (December 31, 2015: net profit of SR 1.69 million) and as at date, the Group's current liabilities exceeded its current assets by SR 253.11 million (2015: SR 706.19 million) and accumulated losses have reached to SR 501 million (December 31, 2015: SR 365.64 million), which is 65.92% (December 31, 2015: 48.11%) of the share capital. Moreover as at the balance sheet date, the Group has a total debt obligation amounting to SR 1 billion (2015: SR 1.09 billion). These circumstances indicate the existence of material uncertainties that casts doubt on the Group's ability to continue as a going concern. Management has made an internal assessment and comprehensive plans that support the Group's ability to provide 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 (See Note 20). Accordingly, these consolidated financial statements have been prepared on a going concern basis. This is critically dependent upon the financial restructuring agreement (see Note 11 and Note 20) which defers the debt repayments and which is conditional on the Group fulfilling the revised terms and conditions.

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 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, that are available to the Group without any restriction.

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 realizable 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

i) Investment in an equity accounted investee
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.

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:

	Number of years
Buildings	15 – 50
Plant and machineries	4 – 20
Furniture and fixtures	4 – 10

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property, plant and equipment (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Intangibles (continued)

- 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) 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.

i) Trade payables 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 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.

k) Zakat and income-tax

The Group is subject to zakat in accordance with the regulations of General Authority of Zakat and Income-tax ("GAZT"). 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. 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Zakat and income-tax (continued)

The Group withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulation

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 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.

m) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

o) 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.

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 recognized 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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Derivative financial instruments

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.

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 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 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.

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 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Foreign currencies (continued)

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.

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 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.

u) Contingent liabilities

All possible obligations arising from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly with the control of the Company; or all present obligations arising from past events but not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or (ii) the amount of the obligation cannot be measured with sufficient reliability; all should be assessed at each balance sheet date and disclosed in the Company's financial statements under contingent liabilities.

(Expressed in thousands of Saudi Arabian Riyals)

5. CASH AND BANK BALANCES

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

	2016	2015
	(Unaudited)	(Audited)
Cash in hand	**6,000**	431
Cash at bank - current accounts	**22,042**	33,048
Cash and cash equivalents for cash flow statement purposes	**28,042**	33,479
Restricted cash (Note 5.1)	**1,317**	26,615
Cash and bank balances	**29,359**	60,094

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 as at December 31, comprise the following:

	2016	2015
Third party customers	**628,199**	690,701
Related parties	**309**	861
	628,508	691,562
Less: provision for doubtful debts	**(162,478)**	(170,148)
	466,030	521,414

7. UNBILLED REVENUE

Unbilled revenue represents project related revenue recognized using percentage of completion method, but not yet billed as at December 31, 2016. This also includes an amount of SR 28.66 million (December 31, 2015: SR 45.26 million) which remains unbilled for more than one year. The management believes that this amount will be invoiced and collected during 2017.

(Expressed in thousands of Saudi Arabian Riyals)

8. INVENTORIES

Inventories as at December 31, comprise the following:

	2016 (Unaudited)	2015 (Audited)
Raw materials	**132,600**	189,445
Finished goods	**69,959**	140,341
Work in process	**137,593**	58,237
Spare parts and wooden reels	**36,023**	31,938
	376,175	419,961
Less: allowance for slow-moving and obsolete inventories	**(94,758)**	(88,159)
	281,417	331,802

9. PROPERTY, PLANT AND EQUIPMENT

9.1 Certain machinery and equipment at December 31, 2016 having a cost of SR 31.5 million (December 31, 2015: SR 26.9 million) and net book value of SR 25.2 million (December 31, 2015: SR 22.1 million) was acquired under finance lease arrangement.

9.2 As per the restructuring framework agreement, 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 Development Financial Institutions (DFI) (Note 11).

9.3 At December 31, 2016 certain assets with a net book value of SR 120.3 million (December 30, 2015: SR 124.9 million) were pledged as collateral against certain credit facilities.

10. INTANGIBLE ASSETS

Intangible assets as at December 31, comprise the following:

	2016 (Unaudited)	2015 (Audited)
Development costs (Note 10.1)	**20,857**	66,772
Rights and licenses	**3,749**	3,078
Goodwill (Note 10.2)	--	74,216
Deferred cost	**4,544**	6,476
	29,150	150,542

10.1 During the year ended December 31, 2016, based on a detailed assessment on the recoverability of development costs, SR 37.72 million was recorded as impairment.

10.2 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.

(Expressed in thousands of Saudi Arabian Riyals)

10. INTANGIBLE ASSETS (continued)

During the year ended December 31, 2016, the Group decided to impair the Goodwill by SR 74.21 million, considering the economic conditions and performance of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. (group of companies),

11. BANK BORROWINGS AND FINANCIAL RESTRUCTURING

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

11.1 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 at December 31, short-term loans comprise the following:

	2016 (Unaudited)	2015 (Audited)
Saudi British Bank	**5,483**	76,191
Bank Al Bilad	**9,791**	70,189
BNP Paribas	--	41,251
National Commercial Bank	--	218,142
Bank Al Jazira	--	164,889
Al Rajhi Bank	--	31,431
Lenders of subsidiaries (outside Saudi Arabia)	**127,248**	140,029
	142,522	742,122

11.2 Long - term loans as at December 31, comprises the following:

	2016 (Unaudited)	2015 (Audited)
Loans from participating banks (Note 11.3)	**570,030**	169,599
Loans from BNP Paribas (Note 11.3)	**141,985**	7,610
Loans from other commercial banks	**35,981**	60,512
Loan from a DFI (Note 11.4)	**112,190**	112,960
Total	**860,186**	350,681
Less: current portion - long term loans	**(265,671)**	(177,209)
Non-current portion - long term loans	**594,515**	173,472

11. BANK BORROWINGS AND FINANCIAL RESTRUCTURING (continued)

11.3 On February 23, 2016, the Group secured financial restructuring agreements with its four main lenders that 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 to be completed within sixty days.

The amount of total debt restructured is SR 796 million, including accumulated financing costs of SR 85 million. Following are the revised terms and conditions:

- Total repayment of debt by 2022, beginning from August 31, 2016
- Disposal of certain real estate properties having carrying values of SR 30 million to Al Rajhi Development Company Limited (Note 15.1) for a total consideration of SR 72.11 million.
- Rights issue of Company's shares to take place by 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.

On July 20, 2016, the Participating Banks issued a 'Condition Precedent' (C.P.) confirmation acknowledging that all the terms of the initial agreement remains valid. In accordance with the terms of the restructuring agreement, the Group disposed certain domestic and international real estate properties to Al Rajhi Development Company Limited for SR 72.11 million. Consequently, the amounts owed by the group to Al Rajhi Bank against the borrowings, was offsetted with the receipts due form Al Rajhi Development Company.

Subsequent to the year-end, in accordance with the terms of the settlement amendment and restatement agreement (hereinafter referred as "first amendment agreement"), dated April 17, 2017, the Group made a payment of SR 40 million to BNP Paribas. Based on the terms of the said agreement, on receipt of SR 40 million by BNP Paribas, the loan amount of BNP Paribas shall be reduced from SR 142 million to SR 24.99 million.

Additionally, the Group has also finalized another amendment and restatement agreement (hereinafter referred as "second amendment agreement") dated June 11, 2017 with the Participating Banks (excluding BNP Paribas). Based on the terms of the said agreement, the Parent Company has agreed for repayments of SR 10 million by December 2017, SR 188.38 million to be paid on June 30, 2018 and the remaining amounts will be repaid in equal semi-annual installments commencing from December 31, 2018 to June 30, 2022. Furthermore, the terms of the said agreement requires the rights issue of the company's shares to take place by June 30, 2018.

In an event that the rights issue cannot be achieved by June 30, 2018, the Group will consider offering alternative options in the form of assets sales (including the equity stake in its associate) to the participating banks to meet its obligations as per the said agreement. As per the shareholders' agreement of the associate, the Company has the right to sell the shares in the associate to other shareholder at an agreed price as mentioned in the shareholders' agreement.

(Expressed in thousands of Saudi Arabian Riyals)

11. BANK BORROWINGS AND FINANCIAL RESTRUCTURING (continued)

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

	Repayment amount for Restructured Loan
Within one year	127,000
Between one to two years	251,110
Between two to five years	226,477
After five years until December 31, 2022	107,428
	712,015

11.4 Furthermore, as per the restructuring agreement, DFI has agreed to restructure the loan, according to which the amounts are payable as follows:

	Repayment amount for DFI Loan
Within one year	1,960
Between one to two years	1,960
Between two to five years	89,410
After five years until December 31, 2022	18,860
	112,190

12. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	2016 (Unaudited)	2015 (Audited)
Accrued expenses	**169,440**	204,967
Advances from customers	**74,315**	99,080
Billing in excess of contract revenue	**27,115**	33,140
Accrued finance charge	**6,912**	55,640
	277,782	392,827

13. SHARE CAPITAL

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

Subsequent to the year end, on June 4, 2017, the shareholders resolved to reduce the share capital of the Company by SR 355.89 million by reducing the number of shares in the exchange ratio of 1:2.14, subsequent to approval of Capital market Authority ("CMA") (Note 20).

(Expressed in thousands of Saudi Arabian Riyals)

14. STATUTORY RESERVE

In accordance with the by-laws, the Company sets aside 10% of its net income each year as statutory reserve until such reserve equals to 50% of the share capital.

In the Annual General Meeting held on June 2, 2016, shareholders have approved the absorption of accumulated losses by transferring the statutory reserve under Article 126 of the Regulation for companies. Accordingly, the statutory reserve has been transferred to accumulated losses, reducing the balance of statutory reserve to NIL (December 31, 2015: SR 63.432 million). As the Company is in losses, therefore no amount has been transferred to statutory reserve during the current period.

15. OTHER INCOME

Other income for the year ended December 31, 2016 comprise the following:

	2016 **(Unaudited)**	2015 (Audited)
Gain on disposal of property, plant and equipment - net (Note: 15.1)	**41,102**	1,708
Reversal of provision for doubtful debts (Note: 15.2)	**5,793**	40,130
Other income	**4,565**	12,940
	51,460	54,778

15.1 As part of the restructuring agreement, the Group agreed to dispose certain domestic and international real estate properties and utilize its proceeds for repayment of the loans (Note: 11).

During the twelve-months period ended December 31, 2016, the Company has sold these assets to Al Rajhi Development Company Limited for SR 72.11 million, resulting into a gain of SR 41.1 million, recognised in the statement of income.

15.2 During the twelve-months period ended December 31, 2016, the Group has recovered old outstanding receivables and accordingly provision held against those collected receivables 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.

16. (LOSS) / EARNINGS PER SHARE

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

(Loss) / earnings per share from net (loss) / profit for the period is calculated by dividing the net (loss) / profit 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.

(Expressed in thousands of Saudi Arabian Riyals)

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)

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

	Sale of goods		**Contract revenue**		**Total**	
	2016 (Unaudited)	2015 (Audited)	**2016 (Unaudited)**	2015 (Audited)	**2016 (Unaudited)**	2015 (Audited)
Revenue	**1,442,794**	1,827,034	**121,761**	91,025	**1,564,555**	1,918,059
Costs of revenue	**1,379,661**	1,766,995	**108,938**	82,659	**1,488,599**	1,849,654
Net (loss) / profit	**(198,959)**	(5,254)	**171**	6,941	**(198,788)**	1,687
Trade receivables	**358,391**	381,738	**107,639**	139,676	**466,030**	521,414
Property, plant and equipment	**597,255**	676,635	**3,386**	4,943	**600,641**	681,578
Short-term loans	**142,522**	669,375	**--**	72,747	**142,522**	742,122
Long-term loans	**860,186**	255,217	**--**	95,464	**860,186**	350,681

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:

2016 (Unaudited)	**Saudi Arabia**	**UAE**	**Turkey**	**Total**
Revenue	**966,162**	**153,696**	**444,697**	**1,564,555**
Costs of revenue	**944,832**	**147,673**	**396,094**	**1,488,599**
Net (loss) / profit	**(167,618)**	**506**	**(31,676)**	**(198,788)**
Trade receivables	**269,462**	**70,131**	**126,437**	**466,030**
Property, plant and equipment	**254,141**	**29**	**346,471**	**600,641**
Short-term loans	**15,274**	**--**	**127,248**	**142,522**
Long-term loans	**824,205**	**--**	**35,981**	**860,186**

2015 (Audited)	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 receivables	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

18. ZAKAT AND INCOME TAX

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

Saudi Cable Company

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

GAZT issued the assessment for the years 2005 to 2007 and claimed additional zakat and withholding tax liability of SR 35.69 million. The Company objected against the said assessment, which was transferred to Preliminary Appeal Committee (PAC) for the review and decision. PAC approved the GAZT point of view. Accordingly, the Company filed an appeal against PAC's decision with Higher Appeal Committee (HAC) which is under review by the HAC.

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

The GAZT issued the assessment for the years from 2010 to 2012 and claimed additional Zakat liability of SR 72.22 million. The Company objected against the said assessment, which is still under review by the GAZT till to date.

The Company booked a provision of Saudi Riyals 91 million against current and above mentioned assessment years by the GAZT. The Company filed its Zakat returns for the year 2013, 2014 and 2015 and has obtained the restricted Zakat certificates.

Mass Centers for Distribution of Electrical Products Limited

The GAZT issued the Zakat assessments for the years from 1998 to 2007, which showed Zakat liability of Saudi Riyals 1 million. The Company filed an appeal with the Higher Appeal Committee (HAC) against the said assessments and is confident of favorable outcome. The Company filed its Zakat returns for the years ended December 31, 2008 to 2010. The GAZT did not issue the final Zakat assessments for the said years till to date. Although, the Company is essentially dormant but is in the process to file the Zakat returns for the years from 2011 to 2015.

Mass Projects for Power & Telecommunications Limited

The Company filed its Zakat returns for the years from 1999 to 2015, The GAZT issue its final Zakat Assessments for the years 1999 to 2004 and claimed additional Zakat differences of Saudi Riyals 3 million. The Company filed an objection against the GAZT assessment, which is still under review by GAZT. Final assessments for the years 2005 to 2015 were not issued by the GAZT till to date.

(Expressed in thousands of Saudi Arabian Riyals)

18. ZAKAT AND INCOME TAX (continued)

Saudi Cable Company for Marketing Limited

The GAZT issued the final assessment for the years 1996 to 2004, and claimed Zakat differences of Saudi Riyals 17 million. The Company filed its objection against the said Zakat differences and is confident of favorable outcome. The Company filed its Zakat returns for the years 2005 to 2007. The GAZT did not issue the final Zakat assessment for the said years till to date. Although, the Company is essentially dormant but is in the process to file the Zakat returns for the years up to 2014.

19. COMMITMENTS AND CONTINGENCIES

In addition to the notes 3, 11 and 18, following are the commitments and contingencies:

	2016 (Unaudited)	2015 (Audited)
Outstanding forward metal contracts	**40,508**	103,278
Contingent liabilities in respect of performance and bid bonds	**86,097**	128,799
Authorized and contracted for capital expenditure commitments	**4,667**	8,833
Corporate guarantees issued	**21,938**	61,196

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. SUBSEQUENT EVENTS

Subsequent to December 31, 2016, the following major events have occurred:

- On May 1, 2017, the Board of Directors recommended to reduce the share capital of the Company by absorption of accumulated losses of the Company up to SR 355.89 million. Subsequently, the Capital Market Authority ("CMA") has authorized such reduction on May 8, 2017 which has been approved by the shareholders in their extra ordinary general meeting held on June 4, 2017.

- On April 17, 2017, the Group had entered into a final settlement agreement with BNP Paribas on the basis of which the Group made a payment of SR 40 million. Based on the terms of the said agreement, on receipt of SR 40 million by BNP Paribas, the loan amount of BNP Paribas shall be reduced from SR 142 million to SR 24.99 million. Accordingly, the Group has reversed the obligation through statement of income and reduction in accumulated losses, by SR 77 million in the period subsequent to year end.

20. SUBSEQUENT EVENTS (continued)

- On June 11, 2017, the Group has finalized further renegotiation to "Restructuring Framework Agreement" through an amendment and restatement agreement by virtue of which the Participating Banks (excluding BNP Paribas) have agreed to defer all amount beyond 12 months from the date of this agreement, except a payment of SR 10 million in December 2017. According to the terms of the said agreement, the Company shall increase capital through issuance of right shares and settle an amount of SR 188.38 million, from the said proceeds by June 30, 2018. The remaining amount of SR 371.65 million is payable in equal semi-annual installments commencing from December 31, 2018 to June 30, 2022.

These events do not require adjustments in the numbers reported in the financial statements.

21. APPROVAL OF THE FINANCIAL STATEMENTS

These interim consolidated financial statements were approved for issuance by the management on behalf of the Board of Directors on Ramadan 27, 1438H corresponding to June 22, 2017.