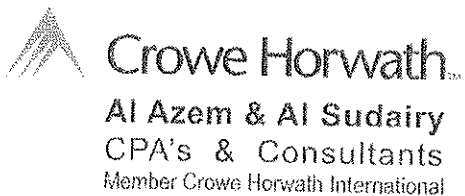


SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018
WITH INDEPENDENT AUDITORS' REVIEW REPORT**



SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018**

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

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

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Saudi Cable Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as of September 30, 2018, and the related interim condensed consolidated statements of comprehensive income for the three month and nine month ended September 30, 2018, interim condensed consolidated statement of cash flows and interim condensed consolidated statement of changes in shareholders equity for the nine month period then ended and the attached notes 1 through 19 which form an integral part of these interim condensed consolidated financial information. This interim condensed consolidated financial information is the responsibility of the management and have been prepared by them and presented in accordance with IAS 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Observations resulting in qualified review conclusion

- a. We were unable to obtain sufficient appropriate evidence in respect of the inventory stock count as of December 31, 2017 as we were appointed as an independent auditor after the date of the stock count. Moreover, we were unable to obtain sufficient appropriate evidence for slow moving items. In light of the above, we were unable to determine whether any adjustments to inventory were required and to determine the possible impact on the consolidated interim financial information for the period ended September 30, 2018.
- b. We were unable to obtain sufficient appropriate evidence in respect of the recoverability of unbilled revenues amounted to SR 21.3 million as of September 30, 2018 (December 31, 2017: SR 20.66 million) that is overdue for more than one year. This relates to one of the subsidiaries and represents revenue earned but not billed yet as of September 30, 2018.



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

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

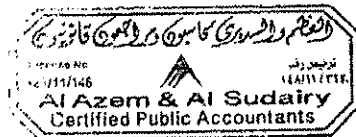
Qualified review conclusion

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

Emphases of Matter

Without further qualifying in our opinion, we draw attention to the following:

- In accordance with the Board of Directors' decision issued on August 2, 2018, Saudi Cables Company has amortized the accumulated losses by SR 293.5 million through reducing the Company's capital. Accordingly, the Company's new capital amounted SR 110.6 million.
- The Group's current liabilities exceeded its current assets by SR 180.16 million (December 31, 2017: 304.16 million), which indicates that the Group's inability to meet its short-term liabilities.
- Refer to note 17, The Company disposed one of its subsidiaries on August 31, 2018.



AlAzem & AlSudairy
Certified Public Accountants

Abdullah M. AlAzem
License No. 335

28 Safar 1440H (November 6, 2018)
Jeddah, Saudi Arabia

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	As of September 30,2018 (Unaudited)	As of December 31, 2017 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	4	56,470	83,626
Trade receivables	5	341,190	329,758
Unbilled revenue	6	39,750	48,557
Inventories	7	141,776	249,773
Retentions receivable - current portion		68,522	72,014
Prepayments and other current assets		201,659	109,195
Total current assets		849,367	892,923
Non-current assets			
Investments at fair value through other comprehensive income		57	661
Investments in associate		369,641	416,845
Retentions receivable - non-current portion		21,999	22,247
Investment properties		3,131	27,831
Property, plant and equipment	8	370,253	569,730
Deferred tax asset		2,287	4,821
Intangible assets	9	4,297	19,058
Total Non-current assets		771,665	1,061,193
TOTAL ASSETS		1,621,032	1,954,116
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans	10	21,349	126,621
Long-term loans - current portion	10	232,105	258,071
Obligations under finance lease – current portion		462	7,170
Accounts payable		309,912	339,073
Due to related parties		64,252	64,563
Accrued expenses and other current liabilities	11	273,998	299,639
Zakat and income-tax	14	127,446	101,946
Total current liabilities		1,029,524	1,197,083
Non-current liabilities			
Long-term loans	10	454,587	473,776
Obligations under finance lease		1,415	11,538
Employees' end of service benefits		42,615	56,269
Total non-current liabilities		498,617	541,583
TOTAL LIABILITIES		1,528,141	1,738,666
SHAREHOLDERS' EQUITY			
Share capital	12	110,614	404,114
Cumulative changes in fair values		(1,289)	(11,650)
Foreign currency translation reserve		(5,753)	(7,068)
Accumulated losses		(15,710)	(175,542)
Total Shareholders' equity before Non-controlling interests		87,862	209,854
Non-controlling interests		5,029	5,596
Total Shareholders' equity		92,891	215,450
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,621,032	1,954,116

The accompanying notes 1 to 19 form an integral part of this interim condensed consolidated financial information and should be read together with the review report on interim condensed consolidated financial information

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH AND NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	For the nine month ended September 30		For the three month ended September 30	
		2018 (Unaudited)	2017 (Unaudited)	2018 (Unaudited)	2017 (Unaudited)
Revenue		706,068	1,006,187	178,970	314,585
Costs of revenue		(731,208)	(967,157)	(201,018)	(297,447)
Gross (loss)/profit		(25,140)	39,030	(22,048)	17,138
Selling and distribution expenses		(23,085)	(29,613)	(8,836)	(8,844)
General and administrative expenses		(54,554)	(75,944)	(18,310)	(25,857)
Loss from operations		(102,779)	(66,527)	(49,194)	(17,563)
Financial charges - net		(40,309)	(49,310)	(12,462)	(16,652)
Share of loss/ income from associate		(62,230)	20,976	(4,373)	1,408
Other income - net		79,531	85,197	53,188	1,080
Net loss for the period before zakat and tax and non-controlling interests		(125,787)	(9,664)	(12,841)	(31,727)
Zakat and income-tax	14	(8,448)	(9,155)	(2,948)	(2,750)
Net loss for the period before non-controlling interests		(134,235)	(18,819)	(15,789)	(34,477)
Other Comprehensive income:					
Cumulative change in fair value		10,361	-	438	-
Company's share of foreign currency translation		1,315	(1)	1,315	2
Total comprehensive (loss)/income for the period		(122,559)	(18,820)	(14,036)	(34,475)
Net (loss)\profit for the period attributable to:					
Company's shareholders		(133,668)	(18,769)	(15,710)	(34,493)
Non-controlling interests		(567)	(50)	(79)	16
		(134,235)	(18,819)	(15,789)	(34,477)
Net comprehensive (loss)\profit for the period attributable to:					
Company's shareholders		(121,992)	(18,770)	(13,957)	(34,491)
Non-controlling interests		(567)	(50)	(79)	16
		(122,559)	(18,820)	(14,036)	(34,475)
Earnings per share from:					
Loss per share from operations for the period	13	(2.75)	(1.10)	(1.57)	(0.43)
Net loss t per share for the period	13	(3.57)	(0.31)	(0.50)	(0.85)

The accompanying notes 1 to 19 form an integral part of this interim condensed consolidated financial information and should be read together with the review report on interim condensed consolidated financial information

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY
FOR THE NINE MONTH PERIOD ENDED September 30, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

	Share capital	Cumulative changes in fair values	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests (NCI)	Total Shareholders' equity
Balance at January 1, 2018	404,114	(11,650)	(7,068)	(175,542)	209,854	5,596	215,450
Net comprehensive loss for the period	-	-	-	(133,668)	(133,668)	(567)	(134,235)
Fair value adjustments	-	10,361	-	-	10,361	-	10,361
Foreign currency translation reserve movement	-	-	1,315	-	1,315	-	1,315
Reduction of share capital	(293,500)	-	-	293,500	-	-	-
Balance at September 30, 2018 (unaudited)	110,614	(1,289)	(5,753)	(15,710)	87,862	5,029	92,891
Balance at January 1, 2017	760,000	5,095	(14,348)	(451,115)	299,632	5,617	305,249
Net comprehensive loss for the period	-	-	-	(18,769)	(18,769)	(50)	(18,819)
Fair value adjustments	-	251	-	-	251	-	251
Foreign currency translation reserve movement	-	-	(1)	-	(1)	-	(1)
Reduction of share capital	(355,886)	-	-	355,886	-	-	-
Balance at September 30, 2017 (unaudited)	404,114	5,346	(14,349)	(113,998)	281,113	5,567	286,680

The accompanying notes 1 to 19 form an integral part of this interim condensed consolidated financial information and should be read together with the review report on interim condensed consolidated financial information

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Expressed in thousands of Saudi Arabian Riyals)

	<u>For the nine month ended</u>	
	<u>September 30</u>	
	2018	2017
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss before Zakat and income-tax and non-controlling interests	(125,787)	(9,664)
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	50,133	73,842
Reversal for doubtful debts provision	(4,748)	(6,141)
Provision for slow-moving inventories	(5,914)	(13,913)
Gain on disposal of property, plant and equipment and investment property	(866)	(1,273)
Gain of disposed investments	(47,564)	-
loss on available for sale investments	499	-
Amortization of intangible assets	6,492	9,313
Deferred tax asset	(2,195)	(89)
Share of Loss / (income) from associate	62,230	(20,843)
Provision for employees' end of service benefits	4,255	3,913
Extinguished financial liabilities	(24,986)	(77,000)
Finance charges	40,309	49,310
Changes in operating assets and liabilities:		
Trade receivable	70,656	168,029
Retention receivables	3,740	30,285
Prepayments and other current assets	(101,796)	(22,840)
Unbilled revenue	8,807	3,278
Inventories	92,525	29,888
Accounts payable	6,771	(96,590)
Accrued expenses and other current liabilities	(3,790)	32,308
Due to related parties	19,248	(5,644)
Zakat and income-tax paid	(198)	(1,022)
Financial charges paid	(25,181)	(35,982)
Employees' end of service benefits paid	(15,500)	(13,633)
Net cash from operating activities	7,141	95,532
Cash flows from investing activities		
Additions to property, plant and equipment	(25,601)	(4,944)
Additions to intangible assets	(743)	(2,320)
Proceeds from disposal of property, plant and equipment	8,169	1,291
Proceeds from disposal of investment	66,025	-
Dividend received from an equity accounted investee	-	19,466
Net cash (used in) provided by investing activities	47,850	13,493
Cash flows from financing activities		
Net movement in long and short-term loans	(74,028)	(70,658)
Net movement in obligations under finance lease	(2,914)	(3,913)
Net movement in restricted cash against financing	(6,861)	1,006
Net cash used in financing activities	(83,803)	(73,565)
Net movement in cash and cash equivalents	(28,812)	35,460
Cash and cash equivalents at the beginning of the period	83,264	28,042
Cash of disposed investment	(5,205)	-
Cash and cash equivalents at the end of the period	49,247	63,502
Supplemental schedule of non-cash information:		
Cumulative changes in fair value of derivative financial instruments	10,361	251
Foreign currency translation movement	1,315	(1)

The accompanying notes 1 to 19 form an integral part of this interim condensed consolidated financial information and should be read together with the review report on interim condensed consolidated financial information.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

1. THE COMPANY, SUBSIDIARIES AND ITS PRINCIPAL ACTIVITIES

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

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

The registered office of the Company is located at the following address:

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

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

Company's name	Principal activities	Country of incorporation	Effective % of ownership	
			September 2018	2017
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%
Mass International Trading Company Limited (dormant)	International trading	Ireland	100%	100%
Saudi Cable Company (U.A.E) L.L.C.	Sale of cables and related products	United Arab Emirates	100%	100%
Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S	Manufacture and distribution of electronic gears and goods	Turkey	94%	94%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	94%	94%

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

As of September 30, the Group has the following investments in equity accounted investees:

Company's name	Principal activities	Country of incorporation	% of ownership	
			September 2018	2017
Midal Cables W.L.L.	Conductors & related products	Bahrain	50%	50%
XECA International Information Technology	Implementation of information Systems and network services	Saudi Arabia	25%	25%

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

The condensed consolidated interim financial information prepared in accordance with the International Financial Reporting Standards ("IFRS") has been approved by the board of directors November 6, 2018.

2. Basis of preparation

Statement of compliance

This condensed consolidated interim financial information does not include all the information and disclosures required in the annual consolidated financial statements. IAS 34 states that the interim condensed financial information is intended to provide an update on the latest complete set of annual financial statements. Hence, IAS 34 requires less disclosure in interim financial information than IFRSs requires in annual financial statements.

Basis of measurement

This condensed consolidated interim financial information has been prepared on a historical cost basis except for derivative financial instruments and financial assets at fair value through other comprehensive income, which are measured at fair value.

Changes in accounting policies

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

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
Annual reporting periods beginning on or after 1 January 2019, early adoption is permitted	IFRS 16 – Leases	IFRS 16 proposes a lease classification that would be based on the nature of asset that was the subject of the lease. Accordingly, all leases would be classified as Type A or Type B leases. The standard features a right of use (ROU) model that would require leases to recognise most leases on the balance sheets as lease liabilities with corresponding right of use assets.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

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

b) New standards issued and effective since January 1, 2018 are listed below:

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted	IFRS 15 – Revenue from contracts with customers	IFRS 15 establishes a five step model for all types of revenue contracts, accordingly revenue can either be recognised at a point in time or over a period of time. The standard replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction contracts, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for Construction of Real Estate and IFRIC 18 Transfer of Assets from Customers.
Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted	IFRS 9 – Financial instruments	IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

c) Impact of adapting international financial reporting standards:

The following table summarizes the impact of adopting IFRS 15 “Revenue from Contracts with Customers” on the Group's condensed consolidated interim financial information, for the relevant Financial Statement line items affected.

	Carrying amount under IAS 18	Adjustments	Carrying amount under IFRS 15
September 30, 2018			
Trade Receivable	458,909	(67,797)	391,112
Provision for doubtful debts	(158,539)	67,797	(90,742)
	300,370	-	300,370

The adoption of “IFRS 9” Financial instrument has not had a significant effect on the Group's condensed consolidated interim financial information.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

Critical accounting estimates and judgments

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

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on parameters available when the condensed consolidated interim condensed consolidated financial information was prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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

(a) Allowance for impairment of trade receivables

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

(b) Allowance for inventory obsolescence

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

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Expressed in thousands of Saudi Arabian Riyals)

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

The Company assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell, or its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted future cash flow calculations.

(e) *Employee benefits -- defined benefit plan*

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

3. Significant accounting policies

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

Basis of consolidation

(a) *Subsidiaries*

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

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

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

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, arising from intra-group transactions, are eliminated in preparing the condensed consolidated interim financial information. Income, expenses and unrealised gains arising from transactions with equity accounted investees are eliminated to the extent of the Group's interest in the investee.

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

Property, plant and equipment

(a) Recognition and measurement

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

Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

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

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(c) Depreciation

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

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

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

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

	Years
• Buildings	15 – 50
• Machinery and equipment	4 – 20
• Furniture and fixtures	4 – 10

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

Intangible assets

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

Inventories

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

Cash and cash equivalents

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

Foreign currency

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

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

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Financial Instruments

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

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

Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

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

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

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

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

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

The following accounting policies apply to the subsequent measurement of financial assets.

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

Impairment of financial assets

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

Credit-impaired financial assets

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

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Presentation of impairment

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

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

Hedge Accounting

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

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

Transition

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

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

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

Leases

Operating leases

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

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Impairment of assets

The carrying amounts of the Group's non-financial assets (other than goodwill and intangible assets with indefinite useful life, if any which are tested at least annually for impairment), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

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

Employee benefits

Short-term employee benefits

Short term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

Defined benefit plans

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

Provisions

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

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Revenue recognition from Contracts with Customers and related assets and liabilities

Cable manufacturing and installation

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

Performance Obligations

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

Timing of revenue recognition

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

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

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

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

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

Zakat

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

Zakat expense are recognized in each interim period based on the best estimate of the weighted average annual zakat rate expected for the full financial year. Amounts accrued for zakat expense in one interim period may have to be adjusted in a subsequent interim period of that financial year if the estimate of the annual zakat rate changes.

Earnings per share

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

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Segment reporting

Operating Segment

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

An operating segment is group of assets and operations:

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

4. CASH AND CASH EQUIVALENTS

Cash and Bank balances comprise the following:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Cash in hand	1,169	597
Cash at banks in current accounts	48,078	82,667
Cash and cash equivalents for cash flow purposes	49,247	83,264
Restricted cash *	7,223	362
Cash and bank balances	56,470	83,626

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

5. TRADE RECEIVABLES

Trade receivables comprise the following:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Other customers	490,680	488,219
Related parties	187	187
	490,867	488,406
Less: provision for doubtful debts	(149,677)	(158,648)
	341,190	329,758

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6. UNBILLED REVENUE

Unbilled revenue represents project related revenue recognized, using the percentage of completion method, but not yet billed as at September 30, 2018. This also includes an amount of SR 21.3 million (December 31, 2017: SR 20.66 million) which remains overdue for billing for more than one year. The management believes that this amount will be invoiced and collected during 2018.

7. INVENTORIES

Inventories comprise the following:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Raw materials	60,738	118,127
Finished goods	58,603	90,109
Work in process	46,040	71,337
Spare parts and wooden reels	32,022	34,804
	<u>197,403</u>	<u>314,377</u>
Less: Allowance for slow moving and obsolete inventories	(55,627)	(64,604)
	<u>141,776</u>	<u>249,773</u>

8. PROPERTY PLANT AND EQUIPMENT

Certain machinery and equipment at September 30, 2018 having cost of SR 15.4 million (December 31, 2017: SR 47.7 million) and net book value of SR 8.3 million (December 31, 2017: SR 32.54 million) have been acquired under finance lease arrangement.

At September 30, 2018 certain assets with a net book value of SR 111.2 million (December 31, 2017: SR 236.1 million) were pledged as collateral to certain credit facilities.

9. INTANGIBLE ASSETS

Intangible assets comprise the following:

	Development cost	Deferred cost	Rights and licenses	Total
<u>September 30, 2018</u>				
January 1, 2018	13,421	2,272	3,365	19,058
Additions during the period	-	-	743	743
Amortizations during the period	(4,409)	(1,704)	(379)	(6,492)
Disposal from it's subsidiaries	(9,012)	-	-	(9,012)
	<u>-</u>	<u>568</u>	<u>3,729</u>	<u>4,297</u>
<u>December 31, 2017</u>				
January 1, 2017	20,857	4,031	4,262	29,150
Additions during the year	2,048	-	30	2,078
Amortizations during the year	(9,484)	(1,759)	(927)	(12,170)
	<u>13,421</u>	<u>2,272</u>	<u>3,365</u>	<u>19,058</u>

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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, 2016, the Group assessed an impairment of Goodwill. Considering the economic conditions and performance of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. (group of companies), the amount of impairment assessed is SR 74.21 million

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. BANK BORROWINGS AND FINANCIAL RESTRUCTURING

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

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

Short term loans comprise the following:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Saudi British Bank	-	29,946
Bank Al Bilad	-	-
Lenders of subsidiaries (outside Saudi Arabia)	21,349	96,675
	21,349	126,621

Long term loans comprise the following:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Restructured Loans from commercial banks	565,030	590,016
Lenders of subsidiaries (outside Saudi Arabia)	12,412	31,601
Loan from a SIDF	109,250	110,230
	686,692	731,847
Less: current portion of long term loans	(232,105)	(258,071)
Non-current portion of long term loans	454,587	473,776

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On February 23, 2016, the Group secured financial restructuring agreements with its four main lenders which, requires the Group to comply with additional covenants and allows the Group to reschedule repayment of its debts over a period of 7 years, culminating with a final payment at the end of December 2022 subject to certain additional requirements. The total debt restructured is SR 793 million SAR including accumulated financing costs of SR 85 million SAR. The said agreement mainly stipulates following conditions:

- Total repayment of debt by 2022, beginning from June 30, 2016
- Rights issue of Company's shares to take place before December 31, 2017 (subsequently amended to November 29, 2018).
- 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 SIDF.

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

	Repayment amount for Restructured Loan	SIDF	Total Repayments
Within one year	231,125	980	232,105
Between one to two years	75,492	58,610	134,102
Between two to five years	258,412	49,660	308,072
	565,029	109,250	674,279

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprise the following:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Accrued finance charges	46,878	31,750
Accrued expenses	38,024	48,805
Payable to shareholders of subsidiary	89,745	89,745
Advances from customers	60,909	97,112
Billing in excess of contract revenue	38,442	32,227
	273,998	299,639

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12. SHARE CAPITAL

The share capital consisted of 11,061,406 shares of Saudi Arabian Riyals 10 each as at September 30, 2018. (As at December 31, 2017: 40,411,434 shares).

On June 4, 2017, the Board of Directors' resolved to reduce the share capital of the Company by SR 355.89 million by reducing the number of shares in the exchange ratio of 1:2.14, subsequent to approval of Capital Market Authority. Consequently, the revised shares are 40,411,434 shares of Saudi Arabian Riyal 10 each as at December 31, 2017 (June 30, 2018: 404,114,340 Saudi Arabian Riyal).

On August 2, 2018, the Board of Directors' decided to reduce the share capital of the Company by SR 293.5 million against current accumulated losses, subsequent to approval of Capital Market Authority. Consequently, the revised shares are 11,061,406 shares of Saudi Arabian Riyal 10 each as at September 30, 2018 (September 30, 2018: 110,614,060 Saudi Arabian Riyal).

13. EARNINGS PER SHARE

Earnings per share from operations for the period/year 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).

Net loss/profit per share 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.

14. ZAKAT AND INCOME TAX

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

Saudi Cable Company

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

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

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).

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The GAZT issued the assessment for the years from 2010 to 2012 and claimed additional Zakat liability of SR 66.97 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 108.6 million against current and above mentioned assessment years by the GAZT. The Company filed its Zakat returns for the year 2013 and 2014 and has obtained the restricted Zakat certificates.

Mass Centers for Distribution of Electrical Products Limited

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

Mass Projects for Power & Telecommunications Limited

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

Saudi Cable Company for Marketing Limited

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

15. COMMITMENTS AND CONTINGENCIES

The following are the commitments and contingencies:

	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Outstanding forward metal contracts	27,620	44,433
Contingent liabilities in respect of performance and bid bonds	51,394	68,086
Authorized and contracted for capital expenditure commitments	1,831	2,412
Corporate guarantees issued	55,525	39,076

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

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16. 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		Contracts revenue		Total	
	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)	September 30, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets	1,451,876	1,759,366	169,156	194,750	1,621,032	1,954,116
Liabilities	1,221,107	1,406,255	307,034	332,411	1,528,141	1,738,666
Net Sales	660,711	1,243,680	45,357	98,797	706,068	1,342,477
Net (Loss)/Profit	(133,451)	(84,531)	(217)	4,218	(133,668)	(80,313)

	Sale of goods		Contracts revenue		Total	
	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)	September 30, 2018 (Unaudited)	September 30, 2017 (Unaudited)
Assets	1,451,876	1,820,336	169,156	196,796	1,621,032	2,017,132
Liabilities	1,221,107	1,394,170	307,034	336,282	1,528,141	1,730,452
Net Sales	660,711	950,250	45,357	55,937	706,068	1,006,187
Net (Loss)/Profit	(133,451)	(21,161)	(217)	2,392	(133,668)	(18,769)

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

Geographic Information

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

	Saudi Arabia	UAE	Turkey	Total
September 30, 2018 (Unaudited)				
Assets	1,380,528	57,634	182,870	1,621,032
Liabilities	1,184,973	24,030	319,138	1,528,141
Net Sales	480,738	56,317	169,013	706,068
Net Loss	(126,994)	(1,078)	(5,596)	(133,668)
September 30, 2017 (Unaudited)				
Assets	1,335,600	39,886	641,646	2,017,132
Liabilities	1,243,563	3,265	483,624	1,730,452
Net Sales	675,620	28,156	302,411	1,006,187
Net loss	(6,927)	(2,659)	(9,183)	(18,769)
December 31, 2017 (Audited)				
Assets	1,247,344	37,061	669,711	1,954,116
Liabilities	1,224,869	1,842	511,955	1,738,666
Net Sales	895,122	43,950	403,405	1,342,477
Net loss	(66,110)	(3,434)	(10,769)	(80,313)

17. DISPOSED SUBSIDIARY

The board of director decided in its meeting dated July 11, 2018 to sell one of the subsidiaries in Turkey (Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi).

The subsidiary was sold on 31 August 2018, the details of sale of subsidiary as follow:

	September 30, 2018 (Unaudited)
Cash proceed	250,125
Contingent consideration	133
Total disposal consideration	250,258
Carrying amount of net assets sold	(185,440)
Gain on sale before income tax	64,818
Income tax	(17,250)
Gain on sale	47,568

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2018
(Expressed in thousands of Saudi Arabian Riyals)

18. RISK MANAGEMENT

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

a) Credit risk

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

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

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

b) Interest rate risk

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

c) Currency risk

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

d) Liquidity risk

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

19. FAIR VALUES

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