

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
AND INDEPENDENT AUDITOR'S REVIEW REPORT**



Crowe

Al Azem & Al Sudairy & Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

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**INDEPENDENT AUDITOR'S 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 at March 31, 2020, and the related interim condensed consolidated statements of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity, and interim condensed consolidated statement of cash flows for the three months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of qualified conclusion

The subsidiary, Mass Kablo Ve Ticaret Anonim Sirketi, has reported a net loss of SAR 21.9 million as at December 31, 2019 and its accumulated losses as at March 31, 2020 have reached to SAR 433.9 million (2019: SAR 435.2 million), representing 91% of the Subsidiary's share capital (2019: 91.2%), which indicate a significant doubt about its ability to continue as going concern and its ability to meet its obligations when it becomes due. The Subsidiary has been and is still in the process of restructuring its liabilities to its creditors and plans to reduce its payables with future cash flows from its current projects. Therefore, the Company's Management does not foresee any risk regarding going concern and has prepared their financial statements under going concern basis. Accordingly, these facts raise an indication of going concern issue and we are not able to obtain a sufficient appropriate audit evidence to satisfy ourselves that the subsidiary will be able to continue its operation in the future.

Audit, Tax & consultants

Salman B. AlSudairy
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License No. 338



**Independent Auditor's Review Report on the Interim Condensed Consolidated
Financial Information - Continued**

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

Emphasis of Matter

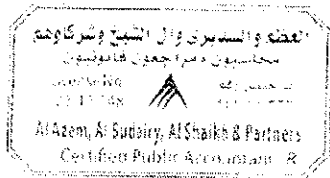
We draw attention to note in (14) to the consolidated financial statements, stating that during the year 2020, the Company has finalized its capital increase procedures by way of rights issue of SAR 250 million, where proceeds were deposited to the Company on February 20, 2020. After fulfilling all regulatory requirements, the Company's share capital has increased to SAR 360,614,060 consisting of 36,061,406 shares.

Other Matter

As of December 31, 2019, the Group's current liabilities exceeded its current assets by SAR 187.1 million, which indicates that the Group is unable to meet its short-term liabilities when it becomes due. However, as of March 31, 2020, the Group's current assets exceeded its current liabilities by SR 16.8 million.

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 is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting" as endorsed in the Kingdom of Saudi Arabia.



**AlAzem, AlSudairy, AlShaikh & Partners
Certified Public Accountants**


Abdullah M. AlAzem
License No. 335

25 Shawwal 1441H (June 17, 2020)
Jeddah, Kingdom of Saudi Arabia

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF MARCH 31, 2020
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	6	152,721	7,064
Accounts receivable	7	131,050	138,954
Unbilled revenue		40,399	46,213
Inventories	8	149,734	98,879
Due from a related party		187	187
Retention receivable - current portion		67,331	63,940
Prepaid expenses and other debit balances		228,938	166,401
Total current assets		770,360	521,638
Non-current assets			
Financial assets at fair value through other comprehensive income		45	45
Investment in an associate	9	308,336	318,180
Retention receivable - non-current portion		33,384	32,077
Investment properties		2,956	2,975
Property, plant and equipment	10	322,942	330,415
Deferred tax asset		8,346	8,346
Intangible assets	11	24,585	25,764
Right of use assets		7,963	8,096
Total non-current assets		708,557	725,898
Total assets		1,478,917	1,247,536
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term loans	12	-	16,384
Long-term loans - current portion	12	51,141	37,915
Obligations under finance lease - current portion		392	524
Accounts payable		500,530	283,022
Due to related parties		51,824	56,022
Accrued expenses and other liabilities		283,841	244,862
Provision for zakat and income tax	13	65,607	69,435
Lease liabilities - current portion		213	569
Total current liabilities		753,548	708,733
Non-current liabilities			
Long-term loans - non-current portion	12	361,157	378,181
Obligations under finance lease - non-current portion		647	688
Retentions payable		8,066	8,066
Employee benefit obligations		51,790	52,168
Lease liabilities - non-current portion		7,998	7,935
Total non-current liabilities		430,658	447,038
Total liabilities		1,184,206	1,155,771
SHAREHOLDERS' EQUITY			
Share capital	14	360,614	110,614
Fair value reserve		(2,195)	826
Foreign currency translation reserve		(7,284)	(6,403)
Employee benefits reserve		(3,320)	(3,320)
Accumulated losses		(50,606)	(7,409)
Total Shareholders' equity		297,209	94,308
Non-controlling interest		(2,498)	(2,543)
Total equity		294,711	91,765
Total liabilities and equity		1,478,917	1,247,536

The accompanying notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**
(Expressed in thousands of Saudi Arabian Riyals)

	Note	For the three months period ended	
		March 31	
		2020 (Unaudited)	2019 (Unaudited)
Revenue	17	59,532	102,457
Costs of revenue		(76,837)	(111,453)
Gross loss for the period		(17,305)	(8,996)
Selling and distribution expenses		(3,789)	(5,139)
General and administrative expenses		(16,853)	(12,550)
Loss from main operations		(37,947)	(26,685)
Finance costs		(6,811)	(6,221)
Group's share from an associate financial result	9	(2,444)	(72)
Other income - net		6,800	3,278
Loss before zakat and income tax		(40,402)	(29,700)
Zakat and income-tax	13	(2,750)	(2,750)
Loss for the period		(43,152)	(32,450)
Other Comprehensive income :			
Group's share of fair value reserve		(3,021)	1,117
Foreign currency translation adjustments		(881)	917
Total comprehensive loss for the period		(47,054)	(30,416)
Loss for the period attributable to			
Parent Company shareholders		(43,197)	(32,095)
Non-controlling interest		45	(355)
		(43,152)	(32,450)
Total comprehensive loss for the period attributable to			
Parent Company shareholders		(47,099)	(30,061)
Non-controlling interest		45	(355)
		(47,054)	(30,416)
Loss per share from:			
Main operations for the period	15	(1.05)	(2.41)
Loss for the period	15	(1.20)	(2.90)

The accompanying notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in thousands of Saudi Arabian Riyals)

	Share capital	Fair value reserve	Foreign currency translation reserve	Employee benefits reserve	Retained earnings (accumulated losses)	Total Shareholders' equity	Non-controlling interest (NCI)	Total equity
Balance at January 1, 2019	110,614	958	(6,703)	2,277	55,006	162,152	(355)	161,797
Loss for the period	-	-	-	-	(32,095)	(32,095)	(355)	(32,450)
Changes in fair value reserve	-	1,117	-	-	-	1,117	-	1,117
Foreign currency translation adjustments	-	-	917	-	-	917	-	917
Net movement in non-controlling interest	-	-	-	-	-	-	(458)	(458)
Balance at March 31, 2019 (unaudited)	110,614	2,075	(5,786)	2,277	22,911	132,091	(1,168)	130,923
Balance at January 1, 2020	110,614	826	(6,403)	(3,320)	(7,409)	94,308	(2,543)	91,765
Loss for the period	-	-	-	-	(43,197)	(43,197)	45	(43,152)
Changes in fair value reserve	-	(3,021)	-	-	-	(3,021)	-	(3,021)
Foreign currency translation adjustments	-	-	(881)	-	-	(881)	-	(881)
Capital increase	250,000	-	-	-	-	250,000	-	250,000
Balance at March 31, 2020 (unaudited)	360,614	(2,195)	(7,284)	(3,320)	(50,606)	297,209	(2,498)	294,711

The accompanying notes from 1 to 20 form an integral part of this interim condensed consolidated financial information.

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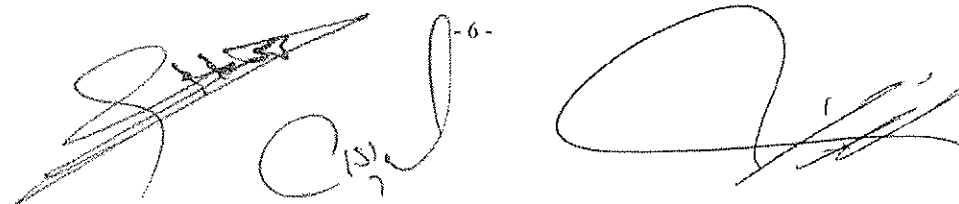


SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in thousands of Saudi Arabian Riyals)

	<u>For the three months period</u> <u>ended March 31</u>	
	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities:		
Loss before Zakat and income-tax	(40,402)	(29,700)
Adjustments for:		
Depreciation	7,932	8,863
Provision / (Reversal of provision) for obsolete and slow-moving inventories	434	(3,752)
Amortization of intangible assets	1,179	128
Share from an associate financial result	2,444	72
Employees benefit obligations charges for the period	2,262	3,785
Finance costs	6,811	6,221
Changes in operating assets and liabilities:		
Accounts receivable	7,904	41,370
Retention receivable	(4,698)	3,278
Prepaid expenses and other debit balances	(65,240)	5,620
Unbilled revenue	5,814	(1,471)
Inventories	(51,289)	(14,878)
Due from a related party	-	3,413
Accounts payable	17,508	6,002
Deferred tax assets	-	(235)
Accrued expenses and other liabilities	32,114	(33,531)
Retention payable	-	327
Due to related parties	(4,198)	(1,597)
	<u>(81,425)</u>	<u>(8,085)</u>
Zakat and income-tax paid	(6,578)	(2,750)
Finance costs paid	(532)	-
Employees benefit obligations paid	(1,640)	(677)
Net cash used in operating activities	<u>(90,175)</u>	<u>(11,512)</u>
Cash flows from investing activities		
Additions to property and equipment	(307)	(1,397)
Dividends received from an associate	6,787	-
Net cash provided by / (used in) investing activities	<u>6,480</u>	<u>(1,397)</u>
Cash flows from financing activities		
Capital increase	250,000	-
Net movement in long and short-term loans	(20,182)	9,328
Obligation under finance lease	(173)	(294)
Lease liabilities paid	(293)	-
Net cash provided by financing activities	<u>229,352</u>	<u>9,034</u>
Net change in cash and cash equivalents	145,657	(3,875)
Cash and cash equivalents at the beginning of the period	7,064	15,488
Cash and cash equivalents at the end of the period	<u>152,721</u>	<u>11,613</u>
Additional information for non-cash items:		
Changes in fair value reserve	(3,021)	1,117
Foreign currency translation adjustments	(881)	917

The accompanying notes 1 to 20 form an integral part of this interim condensed consolidated financial information.

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SAUDI CABLE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

(Expressed in thousands of Saudi Arabian Riyals)

1. ORGANIZATION AND 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 represents 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 existence of novel coronavirus (COVID-19) was confirmed in early 2020 and has spread across multiple geographies, causing disruptions to businesses and economic activity. In response to the spread of COVID-19 and its resulting disruptions to the social and economic activities, the Group's management has already mobilized a task force to assess the possible impact on its business in Saudi Arabia and other geographies where group operates. The management has also taken a series of preventive measures to ensure the health and safety of its employees, customers and wider community as well as to ensure the continuity of its operations.

For the first quarter of 2020, SCC observed minor delays in collections, which have been corrected in the subsequent period. Since the extent and duration of such impacts remain uncertain and dependent on future developments that cannot be accurately predicted at this time, the management and those charged with governance will continue to monitor the potential risks around supply of material, manpower, inventory levels and minimum interruptions to the production facilities across all geographies and accordingly update stakeholders for material deviations, as per local regulatory requirements. Based on preliminary studies carried out, management believe that COVID-19 had no material adverse impact on the reported financial position and results for the period ended March 31, 2020.

2. BASIS OF PREPARATION OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Statement of compliance

The interim condensed consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" that endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants, and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019 prepared in accordance with international financial reporting standards and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants considering that the financial performance of the interim condensed consolidated financial information for the period ended March 31, 2020 does not necessarily represent an indication of the expected financial performance for the year ending December 31, 2020. Provisions effecting profit for the period has not been made for the reserves which calculated in the annual consolidated financial statements as at 31 December.

SAUDI CABLE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

(Expressed in thousands of Saudi Arabian Riyals)

This interim condensed consolidated 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 disclosures in interim condensed financial information than IFRSs requires in the annual financial statements.

Basis of measurement

This interim condensed consolidated financial information of the Group has been prepared on a historical cost basis except for the items that measured at fair value, present value, net realizable value, and replacement cost in line with the accrual basis of accounting and going concern assumption.

Fair value measurement

Fair value represents the amount that may be collected from the sale of an asset or payment to transfer an obligation between knowledgeable parties and with the same terms of dealing with third parties. The fair value measurement depends on the following conditions:

- The principal market for assets or liabilities, or
- The most advantageous market for assets and liabilities in the absence of a major market, or
- Use of discounted cash flow in the absence of a major market or a more advantageous market.

Assets or liabilities measured at fair value

- Separate assets or liabilities.
- A group of assets or a group of liabilities or a group of assets and liabilities.
- A set of accounting policies and interpretations that require the calculation of fair value for financial and non-financial assets and liabilities.

The group uses observable market inputs to the extent possible when measuring the fair value of assets and liabilities. The group determines fair value using valuation techniques. The company also uses the following levels which reflect the importance of inputs used in determining fair value:

- **Level 1:** quoted prices (unadjusted) in an active market for similar assets or liabilities.
- **Level 2:** valuation methods based on inputs other than quoted prices included in Level 1 that can be observable for assets and liabilities, directly or indirectly.
- **Level 3:** valuation techniques that use inputs that have an important impact on fair value but are not based on observable inputs.

The company recognizes transfers between fair value levels at the end of the reporting period at the same time as the change occurs, the management believes that its estimates and assumptions are reasonable and sufficient.

Functional and presentation currency

This Interim Condensed Consolidated Financial information is presented in Saudi Riyals ("SAR"), which is the Company's functional and Group's presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

SAUDI CABLE COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020

(Expressed in thousands of Saudi Arabian Riyals)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Group's interim condensed consolidated financial information requires management to make judgments and estimates that affect the application of the accounting policies and reported amounts of revenues, expenses, assets, liabilities. Actual result may differ from the previous estimates as a result of the changes in the circumstances in the future. However, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual Consolidated Financial Statements against the backdrop of Covid-19 pandemic. Management believes that other than the expected credit losses arising on the financial assets, all other sources of estimation uncertainty remain similar to those disclosed in the annual Consolidated Financial Statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these Interim Condensed Consolidated Financial information are the same as those applied in the last annual Consolidated Financial Statements for the year ended 31 December 2019.

Standard/Interpretation	Description	Effective from periods beginning on or after the following date
Amendments to IFRS 3	Definition of business	1 January 2020
Amendments to IAS 1 & IAS 8	Definition of material	1 January 2020
IFRS 17	Insurance Contracts	1 January 2020
IFRS 9	Financial Instruments	1 January 2020

The Group has not early adopted any new standard, interpretation or amendment that have been issued but which are not yet effective.

5. BASIS OF CONSOLIDATION OF INTERIM CONDENSED FINANCIAL INFORMATION

Subsidiaries

These Interim Condensed Consolidated Financial Information comprising the Interim Condensed Consolidated Statement of Financial Position, Interim Condensed Consolidated Statement of Profit or Loss and other comprehensive income, Interim Condensed Consolidated Statement of Changes in Shareholders' Equity, Interim Condensed Consolidated Statement of Cash Flows and notes to the Interim Condensed Consolidated Financial Information, include assets, liabilities and the results of the operations of the Company and its subsidiaries.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition and amount of Non – Controlling Interest (“NCI”) over the fair value of the identifiable net assets acquired is recorded as goodwill in the Interim Condensed Consolidated Statement of Financial Position.

SAUDI CABLE COMPANY

(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020**

(Expressed in thousands of Saudi Arabian Riyals)

NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. If the business combination is achieved in stages, the carrying value of the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

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

Company's name	Principal activities	Country of incorporation	Percentage of ownership	
			As of March 31, 2020 (Unaudited)	As of December 31, 2019 (Audited)
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 Sirketi	Holding Company (Previously Mass Holding Company)	Turkey	100%	100%
Mass International Trading Company Limited (dormant)*	International trading	Ireland	100%	100%
Saudi Cable Company (U.A.E) L.L.C.	Sale of cables and related products	United Arab Emirates	100%	100%
Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S	Manufacture and distribution of electronic gears and goods	Turkey	94%	94%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	100%	100%
Fairhaven Holdings Ltd *	Holding company	Seychelles	100%	-
Kablat Holding Limited*	Holding company	Malta	100%	-
Gozo Gayrimenkul Anonim Sirketi*	Holding company	Turkey	100%	-
Valleta Gayrimenkul Anonim Sirketi*	Holding company	Turkey	100%	-

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in thousands of Saudi Arabian Riyals)

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

Company's name	Principal activities	Country of incorporation	Percentage of ownership	
			As of March 31, 2020 (Unaudited)	As of December 31, 2019 (Audited)
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.

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 held to maturity, loans and receivables and available for sale.

Under IFRS 9, on initial recognition, a financial asset is classified as financial assets 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.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2020
(Expressed in thousands of Saudi Arabian Riyals)

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.

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, for an item not at FVTPL, plus transaction costs that are directly attributable to its acquisition.

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 recognized as earlier 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.

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 in the Consolidated Statement of Profit or Loss.

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.

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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.

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.

6. CASH AND CASH EQUIVALENTS

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash in hand	1,112	1,119
Cash at banks	151,609	5,945
	152,721	7,064

7. ACCOUNTS RECEIVABLE

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables	280,614	288,518
Less: allowance for doubtful debts	(149,564)	(149,564)
	131,050	138,954

Allowance for doubtful debts Movement was as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
January 1	149,564	147,633
Provision (reversals) during the year	-	1,931
	149,564	149,564

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8. INVENTORIES

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Raw materials	62,482	43,587
Finished goods	47,981	37,490
Work in process	49,261	20,397
Spare parts and wooden reels	32,554	39,515
	<u>192,278</u>	<u>140,989</u>
Less: Provision for slow moving and obsolete inventories	<u>(42,544)</u>	<u>(42,110)</u>
	<u>149,734</u>	<u>98,879</u>

Provision for slow moving and obsolete inventories movement was as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
January 1	42,110	55,628
Provision for the period	434	-
Provision reversals	-	(13,518)
	<u>42,544</u>	<u>42,110</u>

9. INVESTMENT IN AN ASSOCIATE

(9.1) The movement in investments in an associate is as follows:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
January 1	318,180	321,982
Group share from profit (losses) for the year	(2,444)	395
Group share of net movement of unrealized loss relating to cash flow hedges and translation of foreign operations	(613)	(4,197)
Dividends received	(6,787)	-
	<u>308,336</u>	<u>318,180</u>

(9.2) Summarized financial information of associate company is as follows:

Midal Cable W.L.L.	Ownership %	Assets	Liabilities	Revenues	Net loss
March 31, 2020	50%	1,514,108	898,631	662,021	(4,888)
December 31, 2019	50%	1,523,524	888,394	2,831,659	790

(9.3) The Group has reduced the carrying value of investment in Xeca international Company for information technology to SAR Nil in the previous years.

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10. PROPERTY, PLANT AND EQUIPMENT

- Additions to property, plant and equipment during the period amounted to SR 307 thousand (31 December 2019: SR 1.67 million).
- Depreciation expense of property, plant, and equipment for the three months ended 31 March 2020 amounted to SAR 7.78 million (SR 8.9 million for the three months ended 31 March 2019).

11. INTANGIBLE ASSETS

- Additions to intangible assets during the period Nil (31 December 2019: SAR 780K).
- The amortization of intangible assets for the three months ended 31 March 2020 amounted to SAR 1.18 million compared to SAR 13 thousand for the three months ended 31 March 2019.

12. BANK BORROWINGS AND FINANCIAL RESTRUCTURING

The Group has several financing arrangements with local and foreign banks and development financial institutions 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 as at December 31 comprise the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Local banks	-	16,076
Lenders of subsidiaries (outside Saudi Arabia)	-	308
	<u>-</u>	<u>16,384</u>

Long-term loans comprise the following:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Restructured Loans from commercial banks	264,176	264,176
Lenders of subsidiaries (outside Saudi Arabia)	40,832	44,630
Loan from a SIDF	107,290	107,290
	<u>412,298</u>	<u>416,096</u>
Less: current portion of long term loans	<u>(51,141)</u>	<u>(37,915)</u>
Non-current portion of long term loans	<u>361,157</u>	<u>378,181</u>

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On February 23, 2016, the Group has entered into 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, with a final payment at the end of December 2022 and subject to certain additional requirements. The total debt restructured was SAR 793 million including accumulated financing costs of SAR 85 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 Financing Institutions.

On April 17, 2017, the Group had entered into a final settlement Agreement with BNP Paribas Bank on the basis of which the Group made a payment of SAR 40 million. Based on the terms of the said agreement, on receipt of SAR 40 million by BNP Paribas Bank, the loan amount of BNP Paribas Bank shall be reduced from SAR 142 million to SAR 24.99 million. Accordingly, the Group has reversed the obligation through profit and loss, by SAR 77 million.

On June 11, 2017, the Group finalized further renegotiations to "Restructuring Framework Agreement" through an amendment and restructuring by the Participating Banks (excluding BNP Paribas Bank) and have agreed to defer the repayment of the loans for a further periods. According to the terms of the said agreement, the Company shall increase its capital through issuance of right shares and settle an amount of SAR 188.38 million, from the said proceeds by 30 June 2018. The remaining amount of SAR 371.65 million is due in equal installments commencing from December 31, 2018 to June 30, 2022.

On December 25, 2018, the Group entered into a Final Settlement Agreement with National Commercial Bank and Bank Al Jazira on the basis of which Saudi Cable Company paid an amount of SAR 110 million, against receiving a waiver for the balance SAR 203 million due to these banks. Accordingly, the Group has reversed the obligation through profit and loss.

On 30 December, 2019, the Company and Saudi Industrial Development Fund reached an agreement effectively deferring majority for the dues of SR 107.29 million.

The outstanding facilities are secured by a promissory note and mortgage of part of Group's property, plant and equipment.

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	19,433	2,000	21,433
More than one year to two years	38,867	30,000	68,867
More than two years to five years	205,876	75,290	281,166
	264,176	107,290	371,466

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13. 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) assessed a zakat liability of SR 22 million on the Company for the years 2002 to 2004. The Company objection was filed in court but ended not being in its favor. As a result, the bank guarantee with BNP Paribas of SR 11 million was immediately in-cashed by the GAZT and remaining was paid during the year 2019.

GAZT issued the assessment for the years 2005 to 2007 and claimed additional zakat and withholding tax liability of SR 35.7 million. The Company objected the said assessment and approached the 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 also ruled in favor of GAZT. As a last resort, the Company file a petition with BOG, which is still under review.

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 66.97 million. The company has filed an appeal against the GAZT's assessment with the Preliminary Appeal Committee (PAC). 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.

The Company has made a final settlement with the General Authority of Zakat and Tax (GAZT) for the years 2005 to 2012 resolution No. (148/1441) and dated 29/1/2020 issued by the Committee for the settlement of Zakat and Tax disputes in the amount of SR 65.8 million, the Company paid 10% from the total due amount, and the remaining due amount for Zakat will be paid on ten instalments.

The Company has submitted the financial statements and zakat returns for the years 2013 to 2018 to the GAZT and the zakat due from these declarations has been paid and the Company has obtained restricted zakat certificates for those years, and the authority has requested additional information and documents for those years for the purpose of issuing the final Zakat assessments.

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 2018.

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Mass Projects for Power & Telecommunications Limited

The GAZT issued the Zakat assessments for the years from 1999 to 2004 and claimed additional Zakat differences of SR 3.2 million. The Company filed an objection against the GAZT assessment.

The GAZT issued the amended Zakat assessment of the Company for the years ended December 31, 1999 to 2004 based on the Company's objection, which has shown a Zakat liability reduction of SR 13,462. The Company has requested the GAZT to transfer its objection for the said years to the Preliminary Objection Committee (POC). The POC issued its decision, by which the Zakat differences were reduced by SR 2.1 million.

The Company filed an appeal against the said POC's decision with the Higher Appeal Committee (HAC) and submitted a bank guarantee of SR 1.0 million, which is still under review by HAC.

The GAZT issued the Zakat assessments for the years from 2005 to 2012 and claimed additional Zakat differences of SR 34.7 million. The Company filed an objection against the GAZT assessments, and GAZT recently issued the amended zakat assessment which has shown zakat reduced by SR 6.9 million and the objection was escalated with the POC and is still under study by the committee.

The Company has filed the financial statements and zakat returns for the years 2013 to 2018 to the GAZT and the zakat due from these assessment has been paid, and the Company has obtained restricted zakat certificates for those years. The authority has issued a final zakat assessment for the year 2016 in the amount of SR 2.7 million and the Company has complained to the Committee for the Adjudication of Tax violations and disputes, and for the rest of the years the Authority has not issued a final Zakat assessment 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 2018.

14. SHARE CAPITAL

On 2 Sha'ban 1440H (corresponding to April 7, 2019), the Board of directors of the Company recommended an increase in the Company's capital by way of a rights issue with a total value of SR 250 million by issuing 25,000,000 shares at SR 10 each. The Company's request for capital increase was approved by the Capital Market Authority on December 2, 2019 and subsequently presented and unanimously approved by the Company's shareholders at the extraordinary general assembly held on December 31, 2019. However, as the legal formalities were not completed by year ended December 31, 2019, the Company's share capital remained at SR 110,614,060 as of December 31, 2019 consisting of 11,061,406 shares at SR 10 each.

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The Company finalized procedures related to the capital increase by way of rights issue of SR 250 million where proceeds were deposited to the Company on February 20, 2020. After fulfilling all regulatory requirements, the Company's share capital post increase was SR 360,614,060 consisting of 36,061,406 shares.

15. EARNINGS PER SHARE

Earnings per share for the period ended 31 March 2020 and for the period ended 31 March 2019 were calculated by dividing the loss from operations and net loss for each period by the weighted average number of shares outstanding during the period.

16. COMMITMENTS AND CONTINGENCIES

The following are the commitments and contingencies:

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Property mortgage and guarantees	171,068	171,068
Outstanding forward metal contracts	5,491	79,180
Contingent liabilities in respect of performance and bid bonds	44,433	44,433
Authorized and contracted for capital expenditure commitments	3,738	3,738

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.

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).

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

	Sale of goods		Contract revenue		Total	
	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Assets	1,289,539	1,065,426	189,378	182,110	1,478,917	1,247,536
Liabilities	862,950	841,852	321,256	313,919	1,184,206	1,155,771
Net Sales	41,565	291,289	17,967	89,985	59,532	381,274
Net Loss	(43,129)	(71,055)	(68)	9,224	(43,197)	(61,831)

	Sale of goods		Contract revenue		Total	
	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)	March 31, 2020 (Unaudited)	March 31, 2019 (Unaudited)
Assets	1,289,539	1,168,895	189,378	184,385	1,478,917	1,353,280
Liabilities	862,950	899,007	321,256	323,350	1,184,206	1,222,357
Net Sales	41,565	93,475	17,967	8,982	59,532	102,457
Net Loss	(43,129)	(33,794)	(68)	1,699	(43,197)	(32,095)

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	Other	Total
March 31, 2020 (Unaudited)					
Assets	1,059,207	51,178	368,344	188	1,478,917
Liabilities	861,674	16,892	305,640	-	1,184,206
Net Sales	58,849	-	683	-	59,532
Net Loss	(44,000)	(523)	1,326	-	(43,197)

	Saudi Arabia	UAE	Turkey	Other	Total
March 31, 2019 (Unaudited)					
Assets	908,226	35,232	409,822	-	1,353,280
Liabilities	887,156	2,371	332,830	-	1,222,357
Net Sales	90,845	2,286	9,326	-	102,457
Net loss	(25,036)	(637)	(6,422)	-	(32,095)

	Saudi Arabia	UAE	Turkey	Other	Total
December 31, 2019 (Audited)					
Assets	842,451	36,667	368,230	188	1,247,536
Liabilities	846,946	1,860	306,895	70	1,155,771
Net Sales	348,626	6,391	26,257	-	381,274
Net loss	(41,223)	1,303	(21,911)	-	(61,831)

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18. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying amount		Fair Value			Total
	Amortized Cost	Fair Value	Level (1)	Level (2)	Level (3)	
March 31, 2020						
Financial Assets						
Cash and cash equivalents	152,721	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	45	-	45	-	45
Retentions receivable	100,715	-	-	-	-	-
Accounts receivable, other receivable and due from related parties	360,175	-	-	-	-	-
	613,611	45	-	45	-	45
Financial Liabilities						
Accounts payable	300,530	-	-	-	-	-
Due to related parties	51,824	-	-	-	-	-
Derivative Financial instruments	-	586	-	586	-	586
Long term loans	412,298	-	-	-	-	-
	764,652	586	-	586	-	586
December 31, 2019						
Financial Assets						
Cash and cash equivalents	7,064	-	-	-	-	-
Financial assets at fair value through other comprehensive income	-	45	-	45	-	45
Derivative Financial instruments	-	2,703	-	2,703	-	2,703
Retentions receivable	96,017	-	-	-	-	-
Accounts receivable, other receivable and due from related parties	305,542	-	-	-	-	-
	408,623	2,748	-	2,748	-	2,748
Financial Liabilities						
Accounts payable	283,022	-	-	-	-	-
Due to related parties	56,022	-	-	-	-	-
Short term loans	16,384	-	-	-	-	-
Long term loans	416,096	-	-	-	-	-
	771,524	-	-	-	-	-

19. SUBSEQUENT EVENTS

Subsequent to the period ended March 31, 2020, the Group signed a financial restructuring agreement with Al Rajhi Bank, its last commercial lender. The said agreement, dated June 1, 2020 was to further restructure outstanding debt of SR 264.18 million over 2 tranches due collectively over 7 years with early periods being grace. Rescheduled facilities were secured by signed promissory notes.

20. BOARD OF DIRECTORS APPROVAL

This Interim Condensed Consolidated Financial information was approved by the Board of Directors on behalf of the Shareholders on 25 Shawwal 1441H corresponding to June 17, 2020.