MIDDLE EAST SPECIALIZED CABLES COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REVIEW REPORT
FOR THE THREE AND TWELVE MONTHS PERIODS ENDED
31 DECEMBER 2016

Crowe Horwath™
Al Azem & Al Sudairy
CPA's & Consultants
Member Crowe Horwath International

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND TWELVE MONTHS PERIODS ENDED
31 DECEMBER 2016
TOGETHER WITH AUDITORS' REPORT ON THE REVIEW OF INTERIM
FINANCIAL STATEMENTS

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AUDITORS' REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

TO: SHAREHOLDER'S OF
MIDDLE EAST SPECIALIZED CABLES COMPANY
(A Saudi Joint Stock Company)

Scope of Examination: We have examined the accompanying interim consolidated balance sheet of **Middle East Specialized Cables Company (A Saudi Joint Stock Company)** as of December 31, 2016 and the related interim consolidated statements of income for the three and twelve months periods then ended; cash flows, changes in shareholders' equity for twelve months period then ended, and the notes from (1) to (13) which are an integral part of these interim consolidated financial statements which have been prepared by the Company's management and submitted to us together with all the information and explanations which we requested. These interim consolidated financial statements are the responsibility of the Company's management.

Our examination was limited in accordance with the Saudi Organization for Certified Public Accountants standard on interim financial statements. The limited examination consists principally of analytical procedures applied to financial data and inquiries of the Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, 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.

Conclusion: Based on our limited review, we are not aware of any material modifications that should be made to the interim consolidated financial statements to be in conformity with generally accepted accounting principles in the Kingdom of Saudi Arabia.

Al Azem & Al Sudairy
Certified Public Accountants

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Riyadh, Saudi Arabia

MIDDLE EAST SPECIALIZED CABLES COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 December 2016

(Saudi Riyals)	Note	2016 (Unaudited)	2015 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents		**26,846,860**	34,949,383
Accounts receivable, net		**405,880,780**	369,665,015
Current portion of retention receivables, net		**21,284,705**	8,954,862
Inventory, net		**196,033,130**	231,885,826
Due From related parties		**654,051**	--
Prepayments and other current assets	5	**21,457,847**	27,706,073
Total current assets		**672,157,373**	673,161,159
Non-current assets			
Available for sale investments		**4,537,348**	--
Retention receivable, net		**30,981,112**	33,482,146
Fixed assets, net		**333,133,748**	428,315,864
Intangible assets, net		**1,533,591**	1,294,485
Total non-current assets		**370,185,799**	463,092,495
Total assets		**1,042,343,172**	1,136,253,654
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Short-term loans	4	**102,698,298**	141,223,832
Current portion of long-term loans	4	**118,589,168**	160,880,703
Accounts and notes payable		**159,856,373**	132,204,355
Due to a related party	5	**42,815,363**	2,438,725
Accrued expenses and other current liabilities		**77,367,982**	59,207,828
Total current liabilities		**501,327,184**	495,955,443
Non-current liabilities			
Long-term loans	4	**75,026,867**	296,933,623
Employees' end of service benefits		**21,045,385**	32,685,260
Total non-current liabilities		**96,072,252**	329,618,883
Total liabilities		**597,399,436**	825,574,326
EQUITY			
Equity attributable to shareholders			
Share capital	7	**600,000,000**	600,000,000
Statutory reserve		**28,985,180**	28,985,180
Accumulated losses		**(175,102,261)**	(254,992,562)
Unrealized gain on available for sale investments		**4,537,348**	--
Total equity attributable to shareholders		**458,420,267**	373,992,618
Non-controlling interest		**(13,476,531)**	(63,313,290)
Total equity		**444,943,736**	310,679,328
Total liabilities and equity		**1,042,343,172**	1,136,253,654

The attached notes 1 to 13 form part of these interim consolidated financial statements.

MIDDLE EAST SPECIALIZED CABLES COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the three and twelve month periods ended 31 December 2016

(Saudi Riyal)

	Note	For the three months period ended 31 December		For the Twelve months period ended 31 December	
		2016	2015	**2016**	2015
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Audited)
Sales		**205,659,478**	181,344,209	**837,985,831**	887,687,031
Cost of sales		**(169,736,984)**	(172,102,274)	**(715,646,355)**	(806,951,402)
GROSS PROFIT		**35,922,494**	9,241,935	**122,339,476**	80,735,629
EXPENSES					
Selling and marketing expenses		**(11,876,680)**	(14,437,926)	**(41,570,772)**	(71,132,076)
General and administrative expenses		**(11,997,298)**	(11,515,262)	**(40,760,969)**	(43,870,720)
Cost of unutilized production capacity		**(2,816,979)**	(6,796,897)	**(12,390,563)**	(23,856,169)
Impairment of fixed assets		--	(61,484,700)	--	(61,484,700)
TOTAL EXPENSES		**(26,690,957)**	(94,234,785)	**(94,722,304)**	(200,343,665)
INCOME (LOSS) FROM OPERATIONS		**9,231,537**	(84,992,850)	**27,617,172**	(119,608,036)
Financial charges	*4*	**(5,652,715)**	(7,074,711)	**(23,065,206)**	(29,538,073)
Other income (expense), net		**196,010**	(1,773,530)	**72,449,183**	(507,435)
INCOME (LOSS) BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS		**3,774,832**	(93,841,091)	**77,001,149**	(149,653,544)
Zakat and income tax	*6*	**(2,372,547)**	2,352,232	**(7,778,948)**	(3,572,768)
INCOME (LOSS) BEFORE NON CONTROLLING INTEREST		**1,402,285**	(91,488,859)	**69,222,201**	(153,226,312)
Non-controlling interests		**3,006,679**	34,177,029	**10,668,100**	49,525,448
NET INCOME (LOSS) FOR THE PERIOD		**4,408,964**	(57,311,830)	**79,890,301**	(103,700,864)
Earnings (Loss) per share:	*8*				
Attributable to:					
Income (loss) from operations		**0.15**	(1.42)	**0.46**	(1.99)
Net income (loss) for the period		**0.07**	(0.96)	**1.33**	(1.73)

The attached notes 1 to 13 form part of these interim consolidated financial statements.

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the twelve months period ended 31 December 2016
(Saudi Riyal)

	2016 (Unaudited)	2015 (Audited)
OPERATING ACTIVITIES		
Income / (loss) before zakat and income tax and non-controlling	77,001,149	(149,653,544)
Adjustments to:		
Depreciation and amortization	35,646,606	41,955,071
Impairment of fixed assets	--	61,484,700
Provision for doubtful receivables	49,543	22,324,852
Provision for doubtful retention receivables and impairment	932,444	8,629,833
Provision for slow moving inventory	3,715,431	19,611,938
Loss from sale of available for sale investments	--	1,623,580
Reversal of amounts due to subsidiary	(73,932,544)	--
Provision for employees' end of service benefits	4,355,735	9,141,830
	47,768,364	15,118,260
Changes in operating assets and liabilities:		
Accounts receivable	(47,153,894)	47,075,230
Retention receivable	(10,761,253)	(767,353)
Prepayment and other current assets	3,321,377	1,862,413
Inventory	9,260,429	2,656,326
Accounts and notes payable	43,270,491	9,587,315
Due from/to a related party	(12,363,044)	395,499
Accrued expenses and other current liabilities	24,588,620	1,269,879
	57,931,090	77,197,569
Employees' end of service benefits paid	(6,406,072)	(1,881,475)
Zakat and income tax paid	(7,929,748)	(8,928,513)
Net cash from operating activities	43,595,270	66,387,581
INVESTING ACTIVITIES		
Proceeds from sale of available for sale investments	--	3,221,582
Additions to fixed assets	(2,133,192)	(8,668,662)
Additions to Other intangible assets	(670,838)	--
Net cash used in investing activities	(2,804,030)	(5,447,080)
FINANCING ACTIVITIES		
Repayments of short term loans	(1,440,610)	(17,369,873)
Repayments of long term loans	(44,232,576)	(34,910,020)
Net cash used in financing activities	(45,673,186)	(52,279,893)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(4,881,946)	8,660,608
Cash and cash equivalents at the beginning of the period	31,728,806	26,288,775
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26,846,860	34,949,383
NON CASH TRANSACTIONS:		
Unrealized gain (loss) on available for sale investments	4,537,348	938,837

The attached notes 1 to 13 form part of these interim consolidated financial statements.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)

For the twelve months period ended 31 December 2016
(Saudi Riyal)

	Equity attributable to shareholders						
	Share capital	Statutory reserve	Accumulated losses	Unrealized gain / (loss) on available for sale investments	Total equity attributable to shareholders	Non-controlling interest	Total equity
Balance as at 1 January 2016	**600,000,000**	**28,985,180**	**(254,992,562)**	--	**373,992,618**	**(63,313,290)**	**310,679,328**
Net Income for the period	--	--	**79,890,301**	--	**79,890,301**	**(10,668,100)**	**69,222,201**
Unrealized gain on available for sale investment	--	--	--	**4,537,348**	**4,537,348**	--	**4,537,348**
Net Change in Non-Controlling Interest	--	--	--	--	--	**60,504,859**	**60,504,859**
Balance as at 31 December 2016 (Unaudited)	**600,000,000**	**28,985,180**	**(175,102,261)**	**4,537,348**	**458,420,267**	**(13,476,531)**	**444,943,736**
Balance as at 1 January 2015	600,000,000	28,985,180	(147,469,998)	(598,147)	480,917,035	(16,619,046)	464,297,989
Net loss for the period	--	--	(103,700,864)	--	(103,700,864)	(49,525,448)	(153,226,312)
Unrealized loss transferred to income statement on sale	--	--	--	598,147	598,147	340,690	938,837
Net changes in non-controlling interest	--	--	(3,821,700)	--	(3,821,700)	2,490,514	(1,331,186)
Balance as at 31 December 2015 (Audited)	600,000,000	28,985,180	(254,992,562)	--	373,992,618	(63,313,290)	310,679,328

The attached notes 1 to 13 form part of these interim consolidated financial statements.

1 ORGANISATION AND ACTIVITIES

Middle East Specialized Cables Company ("MESC") (the "Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia, under commercial registration number 1010102402 dated 10 Jumada Awal 1413H (corresponding to 4 November 1992).

The Company and its subsidiaries mentioned below (collectively the "Group") are engaged in the production and sale of flexible electric, coaxial, rubber and nylon coated wires and cables, telephone cables for internal extensions, computer cables, safety and anti-fire wires and cables and control and transmission of information cables.

The address of the Company's registered office is as follows:

Al Bait project, Building no. 1
Salahuddin Street
P.O.Box 585
Riyadh 11383
Saudi Arabia

The Company had the following subsidiaries & investments as at 31 December 2016. The financial statements of these subsidiaries are consolidated, and the investments are recorded at fair market value, in these interim consolidated financial statements.

Subsidiary	Legal status	Current legal ownership % 2016	2015	Country of Incorporation	Financial Year end
Middle East Specialized Cables Company-Jordan(MESC Jordan) *(a)*	Joint Stock Company	**19.9**	49	Jordan	31 December
MESC for Medium and High Voltage Cables Company *(b)*	Closed Joint Stock Company	**57.5**	69.14	Jordan	31 December
MESC - Ras Al-Khaimah	Liability Company	**100**	100	United Arab Emirates	31 December

a) On 28 March 2016, with an aim to restructure MESC Jordan ownership, the Company has entered into a share sale agreement whereby the Company sold and legally transferred ownership of 29.1% of shares in MESC Jordan. In April 2016, the composition of the board of directors of MESC Jordan was changed and as a result of the share sale transaction reducing the ownership in MESC Jordan, MESC-KSA was required to reduce its board representation of MESC Jordan leading to a loss of control. Therefore, MESC KSA stopped consolidating MESC Jordan from 01 April 2016.

b) Ownership in MESC for Medium and High Voltage Cables Company is 57.5% directly and remaining indirectly through its subsidiary, Middle East Specialized Cables Company – Jordan.

2 BASIS OF PREPARATION

a) Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA) applicable for interim financial reporting.

BASIS OF PREPARATION (continued)

b) Basis of measurement

These interim consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of held for trading investments and available for sale investments, using the accrual basis of accounting and going concern concept.

The interim consolidated financials have been prepared on a going concern basis, which assumes that the group will continue to operate and meet commitments to its customers, vendors and lenders.

As at 31 December 2016, the Group has accumulated losses of SR 175 million, of these accumulated losses Jordanian operations have contributed SR 230 million loss, which has been offset by retained earnings of SR 55 million from the Saudi and UAE operations of the Group. The Saudi and UAE operations generate 85% of the Group's total revenue with all the operating segments, including operations in Jordan, generating gross operating profit. The Jordanian operations are operating at 34% of its normal capacity and therefore has resulted in a net loss situation for the Jordanian operations.

To stop the continual increase in the accumulated losses and to turn the Jordanian operations into profit, the management is taking the following corrective actions:

- right sizing of the operations;
- focusing on acquiring new business in the region; and
- renegotiating the credit facilities on favorable terms.

Further the Group:

- overall is generating positive operating cash flows SR 43.6 million for 2016 (2015: SR 66.4 million);
- has a positive current ratio; and
- all segments generating positive gross margins.

At this time, the Management is of the opinion that no asset is likely to be realized for an amount less than the amount at which it is recorded in the financial statement as at 31 December 2016.

Further, the Group companies also have syndicated loans. Under the terms of loan agreements, the banks have the right to demand immediate repayment of the loans if any covenants are not met. As of 31 December 2016, the Group was not in compliance with certain covenants, and the management is in the process of obtaining a waiver from the banks for such covenants. Loans where the covenant conditions have not been met have been included under current liabilities. The ongoing viability of the Group entities and their ability to continue as a going concern and meet their debts and commitments as they fall due are mainly dependent upon the Group entities being successful in:

- receiving the continuing support of its banks; and
- achieving forecast operational performance and generating sufficient future cash flows to meet its business objectives and financial obligations.

The Management is confident that the Group will be successful in the above matters and will be able to continue in operations for the foreseeable future and has accordingly prepared these financial statements on a going concern basis.

c) Functional and presentation currency

These interim consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional and reporting currency of the Company.

2 BASIS OF PREPARATION (continued)

d) Basis of consolidation

These interim consolidated financial statements include the assets, liabilities and the results of the operations of the Company and its subsidiaries as stated in note 1 above.

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the interim consolidated financial statements from the date that control commences until the date that control ceases.

Wherever necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group transactions, balances, income and expenses including unrealized gain and losses entities are eliminated in full on consolidation.

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

e) Use of estimate and judgment

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

It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.
Significant areas where management has used estimates, assumptions or exercised judgment are as follows:

i) Provision for slow moving inventory items

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

ii) Impairment of available for sale investment

The Group exercises judgment to calculate the impairment loss of available for sale investments as well as their underlying assets. This includes the assessments of objective evidence which causes other than temporary decline in the value of investments. Any significant and prolonged decline in the fair value of equity investments below its cost is considered objective evidence for the impairment. The determination of what is "significant and prolonged" requires judgment. The Group also considers impairment to be appropriate when there is evidence of deterioration in the financial health of investee, industry and sector performance, changes in technology, and operational and financing cash flow.

2 BASIS OF PREPARATION (continued)

e) Use of estimate and judgment (continued)

iii) Impairment of accounts receivable

A provision for impairment of accounts receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the account receivables are impaired. For significant individual amounts, assessment is made on individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time and past recovery rates.

iv) Impairment of non-financial assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable is the higher of an asset's or cash generating unit's (CGU) fair value less cost to sell, and 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 groups.

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 price or, if no observable market price exists, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted cash flow calculations.

3 SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 December 2015. Certain of the prior period amounts have been reclassified to conform to the presentation in the current period, however no such reclassification were material to the overall presentation of the interim consolidated financial statements.

The significant accounting policies of the Group are set out below:

a) Cash and cash equivalents

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

b) Accounts receivable

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Inventories

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

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

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

d) Investments

Available for sale investments
Available for sale investments principally consist of less than 20% share in quoted and unquoted equity investments including mutual funds investments, which are not held for trading purposes and where the Group does not have any significant influence or control. These are initially recognized and subsequently re-measured at fair value. Any changes in fair value are recognized in equity as fair value reserve until the investment is disposed. Any significant and prolonged decline in value of the available for sales investments, if any, is charged to the interim consolidated statement of income. The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the interim consolidated balance sheet date. For investments where there is no active market, including investments in unquoted privet equity, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument, which is substantially the same; discounted cash flow analysis and option pricing models, otherwise the cost is considered to be the fair value for these investments.

Investment in an associate
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investment in associates are initially recognized at cost. The Company's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The interim consolidated financial statements include the Group's share of income and expenses and equity movement of the investment in associates from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate. The Group's share of profits or losses of the investee companies is credited or charged to the interim consolidated statement of income as "Share in results of Investment in Associates".

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Intangible assets - software

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful life of 6 years. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

f) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and any impairment in value. Land and capital work in progress are not depreciated. The fixed assets are depreciated on a straight line basis over the estimated useful lives of the assets.

The following annual rates are applicable:

	Rate
Buildings	5%
Plant and machinery	7%-25% (accessories and testing equipment)
Furniture, fixture and office Equipment	10%-15%
Vehicles	25%

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of fixed assets. All other expenditures are recognized in the interim consolidated statement of income when incurred.

g) Provisions

A provision is recognized if, as a result of past events, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit, will be required to settle the obligation.

h) Statutory reserve

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 30% of its share capital. This statutory reserve is not available for distribution to shareholders.

i) Revenue recognition

Revenue from sales is recognized upon delivery of products by which the significant risks and rewards of ownership of the goods are transferred to the buyer and the Group has no effective control or continuing managerial involvement to the degree usually associated with ownership over the goods. Sales is recorded net of returns, trade discounts and volume rebates.

j) Expenses

Selling and marketing expenses are those arising from the Company's efforts underlying the marketing, selling and distribution functions. All other expenses, excluding cost of sales and financial charges, are classified as general and administrative expenses. Allocations of common expenses between cost of sales and selling, marketing, general and administrative expenses, when required, are made on a consistent basis.

k) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Foreign currency translation

Transactions and balances
Transactions denominated in foreign currencies are translated to the functional currency of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency of the Company at the exchange rate ruling at that date. Exchange difference arising on translation are recognized in the interim consolidated statement of income currently.

Foreign subsidiaries and associates
The results and financial position of foreign subsidiaries and associates having reporting currencies other than functional currency of the Company, are translated into the functional currency. Cumulative adjustments resulting from the translations are reported as a separate component of equity.

When investment in a foreign subsidiary and associate is partially disposed off or sold, currency translation differences that were recorded in equity are recognized in interim consolidated income statement as part of gain or loss on disposal or sale.

m) Earning / (Loss) per share

Earnings / (Loss) per share attributable to income(loss) from operations and net income (loss) for the period are calculated by dividing income (loss) from operations and net income (loss) for the period, respectively, by the number of shares outstanding.

4 BANK BORROWINGS

a) Short term loans

	2016 (Unaudited)	2015 (Audited)
Short term loan	**41,698,298**	91,723,832
Murabaha loan	**61,000,000**	49,500,000
	102,698,298	141,223,832

Murabaha and term loans are obtained from various financial institutions and are secured by promissory notes, corporate guarantees and pledge of certain fixed assets. The facilities bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements.

b) Long term loans

	2016 (Unaudited)	2015 (Audited)
Presented in the balance sheet as follows:		
Current portion of long term loans	**118,589,168**	160,880,703
Long term loans	**75,026,867**	296,933,623
	193,616,035	457,814,326

i. During the period ended 31 December 2015, the subsidiary (Middle East Specialized Cables Company - Jordan) signed a new loan restructuring agreement (the "Agreement") with its bankers to restructure its short term loans, which has been converted into a syndicated loan.

ii. Current portion on long term loans include a loan balance of SR 83 million (2015: SR 115 million) which as per original loan contract is not due within 12 months however the Loan agreements contains certain covenants that were not met at 31 December 2016. As the banks have the right to demand immediate repayment of the loans in case of a covenant breach, this balance has been classified into current liabilities.

4 BANK BORROWINGS (continued)

iii. Long term loans are obtained from various financial institutions and are secured by promissory notes, corporate guarantees and pledge of certain fixed assets.

5 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Group consists of its shareholders and affiliate companies. In the ordinary course of business, the Group enters into transactions with related parties which are based on prices and contract terms approved by the Group's management. Following are the details of major related party transactions during the period ended 31 December 2016 and 31 December 2015 along with their balances:

a) Transactions with related parties

Significant related party transactions during the period were as follows:

Related party	Relationship	Nature of transactions	2016 (Unaudited)	2015 (Audited)
Middle East Fiber Cable Manufacturing Company	Affiliate	Raw material purchases	**1,940,028**	2,893,069
		Sales	**3,409,173**	125,792
CONTRACTORS SERVICES CO.	Affiliate	Sales	**760,280**	-
Middle East Specialized Cables Company- Jordan (MESC Jordan)	Affiliate	Raw material purchases	**30,026,514**	-
		Sales	**16,734,533**	-

The above transactions resulted in the following amounts due from and due to a related party at balance sheet date:

b) Due from a related party

	2016 (Unaudited)	2015 (Audited)
Middle East Fiber Cable Manufacturing Company	**654,051**	-
	654,051	-

c) Due to a related party

	2016 (Unaudited)	2015 (Audited)
Middle East Fiber Cable Manufacturing Company	--	2,438,725
Middle East Specialized Cables Company- Jordan (MESC Jordan)	**42,815,363**	
	42,815,363	2,438,725

6 ESTIMATED ZAKAT INCOME TAX

Zakat has been calculated in accordance with the Department of Zakat and Income Tax (DZIT) Regulations. The Company has filed its Zakat declaration for the years up to 31 December 2015. No final assessment is received from DZIT since 2008 onwards.

Movement of the Company's Zakat provisions for the period ended 31 December comprise the following:

	2016 Unaudited	2015 Audited
Balance at beginning of the period	**12,473,324**	17,829,069
Zakat provision for the period	**7,778,948**	9,650,000
Reversal of zakat provision	--	(6,077,232)
Paid during the year	**(7,929,748)**	(8,928,513)
	12,322,524	12,473,324

7 SHARE CAPITAL

The Company's share capital is divided into 60 million shares as of 31 December 2016 (31 December 2015: 60 million shares) of SR 10 each.

8 EARNINGS / (LOSS) PER SHARE

Earnings / (Loss) per share attributable to income (loss) from operations and net income (loss) for the period are calculated by dividing income (loss) from operations and net income (loss) for the period, respectively, by the number of shares outstanding of 60 million as at 31 December 2016.

9 SEGMENT INFORMATION

a) The Group's operations are carried out in three principal geographical locations, Kingdom of Saudi Arabia, Jordan and United Arab Emirates. Selected financial information as of 31 December and for the years then ended, summarized by geographic area, are as follows:

	Segment				
	Saudi Arabia	**Jordan**	**United Arab Emirates**	**Elimination of Intersegment transactions and balances**	**Total**
As at and for period ended 31 December2016					
Sales	**705,292,480**	**122,096,033**	**235,951,408**	**(225,354,090)**	**837,985,831**
Gross profit	**95,757,550**	**3,604,718**	**22,977,208**	**--**	**122,339,476**
Cost of unutilized production capacity	**--**	**(12,390,563)**	**--**	**--**	**(12,390,563)**
Net income / (loss) before non-controlling interest	**91,250,152**	**(25,788,433)**	**3,760,482**	**--**	**69,222,201**
Total assets	**859,758,590**	**157,570,368**	**335,594,495**	**(310,580,281)**	**1,042,343,172**
Total liabilities	**401,338,325**	**165,673,419**	**154,848,002**	**(124,460,310)**	**597,399,436**

	Segment				
	Saudi Arabia	Jordan	United Arab Emirates	Elimination of Intersegment transactions and balances	Total
As at and for period ended 31 December 2015					
Sales	654,584,868	191,908,886	217,045,185	(175,851,908)	887,687,031
Gross profit	67,624,212	(3,234,521)	16,345,938	--	80,735,629
Cost of unutilized production capacity	--	(23,856,169)	--	--	(23,856,169)
Impairment of fixed assets	--	(61,484,700)	--	--	(61,484,700)
Net income / (loss) before non-controlling interest	(27,812,991)	(125,725,079)	311,758	--	(153,226,312)
Total assets	756,306,462	321,082,153	340,963,543	(282,098,504)	1,136,253,654
Total liabilities	382,313,844	446,792,493	137,116,059	(140,648,070)	825,574,326

b) Sales from one customer of the Group's operations in KSA represented SR 67.3 million (2015: SR 80.3 million) of the Group's total sales.

c) The Group's operations, primary segmentation, is on a geographical basis, with similar product ranges.

10 COMMITMENT AND CONTINGENCIES

a) At 31 December 2016, the Company has outstanding bank guarantees of SR 156.66 million (2015: SR 139.67 million) issued by the local and foreign banks in respect of performance bonds.

b) At 31 December 2016, the Company has outstanding bank letter of credits of SR 30.75 million (2015: SR 45.05 million) issued by the Company's banks against certain purchase of raw materials and other supplies.

11 RISK MANAGEMENT

Financial assets of the Group consists of cash and cash equivalents, accounts and others receivables, held for trading investments, available for sale investments and other assets. Financial liabilities of the Group consist from bank loans, account payables and other liabilities.

The Group activities expose the business to a number of key risks, which have the potential to affect its ability to achieve its business objectives.

Fair value risk

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As the accompanying interim consolidated financial statements are prepared under the historical cost method, except for the revaluation of the available-for-sale at fair value through equity, differences may arise between the book values and the fair value estimates.

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 and arises principally from Group, bank balances, accounts, and others receivable including due from related parties.

The credit risk in respect of bank balances is considered by management to be insignificant, as the balances are mainly held with reputable banks in the Kingdom of Saudi Arabia, Jordan and United Arab Emirates.

The Group attempts to monitor credit risk relating to accounts receivable by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties. As at period end, the counterparties have sound financial position and have ability to repay their dues.

Market risk

Market risk is the risk to change in fair value of financial instruments from fluctuation in foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk), whether such changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyal (SR), United States Dollars (USD), United Arab Emirates Dirham (AED) and Jordanian Dinar (JD). The Group is not exposed to

significant currency risk as SR and JD are pegged to the USD. Management believes that the Group is not significantly exposed to currency risk, as the parent company monitors the risk at the group level and takes required action to manage currency risk with respect to AED when required.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group monitors interest rates on a currency-by-currency basis. The modified duration of the fixed income investments in each currency is used as an indicator of the sensitivity of the assets to changes in current interest rates. Interest rate risk exposure on bank loan is controlled by close monitoring of interest rate throughout the period. Immediate action is taken to stem any significant fluctuations.

Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available to meet the Group's future commitments.

12 CURRENT MARKET CONDITION

The current period results may not be an accurate reflection of the results for future years due to any potential impact of the current local and global market and economic conditions.

13 APPROVAL OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements were authorized for issuance by Board of Director on 19 January 2017.