

**MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**



Crowe Horwath™

Al Azem & Al Sudairy
CPA's & Consultants
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(A SAUDI JOINT STOCK COMPANY)
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INDEPENDENT AUDITOR'S REPORT

**TO: TO THE SHAREHOLDERS
MIDDLE EAST SPECIALIZED CABLES COMPANY
A Saudi Joint Stock Company**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **MIDDLE EAST SPECIALIZED CABLES COMPANY (the "Company ") and its subsidiary (collectively the "Group")**, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note (1-b) of the consolidated financial statements which describes that the extra ordinary General Assembly of the subsidiary in Jordan "MESC for Medium and High Voltage Cables Company" decided in their Meeting dated on October 11, 2017 to liquidate the company and appointed a liquidator to complete the necessary government procedures. As a result of that, Middle East Specialized Cables Company (MESC KSA) lost control over this investment. Consequently, MESC KSA stopped consolidating MESC for Medium and High Voltage Cables Company from October 11, 2017 and considered as discontinued operations (note 33). Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition	
Key audit matter	How the matter was addressed in our audit
<p>The Group recognized revenue of SR 675.1 million for the year ended 31 December 2017 (2016: SR 759.4 million). Revenue represents the sale of goods.</p> <p>The Group recognizes revenue from sale of goods when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:</p> <ul style="list-style-type: none"> • The Group has transferred to the buyer the significant risks and rewards of ownership of the goods; • The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; • The amount of revenue can be measured reliably; • It is probable that the economic benefits associated with the transaction will flow to the Group; and ▪ The costs incurred or to be incurred in respect of the transaction can be measured reliably. <p>Revenue recognition is considered a key audit matter as there is a risk that revenue may be misstated due to management's override of control and amount of revenue recognized in a financial period can have a material effect on the consolidated financial performance.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> - Considering the appropriateness of revenue recognition as per the Group's policies including those relating to discounts and assessing compliance with applicable accounting standards; - Testing the design and effectiveness of internal controls implemented by the Group through the revenue cycle; - Testing sales transactions taking place at either side of the consolidated statement of financial position date to assess whether the revenue was recognized in the correct period; - Performing analytical review on revenue based on trends monthly sales and profit margins.
Refer to note (2) for the accounting policy and note (5) for related disclosures.	

Key Audit Matters (Continued)

Impairment of trade receivables	
Key audit matter	How the matter was addressed in our audit
<p>The Group's trade receivables, net balance was SR 429.7 million as at 31 December 2017 (31 December 2016: SR 457.7 million and 1 January 2016: SR 412.1 million). Management estimates the collectible amount of trade receivables. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments in the portfolio past the credit period of 60 to 120 days as well as observable changes in national or local economic conditions that correlate with default on receivables.</p> <p>We considered impairment of trade receivables as a key audit matter due to the significant management judgment involved in determining the provision for doubtful debts and that the existence and carrying value of trade receivables could be material to the performance of the Group and to the Group's assets.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> - Considering the appropriateness of impairment of trade receivables as per the Group policies and assessing compliance with applicable accounting standards; - Testing the design and effectiveness of internal controls implemented by the Group through the trade receivables cycle; - Critically considering management's assumption used in determining impairment losses for both specific and collective loss components; - Identifying those trade receivables with credit risk exposure and checking if they are properly included in management's impairment assessment; - Examining on a sample basis, evidence related to post year-end cash receipts. - We re-calculated the provision against trade receivables based on the Group's policies to ensure that the provision is appropriate at the consolidated statement of financial position date.
Refer to note (2) for the accounting policy and note (14) for related disclosures.	

Key Audit Matters (Continued)

Valuation of inventory	
Key audit matter	How the matter was addressed in our audit
<p>As at 31 December 2017, the Group's inventories balance was SR 158.9 million (31 December 2016: SR 195 million and 1 January 2016: SR 228.7 million) net of allowance for slow moving inventories of SR 21.9 million (31 December 2016: SR 26.4 million and 1 January 2016: SR 39.7 million)</p> <p>Inventories are stated at the lower of cost and net realizable value. The Management reassess allowance for slow moving inventories in consideration of the nature and useful life of inventory to write off the inventory cost override the amount of realizable value.</p> <p>We considered valuation of inventories as a key audit matter due to the significant management judgment involved in determining the allowance for slow moving inventories and the level of inventories write down required based on net realizable value assessment.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> - Considering the appropriateness of allowance for slow moving inventories as per the Group policies and assessing compliance with applicable accounting standards; - Testing the design and effectiveness of internal controls implemented by the Group through the inventory cycle; - Testing the net realizable value of finished goods inventories by considering actual sales post yearend and the assumptions used by the management to check whether inventories are valued at the lower of cost and net realizable value.
Refer to note (2) for the accounting policy and note (13) for related disclosures.	

Key Audit Matters (Continued)

IFRS conversion	
Key audit matter	How the matter was addressed in our audit
<p>For all periods up to and including the year ended 31 December 2016, the Group prepared its consolidated financial statements in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia as issued by SOCPA ("Previous GAAP").</p> <p>The Group adopted IFRS as from 1 January 2017. These consolidated financial statements for the year ended 31 December 2017 are the first annual consolidated financial statements prepared in accordance with IFRS that are endorsed in Kingdom of Saudi Arabia and other standards and pronouncement issued by SOCPA.</p> <p>The Group has prepared these annual consolidated financial statements that comply with IFRS that are endorsed in KSA as at 31 December 2017, as well as for presenting the relevant comparative period data for the year ended 31 December 2016. In compliance with the requirements of IFRS 1 endorsed in the Kingdom of Saudi Arabia, the Groups' opening consolidated statement of financial position was prepared as at 1 January 2016 ("transition date") after incorporating required adjustments to reflect the transition to IFRS that are endorsed in KSA from the Previous GAAP. We considered this a key audit matter as the basis of accounting is fundamental to the presentation and preparation of the consolidated financial statements.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> - Considering the Group's governance process around the adoption of IFRS as endorsed in Kingdom of Saudi Arabia especially, in relation to matters requiring management to exercise its judgment; - Obtaining an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as Kingdom of Saudi Arabia which can impact the Group's consolidated financial statement; - Evaluating the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in Kingdom of Saudi Arabia and our understanding of the Groups' business and its operations; - Testing the transition adjustments by considering management's gap analysis the underlying financial information and the computation of these adjustments; and - Evaluating the disclosures made in relation to the transition to IFRS as endorsed in Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1.
Refer to note (2) for the accounting policy and note (26) for related disclosures.	

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, Regulations for Companies and Company's By-laws, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.


From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, consolidated financial statements of **MIDDLE EAST SPECIALIZED CABLES COMPANY (the "Company")** and its subsidiary (collectively the **"Group"**), taken as a whole, comply with the requirements of the Regulations for Companies and Company's By-laws with respect to the preparation and presentation of consolidated financial statements.



AlAzem & AlSudairy
Certified Public Accountants



Salman B. AlSudairy
License No. 283

9 Rajab 1439H (March 26, 2018)
Riyadh, Kingdom of Saudi Arabia

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	Note	December 31, 2017 SR	December 31, 2016 SR (Restated)	January 1, 2016 SR (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	10	214,389,540	337,448,906	432,971,957
Available for sale investment	11	-	4,537,348	-
Intangible assets	12	2,631,799	1,533,591	1,294,485
Non-current accounts receivable	14	38,579,942	31,129,074	33,949,539
Total non-current assets		255,601,281	374,648,919	468,215,981
Current assets				
Inventories	13	158,941,167	195,014,511	228,667,281
Accounts receivable	14	428,693,558	444,730,963	402,758,974
Cash and cash equivalents		14,183,359	26,846,860	34,949,383
Total current assets		601,818,084	666,592,334	666,375,638
TOTAL ASSETS		857,419,365	1,041,241,253	1,134,591,619
EQUITY AND LIABILITIES				
Equity				
Share capital	15	600,000,000	600,000,000	600,000,000
Statutory reserve	16	28,985,180	28,985,180	28,985,180
Accumulated losses		(163,697,048)	(175,690,425)	(256,392,529)
Investment revaluation reserve		-	4,537,348	-
Equity attributable to owners of the Company		465,288,132	457,832,103	372,592,651
Non-controlling interests		-	(13,567,289)	(63,313,290)
Total equity		465,288,132	444,264,814	309,279,361
Non-current liabilities				
Long-term loans	17	3,142,845	75,286,130	296,595,136
Employees' end of service benefits	18	23,271,321	22,388,585	34,543,140
Total non-current liabilities		26,414,166	97,674,715	331,138,276
Current liabilities				
Current portion of long-term loans	17	92,936,220	117,212,124	159,099,242
Short-term loans	17	75,527,320	102,698,298	141,223,832
Accounts payable	19	182,998,214	267,027,591	181,336,397
Zakat provision	7	14,214,126	12,322,524	12,473,324
Dividends payable		41,187	41,187	41,187
Total current liabilities		365,717,067	499,301,724	494,173,982
TOTAL EQUITY AND LIABILITIES		857,419,365	1,041,241,253	1,134,591,619

The accompanying notes form (1) to (35) an integral part of these consolidated financial statements

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017

	Note	December 31, 2017 SR	December 31, 2016 SR (Restated)
Continuing operations			
Sales	5	675,118,828	759,399,161
Cost of sales		(585,368,905)	(637,215,402)
Gross profit		89,749,923	122,183,759
Selling and marketing expenses	20	(12,991,427)	(36,755,907)
General and administrative expenses	21	(44,208,535)	(53,900,492)
Cost of unutilized production capacity		-	(3,316,694)
Gain on disposal of subsidiary		-	6,741,267
Reversal of provision for losses of subsidiary		-	73,932,544
Other expenses		(48,123)	(134,461)
Net profit before finance charges and zakat		32,501,838	108,750,016
Finance charges	6	(7,199,585)	(10,142,541)
Net profit before zakat		25,302,253	98,607,475
Zakat	7	(10,200,000)	(7,778,948)
Net profit for the year from continuing operations	32	15,102,253	90,828,527
Discontinued operations			
Loss for the year from discontinued operations	33	(8,327,967)	(21,647,281)
Net profit for the year		6,774,286	69,181,246
Other comprehensive (loss)/ income			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement (loss) gain of employees' end of service benefits		(508,640)	762,000
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Net fair value (loss) gain on available for sale investments		(4,537,348)	4,537,348
Other comprehensive (loss) / income for the year		(5,045,988)	5,299,348
Total comprehensive income for the year		1,728,298	74,480,594
Net profit for the year attributable to:			
Owners of the Company		12,502,017	79,940,104
Non-controlling interests		(5,727,731)	(10,758,858)
		6,774,286	69,181,246
Total comprehensive income for the year attributable to:			
Owners of the Company		7,456,029	85,239,452
Non-controlling interests		(5,727,731)	(10,758,858)
		1,728,298	74,480,594
Earnings per share	9		
Basic		0.21	1.33
Diluted		0.21	1.33
Earnings per share – continuing operations	9		
Basic		0.25	1.55
Diluted		0.25	1.55

The accompanying notes form (1) to (35) an integral part of these consolidated financial statements

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Attributable to owners of the Company						Non-	
	Share capital SR	Statutory reserve SR	Accumulated losses SR	Investment revaluation reserve SR	Total SR	controlling interests SR	Total equity SR	
Balance at January 1, 2016 as previously reported	600,000,000	28,985,180	(254,992,562)	-	373,992,618	(63,313,290)	310,679,328	
Impact of restatement (note 25)	-	-	1,437,548	-	1,437,548	-	1,437,548	
Impact of adoption of International Financial Reporting Standards ("IFRS") (note 26)	-	-	(2,837,515)	-	(2,837,515)	-	(2,837,515)	
Balance at January 1, 2016 under IFRS (Restated)	600,000,000	28,985,180	(256,392,529)	-	372,592,651	(63,313,290)	309,279,361	
Profit for the year	-	-	79,940,104	-	79,940,104	(10,758,858)	69,181,246	
Other comprehensive income for the year	-	-	762,000	4,537,348	5,299,348	-	5,299,348	
Total comprehensive income for the year	-	-	80,702,104	4,537,348	85,239,452	(10,758,858)	74,480,594	
Net change in non-controlling interest	-	-	-	-	-	60,504,859	60,504,859	
Balance at December 31, 2016	600,000,000	28,985,180	(175,690,425)	4,537,348	457,832,103	(13,567,289)	444,264,814	
Profit for the year	-	-	12,502,017	-	12,502,017	(5,727,731)	6,774,286	
Other comprehensive income for the year	-	-	(508,640)	(4,537,348)	(5,045,988)	-	(5,045,988)	
Total comprehensive income for the year	-	-	11,993,377	(4,537,348)	7,456,029	(5,727,731)	1,728,298	
Disposal of subsidiary	-	-	-	-	-	19,295,020	19,295,020	
Balance at December 31, 2017	600,000,000	28,985,180	(163,697,048)	-	465,288,132	-	465,288,132	

The accompanying notes form (1) to (35) an integral part of these consolidated financial statements

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEAR ENDED DECEMBER 31, 2017

	December 31, 2017 <u>SR</u>	December 31, 2016 <u>SR</u> (Restated)
<u>Note</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	6,774,286	69,181,246
Depreciation and amortization	31,276,915	36,682,691
Finance charges	11,552,957	15,791,953
Loss on disposal of property, plant and equipment	368,954	520,731
Allowance against amounts due from subsidiary	20,955,980	-
Reversal of provision for losses of subsidiary	(26,105,027)	(73,932,544)
Increase (decrease) in employees' end of service benefits	374,096	(1,803,017)
Zakat expense	10,200,000	7,778,948
Operating cash flows before changes in working capital	55,398,161	54,220,008
<i>Changes in working capital</i>		
Accounts receivable	26,197,007	(52,966,959)
Inventories	26,960,971	11,414,137
Accounts payable	(32,927,828)	58,379,291
Cash generated from operations	75,628,311	71,046,477
Finance charges paid	(15,562,061)	(17,667,376)
Zakat paid	(8,308,398)	(7,929,748)
Net cash generated from operating activities	51,757,852	45,449,353
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,518,657)	(3,987,275)
Purchase of intangible assets	(1,835,185)	(670,838)
Net cash outflow on disposal of subsidiary	31 (1,338,753)	(3,220,577)
Net cash used in investing activities	(16,692,595)	(7,878,690)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net decrease on short-term loans	(13,807,325)	(1,440,610)
Repayment of long-term loans	(33,921,433)	(44,232,576)
Net cash used in financing activities	(47,728,758)	(45,673,186)
Net decrease in cash and cash equivalents	(12,663,501)	(8,102,523)
Cash and cash equivalents at the beginning of the year	26,846,860	34,949,383
Cash and cash equivalents at the end of the year	14,183,359	26,846,860

The accompanying notes form (1) to (35) an integral part of these consolidated financial statements

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. 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 (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
PO Box 585
Riyadh 11383
Kingdom of Saudi Arabia

The Company had the following subsidiary and investments at 31 December 2017. The financial statements of this subsidiary are consolidated and the investments are recorded at fair value in these consolidated financial statements.

<u>Subsidiary/ Investment</u>	<u>Legal status</u>	<u>Country of incorporation</u>	<u>Effective ownership</u>	
			<u>2017</u> %	<u>2016</u> %
Middle East Specialized Cables Company - Jordan (MESC Jordan) (a)	Joint Stock Company	Jordan	19.9	19.9
MESC for Medium and High Voltage Cables Company (b)	Closed Joint Stock Company Limited Liability	Jordan	57.5	57.5
MESC - Ras Al-Khaimah	Company	United Arab Emirates	100	100

All of the abovementioned companies have a financial year-end of 31 December.

- (a) On 28 March 2016, with an aim to restructure MESC Jordan ownership, the Company entered into a share sale agreement whereby the Company sold and legally transferred ownership of 29.1% of the shares in MESC Jordan. The share sale agreement also required the Company to reduce its board representation in MESC Jordan. The combination of these two factors resulted in the Company losing control of MESC Jordan. Consequently, the Company stopped consolidating MESC Jordan from 1 April 2016.
- (b) The Extra Ordinary General Assembly of the subsidiary in Jordan "MESC for Medium and High Voltage Cables Company" decided in their Meeting dated on October 11, 2017 to liquidate the Company. As a result of that, Middle east specialized Cables Co (MESC KSA) lost control of MESC for Medium and High Voltage Cables Company. Consequently, MESC KSA stopped consolidating MESC for Medium and High Voltage Cables Company from October 11, 2017 and considered as discontinued operation.

**MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards as endorsed in Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organization for Certified Public Accountants ("IFRS").

These financial statements, for the year ended December 31, 2017 are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended December 31, 2016, the Group prepared its financial statements in accordance with accounting standards issued by the Saudi Organization for Certified Public Accountants ("SOCPA").

Accordingly, the Group has prepared financial statements that comply with IFRSs applicable as at December 31, 2017, together with the comparative statement of financial position as at December 31, 2016 and January 1, 2016, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at January 1, 2016 which is the Group's date of transition to IFRSs. Note 23 contains the adjustments made by the Group in restating its SOCPA financial statements, including the statement of financial position as at January 1, 2016, the statement of profit or loss for the year ended December 31, 2016 and the statement of cash flows for the year ended December 31, 2016.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the employee defined benefit liability, which has been actuarially valued as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The consolidated financial statements are presented in Saudi Riyals (SR), which is the Group's functional currency, and all values are rounded to the nearest Riyal, except where otherwise indicated.

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries as at the reporting date. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous stakeholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without loss of control, is recorded in the statement of changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

If the Company loses control over its subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value. When necessary, adjustments are made to the consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intergroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value with the exception of liabilities related to employee benefit arrangements which are recognized and measured in accordance with IAS 19.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

MIDDLE EAST SPECIALIZED CABLES COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and other similar allowances.

Revenue from the sale of goods is recognized when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Group does not have any finance leases.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currency translation

The Group's consolidated financial statements are presented in Saudi Riyals, which is its functional currency. Items included in the financial statements of each entity are measured using the functional currency of that entity.

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into Saudi Riyals at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits

Employees' end of service benefits

The end-of-service benefits provision is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Remeasurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurements recognized in other comprehensive income are reflected immediately in retained earnings and will not be reclassified to profit or loss in subsequent periods. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service costs. Interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- interest expense; and
- remeasurements

The Group presents the first two components of defined benefit costs in profit or loss in relevant line items. Remeasurements are presented as part of other comprehensive income.

Short-term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, air tickets and sick leave that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service. The liability is recorded at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Retirement benefits

Retirement benefits made to defined contribution plans are expensed when incurred.

Zakat

Zakat is calculated and provided for by the Group in accordance with Saudi Arabian fiscal regulations and is charged to profit or loss. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. When spare parts are expected to be used during more than one period, then they are accounted for as property, plant and equipment.

Historical cost includes expenditure that is directly attributable to the acquisition of the item. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost can be measured reliably.

MIDDLE EAST SPECIALIZED CABLES COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (continued)

Depreciation is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes accounted for on a prospective basis.

The Group applies the following annual rates of depreciation to its property, plant and equipment:

Buildings	5%
Plant and machinery	7% to 25%
Furniture, fixtures and office equipment	10% to 15%
Motor vehicles	25%

Land and capital work in progress is not depreciated.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. The cost of intangible assets acquired in a business combination is their fair value at the effective date of the business combination. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets, which comprises software and test certificates, are amortized over a period of five years and three years respectively.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Goodwill and assets that have indefinite useful life, for example land, are tested annually for impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories and spare parts

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average basis. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash on hand and deposits held with banks, all of which are available for use by the Group unless otherwise stated and have maturities of 90 days or less, which are subject to insignificant risk of changes in values.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognized when Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held-for-trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial assets at FVTPL (continued)

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the Grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments in the portfolio past the credit period of 60 to 120 days as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Impairment of financial assets (continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which IFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term;
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the following two conditions are met:

- The Group has a legally enforceable right to set off the recognized amounts; and
- The Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3.1 IFRS issued but not yet effective

The Group has not yet applied the following new and revised IFRSs that have been issued but are not yet effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28	1 January 2018
Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23	1 January 2019
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where:	
<ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and 	
the prepayment asset or deferred income liability is non-monetary IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:	
<ul style="list-style-type: none"> • Whether tax treatments should be considered collectively; • Assumptions for taxation authorities' examinations; • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and 	
The effect of changes in facts and circumstances. Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.1 IFRS issued but not yet effective (continued)

	Effective for annual periods beginning on or after 1 January 2018
<u>New and revised IFRSs</u>	
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9	When IFRS 9 is first applied
IFRS 16 <i>Leases</i>	1 January 2019
IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.	
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> and IAS 28 <i>Investments in Associates and Joint Ventures</i> (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely
Amendments to IAS 28 <i>Investment in Associates and Joint Ventures</i> : Relating to long-term interests in associates and joint ventures. These amendments clarify that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	1 January 2019
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.	

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.1 IFRS issued but not yet effective (continued)

New and revised IFRSs

IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

**Effective for
annual periods
beginning on or after
1 January 2018**

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.1 IFRS issued but not yet effective (continued)

Amendments to IFRS 9 *Financial Instruments*: Relating to prepayment features with negative compensation. This amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. 1 January 2019

IFRS 15 *Revenue from Contracts with Customers* 1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. 1 January 2018

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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.1 IFRS issued but not yet effective (continued)

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's financial statements as and when they are applicable. The adoption of these new standards, interpretations and amendments, except for IFRS 9 and IFRS 16 are not expected to have any material impact on the financial statements of the Company in the period of initial application.

Impact assessment of IFRS 9 *Financial Instruments*

Based on an analysis of the Company's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed that all financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

Impairment:

Financial assets measured at amortized cost will be subject to the impairment provisions of IFRS 9.

The Company expects to apply the simplified approach to recognize lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9.

In general, the directors anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier recognition of credit losses for the respective items and will increase the amount of the loss allowance recognized for these items.

The application of IFRS 9 may have significant impact on amounts reported and disclosures made in the Group's financial statements in respect of the Group's financial assets and financial liabilities.

Impact assessment of IFRS 15 *Revenue from Contracts with Customers*

Management have assessed the impact of IFRS 15 Revenue from Contracts with Customers and have determined that there will be no impact on the amounts reported in the future although the amount of disclosure relating to revenue will increase.

Impact assessment of IFRS 16 *Leases*

As at 31 December 2017, the Group has non-cancellable operating lease commitments of SR 13.7 million. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. Management has not yet estimated the effect of the application of IFRS 16.

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3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

3.2 Early adoption of IFRS

The Group has not early adopted any Standards or Interpretations.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

4.1 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of accounts receivable

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time that the amount is past due.

At the reporting date, gross trade receivables were SR 459 million (December 31, 2016: SR 507 million; January 1, 2016: SR 485 million) with SR 29 million (December 31, 2016: 50 million; January 1, 2016: SR 73 million) being provided for. Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in profit or loss.

Useful lives and residual values of property, plant and equipment and intangible assets

An estimate of the useful lives and residual values of property, plant and equipment and intangible assets is made for the purposes of calculating depreciation and amortization respectively. These estimates are made based on expected usage for useful lives. Residual value is determined based on experience and observable data where available.

Employee defined benefit liabilities

Employee defined benefit liabilities are determined using an actuarial valuation which requires estimates to be made of the various inputs. These estimates have been disclosed in note 18.

5. SALES

Sales comprises amounts earned from the sale of goods.

6. FINANCE CHARGES

	December 31, 2017 SR	December 31, 2016 SR
Continuing operations		
Finance charges on long-term loans	3,943,110	8,263,111
Finance charges on short-term loans	3,256,475	1,879,430
	<u>7,199,585</u>	<u>10,142,541</u>

No finance charges were capitalized during the year.

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FOR THE YEAR ENDED DECEMBER 31, 2017

7. ZAKAT PROVISION

	December 31, 2017 SR	December 31, 2016 SR
Continuing operations		
Zakat charge – current year	10,200,000	10,000,000
Zakat charge – prior year	-	(2,221,052)
	<u>10,200,000</u>	<u>7,778,948</u>

The movement in Zakat payable is as follows:

	December 31, 2017 SR	December 31, 2016 SR
Balance at beginning of the year	12,322,524	12,473,324
Charged to profit or loss	10,200,000	7,778,948
Paid during the year	(8,308,398)	(7,929,748)
Balance at end of the year	<u>14,214,126</u>	<u>12,322,524</u>

The significant components of the zakat base is as follows:

	December 31, 2017 SR	December 31, 2016 SR
Equity	518,033,007	439,507,738
Opening provisions and other adjustments	67,526,889	83,265,959
Book value of non-current assets	(251,068,252)	(233,581,616)
	<u>334,491,644</u>	<u>289,192,081</u>
Adjusted net income	46,114,386	111,697,234
Zakat base	<u>380,606,030</u>	<u>400,889,315</u>

The Company settles zakat for Saudi operations and investments in foreign subsidiaries separately.

The Company has filed its zakat declaration for the years up to December 31, 2016. No final assessment has been received from the General Authority for Zakat and Tax (“GAZT”) for the years of assessment from 2008 onwards.

No provision has been made for income taxation as the Group did not earn any income which was subject to income taxation.

8. EMPLOYEE BENEFITS EXPENSES

	December 31, 2017 SR	December 31, 2016 SR
Employee defined benefit liabilities	4,207,279	4,802,911
Other employee benefits	82,492,598	103,332,129
	<u>86,699,877</u>	<u>108,135,040</u>

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FOR THE YEAR ENDED DECEMBER 31, 2017

9. EARNINGS PER SHARE

Basic and diluted earnings per share are based on net profit attributable to owners of the Company and a weighted average number of shares issued of 60 million.

	December 31, 2017 SR	December 31, 2016 SR
From continuing operations	0.25	1.55
From discontinued operations	(0.04)	(0.22)
	0.21	1.33

MIDDLE EAST SPECIALIZED CABLE COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

10. PROPERTY, PLANT AND EQUIPMENT

COST	Land SR	Buildings SR	Plant and machinery SR	Furniture, fixtures and office equipment SR	Motor vehicles SR	Capital work in progress SR	Total SR
January 1, 2017	10,126,503	191,054,073	503,178,085	18,768,175	10,291,430	5,170,913	738,589,179
Additions	-	9,399,926	2,941,678	327,551	-	849,502	13,518,657
Disposals	-	-	(10,842,949)	(5,143)	(973,154)	(206,405)	(12,027,651)
Transfers from capital work in progress	-	856,489	-	-	-	(856,489)	-
Disposal of subsidiary	(1,666,190)	(55,283,741)	(149,938,271)	(1,704,782)	(1,925,885)	-	(210,518,869)
December 31, 2017	8,460,313	146,026,747	345,338,543	17,385,801	7,392,391	4,957,521	529,561,316

**ACCUMULATED DEPRECIATION
AND IMPAIRMENT**

January 1, 2017	-	70,885,715	303,981,647	16,010,023	9,089,776	1,173,112	401,140,273
Depreciation	-	7,584,015	21,818,267	817,280	337,360	-	30,556,922
Disposals	-	-	(10,684,964)	(579)	(973,154)	-	(11,658,697)
Impairment	-	-	-	-	-	189,257	189,257
Disposal of subsidiary	-	(16,301,056)	(85,434,402)	(1,394,622)	(1,925,899)	-	(105,055,979)
December 31, 2017	-	62,168,674	229,680,548	15,432,102	6,528,083	1,362,369	315,171,776
Net Book Value :							
January 1, 2017	10,126,503	120,168,358	199,196,438	2,758,152	1,201,654	3,997,801	337,448,906
December 31, 2017	8,460,313	83,858,073	115,657,995	1,953,699	864,308	3,595,152	214,389,540

MIDDLE EAST SPECIALIZED CABLES COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

10. PROPERTY, PLANT AND EQUIPMENT (continued)

COST	Land SR	Buildings SR	Plant and machinery SR	Furniture, fixtures and office equipment SR	Motor vehicles SR	Capital work in progress SR	Total SR
January 1, 2016 (restated)	19,159,730	247,631,066	651,730,870	25,029,711	15,702,464	4,526,020	963,779,861
Additions	-	297,309	1,485,995	663,255	435,000	1,105,716	3,987,275
Disposals	-	-	(1,745,302)	(2,999)	(374,594)	-	(2,122,895)
Transfers from capital work in progress	-	-	460,823	-	-	(460,823)	-
Disposal of subsidiary	(9,033,227)	(56,874,302)	(148,754,301)	(6,921,792)	(5,471,440)	-	(227,055,062)
December 31, 2016 (restated)	10,126,503	191,054,073	503,178,085	18,768,175	10,291,430	5,170,913	738,589,179
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
January 1, 2016 (restated)	-	93,692,782	401,232,137	21,603,808	13,744,268	534,909	530,807,904
Depreciation	-	8,595,682	25,899,248	1,012,398	743,631	-	36,250,959
Disposals	-	-	(1,227,573)	-	(374,591)	-	(1,602,164)
Impairment	-	-	-	-	-	638,203	638,203
Disposal of subsidiary	-	(31,402,749)	(121,922,165)	(6,606,183)	(5,023,532)	-	(164,954,629)
December 31, 2016 (restated)	-	70,885,715	303,981,647	16,010,023	9,089,776	1,173,112	401,140,273
Net Book Value :							
January 1, 2016 (restated)	19,159,730	153,938,284	250,498,733	3,425,903	1,958,196	3,991,111	432,971,957
December 31, 2016 (restated)	10,126,503	120,168,358	199,196,438	2,758,152	1,201,654	3,997,801	337,448,906

Certain items of property, plant and equipment, except land, with a net book value of SR 111 million (December 31, 2016: SR 121 million; 1 January 2016: SR 135 million) is mortgaged as security against loans (see note 17)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 2017

11. AVAILABLE FOR SALE INVESTMENT

	December 31, 2017 SR	December 31, 2016 SR
Balance at beginning of the year	4,537,348	-
(Decrease) increase in fair value	<u>(4,537,348)</u>	<u>4,537,348</u>
Balance at end of the year	<u>-</u>	<u>4,537,348</u>

The available for sale investment comprises of 19.9% shares in (Middle East Specialized Cables Company-Jordan (MESC Jordan) which is involved in Manufacturing of Power Cables.

12. INTANGIBLE ASSETS

	Software SR	Test certificates SR	Total SR
<u>COST</u>			
January 1, 2016	7,791,400	-	7,791,400
Additions	56,480	614,358	670,838
December 31, 2016	7,847,880	614,358	8,462,238
Additions	53,514	1,781,671	1,835,185
Disposal of subsidiary	(4,757,382)	-	(4,757,382)
December 31, 2017	3,144,012	2,396,029	5,540,041
<u>ACCUMULATED AMORTIZATION</u>			
January 1, 2016	6,496,915	-	6,496,915
Amortization	421,296	10,436	431,732
December 31, 2016	6,918,211	10,436	6,928,647
Amortization	421,960	298,033	719,993
Disposal of subsidiary	(4,740,398)	-	(4,740,398)
December 31, 2017	2,599,773	308,469	2,908,242
<u>NET BOOK VALUE:</u>			
January 1, 2016	1,294,485	-	1,294,485
December 31, 2016	929,669	603,922	1,533,591
December 31, 2017	544,239	2,087,560	2,631,799

The amortization charge has been in the line "General and administrative expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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13. INVENTORIES

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Finished goods	87,863,639	84,138,664	101,714,063
Raw and packing materials	57,325,427	84,041,974	104,092,601
Work in progress	16,500,401	20,090,615	31,949,626
Spare parts	7,140,469	11,399,838	15,712,310
Goods in transit	11,979,011	21,710,582	14,941,525
	<u>180,808,947</u>	<u>221,381,673</u>	<u>268,410,125</u>
Less: allowance for slow moving inventories	<u>(21,867,780)</u>	<u>(26,367,162)</u>	<u>(39,742,844)</u>
	<u>158,941,167</u>	<u>195,014,511</u>	<u>228,667,281</u>
Cost of inventories recognized as an expense during the year	585,368,905	637,215,402	
Carrying value of inventories held at net realizable value	9,270,358	14,053,469	
Inventory written off during the year	<u>954,309</u>	<u>7,359,259</u>	

Movement on the allowance for slow moving inventories:

	December 31, 2017 SR	December 31, 2016 SR
Opening balance	26,367,162	39,742,844
Charge for the year	3,600,807	3,965,431
Written off during the year	(954,309)	(7,258,011)
Disposal of subsidiary	<u>(7,145,880)</u>	<u>(10,083,102)</u>
Closing balance	<u>21,867,780</u>	<u>26,367,162</u>

14. ACCOUNTS RECEIVABLE

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Trade receivables	394,389,667	449,323,176	436,613,757
Retention receivables	64,211,674	58,095,649	48,266,841
Less: allowance for doubtful debts	<u>(28,886,685)</u>	<u>(49,715,400)</u>	<u>(72,778,575)</u>
Net trade receivables	429,714,656	457,703,425	412,102,023
Advances to suppliers	4,634,146	5,963,347	10,718,173
Prepaid expenses	3,704,926	4,992,035	7,646,341
Margin deposits	2,561,477	2,702,837	2,351,863
Employee loans	1,446,961	1,345,309	1,744,022
Insurance receivables	-	579,607	633,688
Due from former subsidiary	44,340,990	-	-
Allowance for due from former subsidiary	<u>(23,955,980)</u>	<u>-</u>	<u>-</u>
Due from related parties (note 22)	2,250,451	654,049	-
Other receivables	2,575,873	1,919,428	1,512,403
	<u>467,273,500</u>	<u>475,860,037</u>	<u>436,708,513</u>
Analyzed between:			
Current assets	428,693,558	444,730,963	402,758,974
Non-current assets	38,579,942	31,129,074	33,949,539
	<u>467,273,500</u>	<u>475,860,037</u>	<u>436,708,513</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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14. ACCOUNTS RECEIVABLE (continued)

Trade receivables:

The Group's credit period on sales of goods is between 60 to 120 days. No interest is charged on trade receivables. The Group has recognized an allowance for doubtful debts against impaired trade receivables. Allowances for doubtful debts are recognized against trade receivables based on estimated irrecoverable amounts determined by reference to the past default experience of the counterparty and an analysis of the counterparty's current financial position, where available.

The Group performs credit-vetting procedures before granting credit to new customers. These procedures are reviewed and updated on an ongoing basis.

The company has two customers which comprise 30% of the total trade receivables balance. (December 31, 2016: Nil; January 1, 2016: Nil)

Movement in the allowance for doubtful debts

	December 31, 2017 SR	December 31, 2016 SR
Opening balance	49,715,400	72,778,575
Charged for the year	735,876	49,543
Reversed during the year	(19,047,120)	-
Write off during the year	(420,004)	(33,818)
Disposal of subsidiary	(2,097,467)	(23,078,900)
Closing balance	28,886,685	49,715,400

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

The ageing of impaired trade receivables is as follows:

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
0 to 180 days	-	2,097,467	3,527,680
180 to 360 days	1,958,753	7,624,958	12,984,036
360 to 720 days	6,266,695	3,096,649	28,714,000
Over 720 days	20,661,237	36,896,326	27,552,859
	28,886,685	49,715,400	72,778,575

Trade receivables disclosed include the amounts totaling SR 187 million (December 31, 2016: SR 278 million; January 1, 2016: SR 212 million) that are past due at the end of the reporting period. Some of these balances for the Group are secured by Letters of Credit issued by the customer's bank, and customer agreements for rescheduling the receivables.

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14. ACCOUNTS RECEIVABLE (Continued)

The ageing of trade receivables that are past due is as follows:

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
0 to 180 days	97,442,831	181,046,930	149,250,877
180 to 360 days	38,778,125	37,952,332	51,893,305
360 to 720 days	16,496,136	39,862,039	8,801,665
Over 720 days	34,477,373	18,944,341	1,587,153
	<u>187,194,465</u>	<u>277,805,642</u>	<u>211,533,000</u>

15. SHARE CAPITAL

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
60 million ordinary shares of SR 10 each	<u>600,000,000</u>	<u>600,000,000</u>	<u>600,000,000</u>

16. STATUTORY RESERVE

In accordance with Saudi Arabian Regulations for Companies, the Group has set aside 10% of its net income each year until it has built a reserve equal to 30% of the share capital. The reserve is not available for dividend distribution.

17. LOANS

17.1 Long-term loans

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Total loans	96,449,235	193,616,032	457,814,326
Less: debt arrangement costs on loans	(370,170)	(1,117,778)	(2,119,948)
	<u>96,079,065</u>	<u>192,498,254</u>	<u>455,694,378</u>
Less: current portion included in current liabilities	(92,936,220)	(117,212,124)	(159,099,242)
	<u>3,142,845</u>	<u>75,286,130</u>	<u>296,595,136</u>

The loans bear interest at a rate of 4.7% (December 31, 2016: 5.2%; January 1, 2016: 4.9%) and are secured by promissory notes, corporate guarantees and certain items of property, plant and equipment. The current portion of the loan as at December 31, 2017 includes an amount of Nil (December 31, 2016: SR 83 million, and January 1, 2016: SR 115 million) which the loan contract states is not due within 12 months of this date. However, the loan agreement contains certain covenants which were breached as at December 31, 2017 and December 31, 2016 and January 1, 2016. This balance has been classified as current as the lenders have the right to recall the loan in the event of a loan covenant breach. The date of final repayment of the loans is June 15, 2019.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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17. LOANS (Continued)

17.2 Short-term loans

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Bank borrowing	12,327,625	41,698,298	91,723,832
Murabaha loan	63,199,695	61,000,000	49,500,000
	<u>75,527,320</u>	<u>102,698,298</u>	<u>141,223,832</u>

Murabaha and bank borrowing bear interest at prevailing market rates being SIBOR plus a margin as stipulated in the various loan agreements. and are secured by promissory notes, corporate guarantees and certain items of property, plant and equipment.

Analysis of change in loans for the year ended December 31, 2017 was as follow:

	Long-term loans SR	Short-term loans SR	Total SR
Opening balance	193,616,032	102,698,298	296,314,330
Amounts raised	-	89,037,008	89,037,008
Amounts repaid	(33,921,433)	(102,844,333)	(136,765,766)
Disposal of subsidiary	(63,245,364)	(13,363,653)	(76,609,017)
Closing balance	<u>96,449,235</u>	<u>75,527,320</u>	<u>171,976,555</u>

18. EMPLOYEES' END OF SERVICE BENEFITS

	December 31, 2017 SR	December 31, 2016 SR
Opening balance	22,388,585	34,543,140
Current service cost	3,275,359	3,873,911
Interest cost	931,920	929,000
Paid during the year	(3,833,183)	(6,605,928)
Disposal of subsidiary	-	(9,589,538)
Actuarial loss (gain)	508,640	(762,000)
Closing balance	<u>23,271,321</u>	<u>22,388,585</u>

The most recent actuarial valuation was performed by a qualified actuary and was performed using the projected unit credit method.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

	December 31, 2017 %	December 31, 2016 %	January 1, 2016 %
Rate of salary increases	3.5	5.5	5.5
Discount rate	3.8	4.5	4.5

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18. EMPLOYEES' END OF SERVICE BENEFITS (Continued)

All movements in the employee defined benefit liabilities are recognized in profit or loss except for the actuarial loss (gain) which is recognized in other comprehensive income.

Sensitivity analyses

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Increase in discount rate of 1%	(1,890,000)	(1,683,750)	(1,788,300)
Decrease in discount rate of 1%	2,201,250	1,976,250	2,075,140
Increase in rate of salary increase of 1%	2,186,250	1,935,000	2,032,020
Decrease in rate of salary increase of 1%	(1,912,500)	(1,683,750)	(1,788,300)

19. ACCOUNTS PAYABLE

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Trade payables	122,476,221	160,644,438	132,204,355
Advances from customers	16,151,501	31,723,800	22,031,875
Accrued expenses	15,988,267	19,238,257	15,353,451
Due to a related party (note 20)	11,873,631	42,383,510	2,438,725
Provision for miscellaneous expenses	10,715,301	6,298,867	1,754,124
Directors remuneration payable	2,970,999	2,537,999	3,371,460
Other payables	2,822,294	4,200,720	4,182,407
	182,998,214	267,027,591	181,336,397

No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

20. SELLING AND MARKETING EXPENSES

	December 31, 2017 SR	December 31, 2016 SR
Continuing operations		
Salaries and related costs	13,093,531	15,299,244
(Reversal) allowance for doubtful receivables	(18,311,244)	49,543
Freight	7,124,188	7,175,082
Allowance for impairment of retention receivables	636,758	932,444
Promotion and advertising	6,971,548	9,758,984
Travel	1,049,515	1,204,821
Operating lease charges	810,273	857,177
Others	1,616,858	1,478,612
	12,991,427	36,755,907

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21. GENERAL AND ADMINISTRATIVE EXPENSES

	December 31, 2017 SR	December 31, 2016 SR
Continuing operations		
Salaries and related costs	22,407,333	26,415,088
Bank Charges	8,560,676	6,907,101
Allowance for receivable from share sale	-	5,704,543
Consultancy and professional fees	5,275,472	3,275,446
Allowance for loan to subsidiary	-	3,000,000
Debt arrangement and other costs on loans	2,016,976	2,271,528
Repairs and maintenance	1,392,809	1,478,114
Depreciation (note 10)	739,045	1,187,689
Travel	819,804	972,629
Amortization of intangible assets	689,744	392,999
Operating lease charges	714,566	730,794
Others	1,592,110	1,564,561
	<u>44,208,535</u>	<u>53,900,492</u>

22. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group entered into the following trading transactions with related parties:

	December 31, 2017 SR	December 31, 2016 SR
Sales of goods	5,433,872	20,903,986
Purchases	<u>5,330,921</u>	<u>31,966,542</u>

The following balances were outstanding with related parties at the reporting date:

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Trade receivables	2,250,451	654,051	-
Trade payables	<u>11,873,631</u>	<u>42,383,510</u>	<u>2,438,725</u>

The amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received. No amount has been expensed in the current period for bad or doubtful debts in respect of amounts owed by related parties.

During the year, short-term employment benefits to key management personnel amounted to SR 8,210,611 (31 December 2016: SR 7,791,355)

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23. OPERATING LEASE ARRANGEMENTS

The Group incurred the following operating lease expenditure during the year:

	December 31, 2017 SR	December 31, 2016 SR
Premises	2,902,770	2,745,019
Vehicles	202,068	202,612
	<u>3,104,838</u>	<u>2,947,631</u>

The Group had the following operating lease commitments at the reporting date:

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Premises			
Within one year	867,929	1,665,183	989,147
One year to five years	3,633,715	3,633,715	3,609,832
Over five years	9,207,752	9,682,217	10,334,146
	<u>13,709,396</u>	<u>14,981,115</u>	<u>14,933,125</u>

24. CAPITAL COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of SR 0.7 million (December 31, 2016: SR 1.6 million; January 1, 2016: SR 1.2 million) and contingencies in the form of letters of credit and guarantees of SR 156 million (December 31, 2016: SR 187.4 million; January 1, 2016: SR 184.7 million) at the reporting date.

25. RESTATEMENT

The Group determined the residual values of its property, plant and equipment as at January 1, 2016 and December 31, 2016 and used these residual values to determine the depreciable amounts of its property, plant and equipment. This change in accounting policy has been applied retrospectively. The impact on the amounts reported in the statement of financial position as at January 1, 2016 and December 31, 2016 and the statement of profit or loss and other comprehensive income for the year ended December 31, 2016 is as follows:

Impact of restatement on the statement of financial position as at January 1, 2016

	Amounts previously reported (SOCPA) SR	Restatement SR	Restated amounts SR
Property, plant and equipment	428,315,864	1,437,548	429,753,412
Accumulated losses	(254,992,562)	1,437,548	(253,555,014)

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Impact of restatement on the statement of financial position as at December 31, 2016

	Amounts previously reported (SOCPA) SR	Restatement SR	Restated amounts SR
Property, plant and equipment	333,133,748	1,687,172	334,820,920
Accumulated losses	(175,225,055)	1,687,172	(173,537,883)

Impact of restatement on the statement of statement of profit or loss and other comprehensive income as at December 31, 2016

	Amounts previously reported (SOCPA) SR	Restatement SR	Restated amounts SR
Cost of sales	714,036,988	(249,624)	713,787,364

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26. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS")

26.1 Impact of adoption of IFRS on the Statement of Financial Position as at January 1, 2016

	Note	Restated amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
	26.7			
NON-CURRENT ASSETS				
Property, plant and equipment	a	429,753,412	3,218,545	432,971,957
Intangible assets		1,294,485	-	1,294,485
Retentions receivable	b	33,482,146	(33,482,146)	-
Non-current accounts receivable	b,c,f	-	33,949,539	33,949,539
Total non-current assets		464,530,043	3,685,938	468,215,981
CURRENT ASSETS				
Inventories	a	231,885,826	(3,218,545)	228,667,281
Accounts receivable	d,e,l	369,665,015	33,093,959	402,758,974
Advances, prepayments and other current assets	f	27,706,073	(27,706,073)	-
Current portion of retentions receivable	f	8,954,862	(8,954,862)	-
Cash and cash equivalent		34,949,383	-	34,949,383
Current assets		673,161,159	(6,785,521)	666,375,638
TOTAL ASSETS		1,137,691,202	(3,099,583)	1,134,591,619
CAPITAL AND RESERVES				
Share capital		600,000,000	-	600,000,000
Statutory reserve		28,985,180	-	28,985,180
Accumulated losses		(253,555,014)	(2,837,515)	(256,392,529)
Equity attributable to owners of the Company		375,430,166	(2,837,515)	372,592,651
Non-controlling interests		(63,313,290)	-	(63,313,290)
Total capital and reserves		312,116,876	(2,837,515)	309,279,361
NON-CURRENT LIABILITIES				
Long-term loans	l	296,933,623	(338,487)	296,595,136
Employees' end of service benefits	g	32,685,260	1,857,880	34,543,140
Total non-current liabilities		329,618,883	1,519,393	331,138,276
CURRENT LIABILITIES				
Current portion of long-term loans	l	160,880,703	(1,781,461)	159,099,242
Short-term loans		141,223,832	-	141,223,832
Accounts payable	H	132,204,355	49,132,042	181,336,397
Amounts due to a related party	I	2,438,725	(2,438,725)	-
Accrued expenses and other liabilities	I	59,207,828	(59,207,828)	-
Zakat provision	J	-	12,473,324	12,473,324
Dividends payable	J	-	41,187	41,187
Total current liabilities		495,955,443	(1,781,461)	494,173,982
TOTAL EQUITY AND LIABILITIES		1,137,691,202	(3,099,583)	1,134,591,619

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26. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS") (continued)

26.2 Impact of adoption of IFRS on the Statement of Financial Position as at December 31, 2016

	Note 26.7	Restated amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
NON-CURRENT ASSETS				
Property, plant and equipment	a	334,820,920	2,627,986	337,448,906
Available for sale investment		4,537,348	-	4,537,348
Intangible assets		1,533,591	-	1,533,591
Retentions receivable	b	30,981,112	(30,981,112)	-
Non-current accounts receivable	b,c,f	-	31,129,074	31,129,074
Total non-current assets		371,872,971	2,775,948	374,648,919
CURRENT ASSETS				
Inventories	a	197,642,497	(2,627,986)	195,014,511
Accounts receivable	d,e,l	405,437,608	39,293,355	444,730,963
Amounts due from a related party	f	654,051	(654,051)	-
Advances, prepayments and other current assets	f	19,429,684	(19,429,684)	-
Current portion of retentions receivable	f	21,284,705	(21,284,705)	-
Cash and cash equivalent		26,846,860	-	26,846,860
Current assets		671,295,405	(4,703,071)	666,592,334
TOTAL ASSETS		1,043,168,376	(1,927,123)	1,041,241,253

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26. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS") (continued)

26.2 Impact of adoption of IFRS on the Statement of Financial Position as at December 31, 2016
(continued)

	Note	Restated amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
CAPITAL AND RESERVES				
Share capital		600,000,000	-	600,000,000
Statutory reserve		28,985,180	-	28,985,180
Accumulated losses		(173,537,883)	(2,152,542)	(175,690,425)
Investment revaluation reserve		4,537,348	-	4,537,348
Equity attributable to owners of the Company		459,984,645	(2,152,542)	457,832,103
Non-controlling interests		(13,567,289)	-	(13,567,289)
Total capital and reserves		446,417,356	(2,152,542)	444,264,814
NON-CURRENT LIABILITIES				
Long-term loans	l	75,413,292	(127,162)	75,286,130
Employees' end of service benefits	g	21,045,385	1,343,200	22,388,585
Total non-current liabilities		96,458,677	1,216,038	97,674,715
CURRENT LIABILITIES				
Current portion of long-term loans	l	118,202,743	(990,619)	117,212,124
Short-term loans		102,698,298	-	102,698,298
Accounts payable	h	160,644,438	106,383,153	267,027,591
Amounts due to a related party	i	42,383,510	(42,383,510)	-
Accrued expenses and other liabilities	i	76,363,354	(76,363,354)	-
Zakat provision	j	-	12,322,524	12,322,524
Dividends payable	j	-	41,187	41,187
Total current liabilities		500,292,343	(990,619)	499,301,724
TOTAL EQUITY AND LIABILITIES		1,043,168,376	(1,927,123)	1,041,241,253

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26. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS") (continued)

26.3 Impact of adoption of IFRS on total equity

	Note 26.7	December 31, 2016 SR	January 1, 2016 SR
Total restated equity under SOCPA		446,417,356	312,116,876
Discounting of loans to employees	e	(33,116)	(48,243)
Actuarial value of employee end of service benefits	g	(1,343,200)	(1,857,880)
Loan arrangement cost adjustment	l	(776,226)	(931,392)
Total adjustment to equity		<u>(2,152,542)</u>	<u>(2,837,515)</u>
Total equity under IFRS		<u>444,264,814</u>	<u>309,279,361</u>

26.4 Effect of IFRS adoption on the statement of profit and loss and other comprehensive income for the year ended December 31, 2016

	Note 26.7	Amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Amounts reported under IFRS SR
Revenue		836,163,894	-	836,163,894
Cost of sales	m	(713,787,364)	146,189	(713,641,175)
Gross profit		122,376,530	146,189	122,522,719
Selling and marketing expenses	m	(41,571,753)	52,371	(41,519,382)
General and administrative expenses	e, g, l, m, r	(40,760,969)	(15,639,008)	(56,399,977)
Cost of unutilized production capacity		(12,390,563)	-	(12,390,563)
Gain on disposal of subsidiary	p	-	6,741,267	6,741,267
Reversal of provision for losses of subsidiary	p	-	73,932,544	73,932,544
Other expenses	m	72,449,182	(72,583,643)	(134,461)
Net profit before finance charges and Zakat and income tax		100,102,427	(7,350,280)	92,752,147
Finance charges	m, r	(23,065,206)	7,273,253	(15,791,953)
Net profit before Zakat and income tax		77,037,221	(77,027)	76,960,194
Zakat		(7,778,948)	-	(7,778,948)
Net profit for the year		69,258,273	(77,027)	69,181,246
Other comprehensive loss				
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Remeasurement of employee defined benefit liabilities	k	-	762,000	762,000
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Fair value gain on available for sale investments	q	-	4,537,348	4,537,348
Total comprehensive income for the year		<u>69,258,273</u>	<u>5,222,321</u>	<u>74,480,594</u>

The amounts reported above under IFRS are before any restatement relating to the discontinued operation.
Refer to note 33 for more details.

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26. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS") (continued)

26.5 Reconciliation of total comprehensive income for the year ended December 31, 2016

	Note 26.7	Net profit before zakat SR	Net profit for the year SR
Restated net profit reported under SOCPA		77,037,221	69,258,273
Discounting of loans to employees	e	15,127	15,127
Actuarial value of employees end of service benefits	g	(247,320)	(247,320)
Loan arrangement cost adjustment	l	155,166	155,166
Net profit reported under IFRS		76,960,194	69,181,246
Other comprehensive income			5,299,348
Total comprehensive income for the year under IFRS			74,480,594

26.6 Effect of IFRS adoption on the statement of cash flows for the year ended December 31, 2016

	Note 26.7	Amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Amounts reported under IFRS SR
Cash flows from operating activities	o, s	54,555,136	(9,105,783)	45,449,353
Cash flows from investing activities	n, s	(4,610,469)	(3,268,221)	(7,878,690)
Cash flows from financing activities	o	(54,826,614)	9,153,428	(45,673,186)
Net decrease in cash and cash equivalents		(4,881,947)	(3,220,576)	(8,102,523)
MESC – Jordan share reversal after selling the investment	n	(3,220,576)	3,220,576	-
Cash and cash equivalents at the beginning of the year		34,949,383	-	34,949,383
Cash and cash equivalents at the end of the year		26,846,860	-	26,846,860

26.7 Notes to the reconciliations

- Re-allocation of spare parts from inventories to property, plant and equipment in order to comply with IAS 16 Property, Plant and Equipment.
- Renaming of non-current retentions receivable to accounts receivable to comply with the nomenclature contained within IAS 1 Presentation of Financial Statements.
- Reclassification of non-current portion of employee loans from Advances, prepayments and other current assets to Non-current accounts receivable of SR 497,862 and SR 158,969 as at December 31, 2016 and January 1, 2016 respectively.

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26. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS
("IFRS") (continued)

26.7 Notes to the reconciliations (continued)

- d) Reclassification of due from related parties, advances, prepayments and other current assets and current portion of retentions receivable to Accounts Receivable to align with the presentation requirements of IAS 1 Presentation of Financial Statements.
- e) Discounting of interest-free employee loans with fixed repayment terms as required by IAS 39 Financial Instruments: Recognition and Measurement which requires that financial instruments be recorded at amortized cost. The effect of this change is a decrease in equity of SR 33,116 and SR 48,243 as at December 31, 2016 and January 1, 2016 respectively and an increase in profit for the year of SR 15,127.
- f) Reclassification of items mentioned in (d)
- g) IAS 19 Employee Benefits requires that defined long-term employee benefits be actuarially valued. The company's liability for End of Service Benefits ("EOSB") is therefore required to be actuarially valued. The group previously determined its liability for EOSB based on the requirements of Saudi Arabian Labor Law. The effect of this change is a decrease in equity of SR 1,343,200 and SR 1,857,880 as at December 31, 2016 and January 1, 2016 respectively and a decrease in profit for the year of SR 247,320.
- h) Reclassification of accrued expenses and other current liabilities, net of zakat payable and dividends payable and amounts due to a related party to accounts payable to align with the presentation requirements of IAS 1 Presentation of Financial Statements.
- i) Reclassification of items mentioned in h) above.
- j) Separate disclosure of zakat payable and dividends payable on the Statement of Financial Position as required by IAS 1 Presentation of Financial Statements.
- k) Presentation of actuarial gain relating to the EOSB liability as part of Other Comprehensive Income in order to comply with IAS 19 Employee Benefits.
- l) Remeasurement of loan arrangement costs using the effective interest rate method in order to comply with IAS 39 Financial Instruments: Recognition and Measurement. The Group previously amortized these on a straight-line basis. The effect of this change is a decrease in equity of SR 776,226 and SR 931,392 as at December 31, 2016 and January 1, 2016 respectively and an increase in profit for the year of SR 155,166.
- m) Reclassification of collection of doubtful debt, provision for receivable from share sale, visa, customs and loan commission refunds from other income to cost of sales, selling and marketing expenses, general and administrative and financial charge in order to comply with IAS 2 Inventories and IAS 1 Presentation of Financial Statements respectively.
- n) Recording of cash flows from disposal of subsidiary as part of investing activities in order to comply with IAS 7 Statement of Cash Flows.
- o) Reclassification of finance charges paid from financing activities to operating activities.
- p) Reclassification of gain from disposal of subsidiary and reversal of provision for losses of former subsidiary from other income to separate lines to comply with IAS 1 Presentation of Financial Statements.
- q) Presentation of fair value gain on available-for-sale financial assets as part of Other Comprehensive Income in order to comply with IAS 1 Presentation of Financial Statements.
- r) Reclassification of bank charges from finance charges to general and administrative expenses.
- s) Re-allocation of spare parts from operating activities to investing activities in order to comply with IAS 16 Property, Plant and Equipment.

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27. SEGMENT INFORMATION

Information reported to the chief operating decision maker (CODM) for the purposes of resource allocation and assessment of segment performance focuses on the types of goods or services delivered or provided. The directors of the Company have chosen to organize the Group around differences in internal reporting structure.

The Group's operating segments are as follows:

- Saudi Arabia
- Jordan
- United Arab Emirates

27.1 Segment revenues and results

	2017		2016	
	Revenue SR	Profit (loss) before zakat SR	Revenue SR	Profit (loss) before zakat SR
<u>Revenue and profit by segment</u>				
Saudi Arabia	593,880,849	20,654,128	705,292,480	99,201,696
Jordan	-	-	25,619,450	(4,354,703)
United Arab Emirates	253,037,981	5,566,625	235,951,408	3,760,482
Intersegment elimination	(171,800,002)	(918,500)	(207,464,177)	-
	<u>675,118,828</u>	<u>25,302,253</u>	<u>759,399,161</u>	<u>98,607,475</u>
<u>Segment total assets and liabilities</u>	Assets SR	Liabilities SR	Assets SR	Liabilities SR
Saudi Arabia	817,867,112	352,578,980	859,257,463	401,425,360
Jordan	-	-	153,537,030	185,460,065
United Arab Emirates	345,848,019	146,596,829	338,904,248	249,331,962
Intersegment elimination	(306,295,766)	(107,044,576)	(310,457,488)	(239,240,948)
	<u>857,419,365</u>	<u>392,131,233</u>	<u>1,041,241,253</u>	<u>596,976,439</u>
	2015			
<u>Segment total assets and liabilities</u>	Assets SR	Liabilities SR		
Saudi Arabia	754,644,428	382,051,776		
Jordan	321,082,153	446,792,493		
United Arab Emirates	340,963,543	137,116,059		
Intersegment elimination	(282,098,505)	(140,648,070)		
	<u>1,134,591,619</u>	<u>825,312,258</u>		

Segment revenues and profit (loss) before zakat are from continuing operations only.

Segment revenues reported represent revenue generated from both external customers and related parties. All segments sell similar product ranges.

There are no customers who contributed more than 10% of the Group's total revenue.

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28. SUBSIDIARIES

Details of the Group's subsidiaries as at December 31, 2017, December 31, 2016 and January 1, 2016 described in note (1) above. The Group had one wholly-owned subsidiary at the reporting date.

28.1 Details of non-wholly owned subsidiaries that have material non-controlling interests

There are no non-wholly owned subsidiaries that have material non-controlling interests at December 31, 2017. The table below shows details of the non-wholly-owned subsidiary of the Group that has material non-controlling interests:

<u>Name of subsidiary</u>	<u>December 31, 2016</u>		
	<u>Voting rights Held</u>	<u>Loss allocated to non- controlling interests SR</u>	<u>Accumulated non-controlling interests SR</u>
MESC for Medium and High Voltage Cables Company	57.5%	8,346,131	(13,567,289)

<u>Name of subsidiary</u>	<u>January 1, 2016</u>	
	<u>Voting rights Held</u>	<u>Accumulated non-controlling interests SR</u>
Middle East Specialized Cables Company – Jordan (MESC Jordan)	49%	(61,386,586)
Individually immaterial subsidiary with non-controlling interests	69.14%	(1,926,704)
		(63,313,290)

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28. SUBSIDIARIES (Continued)

28.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

Summarized financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

	MESC for Medium and High Voltage Cables Company December 31, 2016 SR	Middle East Specialized Cables Company – Jordan (MESC Jordan) January 1, 2016 SR
Current assets	41,987,169	88,367,411
Non-current assets	111,549,861	61,243,512
Current liabilities	97,788,377	56,342,526
Non-current liabilities	87,671,688	225,791,590
Equity attributable to owners of the Company	(18,355,745)	(71,136,607)
Non-controlling interests	(13,567,290)	(61,386,586)
		December 31, 2016 SR
MESC for Medium and High Voltage Cables Company		
Revenue		94,654,646
Expenses		(116,301,927)
Loss for the year		(21,647,281)
Loss attributable to owners of the Company		(13,301,150)
Loss attributable to non-controlling interests		(8,346,131)
Loss for the year		(21,647,281)
Net cash inflow from operating activities		3,089,257
Net cash outflow from investing activities		(165,478)
Net cash outflow from financing activities		(3,038,046)
Net cash outflow for the year		(114,267)

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29. FINANCIAL INSTRUMENTS

Capital management

The Group manages its capital to ensure it will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from the previous year.

The capital structure of the Group consists of equity and debt comprising issued capital, the statutory reserve, accumulated losses and loans.

Categories of financial instruments

	December 31, 2017 SR	December 31, 2016 SR	January 1, 2016 SR
Financial assets			
Cash and bank balances	14,183,359	26,846,860	34,949,383
Loans and receivables	458,934,428	465,904,655	418,343,999
Financial liabilities			
Amortized cost	<u>338,453,098</u>	<u>530,500,343</u>	<u>756,222,732</u>

Market risk

The Group was exposed to market risk, in the form of interest rate risk as described below, during the period under review. There were no changes in these circumstances from the previous year.

Foreign currency risk management

The Group's significant transactions are in Saudi Riyals and United States Dollars which are pegged against the Saudi Riyal at a fixed exchange rate. Management monitors fluctuations in foreign exchange rates and manages their effect on the consolidated financial statements accordingly. The Group did not have any significant foreign currency denominated monetary assets or liabilities at the reporting date for which it was exposed to foreign currency fluctuations. Consequently, no foreign currency sensitivity analysis has been presented.

Interest rate and liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. The group does not hedge its exposure to movements in interest rates.

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29. FINANCIAL INSTRUMENTS (Continued)

Interest and liquidity rate risk management (Continued)

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year would have decreased or increased by SR 858,032 (December 31, 2016: SR 1,475,983). The Group's exposure to interest rates has decreased during the year as a result of a decrease in interest-bearing borrowings.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows:

December 31, 2017 Details	Interest rate %	Within one year SR	One year to five years SR	Over five years SR	Total SR
Long-term loans	4.3%	64,239,867	35,952,520	-	100,192,387
Short-term loans	4.7%	79,017,839	-	-	79,017,839
Accounts payable	Interest free	166,846,713	-	-	166,846,713
Total		310,104,419	35,952,520	-	346,056,939
December 31, 2016 Details	Interest rate %	Within one year SR	One year to five years SR	Over five years SR	Total SR
Long-term loans	4.3%	39,268,608	146,905,877	32,139,250	218,313,735
Short-term loans	4.7%	107,481,531	-	-	107,481,531
Accounts payable	Interest free	235,303,791	-	-	235,303,791
Total		382,053,930	146,905,877	32,139,250	561,099,057

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29. FINANCIAL INSTRUMENTS (Continued)

Interest and liquidity rate risk management (Continued)

December 31, 2015 Details	Interest rate %	Within one year SR	One year to five years SR	Over five years SR	Total SR
Long-term loans	4.3%	55,261,622	312,418,564	147,344,573	515,024,759
Short-term loans	4.4%	147,499,006	-	-	147,499,006
Accounts payable	Interest free	159,304,522	-	-	159,304,522
Total		362,065,150	312,418,564	147,344,573	821,828,287

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Potential concentrations of credit risk consist principally of trade receivables, amounts due from a related party and short-term cash investments. Details of how credit risk relating to trade receivables is managed is disclosed in note 14. The amounts due from a related party are monitored and provision is made, where necessary, for any irrecoverable amounts. Short-term cash investments are only placed with banks with a high credit rating.

Fair value of financial instruments

The directors consider that the carrying values of the financial instruments reported in the statement of financial position approximates their fair values.

30. RETIREMENT BENEFIT INFORMATION

The Group makes contributions for a defined contribution retirement benefit plan to the General Organization for Social Insurance in respect of its Saudi Arabian employees. The total amount expensed during the year in respect of this plan was SR 1,922,257 (December 31, 2016: SR 1,857,774)

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31. NET CASH OUTFLOW ON DISPOSAL OF SUBSIDIARY

The Group disposed of part of its interest in MESC for Medium and High Voltage Cables Company during 2017 and MESC Jordan during 2016. The following is an analysis of the assets and liabilities over which control was lost:

	<u>2017</u> <u>SR</u>	<u>2016</u> <u>SR</u>
Current assets		
Inventories	9,301,630	22,876,836
Accounts receivable	2,774,540	66,182,203
Cash and cash equivalents	1,338,753	3,220,577
Non-current assets		
Property, plant and equipment	105,462,890	62,100,433
Investment in associate	-	(3,294,453)
Intangible assets	16,984	-
Current liabilities		
Current portion of long-term loans	5,676,450	6,622,525
Short-term loans	13,363,653	37,084,924
Accounts payable	64,079,390	22,177,280
Non-current liabilities		
Long-term loans	81,175,351	213,343,190
Employees end of service benefits	-	9,589,538
Net liabilities disposed of	<u>(45,400,047)</u>	<u>(137,731,861)</u>
Net consideration received	-	1,036,724
Less: non-controlling interest	19,295,020	63,799,317
Gain on disposal	<u>26,105,027</u>	<u>72,895,820</u>
Net cash outflow on disposal of subsidiary		
Net consideration received	-	1,036,724
Less: cash and cash equivalents balances disposed of	<u>(1,338,753)</u>	<u>(3,220,577)</u>
	<u>(1,338,753)</u>	<u>(2,183,853)</u>

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32. PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS

	December 31, 2017 SR	December 31, 2016 SR
Net profit for the year from continuing operations is attributable to:		
Owners of the Company	15,102,253	92,845,686
Non-controlling interests	-	(2,017,159)
	<u>15,102,253</u>	<u>90,828,527</u>
Profit for the year from continuing operations has been arrived at after charging (crediting):		
Impairment loss on trade receivables (note 14)	735,876	49,543
Reversal of impairment loss on trade receivables	(19,047,120)	-
	<u>(18,311,244)</u>	<u>49,543</u>
Depreciation of property, plant and equipment	24,517,519	28,473,500
Amortization of intangible assets	689,745	393,000
Total depreciation and amortization	<u>25,207,264</u>	<u>28,866,500</u>
Employee benefit expense		
Employee defined benefit liabilities	4,207,279	4,425,576
Other employee benefits	79,197,070	93,567,160
	<u>83,404,349</u>	<u>97,992,736</u>

33. DISCONTINUED OPERATIONS

The Group disposed of its interest in MESC for Medium and High Voltage Cables Company "MESC MV" as detailed in note 28. The results of MESC MV are set out below. The comparative profit from discontinued operations have been re-presented to include those operations classified as discontinued in the current year:

	December 31, 2017 SR	December 31, 2016 SR
Revenue	2,907,707	76,764,733
Expenses	(16,384,721)	(98,412,014)
Net loss	<u>(13,477,014)</u>	<u>(21,647,281)</u>
Allowance against amounts due from subsidiary	(20,955,980)	-
Reversal of provision for losses of subsidiary	26,105,027	-
Loss of the year from discontinued operations	<u>(8,327,967)</u>	<u>(21,647,281)</u>
Attributable to:		
Owners of the Company	(2,600,236)	(12,905,582)
Non-controlling interests	(5,727,731)	(8,741,699)
	<u>(8,327,967)</u>	<u>(21,647,281)</u>
Net cash inflow from operating activities	5,152,553	3,089,257
Net cash outflow from investing activities	-	(165,478)
Net cash outflow from financing activities	(3,870,225)	(3,038,046)
	<u>1,282,328</u>	<u>(114,267)</u>

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34. SUBSEQUENT EVENTS

No events have been identified after the reporting period which require adjustment to, or disclosure in, these consolidated financial statements.

35. APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements were approved on 9 Rajab 1439H (Corresponding to 26 March 2018).