

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED CONSOLIDATED
FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018**

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Saudi Cable Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as of March 31, 2018, and the related condensed consolidated interim statements of comprehensive income, condensed consolidated interim statements of cash flows and condensed consolidated interim statements changes in shareholders equity for the three months period then ended and the attached notes 1 through 19 which form an integral part of these condensed consolidated interim financial information. This condensed consolidated interim financial information is the responsibility of the management and have been prepared by them and presented in accordance with IAS 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

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

Observations resulting in qualified review conclusion

- a. We were unable to obtain sufficient appropriate evidence in respect of the recoverability of unbilled revenues related to a subsidiary, amounted to SR 16.10 million as of March 31, 2018 (December 31, 2017: SR 20.66 million) that are overdue for more than one year. Consequently, we were unable to determine whether adjustments might have been necessary in respect of unbilled revenue as at March 31, 2018.
- b. We were unable to obtain sufficient appropriate evidence in respect of the recoverability of development costs amounting to SR 15.4 million as of March 31, 2018 (December 31, 2017: SR 13.4 million), in the absence of commercial and financial feasibility of specialized cables and its accessories. Consequently, we were unable to determine whether adjustments might have been necessary in respect of development costs as at March 31, 2018.



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

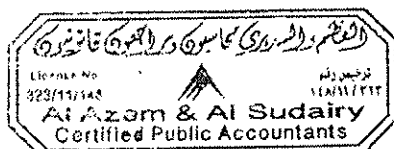
To the Shareholders
Saudi Cable Company
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Jeddah, Kingdom of Saudi Arabia

Observations resulting in qualified review conclusion – continued

- c. We were unable to obtain sufficient appropriate evidence in respect of the accrued expenses related to Saudi Cable Company amounting to SR 14.97 million as of March 31, 2018 (December 31, 2017: SR 13.5 million). In light of the above, we were not able to determine whether any adjustments to accrued expenses were required and we were unable to determine the possible impact on the consolidated interim financial information for the period ended March 31, 2018.
- d. We were unable to obtain sufficient appropriate evidence in respect of the inventory stock count as of December 31, 2017 as we were appointed as an auditor after the date of stock count. Moreover, we were unable to obtain sufficient appropriate evidence for slow moving items. In light of the above, we were not able to determine whether any adjustments to inventory were required and we were unable to determine the possible impact on the consolidated interim financial information for the year ended March 31, 2018.

Qualified review conclusion

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



**AlAzem & AlSudairy
Certified Public Accountants**

**Abdullah M. AlAzem
License No. 335**

9 Sha'aban 1439H (April 25, 2018)
Jeddah, Saudi Arabia

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)
(Expressed in thousands of Saudi Arabian Riyals)

| | Notes | March 31, 2018 (Unaudited) | December 31, 2017 |
|--|-------|----------------------------------|----------------------|
| <u>ASSETS</u> | | | |
| Current assets | | | |
| Cash and cash equivalents | 4 | 34,966 | 83,626 |
| Trade receivables | 5 | 300,557 | 329,758 |
| Unbilled revenue | 6 | 38,357 | 48,557 |
| Inventories | 7 | 243,582 | 249,773 |
| Retentions receivable - current portion | | 69,522 | 72,014 |
| Prepayments and other receivables | | 124,430 | 109,195 |
| Total current assets | | 811,414 | 892,923 |
| Non-current assets | | | |
| Financial assets at fair value through other comprehensive income | | 661 | 661 |
| Investments in associate companies | | 442,144 | 416,845 |
| Retentions receivable - non-current portion | | 21,252 | 22,247 |
| Investment properties | | 27,594 | 27,831 |
| Property, plant and equipment | 8 | 553,567 | 569,730 |
| Deferred tax asset | | 6,059 | 4,821 |
| Intangible assets | 9 | 20,321 | 19,058 |
| Total Non-current assets | | 1,071,598 | 1,061,193 |
| Total assets | | 1,883,012 | 1,954,116 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | | |
| Current liabilities: | | | |
| Short-term loans | 10 | 94,063 | 126,621 |
| Long-term loans - current portion | 10 | 233,085 | 258,071 |
| Obligations under finance lease – current portion | | 6,417 | 7,170 |
| Accounts payable | | 294,344 | 339,073 |
| Due to related parties | | 61,880 | 64,563 |
| Accrued expenses and other payables | 11 | 331,890 | 299,639 |
| Zakat and income-tax | 15 | 104,696 | 101,946 |
| Total current liabilities | | 1,126,375 | 1,197,083 |
| Non-current liabilities | | | |
| Long-term loans | 10 | 484,749 | 473,776 |
| Obligations under finance lease – non-current portion | | 11,584 | 11,538 |
| Employees' end of service benefits | | 49,171 | 56,269 |
| Total non-current liabilities | | 545,504 | 541,583 |
| Total liabilities | | 1,671,879 | 1,738,666 |
| <u>SHAREHOLDERS' EQUITY</u> | | | |
| Share capital | 12 | 404,114 | 404,114 |
| Statutory reserve | 13 | - | - |
| Cumulative changes in fair values | | 5,052 | (11,650) |
| Foreign currency translation reserve | | (7,068) | (7,068) |
| Accumulated losses | | (196,260) | (175,542) |
| Total Shareholders' equity before Non-controlling interests | | 205,838 | 209,854 |
| Non-controlling interests | | 5,295 | 5,596 |
| Total Shareholders' equity | | 211,133 | 215,450 |
| Total liabilities and Shareholders' equity | | 1,883,012 | 1,954,116 |

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

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)
(Expressed in thousands of Saudi Arabian Riyals)

| | | For the three month ended 31 | |
|---|-------|-------------------------------------|---------------------|
| | | March | |
| | Notes | 2018 (Unaudited) | 2017 (Unaudited) |
| Revenue | | 275,066 | 340,068 |
| Costs of revenue | | (274,921) | (328,352) |
| Gross profit | | 145 | 11,716 |
| Selling and distribution expenses | | (7,325) | (10,614) |
| General and administrative expenses | | (22,657) | (23,153) |
| Loss from operations | | (29,837) | (22,051) |
| Financial charges – net | | (15,216) | (16,076) |
| Share of profit from associate | | 1,972 | 14,956 |
| Other income - net | | 24,804 | 3,121 |
| Net loss for the period before zakat and tax and non-controlling interests | | (18,277) | (20,050) |
| Zakat and income-tax | 15 | (2,750) | (3,655) |
| Net loss for the period before non-controlling Interests | | (21,027) | (23,705) |
| Other Comprehensive income : | | | |
| Cumulative change in fair value | | 16,710 | (7,231) |
| Total comprehensive income for the period | | (4,317) | (30,936) |
| <u>Net loss for the year attributable to</u> | | | |
| Company's shareholders | | (20,718) | (23,654) |
| Non-controlling interests | | (309) | (51) |
| | | (21,027) | (23,705) |
| <u>Net comprehensive loss for the year attributable to</u> | | | |
| Company's shareholders | | (4,016) | (30,882) |
| Non-controlling interests | | (301) | (54) |
| | | (4,317) | (30,936) |
| Loss per share from: | | | |
| Loss per share from operations for the period | 14 | (0.74) | (0.29) |
| Net loss per share for the period | 14 | (0.51) | (0.31) |

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SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

| | Equity attributable to the shareholders' of the Parent Company | | | | | Non- controlling interests (NCI) | Total equity |
|--|--|----------------------|---|---|-----------------------|---|-----------------|
| | Share capital | Statutory reserve | Cumulative changes in fair values | Foreign currency translation reserve | Accumulated losses | Total | |
| Balance at January 1, 2018 | 404,114 | - | (11,650) | (7,068) | (175,542) | 209,854 | 215,450 |
| Net loss for the period | - | - | - | - | (20,718) | (20,718) | (21,027) |
| Fair value adjustments | - | - | 16,702 | - | - | 16,702 | 16,710 |
| Balance at March 31, 2018 (unaudited) | 404,114 | - | 5,052 | (7,068) | (196,260) | 205,838 | 211,133 |
| Balance at January 1, 2017 (restated) | 760,000 | - | 5,095 | (14,348) | (451,115) | 299,632 | 305,249 |
| Net comprehensive loss for the period | - | - | - | - | (23,654) | (23,654) | (23,705) |
| Fair value adjustments (OCI) | - | - | (7,228) | - | - | (7,228) | (7,231) |
| Balance at March 31, 2017 (unaudited) | 760,000 | - | (2,133) | (14,348) | (474,769) | 268,750 | 274,313 |

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SAUDI CABLE COMPANY
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018
(Expressed in thousands of Saudi Arabian Riyals)

| Notes | For the three month ended March 31 | |
|---|---|--------------------|
| | 2018 | 2017 |
| | (Unaudited) | (Unaudited) |
| Cash flows from operating activities: | | |
| Net loss before Zakat and income-tax and non-controlling interests | (18,277) | (20,050) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment and investment properties | 17,797 | 26,094 |
| Provision for doubtful debts | (110) | (2,052) |
| Provision for slow-moving inventories | (4,527) | (2,347) |
| Gain on disposal of property, plant and equipment and investment property | (120) | - |
| Amortization of intangible assets | 2,041 | 3,800 |
| Share of income from associate | (1,972) | (14,956) |
| Provision for employees' end of service benefits | 54 | 1,418 |
| Extinguished loans | (24,986) | - |
| Finance charges | 15,216 | 11,576 |
| <i>Changes in operating assets and liabilities:</i> | | |
| Trade receivable | 29,311 | 128,976 |
| Retention receivables | 3,487 | 10,046 |
| Prepayments and other current assets | (21,431) | (30,936) |
| Unbilled revenue | 10,200 | 9,990 |
| Inventories | 10,718 | 14,786 |
| Accounts payable | (44,729) | (51,993) |
| Deferred tax asset | (1,238) | (247) |
| Accrued expenses and other current liabilities | 20,915 | 21,466 |
| Due to related parties | (2,683) | (9,715) |
| | (10,334) | 95,856 |
| Zakat and income-tax paid | - | (1,014) |
| Financial charges paid | (4,301) | (11,576) |
| Employees' end of service benefits paid | (7,152) | (9,525) |
| Net cash (used in) provided by operating activities | (21,787) | 73,741 |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment | (2,196) | (1,523) |
| Additions to intangible assets | (3,304) | (1,561) |
| Proceeds from sale of property, plant and equipment | 919 | - |
| Dividend received from an equity accounted investee | - | 24,656 |
| Net cash (used in) provided by investing activities | (4,581) | 21,572 |
| Cash flows from financing activities | | |
| Net movement in long and short-term loans | (21,585) | (1,730) |
| Net movement in obligations under finance lease | (707) | (2,007) |
| Net movement in restricted cash against financing | (1,409) | (33,317) |
| Net cash provided used in financing activities | (23,701) | (37,054) |
| Net movement in cash and cash equivalents | (50,069) | 58,259 |
| Cash and cash equivalents at the beginning of the period | 83,264 | 29,359 |
| Cash and cash equivalents at the end of the period | 33,195 | 87,618 |
| Supplemental schedule of non-cash information: | | |
| Cumulative changes in fair value of derivative financial instruments | 6,617 | 7,231 |
| Foreign currency translation movement | - | - |

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

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

1. THE COMPANY, SUBSIDIARIES AND ITS PRINCIPAL ACTIVITIES

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

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

The registered office of the Company is located at the following address:
Saudi Cable Company
P. O. Box 4403, Jeddah 21491
Kingdom of Saudi Arabia

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

| Company's name | Principal activities | Country of incorporation | Effective % of ownership | | |
|--|---|--------------------------|--------------------------|------|--|
| | | | 2018 | 2017 | |
| Domestic | | | | | |
| Saudi Cable Company for Marketing Limited | Purchase and sale of electrical cables and related products | Saudi Arabia | 100% | 100% | |
| Mass Projects for Power and Telecommunications Limited | Turnkey power and telecommunication projects | Saudi Arabia | 100% | 100% | |
| Mass Centers for Distribution of Electrical Products Limited | Electrical and telecommunication distribution services | Saudi Arabia | 100% | 100% | |
| International | | | | | |
| Mass Kablo Yatirim Ve Ticaret Anonim Anonim Sirketi | Holding Company (Previously Mass Holding Company) | Turkey | 100% | 100% | |
| Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi | Manufacture, supply and trading of electrical cables | Turkey | 100% | 100% | |
| Mass International Trading Company Limited (dormant) | International trading | Ireland | 100% | 100% | |
| Saudi Cable Company (U.A.E) L.L.C. | Sale of cables and related products | United Arab Emirates | 100% | 100% | |
| Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S | Manufacture and distribution of electronic gears and goods | Turkey | 94% | 94% | |
| Elimsan Metalurji ve Makine San. Ve Tic. A.S. | Manufacture and distribution of electronic gears and goods | Turkey | 94% | 94% | |

SAUDI CABLE COMPANY
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018**

(Expressed in thousands of Saudi Arabian Riyals)

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

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

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

The condensed consolidated interim financial information prepared in accordance with the International Financial Reporting Standards ("IFRS") has been approved by the board of directors on April 25, 2018.

2. Basis of preparation

Statement of compliance

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

Basis of measurement

This condensed consolidated interim financial information has been prepared on a historical cost basis except for derivative financial instruments and investments at fair value through profit or loss which are measured at fair value.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018**
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Changes in accounting policies

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

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

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

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

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

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c) Impact of adapting international financial reporting standards:

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

| | Carrying amount under IAS 18 | Reclassification | Carrying amount under IFRS 15 |
|------------------------------|---------------------------------|------------------|----------------------------------|
| <u>March 31, 2018</u> | | | |
| Trade Receivable | 458,909 | (67,797) | 391,112 |
| Provision for doubtful debts | (158,539) | 67,797 | (90,742) |
| | 300,370 | - | 300,370 |

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

Critical accounting estimates and judgments

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

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

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

(a) Allowance for impairment of trade receivables

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
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(b) Allowance for inventory obsolescence

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

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

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

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

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

(a) Employee benefits – defined benefit plan

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

3. Significant accounting policies

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

Basis of consolidation

(a) Subsidiaries

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

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

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

(b) Transactions eliminated on consolidation

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

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

Property, plant and equipment

(a) Recognition and measurement

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

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

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

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

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(A Saudi Joint Stock Company)

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(b) Subsequent costs

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

(c) Depreciation

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

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

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

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

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

Intangible assets

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

Inventories

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

Cash and cash equivalents

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

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Foreign currency

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

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

Financial Instruments

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

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

Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

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

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

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Impairment of financial assets

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

Credit-impaired financial assets

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

Presentation of impairment

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

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

Hedge Accounting

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

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

Transition

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

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

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

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Leases

Operating leases

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

Impairment of assets

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

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

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

Employee benefits

Short-term employee benefits

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

Post-employment benefits

Defined benefit plans

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

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Provisions

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

Revenue recognition from Contracts with Customers and related assets and liabilities

Cable manufacturing and installation

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

Performance Obligations

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

Timing of revenue recognition

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

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

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

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

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

Borrowings

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

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

Zakat

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

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

Earnings per share

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

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Segment reporting

Operating Segment

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

An operating segment is group of assets and operations:

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

4. CASH AND BANK BALANCES

Cash and Bank balances comprise the following:

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|--|---|------------------------------|
| Cash in hand | 1,165 | 597 |
| Cash at banks in current accounts | 32,030 | 82,667 |
| Cash and cash equivalents for cash flow purposes | 33,195 | 83,264 |
| Restricted cash * | 1,771 | 362 |
| | 34,966 | 83,626 |

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

5. TRADE RECEIVABLES

Trade receivables comprise the following:

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|------------------------------------|---|------------------------------|
| Trade receivables | 391,112 | 420,422 |
| Due from related parties | 187 | 187 |
| | 391,299 | 420,609 |
| Less: provision for doubtful debts | (90,742) | (90,851) |
| | 300,557 | 329,758 |

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6. UNBILLED REVENUE

Unbilled revenue represents project related revenue recognized, using the percentage of completion method, but not yet billed as at March 31, 2018. This also includes an amount of SR 16.10 million (December 31, 2017: SR 20.66 million) which remains overdue for billing for more than one year. The management believes that this amount will be invoiced and collected.

7. INVENTORIES

Inventories comprise the following:

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|--|----------------------------------|----------------------|
| Raw materials | 106,142 | 118,127 |
| Finished goods | 112,447 | 90,109 |
| Work in process | 53,677 | 71,337 |
| Spare parts and wooden reels | 31,393 | 34,804 |
| | <u>303,659</u> | <u>314,377</u> |
| Less: Allowance for slow moving and obsolete inventories | (60,077) | (64,604) |
| | <u>243,582</u> | <u>249,773</u> |

8. PROPERTY PLANT AND EQUIPMENT

Certain machinery and equipment at March 31, 2018 having cost of SR 47.75 million (December 31, 2017: SR 47.75 million) and net book value of SR 31 million (December 31, 2017: SR 32.54 million) have been acquired under finance lease arrangement.

At March 31, 2018 certain assets with a net book value of SR 223.31 million (December 31, 2017: SR 224.25 million) were pledged as collateral to certain credit facilities.

9. INTANGIBLE ASSETS

Intangible assets comprise the following:

| | Development cost | Deferred cost | Rights and licenses | Total |
|---------------------------------|------------------|---------------|---------------------|---------------|
| March 2018 | | | | |
| January 1, 2018 | 13,421 | 2,272 | 3,365 | 19,058 |
| Additions during the period | 3,285 | - | 19 | 3,304 |
| Amortizations during the period | (1,339) | (567) | (135) | (2,041) |
| | <u>15,367</u> | <u>1,705</u> | <u>3,249</u> | <u>20,321</u> |
| December 2017 | | | | |
| January 1, 2017 | 20,857 | 4,031 | 4,262 | 29,150 |
| Additions during the year | 2,048 | - | 30 | 2,078 |
| Amortizations during the year | (9,484) | (1,759) | (927) | (12,170) |
| | <u>13,421</u> | <u>2,272</u> | <u>3,365</u> | <u>19,058</u> |

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On July 31, 2009, the Group acquired 79% of the issued share capital of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. (group of companies) for a consideration of SR 128.34 million that resulted in goodwill amounting to SR 86.56 million.

During the year ended December 31, 2016, the Group assessed an impairment of Goodwill. Considering the economic conditions and performance of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. (group of companies), the amount of impairment assessed is SR 74.21 million

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

10. BANK BORROWINGS AND FINANCIAL RESTRUCTURING

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

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

Short term loans comprise the following:

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|--|---|------------------------------|
| Saudi British Bank | 23,587 | 29,946 |
| Bank Al Bilad | - | - |
| Lenders of subsidiaries (outside Saudi Arabia) | 70,476 | 96,675 |
| | 94,063 | 126,621 |

Long-term loans comprise the following:

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|--|---|------------------------------|
| Restructured Loans from commercial banks | 565,030 | 590,016 |
| Lenders of subsidiaries (outside Saudi Arabia) | 42,574 | 31,601 |
| Loan from a SIDF | 110,230 | 110,230 |
| | 717,834 | 731,847 |
| Less: current portion of long term loans | (233,085) | (258,071) |
| Non-current portion of long term loans | 484,749 | 473,776 |

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

- Total repayment of debt by 2022, beginning from June 30, 2016
- Rights issue of Company's shares to take place before December 31, 2017 (subsequently amended to June 30, 2018).
- Maintaining financial covenants, throughout the financing period including leverage ratios, minimum cash cover and minimum cash balance requirements.
- Assignment of all the dividends, commission, income, distributions and other proceeds, whether in cash or otherwise, including the proceeds arising out of the liquidation of investments from the equity accounted investee.
- Pledge of bank accounts for amounts not exceeding SR 15.5 million.

Furthermore, the Group has agreed to dispose certain domestic and international real estate properties and utilize its proceeds for repayment of restructured Murabaha Facility Agreement amounting to SR 172.93 million. Moreover, the Group shall not create charge, mortgage, lien, pledge or other encumbrance on any of the Group's property, revenue or assets without obtaining the consent of SIF.

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

| | Repayment amount for Restructured Loan | SIF | Total Repayments |
|---------------------------|---|----------------|-------------------------|
| Within one year | 231,126 | 1,960 | 233,086 |
| Between one to two years | 75,492 | 58,610 | 134,102 |
| Between two to five years | 258,412 | 49,660 | 308,072 |
| | 565,030 | 110,230 | 675,260 |

11. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities comprise the following:

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|---------------------------------------|---|------------------------------|
| Accrued finance charges | 42,665 | 31,750 |
| Accrued expenses | 54,290 | 48,805 |
| Payable to shareholders of subsidiary | 89,745 | 89,745 |
| Advances from customers | 112,137 | 97,112 |
| Billing in excess of contract revenue | 33,053 | 32,227 |
| | 331,890 | 299,639 |

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12. SHARE CAPITAL

The share capital consisted of 40,411,434 shares of Saudi Arabian Riyals 10 each as at December 31, 2017. (As at December 31, 2016: 76,000,000 shares).

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

13. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Group has established a statutory reserve by appropriation of 10% of net income until the reserve equaled 30% of the share capital. This reserve is not available for dividend distribution. As the Group have accumulated losses, therefore, no amount has been transferred to statutory reserve during the current year. Article of association has not been modified to agree with paragraph related to adjusting statutory reserve on new Regulations for Companies.

14. EARNINGS PER SHARE

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

Net loss per share for the period is calculated by dividing the net loss attributable to the equity holders of the Company for the period by the weighted average number of outstanding shares during the period.

15. ZAKAT AND INCOME TAX

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

Saudi Cable Company

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

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

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

The GAZT issued the assessment for the years from 2010 to 2012 and claimed additional Zakat liability of SR 66.97 million. The Company objected against the said assessment, which is still under review by the GAZT till to date.

The Company booked a provision of Saudi Riyals 100.4 million against current and above mentioned assessment years by the GAZT. The Company filed its Zakat returns for the year 2013 and 2014 and has obtained the restricted Zakat certificates.

Mass Centers for Distribution of Electrical Products Limited

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

Mass Projects for Power & Telecommunications Limited

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

Saudi Cable Company for Marketing Limited

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

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16. COMMITMENTS AND CONTINGENCIES

The following are the commitments and contingencies:

| | March 31, 2018 (Unaudited) | December 31, 2017 |
|--|----------------------------------|----------------------|
| Outstanding forward metal contracts | 70,160 | 44,433 |
| Contingent liabilities in respect of performance and bid bonds | 57,201 | 68,086 |
| Authorized and contracted for capital expenditure commitments | 1,616 | 2,412 |
| Corporate guarantees issued | 33,634 | 39,076 |

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

17. SEGMENTAL INFORMATION

Operating Segment

The Group has the following main business segments:

- Sale of manufactured goods.
- Turnkey power and telecommunication projects (based on the contracts).

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

| | Sale of goods | | Contract revenue | | Total | |
|-------------------|----------------------------------|----------------------|----------------------------------|----------------------|----------------------------------|----------------------|
| | March 31, 2018 (Unaudited) | December 31, 2017 | March 31, 2018 (Unaudited) | December 31, 2017 | March 31, 2018 (Unaudited) | December 31, 2017 |
| Assets | 1,705,107 | 1,759,366 | 177,905 | 194,750 | 1,883,012 | 1,954,116 |
| Liabilities | 1,355,456 | 1,406,255 | 316,423 | 332,411 | 1,671,879 | 1,738,666 |
| Net Sales | 261,763 | 1,243,680 | 13,303 | 98,797 | 275,066 | 1,342,477 |
| Net (Loss)/Profit | (19,859) | (84,531) | (859) | 4,218 | (20,718) | (80,313) |

| | Sale of goods | | Contract revenue | | Total | |
|-------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | March 31, 2018 (Unaudited) | March 31, 2017 (Unaudited) | March 31, 2018 (Unaudited) | March 31, 2017 (Unaudited) | March 31, 2018 (Unaudited) | March 31, 2017 (Unaudited) |
| Assets | 1,705,107 | 1,967,360 | 177,905 | 199,754 | 1,883,012 | 2,167,114 |
| Liabilities | 1,355,456 | 1,552,692 | 316,423 | 340,109 | 1,671,879 | 1,892,801 |
| Net Sales | 261,763 | 325,310 | 13,303 | 14,758 | 275,066 | 340,068 |
| Net (Loss)/Profit | (19,859) | (25,178) | (859) | 1,524 | (20,718) | (23,654) |

SAUDI CABLE COMPANY
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2018**
(Expressed in thousands of Saudi Arabian Riyals)

Geographic Information

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

| | Saudi Arabia | UAE | Turkey | Total |
|-----------------------|--------------|--------|----------|-----------|
| March 31, 2018 | | | | |
| Assets | 1,232,977 | 40,082 | 609,953 | 1,883,012 |
| Liabilities | 1,194,837 | 5,380 | 471,662 | 1,671,879 |
| Net Sales | 174,991 | 15,388 | 84,687 | 275,066 |
| Net Loss | (5,997) | (518) | (14,203) | (20,718) |

| | Saudi Arabia | UAE | Turkey | Total |
|-----------------------|--------------|--------|---------|-----------|
| March 31, 2017 | | | | |
| Assets | 1,462,161 | 43,448 | 661,505 | 2,167,114 |
| Liabilities | 1,385,629 | 5,104 | 502,068 | 1,892,801 |
| Net Sales | 236,282 | 14,478 | 89,308 | 340,068 |
| Net loss | (15,588) | (936) | (7,130) | (23,654) |

| | Saudi Arabia | UAE | Turkey | Total |
|--------------------------|--------------|---------|----------|-----------|
| December 31, 2017 | | | | |
| Assets | 1,247,344 | 37,061 | 669,711 | 1,954,116 |
| Liabilities | 1,224,869 | 1,842 | 511,955 | 1,738,666 |
| Net Sales | 895,122 | 43,950 | 403,405 | 1,342,477 |
| Net loss | (66,110) | (3,434) | (10,769) | (80,313) |

18. RISK MANAGEMENT

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

a) Credit risk

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

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

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

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
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b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's Islamic financing with floating interest rates. The Company manages its exposure to interest rate risk by continuously monitoring movements in interest rates.

c) Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company deals mainly in US \$ and Saudi Riyal (SR). As the SR is pegged to the US \$, balances in SR are not considered to represent significant currency risk.

d) Commodity price risk

The Company is exposed to the impact of market fluctuations of the price of various inputs to production. The Company prepares annual budgets and periodic forecasts including sensitivity analyses in respect of various levels of crude oil prices to manage the risk.

e) Liquidity risk

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

19. FAIR VALUES

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