

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**



**Crowe Horwath™**

**Al Azem & Al Sudairy**

**CPA's & Consultants**

Member Crowe Horwath International

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

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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**REPORT ON REVIEW OF  
INTREM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**TO: THE SHAREHOLDERS' OF  
MIDDLE EAST SPECIALIZED CABLES COMPANY  
(A Saudi Joint Stock Company)  
Riyadh, Saudi Arabia**

**Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of **Middle East Specialized Cables Company (A Saudi Joint Stock Company) ("the Company") and its subsidiaries (collectively the "Group")** as at March 31, 2017 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended at that date, and the notes from (1) to (14) which are an integral part of these interim condensed consolidated financial statements. Group's management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" and International Financial Reporting Standard (1) "First-time Adoption of International Financial Reporting Standards" that are endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

**Scope of Review**

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" and International Financial Reporting Standard (1) "First-time Adoption of International Financial Reporting Standards" that are endorsed in the Kingdom of Saudi Arabia.

### Other Matter

As described in note (2), The consolidated financial statements of the Group for the year ended December 31, 2016 were prepared under accounting standards generally accepted in the Kingdom of Saudi Arabia on which we issued an unqualified audit opinion dated on 15 Jumada Al Thani 1438 (corresponding to March 14, 2017). However, we have performed certain procedures on the adjustments to these comparative figures required for presentation under 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).



**AlAzem & AlSudairy  
Certified Public Accountants**

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

Riyadh, Saudi Arabia  
13 Shaban 1438H (May 9, 2017)



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT MARCH 31, 2017**

	Notes	31 March 2017 SR	31 December 2016 SR (Restated)	31 December 2015 SR (Restated)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	4	330,306,779	337,448,906	432,971,957
Available for sale investments		3,712,376	4,537,348	-
Intangible assets		1,673,821	1,533,591	1,294,485
Non-current accounts receivable		32,791,619	31,129,074	33,949,539
<b>Total non-current assets</b>		<b>368,484,595</b>	<b>374,648,919</b>	<b>468,215,981</b>
<b>Current assets</b>				
Inventories		182,633,346	195,014,511	228,667,281
Accounts receivable		396,582,086	444,730,963	402,758,974
Cash and bank balances		51,464,100	26,846,860	34,949,383
<b>Total current assets</b>		<b>630,679,532</b>	<b>666,592,334</b>	<b>666,375,638</b>
<b>TOTAL ASSETS</b>		<b>999,164,127</b>	<b>1,041,241,253</b>	<b>1,134,591,619</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>				
Share capital	6	600,000,000	600,000,000	600,000,000
Statutory reserve		28,985,180	28,985,180	28,985,180
Accumulated losses		(171,827,775)	(175,690,425)	(256,392,529)
Investment revaluation reserve		3,712,376	4,537,348	-
Equity attributable to owners of the Company		460,869,781	457,832,103	372,592,651
Non-controlling interests		(15,639,640)	(13,567,289)	(63,313,290)
<b>Total equity</b>		<b>445,230,141</b>	<b>444,264,814</b>	<b>309,279,361</b>
<b>Non-current liabilities</b>				
Long-term loans		69,326,212	75,286,130	296,595,136
Employees' end of service benefits		23,052,191	22,388,585	34,543,140
<b>Total non-current liabilities</b>		<b>92,378,403</b>	<b>97,674,715</b>	<b>331,138,276</b>
<b>Current liabilities</b>				
Current portion of long-term loans		119,972,195	117,212,124	159,099,242
Short-term loans		95,991,379	102,698,298	141,223,832
Accounts payable		230,678,298	267,027,591	181,336,397
Zakat payable		14,872,524	12,322,524	12,473,324
Dividends payable		41,187	41,187	41,187
<b>Total current liabilities</b>		<b>461,555,583</b>	<b>499,301,724</b>	<b>494,173,982</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>999,164,127</b>	<b>1,041,241,253</b>	<b>1,134,591,619</b>

The accompanying notes form an integral part of these interim condensed consolidated financial statements

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

	31 March 2017	31 March 2016
	Note	SR
	SR	SR
		(Restated)
Revenue	194,076,458	224,892,726
Cost of sales	<u>(162,575,898)</u>	<u>(198,079,071)</u>
<b>Gross profit</b>	<b>31,500,560</b>	<b>26,813,655</b>
Selling and marketing expenses	(9,808,885)	(10,889,900)
General and administrative expenses	(8,772,645)	(9,543,474)
Cost of unutilized production capacity	(3,188,874)	(4,733,860)
Other expenses	<u>(29,344)</u>	<u>(186,131)</u>
<b>Net profit before finance charges and zakat</b>	<b>9,700,812</b>	<b>1,460,290</b>
Finance charges	<u>(5,360,513)</u>	<u>(7,256,246)</u>
<b>Net profit (loss) before zakat</b>	<b>4,340,299</b>	<b>(5,795,956)</b>
Zakat	<u>(2,550,000)</u>	<u>(2,372,547)</u>
<b>Net profit (loss) for the period</b>	<b>1,790,299</b>	<b>(8,168,503)</b>
<b>Other comprehensive (loss) income</b>		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Remeasurement of employees' end-of-service benefits	-	190,500
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Net fair value loss on available-for-sale financial assets	<u>(824,972)</u>	-
<b>Total comprehensive income (loss) for the period</b>	<b>965,327</b>	<b>(7,978,003)</b>
<b>Net profit (loss) for the period attributable to:</b>		
Owners of the Company	3,862,650	(5,081,595)
Non-controlling interests	<u>(2,072,351)</u>	<u>(3,086,908)</u>
	<b>1,790,299</b>	<b>(8,168,503)</b>
<b>Total comprehensive income (loss) for the period attributable to:</b>		
Owners of the Company	3,037,678	(4,891,095)
Non-controlling interests	<u>(2,072,351)</u>	<u>(3,086,908)</u>
	<b>965,327</b>	<b>(7,978,003)</b>
<b>Earnings (loss) per share (SR)</b>	3	
Basic	<b>0.06</b>	(0.08)
Diluted	<u><b>0.06</b></u>	<u>(0.08)</u>

The accompanying notes form an integral part of these interim condensed consolidated financial statements

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017

	Share capital SR	Statutory reserve SR	Accumulated losses SR	Investment revaluation reserve SR	Equity attributable to owners of the Company SR	Non- controlling interest SR	Total equity SR
January 1, 2016 as previously reported	600,000,000	28,985,180	(254,992,562)	-	373,992,618	(63,313,290)	310,679,328
Restatement (note 11)	-	-	1,437,548	-	1,437,548	-	1,437,548
Impact of adoption of International Financial Reporting Standards (note 12)	-	-	(2,837,515)	-	(2,837,515)	-	(2,837,515)
<b>As restated</b>	<b>600,000,000</b>	<b>28,985,180</b>	<b>(256,392,529)</b>	<b>-</b>	<b>372,592,651</b>	<b>(63,313,290)</b>	<b>309,279,361</b>
Total comprehensive loss for the period	-	-	(4,891,095)	-	(4,891,095)	(3,086,908)	(7,978,003)
<b>March 31, 2016</b>	<b>600,000,000</b>	<b>28,985,180</b>	<b>(261,283,624)</b>	<b>-</b>	<b>367,701,556</b>	<b>(66,400,198)</b>	<b>301,301,358</b>
January 1, 2017 as previously reported	600,000,000	28,985,180	(175,225,055)	4,537,348	458,297,473	(13,567,289)	444,730,184
Restatement (note 11)	-	-	1,687,172	-	1,687,172	-	1,687,172
Impact of adoption of International Financial Reporting Standards (note 12)	-	-	(2,152,542)	-	(2,152,542)	-	(2,152,542)
<b>As restated</b>	<b>600,000,000</b>	<b>28,985,180</b>	<b>(175,690,425)</b>	<b>4,537,348</b>	<b>457,832,103</b>	<b>(13,567,289)</b>	<b>444,264,814</b>
Total comprehensive income for the period	-	-	3,862,650	(824,972)	3,037,678	(2,072,351)	965,327
<b>March 31, 2017</b>	<b>600,000,000</b>	<b>28,985,180</b>	<b>(171,827,775)</b>	<b>3,712,376</b>	<b>460,869,781</b>	<b>(15,639,640)</b>	<b>445,230,141</b>

The accompanying notes form an integral part of these interim condensed consolidated financial statements



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>SR</b>	<b>SR</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		(Restated)
Net profit (loss) before zakat	<b>4,340,300</b>	(5,795,956)
Depreciation and amortization	<b>8,531,958</b>	10,311,329
Loss on disposal of property, plant and equipment	<b>117,819</b>	-
Increase (decrease) in employees end-of-service benefits	<b>663,606</b>	(999,029)
	<b>13,653,683</b>	3,516,344
<i>Movement in working capital:</i>		
Accounts receivable	<b>46,486,332</b>	(7,268,140)
Inventories	<b>12,633,772</b>	(22,895)
Accounts payable	<b>(32,398,569)</b>	42,819,314
Cash generated from operations	<b>40,375,218</b>	39,044,623
Finance charges paid	<b>(3,950,725)</b>	(3,082,719)
<b>Net cash generated from operating activities</b>	<b>36,424,493</b>	35,961,904
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(1,521,004)</b>	(734,220)
Purchase of intangible assets	<b>(379,483)</b>	-
<b>Net cash used in investing activities</b>	<b>(1,900,487)</b>	(734,220)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of short-term loans	<b>(6,706,919)</b>	(22,539,217)
Repayment of long-term loans	<b>(3,199,847)</b>	(9,704,335)
<b>Net cash used in financing activities</b>	<b>(9,906,766)</b>	(32,243,552)
Net increase in cash and cash equivalents	<b>24,617,240</b>	2,984,132
Cash and cash equivalents at the beginning of the period	<b>26,846,860</b>	34,949,383
<b>Cash and cash equivalents at the end of the period</b>	<b>51,464,100</b>	37,933,515

The accompanying notes form an integral part of these interim condensed consolidated financial statements



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 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 subsidiaries & investments as at 31 March 2017. The financial statements of these subsidiaries are consolidated, and the investments are recorded at fair market value in these consolidated financial statements.

Subsidiary	Legal status	Current legal ownership %		Country of Incorporation	Financial Year end
		March 31, 2017	March 31, 2016		
Middle East Specialized Cables Company- Jordan (MESC Jordan) <i>(a)</i>	Joint Stock Company	19.9	49	Jordan	31 December
MESC for Medium and High Voltage Cables Company <i>(b)</i>	Closed Joint Stock Company	57.5	69.14	Jordan	31 December
MESC - Ras Al-Khaimah	Limited Liability Company	100	100	United Arab Emirates	31 December

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

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

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES**

*Statement of compliance:*

These interim condensed consolidated financial statements have been prepared in accordance with the requirements of International Accounting Standard 34 Interim Financial Reporting as endorsed by the Saudi Organization for Certified Public Accountants ("SOCPA"). The requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards have been applied in preparing these interim condensed consolidated financial statements. Refer to note 12 which discloses the impact of adopting IFRS in these interim condensed consolidated financial statements.

These interim condensed consolidated financial statements, for the three month period ended March 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 consolidated financial statements in accordance with accounting standards issued by SOCPA.

Accordingly, the Group has prepared interim condensed consolidated financial statements that comply with IFRS applicable as at March 31, 2017, together with the comparative condensed consolidated statements of financial position as at December 31, 2016 and January 1, 2016, as described in the summary of significant accounting policies. In preparing the consolidated financial statements, the Group's opening condensed consolidated statement of financial position was prepared as at January 1, 2016 which is the Group's date of transition to IFRSs. Note 12 contains the adjustments made by the Group in restating its SOCPA consolidated financial statements, including the condensed consolidated statements of financial position as at December 31, 2016 and January 1, 2016 and the interim condensed consolidated statement of profit or loss and other comprehensive income for the period ended 31 March, 2016. The consolidated statement of financial position as at January 1, 2016 and December 31, 2016 and the interim condensed consolidated statement of profit or loss and other comprehensive income and the interim condensed consolidated statement of cash flows for the three month period ended March 31, 2016 have been labelled "Restated" as a result of the above mentioned adoption of IFRS.

*Basis of preparation*

The interim condensed consolidated financial statements have been prepared on the historical cost basis except for the employees' end-of-service benefits provision, which has been actuarially valued as explained in the accounting policies below and available for sale investments which has been measured at fair value.

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

*Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. 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.



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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of consolidation (continued)*

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.

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Basis of consolidation (Continued)*

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

*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.



**MIDDLE EAST SPECIALIZED CABLES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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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.

**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.

**MIDDLE EAST SPECIALIZED CABLES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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***

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 the consolidated statement of profit or loss.

***Employee benefits***

**Employees' End-of-service benefits**

The employees' end-of-service benefits provision, which is a defined benefit plan, 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. Past service cost is recognized in profit or loss in the period of a plan amendment. Interest expense 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.

**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 in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.



**MIDDLE EAST SPECIALIZED CABLES COMPANY**  
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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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. When major spare parts are expected to be used during more than one period, then they are accounted for as property, plant and equipment.

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 in estimate accounted for on a prospective basis.

***Property, plant and equipment (continued)***

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%
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 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. 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, is amortized over a period of six years.

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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**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***

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.

**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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Financial instruments (Continued)*

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.

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. Dividends or interest earned on the financial asset are included in the 'other income' line item in the statement of profit or loss.



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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, an increase in the number of delayed payments in the portfolio past the average 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.

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.



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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Financial instruments (continued)*

Financial assets (continued)

Derecognition of financial assets (continued)

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.

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.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Financial instruments (continued)*

Financial liabilities and equity instruments (continued)

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 initially and 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.

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.



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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***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).

**3. EARNINGS PER SHARE**

Basic and diluted earnings per share is based on the net profit for the period attributable to owners of the company of SR 3,862,650 (March 31, 2016: net loss of SR 5,081,595) divided by a weighted average number of shares in issue of 60 million.

**4. PROPERTY, PLANT AND EQUIPMENT**

During the period, the Group spent approximately SR 1.5 million (March 31, 2016: SR 0.7 million) on property, plant and equipment in order to upgrade its manufacturing facilities.

**5. DIVIDENDS**

No dividends were declared during the period (March 31, 2016: nil).

**6. SHARE CAPITAL**

The company has 60 million shares of SR10 each in issue as at the reporting date. There were no movements in share capital in the period under review.

**7. CAPITAL COMMITMENTS AND CONTINGENCIES**

The Group had capital commitments of SR 1.6 million (December 31, 2016: SR 1.6 million) and contingencies in the form of letters of credit and guarantees of SR 193 million at the reporting date (December 31, 2016: SR 187 million).



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**8. OPERATING LEASE COMMITMENTS**

The group had operating lease commitments of SR 14.1 million as at the reporting date (December 31, 2016: SR 15.1 million).

**9. EVENTS AFTER THE END OF THE REPORTING PERIOD**

The Subsidiary MESC for Medium & High Voltage Cables Company Jordan, is in the process of a substantial internal restructuring due to economic and operating circumstances that involves, among other things, a decision by the Subsidiary's management to terminate employees' contracts [and hire new employees] in such a manner as would be in the best interests of the Subsidiary.

**10. RELATED PARTY TRANSACTIONS**

There were no significant related party transactions in the period under review.

**11. RESTATEMENT**

The group determined the residual values of its property, plant and equipment as at December 31, 2015 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 December 31, 2015 and December 31, 2016 and the statement of profit or loss and other comprehensive income for the three month period ended March 31, 2016 is as follows:

**Impact of restatement on the statement of financial position as at December 31, 2015**

	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	<u>(254,992,562)</u>	<u>1,437,548</u>	<u>(253,555,014)</u>

**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	<u>(175,225,055)</u>	<u>1,687,172</u>	<u>(173,537,883)</u>

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**11. RESTATEMENT (continued)**

**Impact of restatement on the statement of profit or loss and other comprehensive income for the three month period ended 31 March 2016**

	Amounts previously reported (SOCPA) SR	Restatement SR	Restated amounts SR
Cost of sales	198,236,882	(72,433)	198,164,449

**12. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)**

**12.1 Impact of adoption of IFRS on the statement of financial position as at December 31, 2015**

	Notes	Restated amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
<b>NON-CURRENT ASSETS</b>				
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
<b>Total non-current assets</b>		<b>464,530,043</b>	<b>3,685,938</b>	<b>468,215,981</b>
<b>CURRENT ASSETS</b>				
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
Advance, 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 bank balances		34,949,383	-	34,949,383
<b>Total current assets</b>		<b>673,161,159</b>	<b>(6,785,521)</b>	<b>666,375,638</b>
<b>TOTAL ASSETS</b>		<b>1,137,691,202</b>	<b>(3,099,583)</b>	<b>1,134,591,619</b>

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**12. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”) (continued)**

**12.1 Impact of adoption of IFRS on the statement of financial position as at December 31, 2015 (continued)**

	Note	Restated amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
<b>CAPITAL AND RESERVES</b>				
Share capital		600,000,000	-	600,000,000
Statutory reserve		28,985,180	-	28,985,180
Accumulated losses	12.3	(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)
<b>Total equity</b>		<b>312,116,876</b>	<b>(2,837,515)</b>	<b>309,279,361</b>
<b>NON-CURRENT LIABILITIES</b>				
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
<b>Total non-current liabilities</b>		<b>329,618,883</b>	<b>1,519,393</b>	<b>331,138,276</b>
<b>CURRENT LIABILITIES</b>				
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 payable	j	-	12,473,324	12,473,324
Dividends payable	j	-	41,187	41,187
<b>Total current liabilities</b>		<b>495,955,443</b>	<b>(1,781,461)</b>	<b>494,173,982</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,137,691,202</b>	<b>(3,099,583)</b>	<b>1,134,591,619</b>



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

**12.2 Impact of adoption of IFRS on the statement of financial position as at December 31, 2016**

	Notes	Restated amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	a	334,820,920	2,627,986	337,448,906
Available for sales investments		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
<b>Total non-current assets</b>		<b>371,872,971</b>	<b>2,775,948</b>	<b>374,648,919</b>
<b>CURRENT ASSETS</b>				
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
Due from related parties	f	654,051	(654,051)	-
Advance, 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 bank balances		26,846,860	-	26,846,860
<b>Total current assets</b>		<b>671,295,405</b>	<b>(4,703,071)</b>	<b>666,592,334</b>
<b>TOTAL ASSETS</b>		<b>1,043,168,376</b>	<b>(1,927,123)</b>	<b>1,041,241,253</b>

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

**12.2 Impact of adoption of IFRS on the statement of financial position as at December 31, 2016**  
**(continued)**

	Notes	Restated amounts previously reported (SOCPA) SR	Effect of transition to IFRS SR	Opening IFRS statement of financial position SR
<b>CAPITAL AND RESERVES</b>				
Share capital		600,000,000	-	600,000,000
Statutory reserve		28,985,180	-	28,985,180
Accumulated losses	12.3	(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)
<b>Total equity</b>		<b>446,417,356</b>	<b>(2,152,542)</b>	<b>444,264,814</b>
<b>NON-CURRENT LIABILITIES</b>				
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
<b>Total non-current liabilities</b>		<b>96,458,677</b>	<b>1,216,038</b>	<b>97,674,715</b>
<b>CURRENT LIABILITIES</b>				
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 payable	j	-	12,322,524	12,322,524
Dividends payable	j	-	41,187	41,187
<b>Total current liabilities</b>		<b>500,292,343</b>	<b>(990,619)</b>	<b>499,301,724</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,043,168,376</b>	<b>(1,927,123)</b>	<b>1,041,241,253</b>



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**12. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**("IFRS") (continued)**

**12.3 Reconciliation of equity**

		<u>As at</u> <u>December 31,</u> <u>2015</u> <u>SR</u>	<u>As at</u> <u>December 31,</u> <u>2016</u> <u>SR</u>	<u>As at</u> <u>March 31,</u> <u>2016</u> <u>SR</u>
<b>Total restated equity under SOCPA</b>		<b>312,116,876</b>	<b>446,417,356</b>	<b>303,916,883</b>
Discounting of loans to employees	e	(48,243)	(33,116)	(34,487)
Actuarial value of employees end of service benefits	g	(1,857,880)	(1,343,200)	(1,724,536)
Loan arrangement cost adjustment	l	(931,392)	(776,226)	(856,502)
<b>Total adjustment to equity</b>		<b>(2,837,515)</b>	<b>(2,152,542)</b>	<b>(2,615,525)</b>
<b>Total equity under IFRS</b>		<b>309,279,361</b>	<b>444,264,814</b>	<b>301,301,358</b>

**12.4 Effect of IFRS adoption on the statement of profit or loss and other comprehensive income for the three month period ended March 31, 2016**

		<b>Restated amounts previously reported (SOCPA) SR</b>	<b>Effect of transition to IFRS to IFRS SR</b>	<b>IFRS SR</b>
Revenue		224,892,726	-	224,892,726
Cost of sales	m	(198,164,449)	85,378	(198,079,071)
<b>Gross profit</b>		<b>26,728,277</b>	<b>85,378</b>	<b>26,813,655</b>
Selling and marketing expenses		(10,889,900)	-	(10,889,900)
General and administrative expenses	e, g, l	(9,574,964)	31,490	(9,543,474)
Cost of unutilized production capacity		(4,733,860)	-	(4,733,860)
Other expenses	m	253,637	(439,768)	(186,131)
<b>Net profit before finance charges and Zakat</b>		<b>1,783,190</b>	<b>(322,900)</b>	<b>1,460,290</b>
Finance charges	m	(7,610,636)	354,390	(7,256,246)
<b>Net loss before Zakat</b>		<b>(5,827,446)</b>	<b>31,490</b>	<b>(5,795,956)</b>
Zakat		(2,372,547)	-	(2,372,547)
<b>Net loss for the period</b>		<b>(8,199,993)</b>	<b>31,490</b>	<b>(8,168,503)</b>
<b>Other comprehensive income</b>				
<i>Item that will not be reclassified subsequently to profit or loss:</i>				
Remeasurement of employees end of service benefits	k	-	190,500	190,500
<b>Total comprehensive loss for the period</b>		<b>(8,199,993)</b>	<b>221,990</b>	<b>(7,978,003)</b>

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**12. IMPACT OF ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS**  
**(“IFRS”) (continued)**

**12.5 Reconciliation of loss for the three month period ended March 31, 2016**

	Notes	Net loss before Zakat and income tax SR	Net loss for the period SR
<b>Restated net loss reported under SOCPA</b>		<b>(5,827,446)</b>	<b>(8,199,993)</b>
Discounting of loans to employees	e	13,756	13,756
Actuarial value of employees end of service benefits	g	(57,156)	(57,156)
Loan arrangement cost adjustment	l	74,890	74,890
<b>Net loss reported under IFRS</b>		<b>(5,795,956)</b>	<b>(8,168,503)</b>
Other comprehensive income			190,500
<b>Total comprehensive loss for the year under IFRS</b>			<b>(7,978,003)</b>

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

	Notes	Total comprehensive income for the year SR
<b>Restated net profit reported under SOCPA</b>		<b>69,258,273</b>
Discounting of loans to employees	e	15,127
Actuarial value of employees end of service benefits	g	(247,320)
Loan arrangement cost adjustment	l	155,166
<b>Net profit reported under IFRS</b>		<b>69,181,246</b>
Other comprehensive income		5,299,348
<b>Total comprehensive income for the year under IFRS</b>		<b>74,480,594</b>

**12.7 Effect of IFRS adoption on the interim condensed consolidated statement of cash flows for the three month period ended March 31, 2016**

The adoption of IFRS did not lead to any changes in the amounts reported as cash flows from operating, investing or financing activities.

**12.8 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 as at December 31, 2015 and SR 158,969 as at December 31, 2016.



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2017**

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

**12.8 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 48,243 and SR 33,116 as at December 31, 2015 and December 31, 2016 respectively and a decrease in the loss of the period ended March 31, 2016 of SR 13,756.
- f) Reclassification of items mentioned in d) above.
- 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 company 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 1,857,880 and SR 1,343,200 as at December 31, 2015 and December 31, 2016 respectively and an increase in loss for the period ended March 31, 2016 of SAR 57,156.
- 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 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 931,392, SR 776,226 and SR 856,502 as at December 31, 2015, December 31, 2016 and March 31, 2016 respectively, a decrease in the loss for the three month period ended March 31, 2016 of SR 74,890 and an increase in profit for the year ended December 31, 2016 of SR 155,166.
- m) Reclassification of custom and loan commission refunds from other income to cost of sales and finance charges in order to comply with IAS 2 Inventories and IAS 1 Presentation of Financial Statements respectively.

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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**13. 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 geographical location of the various businesses. 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

**13.1 Segment revenues and results**

	<b>31 March 2017</b>	<b>31 March 2017</b>
	<b>SR</b>	<b>SR</b>
		<u>Net profit (loss)</u>
<b><u>Revenue and profit before zakat by segment</u></b>	<u>Revenue</u>	<u>before zakat</u>
Saudi Arabia	168,769,864	8,046,270
Jordan	6,060,771	(4,876,120)
United Arab Emirates	62,694,689	1,170,149
Intersegment eliminations	(43,448,866)	-
	<u>194,076,458</u>	<u>4,340,299</u>
	<b>31 March 2017</b>	<b>31 March 2017</b>
	<b>SR</b>	<b>SR</b>
<b><u>Segment total assets and liabilities</u></b>	<u>Assets</u>	<u>Liabilities</u>
Saudi Arabia	846,003,962	385,134,181
Jordan	132,440,717	145,633,442
United Arab Emirates	281,613,548	67,485,193
Intersegment eliminations	(260,894,100)	(44,318,830)
	<u>999,164,127</u>	<u>553,933,986</u>



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**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
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**13. SEGMENT INFORMATION (continued)**

<b>13.1 Segment revenues and results (continued)</b>	<b>31 March 2016</b>	<b>31 March 2016</b>
	<b>SR</b>	<b>SR</b>
		<u>Net profit (loss)</u>
<u>Revenue and profit before zakat by segment</u>	<u>Revenue</u>	<u>before zakat</u>
Saudi Arabia	169,513,898	3,464,256
Jordan	60,141,850	(7,950,334)
United Arab Emirates	50,123,552	(1,309,878)
Intersegment eliminations	(54,886,574)	-
	<u>224,892,726</u>	<u>(5,795,956)</u>
	<b>31 December 2016</b>	<b>31 December 2016 SR</b>
	<b>SR</b>	<b>SR</b>
<u>Segment total assets and liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Saudi Arabia	859,257,463	401,425,360
Jordan	153,537,030	161,853,631
United Arab Emirates	338,904,248	158,157,755
Intersegment eliminations	(310,457,488)	(124,460,307)
	<u>1,041,241,253</u>	<u>596,976,439</u>

Segment revenue reported represents 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.

**14. APPROVAL OF FINANCIAL STATEMENTS**

These interim condensed consolidated financial statements were approved on May 9, 2017