SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017 WITH INDEPENDENT AUDITORS' REPORT

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Independent Auditors' Report

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

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the consolidated financial statements of Saudi Cable Company (A Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes from (1) to (31) to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the paragraphs of basis for Qualified Opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the international financial reporting standards generally accepted in the Kingdom of Saudi Arabia.

Basis for Qualified Opinion

a. We were unable to obtain sufficient appropriate evidence in respect of the recoverability of unbilled revenues related to a subsidiary, amounted to SR 20.66 million as of December 31, 2017 (December 31, 2016: SR 28.66 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 December 31, 2017.

b. We were unable to obtain sufficient appropriate evidence in respect of the recoverability of development costs amounting to SR 13.4 million as of December 31, 2017 (December 31, 2016: SR 20.86 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 December 31, 2017.

c. We were unable to obtain sufficient appropriate evidence in respect of the accrued expenses related to Saudi Cable Company amounting to SR 13.5 million as of December 31, 2017. 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 financial statements for the year ended December 31, 2017.

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 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 financial statements for the year ended December 31, 2017.

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To the Shareholders
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e. We did not receive a bank confirmation for BNP in respect of the loan and cash margin balances amounting to SR 27 million and SR 11 million respectively as of December 31, 2017. In light of the above, we were unable to make alternative to verify the balances so we have not been able to obtain sufficient appropriate audit evidence to bank balances for the year ended December 31, 2017.

We conducted our audit in accordance with international auditing standards generally accepted in the Kingdom of Saudi Arabia.

Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter

Without further qualifying our opinion, we draw attention to the following:

In accordance with the Board of Directors' decision issued on June 4, 2017, Saudi Cables Company has amortized the accumulated losses by SR 355.89 million by reducing the Company's capital. Accordingly, the Company's new capital has reached to SR 404 million.

Key Audit Matters

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

Basis of preparation of consolidated financial statements relating to IFRS adoption and disclosure of effects of IFRS adoption.

Key Audit Matters	*How our audit addressed key audit matters*
For all periods up to and including the year ended 31 December, 2016, the Group prepared and presented its statutory consolidated Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA. For the financial periods commencing 1 January, 2017, the applicable regulations require the Group to prepare and present its consolidated Financial Statements in accordance with international Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS as endorsed in Kingdom of Saudi Arabia).	We performed the following procedures in relation to change in financial reporting framework: Considered the Group's governance process around the adoption of IFRS as endorsed in Kingdom of Saudi Arabia, especially, in relation to matters requiring management to exercise its judgment; Obtained an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia which can impact the Group's financial statements;

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Independent Auditors' Report - Continued

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Basis of preparation of consolidated financial statements relating to IFRS adoption and disclosure of effects of IFRS adoption.

Key Audit Matters	*How our audit addressed key audit matters*
Accordingly, the Group has prepared its Consolidated Financial Statements, for the year ended 31 December 2017, under IFRS as endorsed in Kingdom of Saudi Arabia using IFRS 1 "First time Adoption of International Financial Reporting Standards"(IFRS 1). As part of this transition to IFRS as endorsed in Kingdom of Saudi Arabia, the Group's management performed a detailed gap analysis to identify differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia, determined the transition adjustments in light of this gap analysis and relevant requirements of IFRS 1, and assessed the additional disclosures required in the consolidated financial statements. We considered this as a key audit matter as the transitional adjustments due to the change in the financial reporting framework and transition related disclosures in the consolidated financial statements require additional attention during our audit.	Evaluated the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in Kingdom of Saudi Arabia and our understanding of the Group's business and its operations; Tested the transition adjustments by considering management's gap analysis, the underlying financial information and the computation of these adjustments; and Evaluated the disclosures made in relation to the transition to IFRS as endorsed in Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1

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To the Shareholders
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Bank Borrowings And Financial Restructuring

Key Audit Matters	*How our audit addressed key audit matters*
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 the year 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 SIDF.	We performed the following procedures: ▪ Obtain a schedule of secured financial restructuring agreements. ▪ Assess the design and implementation and tested the effectiveness of the group's control. ▪ Check the facilities agreements with banks and the repayment reschedule agreements for the loans. ▪ Obtain bank confirmations that confirm the loans balances.

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Inventory	
Key Audit Matters	***How our audit addressed key audit matters***
As of December 31, 2017, the group's inventories balance was SR 314.3 million (2016: SR 378.2 million) net of allowance for slow moving inventories of SR 64.6 million (2016: SR 96.8 million). Inventory are stated at the lower of cost and net realizable value and the group makes allowance where necessary. At each reporting date the management reviews valuation of inventories and the cost of inventories are written down where inventories are forecasted to be sold at below cost. We consider this as key audit matter due to the significant judgments and key assumption applied by the management in determining the level of inventories write down required based on net realizable value (NRV) assessment.	We performed the following audit procedures in relation to the valuation of inventories: ▪ Assess the design and implementation and evaluate the effectiveness of the group's control. ▪ Test the net realizable value for finished goods inventories by considering actual sales post year - end and the assumption used by management to check whether inventories are valued at the lower of cost and net realizable value.

Other information

Management is responsible for other information. Other information does not include the consolidated financial statements and the report on the audit of the consolidated financial statements.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated, if we conclude that there is a material misstatement therein, we are to communicate the matter to those charged with governance required.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with standards generally accepted in the Kingdom of Saudi Arabia, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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