

MIDDLE EAST SPECIALIZED CABLES COMPANY
(A Saudi Joint Stock Company)
Unaudited Interim Consolidated Financial Statements
And Independent Auditors' Review Report
For The Three and Nine Month Periods
Ended 30 September 2015



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REVIEW REPORT ON THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: **The Shareholders**
Middle East Specialized Cables Company
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia

Scope of Review


We have reviewed the accompanying interim consolidated balance sheet of **Middle East Specialized Cables Company** (the Company) as at 30 September 2015, the related interim consolidated statements of income for the three and nine month periods then ended, the related interim consolidated statement of cash flows and interim consolidated statement of changes in equity for the nine months period then ended and the attached notes (1) to (13), which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our review.

We conducted our review in accordance with the auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). 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 generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

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

For KPMG Al Fozan & Al Sadhan


Khalil Ibrahim Al Sedais
License no: 371



Date: 8 Muharram 1437H
Corresponding to: 21 October 2015

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

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30 September

(Amount in Saudi Riyals)

	<i>Note</i>	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>			
Current assets			
Cash and bank balances		38,056,772	26,461,972
Held for trading investments		—	317,388
Accounts receivable, net		452,267,453	478,782,665
Inventories, net		244,309,628	257,299,429
Prepayments and other current assets		41,309,282	38,532,662
Total current assets		775,943,135	801,394,116
Non-current assets			
Available for sale investments		2,403,361	6,587,081
Investment in an associate	4	—	10,613,000
Fixed assets, net		497,181,317	519,270,100
Intangible assets, net		1,399,811	1,894,011
Retention receivable		33,592,956	31,901,705
Total non-current assets		534,577,445	570,265,897
Total assets		1,310,520,580	1,371,660,013
<u>LIABILITIES AND EQUITY</u>			
<u>LIABILITIES</u>			
Current liabilities			
Short term loans	5	252,546,970	161,554,389
Current portion of long term loans	5	38,230,435	116,495,108
Accounts and notes payable		185,970,931	121,980,046
Due to a related party	6	1,569,523	1,982,465
Accrued expenses and other current liabilities		65,273,401	80,626,932
Total current liabilities		543,591,260	482,638,940
Non-current liabilities			
Long term loans	5	304,502,223	388,425,885
Employees' end of service benefits		29,170,044	24,336,681
Total non-current liabilities		333,672,267	412,762,566
Total liabilities		877,263,527	895,401,506
<u>EQUITY</u>			
Equity attributable to shareholders			
Share capital	7	600,000,000	600,000,000
Statutory reserve		28,985,180	28,985,180
Accumulated losses		(164,048,623)	(141,873,333)
Unrealized loss on available for sale investments		(861,367)	(268,973)
Total equity attributable to shareholders		464,075,190	486,842,874
Non-controlling interest		(30,818,137)	(10,584,367)
Total equity		433,257,053	476,258,507
Total liabilities and equity		1,310,520,580	1,371,660,013

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

MIDDLE EAST SPECIALIZED CABLES COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(Amount in Saudi Riyals)

	<i>Note</i>	For the three months period ended 30 September		For the nine months period ended 30 September	
		2015	2014	2015	2014
Sales		231,710,599	182,591,314	706,342,822	661,924,112
Cost of sales		(199,943,150)	(164,896,114)	(624,963,968)	(581,203,214)
GROSS PROFIT		31,767,449	17,695,200	81,378,854	80,720,898
EXPENSES					
Selling and marketing expenses		(14,645,390)	(16,560,543)	(36,123,329)	(33,090,631)
General and administrative expenses		(10,294,131)	(9,199,081)	(31,553,328)	(28,302,016)
Cost of unutilized production capacity		(5,487,415)	(6,824,271)	(17,059,272)	(18,243,579)
TOTAL EXPENSES		(30,426,936)	(32,583,895)	(84,735,929)	(79,636,226)
INCOME / (LOSS) FROM OPERATIONS		1,340,513	(14,888,695)	(3,357,075)	1,084,672
Financial charges		(7,329,310)	(8,430,490)	(22,463,362)	(25,430,951)
Other income, net		115,226	52,107	1,241,700	2,033,218
LOSS BEFORE ZAKAT AND INCOME TAX AND NON-CONTROLLING INTERESTS		(5,873,571)	(23,267,078)	(24,578,737)	(22,313,061)
Zakat and income tax		(975,000)	(2,475,000)	(5,925,000)	(7,425,000)
LOSS BEFORE NON CONTROLLING INTEREST		(6,848,571)	(25,742,078)	(30,503,737)	(29,738,061)
Non-controlling interests		3,675,923	5,910,672	13,925,112	12,262,235
NET LOSS FOR THE PERIOD		(3,172,648)	(19,831,406)	(16,578,625)	(17,475,826)
(Loss) / earnings per share:	8				
<i>Attributable to:</i>					
Income / (loss) from operations		0.02	(0.25)	(0.06)	0.02
Net loss for the period		(0.05)	(0.33)	(0.28)	(0.29)

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

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

INTERIM CONSOLIDATED STATEMENT OF CASHFLOWS (UNAUDITED)

For the nine months period ended 30 September 2015

(Amount in Saudi Riyals)

	For the nine months period ended 30 September	
	2015	2014
OPERATING ACTIVITIES		
Loss before zakat and income tax and non-controlling interest	(24,578,737)	(22,313,061)
Adjustments to:		
Depreciation and amortization	31,786,056	33,033,544
Provision for doubtful debts	6,225,177	12,900,000
Provision on retention receivable	1,906,000	--
Provision for slow moving inventories	4,350,000	2,763,172
Unrealized gain from held for trading investments	--	(39,282)
Gain from sale of available for sale investments	(33,883)	--
Gain from sale of held for trading investments	--	(1,548,169)
Provision for employees' end of service benefits	5,152,139	4,004,406
	<u>24,806,752</u>	<u>28,800,610</u>
Changes in operating assets and liabilities:		
Accounts receivable	(4,614,406)	(6,352,271)
Prepayment and other current assets	(10,409,613)	(12,415,142)
Inventories	5,494,462	(5,195,910)
Accounts and notes payable	63,353,891	(18,882,071)
Due to a related party	(473,703)	(1,550,634)
Accrued expenses and other current liabilities	4,970,628	22,723,424
Held for trading investments	--	11,092,673
	<u>83,128,011</u>	<u>18,220,679</u>
Cash from operation	83,128,011	18,220,679
Employees' end of service benefits paid	(1,407,000)	(1,805,972)
Zakat and income tax paid	(8,928,513)	(3,224,132)
	<u>72,792,498</u>	<u>13,190,575</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Proceeds from sale of available for sale investments	999,648	--
Additions to fixed assets	(5,985,726)	(4,463,620)
Addition to intangible assets	--	(1,350,000)
	<u>(4,986,078)</u>	<u>(5,813,620)</u>
Net cash used in investing activities		
FINANCING ACTIVITIES		
Repayment of / proceeds from short term loan	(34,501,621)	30,400,777
Repayment of long term loan	(21,536,802)	(38,968,741)
	<u>(56,038,423)</u>	<u>(8,567,964)</u>
Net cash used in financing activities		
INCREASE / (DECREASE) IN CASH AND BANK BALANCES	<u>11,767,997</u>	<u>(1,191,009)</u>
Cash and bank balances at the beginning of the period	26,288,775	27,652,981
CASH AND BANK BALANCES AT THE END OF THE PERIOD	<u>38,056,772</u>	<u>26,461,972</u>
Non cash transactions:		
Unrealized (loss) / gain on available for sale investments	(537,199)	815,263

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

MIDDLE EAST SPECIALIZED CABLES COMPANY

(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the nine months period ended 30 September 2015

(Amount in Saudi Riyals)

	Equity attributable to shareholders				Total equity attributable to shareholders	Non-controlling interest	Total equity
	Share capital	Statutory reserve	Accumulated losses	Unrealized (loss) / gain on available for sale investments			
Balance as at 1 January 2015	600,000,000	28,985,180	(147,469,998)	(598,147)	480,917,035	(16,619,046)	464,297,989
Net loss for the period	--	--	(16,578,625)	--	(16,578,625)	(13,925,112)	(30,503,737)
Unrealized loss on available for sale investment	--	--	--	(263,220)	(263,220)	(273,979)	(537,199)
Balance as at 30 September 2015	<u>600,000,000</u>	<u>28,985,180</u>	<u>(164,048,623)</u>	<u>(861,367)</u>	<u>464,075,190</u>	<u>(30,818,137)</u>	<u>433,257,053</u>
Balance as at 1 January 2014	600,000,000	28,985,180	(124,397,507)	(668,456)	503,919,217	1,262,088	505,181,305
Net loss for the period	--	--	(17,475,826)	--	(17,475,826)	(12,262,235)	(29,738,061)
Unrealized gain on available for sale investment	--	--	--	399,483	399,483	415,780	815,263
Balance as at 30 September 2014	<u>600,000,000</u>	<u>28,985,180</u>	<u>(141,873,333)</u>	<u>(268,973)</u>	<u>486,842,874</u>	<u>(10,584,367)</u>	<u>476,258,507</u>

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
30 September 2015

1 ORGANISATION AND ACTIVITIES

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

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

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

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

The Company has control over the following subsidiaries as at 30 September 2015. The financial statements of these subsidiaries are consolidated in these interim consolidated financial statements.

Subsidiary	Legal status	Current ownership %		Country of Incorporation	Financial Year end
		2015	2014		
Middle East Specialised Cables Company, Jordan (a)	Joint Stock Company	49	49	Jordan	31 December
MESC for Medium and High Voltage Cables Company (b)	Closed Joint Stock Company	69.14	69.14	Jordan	31 December
MESC - Ras Al-Khaimah	Limited Liability Company	100	100	United Arab Emirates	31 December

- a) The Group identified and transferred 4.7% shares to an Employee Fund during 2012. The shares are to be awarded to the employees of the subsidiary (Middle East Specialised Cables Company - Jordan).
- b) Direct and indirect ownership through its subsidiary, Middle East Specialized Cables Company – Jordan.

2 BASIS OF PREPARATION

a) Statement of compliance

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

The interim results of the Company are not necessarily indicative of results for the full year.

b) Going concern basis of accounting

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

As at 30 Sep 2015, the group has accumulated losses of SR 164 million. MESC's Jordanian operations account for SR 395 million of accumulated losses, which are offsetting the retained earnings of SR 231 million from the group's Saudi Arabian and UAE operations. To stop the continual increase in accumulated losses and to turn the Jordanian operations into profitability, management is taking the following corrective measures:

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

Management is confident that these measures will result in the Jordanian operations becoming profitable. The group has adequate resources to continue in operational existence for the foreseeable future.

2 BASIS OF PREPARATION (continued)

c) Basis of measurement

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

d) Functional and presentation currency

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

e) Basis of consolidation

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

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

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

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

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

f) Use of estimate and judgment

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

It also requires management to exercise its judgment in the process of applying the Group's accounting policies. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the income statement of the period in which the estimates are revised and in future periods affected.

Significant areas where management has used estimates, assumptions or exercised judgment are as follows:

i) Provision for slow moving inventory items

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

ii) Impairment of available for sale investment

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

2 BASIS OF PREPARATION (continued)

e) Use of estimate and judgment(continued)

iii) Impairment of accounts receivable

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

iv) Impairment of non-financial assets

The Group assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable is the higher of an asset's or cash generating unit's (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent from other assets or groups.

Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market price or, if no observable market price exists, estimated prices for similar assets or if no estimated prices for similar assets exist, it is based on discounted cash flow calculations.

3 SIGNIFICANT ACCOUNTING POLICIES

The interim consolidated financial statements and the accompanying notes should be read in conjunction with the annual audited consolidated financial statements and the related notes for the year ended 31 December 2014. Certain of the prior period amounts have been reclassified to conform to the presentation in the current period, however no such reclassification were material to the overall performance of the interim consolidated financial statements.

A brief summary of the principal accounting policies of the Group is set out below:

a) Cash and cash equivalents

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

b) Accounts receivable

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) *Inventories*

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

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

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

d) *Investments*

i) Available for sale investments

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

ii) Investment in an associate

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

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

e) *Intangible assets - software*

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

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Fixed assets

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

The following annual rates are applicable:

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

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

g) Provisions

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

h) Statutory reserve

In accordance with the Regulations for Companies in Kingdom of Saudi Arabia, the Company is required to transfer 10% of its net income for the year to a statutory reserve until such reserve equals 50% of its share capital. This statutory reserve is not available for distribution to shareholders.

i) Revenue recognition

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

j) Expenses

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

k) Segmental reporting

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

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 2015

(Amount in Saudi Riyals)

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Foreign currency translation

i) Transactions and balances

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

ii) Foreign subsidiaries and associates

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

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

4 INVESTMENT IN AN ASSOCIATE

Investment in an associate represents direct equity investment in Juba Investment and Development Company (JIDC), which is a limited liability company registered in the Kingdom of Jordan. During the period 2014, the Company transferred its share in the associated company in exchange of a floor in a new building in Jordan, which will be used by the Group. Accordingly, the amount has been transferred to fixed assets.

5 BANK BORROWINGS AND TERM LOANS

	30 September 2015	30 September 2014
Current:		
Murabaha loans	54,500,000	73,094,958
Short term loans and bank overdrafts	69,592,084	88,459,431
Term loan repayable on demand - see note (c) below	128,454,886	--
Total short term loans	252,546,970	161,554,389
Current portion of long term loans	38,230,435	116,495,108
	290,777,405	278,049,497
Non - current:		
Long term loans	304,502,223	388,425,885
	595,279,628	666,475,382

- a) Bank borrowings and term loans are obtained from various financial institutions and are secured by promissory notes, corporate guarantees, available for sale investments and pledge of certain fixed assets. The facilities bear financial charges on prevailing market rates at SIBOR plus margin as defined in the facilities agreements.

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

30 September 2015

(Amount in Saudi Riyals)

5 BANK BORROWINGS AND TERM LOANS (CONTINUED)

- b) During the period ended 31 March 2015, the subsidiary (Middle East Specialised Cables Company - Jordan) signed a new loan restructuring agreement (the "agreement") with its bankers to restructure its short term loans, which has been converted into a syndicated loan effective 24 March 2015.
- c) Loan agreements contain covenants regarding leverage ratios, gearing ratio, total debt to equity ratio, minimum tangible net worth and maximum receivables from related parties. Under the terms of these agreements, the banks have the right to demand immediate repayment of the loans if any of the covenants are not met. As of 30 September 2015, the Company was not in compliance with certain covenants, accordingly the management has recognized these loans as short term loan. Loans balances that relate to these covenants are SR 128 million.

6 RELATED PARTY TRANSACTIONS AND BALANCES

The related parties of the Group consists of its shareholders and affiliate companies. In the ordinary course of business, the Group enters into transactions with related parties which are based on prices and contract terms approved by the Group's management. Following are the details of major related party transactions during the period ended 30 September 2015 and 30 September 2014 along with their balances:

a) Transactions with related parties

Significant related party transactions during the year were as follows:

<u>Related party</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>2015</u>	<u>2014</u>
Middle East Fiber Cable Manufacturing Company	Affiliate	Raw material purchases	(1,398,520)	(1,647,750)
		Sales	4,890	216,111

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

b) Due to a related party

	<u>2015</u>	<u>2014</u>
Middle East Fiber Cable Manufacturing Company	1,569,523	1,982,465

7 SHARE CAPITAL

The Company's share capital is divided into 60 million shares as of 30 September 2015 (30 September 2014: 60 million shares) of SR 10 each.

8 (LOSS) / EARNINGS PER SHARE

(Loss) / earnings per share attributable to (loss) / income from operations and net (loss) / income for the period are calculated by dividing (loss) / income from operations and net (loss) / income for the period, respectively, by the number of shares outstanding of 60 million as at 30 September 2015 (30 September 2014 : 60 million).

MIDDLE EAST SPECIALIZED CABLES COMPANY

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(Amount in Saudi Riyals)

9 SEGMENT INFORMATION

- a) The Group's operations are carried out in three principal geographical areas, Kingdom of Saudi Arabia, Jordan and United Arab Emirates. The total assets and total liabilities as at 30 September 2015 and 2014, sales, gross profit, Cost of unutilized production capacity and net income / (loss) before non-controlling interest for the nine months period ended, by segment, are as follows:

As at and for period ended 30 September 2015	Segment			Eliminations	Total
	Saudi Arabia	Jordan	United Arab Emirates		
Sales	516,578,804	155,142,883	156,899,323	(122,278,188)	706,342,822
Gross profit	63,674,518	8,473,146	9,231,190	--	81,378,854
Cost of unutilized production capacity	--	(17,059,272)	--	--	(17,059,272)
Net income / (loss) before non-controlling interest	5,767,433	(33,574,529)	(2,696,641)	--	(30,503,737)
Total assets	886,740,986	432,271,747	475,945,259	(484,437,412)	1,310,520,580
Total liabilities	422,665,791	458,404,825	125,673,371	(129,480,460)	877,263,527

As at and for period ended 30 September 2014	Segments			Eliminations	Total
	Saudi Arabia	Jordan	United Arab Emirates		
Sales	618,310,223	147,867,688	128,165,171	(232,418,970)	661,924,112
Gross profit	63,594,925	6,646,854	10,479,119	--	80,720,898
Cost of unutilized production capacity	--	(18,243,579)	--	--	(18,243,579)
Net income / (loss) before non-controlling interest	(729,303)	(30,654,568)	1,645,810	--	(29,738,061)
Total assets	975,944,370	413,236,767	475,913,899	(493,435,023)	1,371,660,013
Total liabilities	489,101,494	385,842,228	138,685,046	(118,227,262)	877,263,527

- b) Sales from one customer of the Group's Saudi Arabian operations represented SR 68.6 million (2014: SR 50.1 million) of the group's total sales.

10 COMMITMENT AND CONTINGENCIES

- a) At 30 September 2015, the Company has outstanding bank guarantees of SR 154.40 million (2014: SR 163.56 million) issued by the local and foreign banks in respect of performance bonds.
- b) At 30 September 2015, the Company has outstanding bank letter of credits of SR 34 million (2014: SR 53.31 million) issued by the Company's bank against certain purchase of raw materials and other supplies.

11 FAIR VALUE

The fair value of financial instruments with standard terms and conditions and that are traded on active liquid markets are determined with reference to quoted market prices. In the absence of an open market, the cost is considered to be the fair value.

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12 RISK MANAGEMENT

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss and arises principally from Group, bank balances, accounts, and others receivable including due from related parties.

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

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

Market risk

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

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.The Group's transactions are principally in Saudi Riyal (SR), United States Dollars (USD), United Arab EmiratesDirham (AED) and Jordanian Dinar (JD).The Group is not exposed tosignificant currency risk as SR and JD are pegged to the USD. Management believes that the Group is not significantly exposed to currency risk, as the parent company monitors the risk at the group level and takes required action to manage currency risk with respect to AED when required.

Interest rate risk

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

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

Liquidity risk

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

13 APPROVAL OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements were authorized for issuance by Board of Director on 21 October 2015.