

**Middle East Specialized Cables  
Company (MESC)  
(A Saudi Joint Stock Company)**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL  
STATEMENTS - AND LIMITED REVIEW REPORT**

**FOR THE NINE MONTHS PERIOD ENDED 30 SEPTEMBER 2013**

Middle East Specialized Cables Company (MESC)  
(A Saudi Joint Stock Company)

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INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED)  
For the nine months period ended 30 September 2013

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**LIMITED REVIEW REPORT  
TO THE SHAREHOLDERS OF  
MIDDLE EAST SPECIALIZED CABLES COMPANY (MESC)  
(A SAUDI JOINT STOCK COMPANY)**

**Scope of review**

We have reviewed the accompanying interim consolidated balance sheet of Middle East Specialized Cables Company (MESC) (the "Company") - A Saudi Joint Stock Company - and its subsidiaries (the "Group") as at 30 September 2013 and the related interim consolidated statements of income for the three and nine months period then ended and related interim consolidated statement of cash flows for the nine months period then ended. 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. We conducted our limited review in accordance with the Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A limited review consists principally of applying analytical procedures to financial data 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 limited 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 Ernst & Young



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Registration No. 354



Riyadh: 24 Dhul- Hijjah 1434H  
(29 October 2013)

Middle East Specialized Cables Company (MESC)  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET – (UNAUDITED)

As at 30 September 2013

	<i>Note</i>	<b>30 September 2013</b> <b>SR</b>	<b>30 September 2012</b> <b>SR</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	61,290,333	17,275,950
Held for trading investments		6,937,218	6,250,756
Accounts receivable		436,063,498	377,298,814
Prepaid expenses and other current assets		40,667,754	53,552,265
Inventories		248,228,166	283,539,486
<b>TOTAL CURRENT ASSETS</b>		<b>793,186,969</b>	<b>737,917,271</b>
<b>NON-CURRENT ASSETS</b>			
Available for sale investments		4,076,347	3,672,975
Investment in an associate		10,613,000	10,613,000
Property, plant and equipment		555,189,696	601,940,241
Intangible assets		7,209,574	2,845,165
Other long term assets		49,457,625	39,728,003
<b>TOTAL NON-CURRENT ASSETS</b>		<b>626,546,242</b>	<b>658,799,384</b>
<b>TOTAL ASSETS</b>		<b>1,419,733,211</b>	<b>1,396,716,655</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank borrowings and current term loans	5	341,612,909	626,191,044
Accounts and notes payable		177,713,570	160,494,423
Accrued expenses and other current liabilities		69,656,891	51,481,708
<b>TOTAL CURRENT LIABILITIES</b>		<b>588,983,370</b>	<b>838,167,175</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	5	497,018,107	230,471,881
Employees' terminal benefits		21,321,515	18,800,244
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>518,339,622</b>	<b>249,272,125</b>
<b>TOTAL LIABILITIES</b>		<b>1,107,322,992</b>	<b>1,087,439,300</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	7	400,000,000	400,000,000
Statutory reserve		28,985,180	28,985,180
Accumulated losses		(117,056,032)	(142,598,167)
Unrealized loss from revaluation of available for sale investments		(1,499,229)	(1,696,893)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>310,429,919</b>	<b>284,690,120</b>
<b>MINORITY INTERESTS</b>		<b>1,980,300</b>	<b>24,587,235</b>
<b>TOTAL EQUITY</b>		<b>312,410,219</b>	<b>309,277,355</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,419,733,211</b>	<b>1,396,716,655</b>

The attached notes 1 to 15 form part of these interim consolidated financial statements.

Middle East Specialized Cables Company (MESC)  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENTS OF INCOME – (UNAUDITED)

For the three and nine months periods ended 30 September 2013

	<i>Note</i>	<i>For the three months period ended 30 September</i>		<i>For the nine months period ended 30 September</i>	
		<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
		<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
Sales		<b>238,757,609</b>	193,868,873	<b>694,217,299</b>	761,096,351
Cost of sales		<b>(205,336,273)</b>	(153,498,899)	<b>(582,113,294)</b>	(631,422,756)
<b>GROSS PROFIT</b>		<b>33,421,336</b>	40,369,974	<b>112,104,005</b>	129,673,595
<b>EXPENSES</b>					
Selling and distribution		<b>(10,568,823)</b>	(9,545,192)	<b>(25,920,774)</b>	(26,773,401)
General and administrative		<b>(6,084,704)</b>	(9,176,272)	<b>(27,142,356)</b>	(28,258,020)
Cost of unutilized production capacity		<b>(5,106,044)</b>	(6,401,790)	<b>(17,517,780)</b>	(19,502,044)
Amortisation		<b>(334,022)</b>	(331,210)	<b>(1,089,621)</b>	(1,276,809)
<b>TOTAL EXPENSES</b>		<b>(22,093,593)</b>	(25,454,464)	<b>(71,670,531)</b>	(75,810,274)
<b>INCOME FROM OPERATIONS</b>		<b>11,327,743</b>	14,915,510	<b>40,433,474</b>	53,863,321
Unrealized gain (loss) from held for trading investments		<b>245,565</b>	(390,673)	<b>630,652</b>	(1,339,448)
Loss on derivative financial instruments	8	-	-	-	(4,962,440)
Financial charges	5	<b>(9,736,747)</b>	(10,510,232)	<b>(30,959,723)</b>	(31,046,330)
Other income, net	9	<b>12,461,565</b>	426,755	<b>11,684,770</b>	1,858,512
<b>INCOME BEFORE MINORITY INTEREST, ZAKAT AND INCOME TAX</b>		<b>14,298,126</b>	4,441,360	<b>21,789,173</b>	18,373,615
Minority interests		<b>2,767,200</b>	5,776,934	<b>12,168,020</b>	12,892,034
<b>INCOME BEFORE ZAKAT AND INCOME TAX</b>		<b>17,065,326</b>	10,218,294	<b>33,957,193</b>	31,265,649
Zakat and income tax (provision) /recovery, net	6	<b>(1,749,999)</b>	(1,000,000)	<b>(5,249,997)</b>	3,000,000
<b>NET INCOME FOR THE PERIOD</b>		<b>15,315,327</b>	9,218,294	<b>28,707,196</b>	34,265,649
<b>Earnings per share (SR):</b>	10				
<u>Attributable to:</u>					
Income from operations		<b>0.28</b>	0.37	<b>1.01</b>	1.35
Net income for the period		<b>0.38</b>	0.23	<b>0.72</b>	0.86

The attached notes 1 to 15 form part of these interim consolidated financial statements.

Middle East Specialized Cables Company (MESC)  
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS – (UNAUDITED)

For the nine months period ended 30 September 2013

	<i>For the nine months period ended 30 September</i>	
	<i>2013 SR</i>	<i>2012 SR</i>
<b>OPERATING ACTIVITIES</b>		
Income before zakat and income tax	33,957,193	31,265,649
Adjustments to:		
Depreciation and amortization	33,121,121	34,932,499
Minority interest	(12,168,020)	(12,892,034)
Provision for doubtful debts	2,990,381	-
Provision for slow moving items	2,450,000	3,800,000
Unrealized (gain) loss from held for trading investments	(630,652)	1,339,448
Gain on sale of land (note 9)	(12,324,000)	-
Provision for employees' terminal benefits	5,082,650	4,625,351
	<u>52,478,673</u>	<u>63,070,913</u>
Changes in operating assets and liabilities:		
Accounts receivable	(107,358,275)	(47,678,108)
Prepaid expenses and other current assets	(16,141,025)	(7,270,992)
Inventories	16,784,880	18,318,522
Accounts and notes payable	68,835,484	31,999,987
Accrued expenses and other current liabilities	(4,232,995)	4,083,707
	<u>10,366,742</u>	<u>62,524,029</u>
Cash from operations	10,366,742	62,524,029
Zakat and income tax paid	(1,257,195)	(1,599,918)
Employees' terminal benefits paid	(1,638,041)	(4,347,996)
	<u>7,471,506</u>	<u>56,576,115</u>
Net cash from operating activities		
<b>INVESTING ACTIVITIES</b>		
Murabaha deposit (note 4)	(38,400,000)	-
Additions to property, plant and equipment	(19,179,264)	(26,918,670)
Proceeds from sale of property, plant and equipment	38,400,000	-
Intangible assets	(5,777,304)	(437,909)
	<u>(24,956,568)</u>	<u>(27,356,579)</u>
Net cash used in investing activities		
<b>FINANCING ACTIVITIES</b>		
Repayments of bank borrowings and term loans, net	(23,467,741)	(39,260,942)
Net movement in minority interests	-	1,331,172
	<u>(23,467,741)</u>	<u>(37,929,770)</u>
Net cash used in financing activities		
<b>DECREASE IN BANK BALANCES AND CASH</b>	<b>(40,952,803)</b>	<b>(8,710,234)</b>
Bank balances and cash at the beginning of the period	63,843,136	25,986,184
	<u>22,890,333</u>	<u>17,275,950</u>
<b>BANK BALANCES AND CASH AT THE END OF THE PERIOD (NOTE 4)</b>		
<b>Non cash transaction:</b>		
Unrealized gain (loss) from revaluation of available for sale investments	181,594	(411,756)

The attached notes 1 to 15 form part of these interim consolidated financial statements.

# Middle East Specialized Cables Company (MESC) (A Saudi Joint Stock Company)

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS – (UNAUDITED) 30 September 2013

### 1 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 (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 following are the subsidiaries included in the interim consolidated financial statements:

Subsidiary	Current Ownership %		Country of Incorporation
	2013	2012	
Middle East Specialised Cables Company - Jordan (i)	49.0	49.0	Kingdom of Jordan
MESC for Medium and High Voltage Cables Company (Formerly MESC Fujikura Cable Company) *	69.14	69.14	Kingdom of Jordan
MESC - Ras Al-Khaimah (Limited Liability Company) (ii)	100.0	100.0	United Arab Emirates
Sharjah Cables Factory (a sole proprietorship) (ii)	-	100.0	United Arab Emirates

\* Direct and indirect ownership through its subsidiary, Middle East Specialized Cables Company – Jordan.

- (i) During March 2012, the Company’s board of directors has approved the management’s recommendation to designate a mutual fund for the benefit of its subsidiary employees, and that by a decrease of the Company’s owned shares in the subsidiary from 53.7 % to 49%. The Company transferred the ownership to the fund’s benefit at net book value.
- (ii) During the period ended 30 June 2012, the Company’s board of directors decided to merge the operations of Sharjah Cables Factory with the operations of MESC - Ras Al Khaimah, effective 1 April 2012. Accordingly, all the assets and liabilities of Sharjah Cables Factory have been transferred to MESC - Ras Al Khaimah. As the two entities fully owned by MESC, therefore there was no impact on the interim consolidated financial statements.

### 2 BASIS OF CONSOLIDATION

The interim consolidated financial statements include the assets, liabilities and the results of operations of the Company and its subsidiaries (the “Group”) listed in note (1) above.

A subsidiary is a company in which the Group has, directly or indirectly, long term investment comprising an interest of more than 50% in the voting capital or over which it exerts a practical control. A subsidiary company is consolidated from the date on which the Group obtains a practical control until the date such control ceases. Minority interests has been calculated and reflected separately in the interim consolidated balance sheet and interim consolidated statements of income. Significant balances and transactions between the Group companies have been eliminated in the interim consolidated financial statements.

### 3 SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the Standard on Interim Financial Statements issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies used in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of annual consolidated financial statements for the year ended 31 December 2012.

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 2012.

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

#### *Accounting convention*

The interim consolidated financial statements are prepared under the historical cost convention, except for the measurement at fair value for held for trading investments, available for sale investments and derivative financial instruments

Middle East Specialized Cables Company (MESC)  
(A Saudi Joint Stock Company)

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –  
(UNAUDITED) (continued)  
30 September 2013

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Use of estimates***

The preparation of interim consolidated financial statements in conformity with generally accepted accounting standards which requires the use of estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date of the interim consolidated financial statements, in addition to the reported amounts of revenues and expenses during the period. Although these estimates are based on management's best knowledge of current events and activities available with the management, actual result may ultimately differ from those estimates.

***Cash and cash equivalent***

For the purposes of preparation of interim consolidated statement of cash flows, cash and cash equivalents consists of bank balances, cash on hand, and time deposit having a maturity of three months or less when purchased.

***Accounts receivables***

Accounts receivable are stated at original invoice amount less allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the amount is no longer probable. Bad debts are written off as incurred.

***Inventories***

Inventories are stated at the lower of cost and net realizable value. Cost is determined for finished goods on a weighted average cost basis and includes cost of material, labor and appropriate proportion of direct over heads. All other inventories are valued on a weighted average cost basis.

***Investments***

***Held for trading investments***

Held for trading investments are investments in readily marketable securities, which are bought for trading purposes, are stated at fair value and included under current assets. Changes in market value are credited or charged to the interim consolidated statement of income.

***Available for sale investments***

Investments that are bought neither with the intention of being held to maturity nor for the trading purposes, are stated at fair value and are included under non-current assets, unless they will be sold in the next fiscal year. Unrealized gains and losses are reported as a separate component of shareholders' equity, until the investment is derecognized or the investment is determined to be impaired.

Fair value is determined by reference to the market value if an open market exists, or the use of other alternative method. Otherwise, cost is considered to be the fair value. Where partial holdings are sold, these are accounted for on a weighted average basis.

***Investment in an associate***

Associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, investment in an associate is carried in the interim consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The interim consolidated statement of income will reflect the Group's share in the results of associate.

***Property, plant and equipment***

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment in value. Land and capital work in progress are not depreciated. The cost less estimated residual value of other property, plant and equipment is depreciated on a straight line basis over the estimated useful lives of the assets.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure for repair and maintenance are charged to the consolidated statement of income. Betterments that increase the value or materially extend the life of the related assets are capitalized

During the period ended 30 June 2012, there was a change in the estimated useful life of the production machineries of a subsidiary, where the useful lives of these machineries were extended from 15 to 30 years. This was treated by the Group as a change in estimate. This change was accounted for prospectively and resulted in an increase in the net income for the quarter by around SR 2 million. This change should have a similar impact on the future quarterly results of the Group until the end of the original estimated useful life.



Middle East Specialized Cables Company (MESC)  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –  
(UNAUDITED) (continued)  
30 September 2013

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Intangible assets***

***Goodwill***

The excess of consideration paid over the fair value of net assets acquired is recorded as goodwill. Goodwill is periodically re-measured and reported in the interim consolidated financial statements at carrying value after being adjusted for impairment, if any. The carrying amount of negative goodwill, if any, is netted off against fair value of non-current assets.

***Other intangible assets***

License fee, SIDF loans management fee, loans restructuring fees and development costs relating to information systems are deferred and amortized over an estimated period of benefit up to a maximum of six years.

***Impairment***

The Group periodically reviews the carrying amounts of its long term tangible and intangible assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where 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.

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. Impairment is recognized in the interim consolidated statement of income.

Except for goodwill, where impairment subsequently reverses, the carrying amount of the asset or the cash generating unit is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognized for the asset or cash generating unit in prior years. A reversal of impairment is recognized immediately in the interim consolidated statement of income.

***Provisions***

Provisions are recognized when an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and may be measured reliably by the Group.

***Accruals***

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

***Employees' terminal benefits***

Provision is made for amounts payable under the Saudi Arabian (and Jordan and United Arab Emirates) Labour Law applicable to employees' accumulated periods of service at the balance sheet date.

***Zakat and income tax***

Zakat is provided in accordance with the Regulations of the Department of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia and on an accrual basis. The provision is charged to the interim consolidated statement of income. Differences, if any, resulting from the final assessments are adjusted in the year of their finalization.

For subsidiaries outside the Kingdom of Saudi Arabia, provision for corporate tax is computed in accordance with tax regulations of the respective countries.

***Statutory reserve***

In accordance with the Saudi Arabian Regulations for Companies, the Company must set aside 10% of the income (after deducting losses brought forward) in each year until it has been build up reserve equal to one half of the capital. The reserve is not available for distribution.

***Revenue recognition***

Sales are recognized upon delivery of goods to customers and are stated net of trade or quantity discounts.

Middle East Specialized Cables Company (MESC)  
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –  
(UNAUDITED) (continued)  
30 September 2013

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Expenses**

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company's products.

General and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between general and administrative expenses and cost of sales, when required, are made on a consistent basis.

**Derivative Financial Instruments**

The Group uses derivative financial instruments such as cash settled forward commodity (metal) contracts to hedge its commodity price risks. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting and the ineffective portion of an effective hedge, are taken directly to the interim consolidated statement of income.

For the purpose of hedge accounting, the Group's cash settled forward commodity contracts are classified as cash flow hedges, as the Group is hedging exposure to variability in cash flows that is attributable to the commodity price risks associated with a highly probable forecast transaction.

**Foreign currencies**

The consolidated financial statements are presented in Saudi Riyal, which is the Company's functional and presentation currency. Each subsidiary in the Group determines its own functional currency, and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

At the subsidiary level, transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the interim consolidated statement of income.

At the consolidation level, financial statements of foreign subsidiaries are translated into the presentation currency of the Company (Saudi Riyals) using the exchange rate at each balance sheet date for assets and liabilities, and the average exchange rate for each period for revenues and expenses. Components of equity, other than retained earnings, are translated at the rate ruling at the date of occurrence of each component. Translation adjustments are recorded as a separate component of equity.

**Segmental reporting**

A segment is a distinguishable component of the Group that is engaged either in providing products or services (a business segment) or in providing products or services within a particular economic environment (a geographic segment), which is subject to risks and rewards that are different from those of other segments.

**4 CASH AND CASH EQUIVALENTS**

	<b>30 September 2013 SR</b>	<b>30 September 2012 SR</b>
Bank balances	<b>22,189,215</b>	16,897,169
Cash on hand	<b>701,118</b>	378,781
Bank balances and cash	<b>22,890,333</b>	17,275,950
Murabaha deposit (*)	<b>38,400,000</b>	-
	<b>61,290,333</b>	17,275,950

(\*) Murabaha deposit is placed with a local bank for a period of less than three months, and it is restricted for a loan settlement during the fourth quarter 2013, based on the newly signed restructuring agreement (note 5).

Middle East Specialized Cables Company (MESC)  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –  
(UNAUDITED) (continued)  
30 September 2013

**5 BANK BORROWINGS AND TERM LOANS**

	<i>30 September 2013 SR</i>	<i>30 September 2012 SR</i>
<b>Current:</b>		
Murabaha loans	<b>104,143,371</b>	466,945,373
Short term loans and bank overdrafts	<b>80,996,236</b>	105,954,832
	<b>185,139,607</b>	572,900,205
Current portion of long term loans	<b>156,473,302</b>	53,290,839
	<b>341,612,909</b>	626,191,044
<b>Non - current:</b>		
Term loans	<b>497,018,107</b>	230,471,881
	<b>838,631,016</b>	856,662,925

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 Group's property, plant and equipment. They carry borrowing costs at normal commercial rates.

Loans agreements contain covenants regarding certain 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.

During the period ended 30 September 2013, the Company signed a restructuring agreement (the "agreement") with its current local bankers to restructure its short term loans.

**6 ZAKAT AND INCOME TAX**

Zakat is provided for and charged to the interim consolidated statement of income. Differences resulting from the final Zakat calculation, if any are adjusted at year end.

The movement in Zakat provision for the period is as follows:

	<i>30 September 2013 SR</i>	<i>30 September 2012 SR</i>
At the beginning of the period	<b>5,410,400</b>	9,010,318
Provided during the period	<b>5,249,997</b>	3,000,000
Reversed during the period	-	(6,000,000)
Paid during the period	<b>(1,257,195)</b>	(1,599,918)
At end of the period	<b>9,403,202</b>	4,410,400

The Company has filed its zakat returns for prior years up to the year ended 31 December 2012 and has obtained the final Zakat assessments up to the year ended 31 December 2007.

**7 SHARE CAPITAL**

The Company's share capital is divided into 40 million shares as of 30 September 2013 (30 September 2012: 40 million shares) of SR 10 each.

The shareholders in their Extraordinary General Assembly meeting held on 20 Shawwal 1434 (corresponding to 27 August 2013) approved the Company's Board of Directors' recommendation to increase the share capital of the Company from SR 400 million to SR 600 million by offering a rights issue of SR 200 million.

Subsequent to the period ended 30 September 2013, the Company completed the rights issue offering and received the proceeds from the offering.

**Middle East Specialized Cables Company (MESC)**  
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –**  
**(UNAUDITED) (continued)**  
**30 September 2013**

**8 DERIVATIVES FINANCIAL INSTRUMENTS**

In 2012, the Group used derivative financial instruments; such as cash settled forward commodity (metal) contracts to hedge its commodity price risks, which are classified as cash flow hedges. The Group is hedging exposure to variability in cash flows that is attributable to the commodity price risk associated with a highly probable forecast transaction.

The realized loss during the period ended 30 September 2013 that relates to the cash flow hedge transactions amounted to SR nil (30 September 2012: SR 4,962,440).

**9 OTHER INCOME, NET**

	<i>30 September 2013 SR</i>	<i>30 September 2012 SR</i>
Gain from sale of land	<b>12,324,000</b>	-
Other (expenses) income, net	<b>(639,230)</b>	1,858,512
	<b><u>11,684,770</u></b>	<b><u>1,858,512</u></b>

**10 EARNINGS PER SHARE**

Earnings per share attributable to income from operations and net income for the period are calculated by dividing income from operations and net income for the period, respectively, by the number of shares outstanding of 40 million as at 30 September 2013.

**11 SEGMENT INFORMATION**

The Group's operations are carried out in three principal geographical areas, which are considered as reporting segments. Following are the segments of the Group:

**Saudi Arabia**

This consists of operations carried out through Middle East Specialized Cables Company (MESC) – Saudi Arabia.

**Hashemite Kingdom of Jordan**

This consists of operations carried out through Middle East Specialised Cables Company- Jordan and MESC for Medium and High Voltage Cables Company.

**United Arab Emirates**

This consists of operations carried out through Sharjah Cables Factory and MESC - Ras Al-Khaimah (Limited Liability Company).

The total assets and total liabilities as at 30 September 2013 and 2012, total revenues, gross profit and net income (loss) for the nine months period ended, by segment, are as follows:

<b>30 September 2013</b>	<b>Segment</b>				<b>Total SR</b>
	<b>Saudi Arabia SR</b>	<b>Jordan SR</b>	<b>United Arab Emirates SR</b>	<b>Eliminations</b>	
Sales	546,853,044	161,174,352	127,879,092	(141,689,189)	694,217,299
Gross profit	86,834,611	8,841,936	16,427,458	-	112,104,005
Net income (loss)	28,707,196	(33,936,898)	7,131,589	26,805,309	28,707,196
Total assets	942,313,671	479,424,828	339,895,818	(341,901,106)	1,419,733,211
Total liabilities	631,883,750	413,643,597	176,405,433	(114,609,788)	1,107,322,992

Middle East Specialized Cables Company (MESC)  
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS –  
(UNAUDITED) (continued)  
30 September 2013

**11 SEGMENT INFORMATION (continued)**

30 September 2012	Segments				Total SR
	Saudi Arabia SR	Jordan SR	United Arab Emirates SR	Eliminations	
Sales	551,182,572	187,745,751	137,092,553	(114,924,525)	761,096,351
Gross profit	104,495,983	10,234,517	14,943,095	-	129,673,595
Net income (loss)	34,265,649	(35,726,419)	8,158,983	27,567,436	34,265,649
Total assets	966,522,607	483,036,931	287,164,824	(340,007,707)	1,396,716,655
Total liabilities	681,832,487	357,361,547	118,800,612	(70,555,346)	1,087,439,300

**12 INTERIM RESULTS**

The results of operations of the Group for the interim period may not be an indication of the results of the full year's operations.

**13 RISK MANAGEMENT**

**Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. The Group is subject to normal interest rate risk on its interest bearing assets and liabilities, including bank deposits and loans.

**Credit risk**

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The Group seeks to manage its credit risk with respect to counter-parties by setting credit limits for individual parties and by monitoring outstanding exposures. At the balance sheet date, no significant concentrations of credit risk were identified by management.

**Currency risk**

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group is subject to fluctuations in foreign exchange rates in the normal course of its business. The Group uses foreign currencies, mainly US Dollar, UAE Dirham, Jordan Dinar and Euro. The Group is not exposed to significant currency risk as the Saudi Riyal is pegged to the US Dollar. Balances in other currencies are not considered to represent significant currency risk.

**Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. The Group manages its liquidity risk by ensuring that bank facilities are available.

**14 CONTINGENCIES**

The Group's bankers have issued, on its behalf, bank guarantees and letters of credit amounting to SR 193.5 Million (30 September 2012: SR 237 Million) in the normal course of business.

**15 COMPARATIVE FIGURES**

Certain of the prior period amounts have been reclassified to conform to the presentation in the current period.