

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL
STATEMENTS AND REVIEW REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
CPA's & Consultants - Member Crowe Global

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND REVIEW
REPORT
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**

| INDEX | PAGE |
|---|-------------|
| Report on review of condensed consolidated interim financial statements | 1 |
| Condensed consolidated interim statement of financial position | 2 |
| Condensed consolidated interim statement of profit or loss and other comprehensive income | 3 |
| Condensed consolidated interim statement of changes in equity | 4 |
| Condensed consolidated interim statement of cash flows | 5 |
| Notes to the condensed consolidated interim financial statements | 6 - 9 |

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

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

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of **Middle East Specialized Cables Company (the "Company") and its subsidiary (the "Group")** as at 31 March 2020, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim 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" that is endorsed in the Kingdom of Saudi Arabia. A review of condensed consolidated interim 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 condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.



**Al Azem, Al Sudairy, Al Shaikh & Partners
Certified Public Accountants**


**Salman B. AlSudairy
License No. 283**

19 Ramadan 1441H (May 12, 2020)
Riyadh, Kingdom of Saudi Arabia

Audit, Tax & consultants

Salman B. AlSudairy
License No. 283

Musad A. AL Shaikh
License No. 658

Abdullah M. AlAzem
License No. 335

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2020
Saudi Riyals

| | Notes | 31 March 2020 (Unaudited) | 31 December 2019 (Audited) |
|---------------------------------------|-------|------------------------------|-------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 6 | 171,247,704 | 175,858,624 |
| Intangible assets | | 3,360,665 | 3,499,313 |
| Right of use assets | | 9,999,570 | 10,203,340 |
| Non-current accounts receivable | | 32,800,876 | 33,001,262 |
| Total non-current assets | | 217,408,815 | 222,562,539 |
| Current assets | | | |
| Inventories | | 114,003,761 | 132,986,461 |
| Accounts receivable | | 337,447,427 | 304,406,022 |
| Cash and cash equivalent | | 12,246,714 | 14,318,473 |
| Total current assets | | 463,697,902 | 451,710,956 |
| TOTAL ASSETS | | 681,106,717 | 674,273,495 |
| EQUITY AND LIABILITIES | | | |
| Share capital | | | |
| Share capital | 8 | 400,000,000 | 400,000,000 |
| Statutory reserve | | 28,985,180 | 28,985,180 |
| Accumulated losses | | (69,162,215) | (69,443,933) |
| Total equity | | 359,822,965 | 359,541,247 |
| Non-current liabilities | | | |
| Long-term loans | | 94,088,798 | 94,088,798 |
| Lease liability – non-current portion | | 8,918,013 | 8,814,875 |
| Employees' end of service benefits | | 19,568,621 | 19,108,400 |
| Total non-current liabilities | | 122,575,432 | 122,012,073 |
| Current liabilities | | | |
| Current portion of long-term loans | | 6,537,999 | 6,537,999 |
| Short-term loans | | 6,577,993 | 6,660,318 |
| Accounts payable | | 167,092,451 | 163,375,820 |
| Lease liability – current portion | | 1,152,544 | 1,111,205 |
| Zakat provision | | 17,306,146 | 14,993,646 |
| Dividends payable | | 41,187 | 41,187 |
| Total current liabilities | | 198,708,320 | 192,720,175 |
| Total liabilities | | 321,283,752 | 314,732,248 |
| TOTAL EQUITY AND LIABILITIES | | 681,106,717 | 674,273,495 |

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

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020**
Saudi Riyals

| | Note | 31 March 2020 (Unaudited) | 31 March 2019 (Unaudited) |
|--|------|------------------------------|------------------------------|
| Revenue | | 140,241,740 | 114,709,267 |
| Cost of sales | | (119,844,072) | (104,232,974) |
| Gross profit | | 20,397,668 | 10,476,293 |
| Selling and marketing expenses | | (7,717,549) | (6,659,509) |
| General and administrative expenses | | (8,542,796) | (10,299,219) |
| Other expenses | | (183,714) | (77,526) |
| Operating income (loss) | | 3,953,609 | (6,559,961) |
| Finance cost | | (1,359,391) | (1,659,712) |
| Net income (loss) before zakat | | 2,594,218 | (8,219,673) |
| Zakat | | (2,312,500) | (2,362,500) |
| Net income (loss) for the period | | 281,718 | (10,582,173) |
| Other comprehensive income: | | | |
| <i>Item that may not be reclassified subsequently to profit or loss:</i> | | | |
| Remeasurement gain of employees' end of service benefits | | - | - |
| Other comprehensive income for the period | | - | - |
| Total comprehensive income (loss) for the period | | 281,718 | (10,582,173) |
| Earnings (loss) per share (SR) | | | |
| Basic and diluted income (loss) for the period attributable to ordinary equity holders | 5 | 0.01 | (0.26) |

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
Saudi Riyals

| | Share capital | Statutory reserve | Accumulated losses | Total equity |
|---|---------------|-------------------|--------------------|--------------|
| January 1, 2019 (Audited) | 400,000,000 | 28,985,180 | (44,111,743) | 384,873,437 |
| Loss for the period | - | - | (10,582,173) | (10,582,173) |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive loss for the period | - | - | (10,582,173) | (10,582,173) |
| March 31, 2019 (Unaudited) | 400,000,000 | 28,985,180 | (54,693,916) | 374,291,264 |
| January 1, 2020 (Audited) | 400,000,000 | 28,985,180 | (69,443,933) | 359,541,247 |
| Income for the period | - | - | 281,718 | 281,718 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | - | - | 281,718 | 281,718 |
| March 31, 2020 (Unaudited) | 400,000,000 | 28,985,180 | (69,162,215) | 359,822,965 |

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

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

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
Saudi Riyals

| | 31 March 2020 (Unaudited) | 31 March 2019 (Unaudited) |
|--|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) for the period | 281,718 | (10,582,173) |
| Depreciation and amortization | 4,939,546 | 5,228,577 |
| Depreciation of right of use assets | 203,770 | 203,771 |
| Impairment of accounts receivable | 3,452,673 | 2,000,000 |
| Slow moving inventories | 1,212,845 | 363,618 |
| Amortization for arrangement fees | - | 11,324 |
| Finance cost | 1,359,391 | 1,659,712 |
| Loss on disposal of property, plant and equipment | - | 179,438 |
| Impairment of property, plant and equipment | 260,703 | 334,106 |
| Employees end-of-service benefits | 878,281 | 911,991 |
| Zakat expense | 2,312,500 | 2,362,500 |
| Operating cash flows before changes in working capital | 14,901,427 | 2,672,864 |
| <u>Movement in working capital:</u> | | |
| Accounts receivable | (36,293,692) | 56,110,284 |
| Inventories | 17,769,855 | 4,012,607 |
| Accounts payable | 5,008,736 | (40,412,537) |
| Cash generated from operations | 1,386,326 | 22,383,218 |
| Finance cost paid | (2,507,019) | (2,730,824) |
| Employees end-of-service benefits paid | (418,060) | (1,485,363) |
| Zakat paid | - | (1,293,359) |
| Net cash (used in) generated from operating activities | (1,538,753) | 16,873,672 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (450,681) | (766,853) |
| Net cash used in investing activities | (450,681) | (766,853) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net decrease on short-term loans | (82,325) | (11,206,604) |
| Net cash used in financing activities | (82,325) | (11,206,604) |
| Net (decrease) increase in cash and cash equivalents | (2,071,759) | 4,900,215 |
| Cash and cash equivalents at the beginning of the period | 14,318,473 | 15,684,038 |
| Cash and cash equivalents at the end of the period | 12,246,714 | 20,584,253 |
| <u>Supplementary information for non-cash transactions:</u> | | |
| Impact of adopting of IFRS 16 | - | 11,817,741 |
| Transfer from property, plant and equipment to intangible assets | - | 656,851 |

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020

Saudi Riyals

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 subsidiary (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 subsidiary & investments as at 31 March 2020. The financial statements of this subsidiary is consolidated, and the investments are recorded at fair market value in these condensed consolidated interim financial statements.

| Subsidiary/ Investments | Legal status | Current legal ownership % | | Country of Incorporation | Financial Year end |
|--|----------------------------|---------------------------|----------------|--------------------------|--------------------|
| | | March 31, 2020 | March 31, 2019 | | |
| Middle East Specialized Cables Company- Jordan (MESC Jordan) | Joint Stock Company | 19.9 | 19.9 | Jordan | 31 December |
| MESC for Medium and High Voltage Cables Company* | Closed Joint Stock Company | 57.5 | 57.5 | Jordan | 31 December |
| MESC - Ras Al-Khaimah | Limited Liability Company | 100 | 100 | United Arab Emirates | 31 December |

Fair value for the Company's investments in Jordan is zero.

* The Extra Ordinary General Assembly of the subsidiary in Jordan "MESC for Medium and High Voltage Cables Company" decided in their Meeting dated on October 11, 2017 to liquidate the Company. As a result of that, Middle east specialized Cables Co (MESC KSA) lost control of MESC for Medium and High Voltage Cables Company. Consequently, MESC KSA stopped consolidating MESC for Medium and High Voltage Cables Company from October 11, 2017 and considered as discontinued operation.

In response to the spread of the Covid-19 and its resulting disruptions to the economic activities in markets, the management has proactively assessed its impacts on its operations to ensure the continuity of supply of its products throughout its markets. The management believes that the Covid-19 pandemic has had no material effects on the Group's reported financial results for the period ended 31 March 2020. Because of the difficulty in determining the time period of the pandemic, it is not practical to provide a quantitative estimate of the potential impact of the pandemic, however, the management continues to monitor the situation closely and will reflect any required changes in future financial reporting periods.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization of Certified Public Accountants (SOCPA) and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ("last annual consolidated financial statements"). They do not include all of the information required for a complete set of consolidated financial statements, however; accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements.

2.2 Preparation of the Financial Statements

The condensed consolidated interim financial statements have been prepared on the historical cost basis except the employees' end-of-service benefits, which is recognised at the present value of future obligations using the Projected Unit Credit Method.

2.3 Use of Judgments and Estimates

In preparing these condensed consolidated interim financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual consolidated financial statements.

However, as explained in Note 1 above, the Group has reviewed the key sources of estimation uncertainties disclosed in the last annual consolidated financial statements against the backdrop of Covid-19 pandemic. Management believes that other than the expected credit losses arising on the financial assets, all other sources of estimation uncertainty remain similar to those disclosed in the annual consolidated financial statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

2.4 Functional and Presentation Currency

These condensed consolidated interim financial statements are presented in Saudi Riyals ("SR"), which is the Company's functional and Group's presentation currency. All amounts have been rounded to the nearest SR, unless otherwise indicated.

3. BASIS OF CONSOLIDATION

These condensed consolidated interim financial statements comprising the condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss and other comprehensive income, condensed consolidated interim statement of changes in equity, condensed consolidated interim statement of cash flows and notes to the condensed consolidated interim financial statements of the Group include assets, liabilities and the results of the operations of the Company and its subsidiary, as set out in note (1). The Company and its subsidiary are collectively referred to as the "Group". Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control commences until the date on which control ceases. The Group accounts for the business combinations

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
Saudi Riyals

3. BASIS OF CONSOLIDATION – Continued

using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identified net assets acquired. The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is recorded as goodwill in condensed consolidated interim statement of financial position. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Accounting policies of subsidiaries are aligned, where necessary, to ensure consistency with the policies adopted by the Group. The Company and its subsidiaries have the same reporting periods.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except new standards, amendment to standards and interpretations as described below:

New Standards, Amendment to Standards and Interpretations

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2020 and has been explained in Group annual consolidated financial statements, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

5. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share is based on the net income for the period attributable to owners of the company of SR 281,718 (March 31, 2019: net loss of SR 10,582,173) divided by a weighted average number of shares in issue of 40 million.

6. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group spent approximately SR 0.5 million (March 31, 2019: SR 0.8 million) on property, plant and equipment in order to upgrade its manufacturing facilities.

7. DIVIDENDS

No dividends were declared during the period (March 31, 2019: nil).

8. SHARE CAPITAL

The company has 40 million shares of SR 10 each in issue as at the reporting date. There were no movements in share capital in the period under review.

9. CAPITAL COMMITMENTS AND CONTINGENCIES

The Group had capital commitments of SR 10.9 million (December 31, 2019: SR 10.9 million) and contingencies in the form of letters of credit and guarantees of SR 96 million at the reporting date (December 31, 2019: SR 119 million).

10. RELATED PARTY TRANSACTIONS

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2020
Saudi Riyals

11. 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 Group have chosen to organize the Group around differences in internal reporting structure.

The Group's operating segments are as follows:

Saudi Arabia
United Arab Emirates

Segment revenues and results

| | 31 March 2020 | 31 March 2020 |
|---|--------------------|--------------------------|
| | | Net profit (loss) |
| <u>Revenue and profit before zakat by segment</u> | <u>Revenue</u> | <u>before zakat</u> |
| Saudi Arabia | 114,052,324 | 3,651,744 |
| United Arab Emirates | 60,037,866 | (1,616,794) |
| Intersegment eliminations | (33,848,450) | 559,268 |
| | <u>140,241,740</u> | <u>2,594,218</u> |
| | 31 March 2020 | 31 March 2020 |
| <u>Segment total assets and liabilities</u> | <u>Assets</u> | <u>Liabilities</u> |
| Saudi Arabia | 627,659,919 | 266,906,673 |
| United Arab Emirates | 202,417,462 | 145,867,939 |
| Intersegment eliminations | (148,970,664) | (91,490,860) |
| | <u>681,106,717</u> | <u>321,283,752</u> |
| | 31 March 2019 | 31 March 2019 |
| <u>Revenue and profit before zakat by segment</u> | <u>Revenue</u> | <u>Net profit (loss)</u> |
| | | <u>before zakat</u> |
| Saudi Arabia | 94,245,255 | (2,723,693) |
| United Arab Emirates | 40,446,749 | (4,812,861) |
| Intersegment eliminations | (19,982,737) | (683,119) |
| | <u>114,709,267</u> | <u>(8,219,673)</u> |
| | 31 December 2019 | 31 December 2019 |
| <u>Segment total assets and liabilities</u> | <u>Assets</u> | <u>Liabilities</u> |
| Saudi Arabia | 644,362,114 | 284,168,869 |
| United Arab Emirates | 186,727,944 | 128,561,629 |
| Intersegment eliminations | (156,816,563) | (97,998,250) |
| | <u>674,273,495</u> | <u>314,732,248</u> |

Segment revenue reported represents revenue generated from both external customers and related parties.

All segments sell similar product ranges.

There is one customer who contributed more than 10% of the Group's total revenue.

12. SUBSEQUENT EVENTS

In the opinion of the management, there have been no significant subsequent events since the period-end that require disclosure or adjustment in these condensed consolidated interim financial statements.

13. APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved on 19 Ramadan 1441H (Corresponding to May 12, 2020).