

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2014**

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

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CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

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## AUDITORS' REPORT TO THE SHAREHOLDERS OF MIDDLE EAST SPECIALIZED CABLES COMPANY (MESC) (A SAUDI JOINT STOCK COMPANY)

### Scope of audit

We have audited the accompanying consolidated balance sheet of Middle East Specialized Cables Company (MESC) (the "Company") - A Saudi Joint Stock Company - and its subsidiaries (the "Group") as at 31 December 2014 and the related consolidated statements of income, cash flows and changes in equity for the year then ended. These consolidated financial statements are the responsibility of the Group's management and have been prepared by them in accordance with the provisions of Article 123 of Regulation for Companies and submitted to us together with all the information and explanations which we required. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable degree of assurance to enable us to express an opinion on the consolidated financial statements.

### Unqualified opinion

In our opinion, the consolidated financial statements taken as a whole:

- i) present fairly, in all material respects, the consolidated financial position of the Group as of 31 December 2014 and the consolidated results of its operations and cash flows for the year then ended in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.
- ii) comply with the requirements of the Regulations for Companies and the Company's bye-laws in so far as they affect the preparation and presentation of the consolidated financial statements.

for Ernst & Young

Fahad M. Al-Toaimi  
Certified Public Accountant  
Registration No. 354



Riyadh: 5 Jumad Awal 1436H  
(24 February 2015)

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

CONSOLIDATED BALANCE SHEET

As at 31 December 2014

	Note	2014 SR	2013 SR
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Bank balances and cash		26,288,775	27,652,984
Held for trading investments	4	-	9,822,613
Accounts receivable	5	462,382,709	468,584,889
Prepaid expenses and other current assets	6	20,104,653	20,146,456
Inventories	7	254,154,090	254,866,691
<b>TOTAL CURRENT ASSETS</b>		<b>762,930,227</b>	<b>781,073,633</b>
<b>NON-CURRENT ASSETS</b>			
Available for sale investments	9	3,906,325	5,771,820
Investment in an associate	10	-	10,613,000
Property, plant and equipment	11	522,626,925	545,977,734
Intangible assets	12	11,218,366	7,046,186
Other long term assets	13	28,325,654	49,978,393
<b>TOTAL NON-CURRENT ASSETS</b>		<b>566,077,270</b>	<b>619,387,133</b>
<b>TOTAL ASSETS</b>		<b>1,329,007,497</b>	<b>1,400,460,766</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank borrowings and term loans	14	316,069,629	236,383,146
Trade accounts and notes payable		122,617,040	140,862,118
Accrued expenses and other current liabilities	15	65,349,512	57,235,716
<b>TOTAL CURRENT LIABILITIES</b>		<b>504,036,181</b>	<b>434,480,980</b>
<b>NON-CURRENT LIABILITIES</b>			
Term loans	14	335,248,422	438,660,201
Employees' terminal benefits		25,424,905	22,138,279
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>360,673,327</b>	<b>460,798,480</b>
<b>TOTAL LIABILITIES</b>		<b>864,709,508</b>	<b>895,279,460</b>
<b>EQUITY</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	17	600,000,000	600,000,000
Statutory reserve		28,985,180	28,985,180
Accumulated losses		(147,469,998)	(124,397,506)
Unrealized loss from revaluation of available for sale investments	9	(598,147)	(668,456)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>480,917,035</b>	<b>503,919,218</b>
Minority interests	22	(16,619,046)	1,262,088
<b>TOTAL EQUITY</b>		<b>464,297,989</b>	<b>505,181,306</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,329,007,497</b>	<b>1,400,460,766</b>

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2014

	Note	2014 SR	2013 SR
Sales		858,477,145	930,730,922
Cost of sales		(752,026,006)	(784,827,189)
<b>GROSS PROFIT</b>		<b>106,451,139</b>	<b>145,903,733</b>
<b>EXPENSES</b>			
Selling and distribution	18	(41,871,163)	(35,056,604)
General and administrative	19	(35,669,101)	(36,437,500)
Cost of unutilized production capacity		(23,956,299)	(22,565,949)
Amortisation	12	(2,592,209)	(2,288,317)
<b>TOTAL EXPENSES</b>		<b>(104,088,772)</b>	<b>(96,348,370)</b>
<b>INCOME FROM MAIN OPERATIONS</b>		<b>2,362,367</b>	<b>49,555,363</b>
Gain from held for trading investments	4	1,571,129	3,516,044
Financial charges	14	(33,163,008)	(41,456,444)
Other (expenses) income, net	20	(1,897,263)	12,035,579
<b>(LOSS) INCOME BEFORE MINORITY INTERESTS, ZAKAT AND INCOME TAX</b>		<b>(31,126,775)</b>	<b>23,650,542</b>
Minority interests	22	17,954,283	13,750,931
<b>(LOSS) INCOME BEFORE ZAKAT AND INCOME TAX</b>		<b>(13,172,492)</b>	<b>37,401,473</b>
Zakat and income tax provision	16	(9,900,000)	(6,999,996)
<b>NET (LOSS) INCOME FOR THE YEAR</b>		<b>(23,072,492)</b>	<b>30,401,477</b>
<b>Earnings (loss) per share (SR):</b>	21		
<i>Attributable to:</i>			
Income from main operations		0.04	0.83
Net (loss) income for the year		(0.38)	0.51

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	2014 SR	2013 SR
<b>OPERATING ACTIVITIES</b>		
(Loss) income before zakat and income tax	(13,172,492)	37,401,473
Adjustments to:		
Gain from sale of held for trading investments (note 20)	(1,571,129)	-
Unrealized gain from held for trading investments	-	(3,516,044)
Provision for doubtful debts (note 5)	13,800,000	5,719,300
Provision for slow moving inventories (note 7)	6,141,985	2,088,000
Depreciation and amortization (notes 11 and 12)	44,195,755	45,079,401
Gain from sale of available for sale investments (note 20)	(69,386)	-
Gain on sale of property, plant and equipment (note 20)	(147,168)	(12,725,615)
Provision for employees' terminal benefits	5,543,268	6,780,089
Minority interests (note 22)	(17,954,283)	(13,750,931)
	<u>36,766,550</u>	<u>67,075,673</u>
Changes in operating assets and liabilities:		
Accounts receivable	14,054,919	(143,129,353)
Prepaid expenses and other current assets	41,803	4,380,273
Inventories	(5,429,384)	10,508,355
Accounts and notes payable	(18,245,078)	31,984,032
Accrued expenses and other current liabilities	1,437,928	(18,404,160)
Held for trading investments	11,393,739	-
Cash from (used in) operations	<u>40,020,477</u>	<u>(47,585,180)</u>
Zakat paid (note 16)	(3,224,132)	(1,257,195)
Employees' terminal benefits paid	(2,256,642)	(2,518,718)
Net cash from (used in) operating activities	<u>34,539,703</u>	<u>(51,361,093)</u>
<b>INVESTING ACTIVITIES</b>		
Proceeds from the sale of property, plant and equipment	2,054,785	40,063,235
Proceeds from sale of available for sale investments	2,078,337	-
Additions to property, plant and equipment	(9,547,349)	(21,988,512)
Intangible assets	(6,764,389)	(6,812,611)
Release of restricted cash	-	3,366,000
Net cash (used in) from investing activities	<u>(12,178,616)</u>	<u>14,628,112</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from the rights issue (note 17)	-	200,000,000
Costs of rights issue (note 17)	-	(9,035,761)
Repayments of bank borrowings and term loans, net	(23,725,296)	(187,055,410)
Net cash (used in) from financing activities	<u>(23,725,296)</u>	<u>3,908,829</u>
<b>DECREASE IN BANK BALANCES AND CASH</b>	<u>(1,364,209)</u>	<u>(32,824,152)</u>
Bank balances and cash at the beginning of the year	<u>27,652,984</u>	<u>60,477,136</u>
<b>BANK BALANCES AND CASH AT THE END OF THE YEAR</b>	<u>26,288,775</u>	<u>27,652,984</u>
<b>Non cash transactions:</b>		
Unrealized gain from revaluation of available for sale investments	<u>70,309</u>	<u>1,012,367</u>

The attached notes 1 to 30 form part of these consolidated financial statements.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	<i>Shareholders' equity</i>				<i>Minority interests</i>	<i>Total equity</i>	
	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Accumulated losses</i>	<i>Unrealized loss from revaluation of available for sale investments</i>	<i>SR</i>	<i>SR</i>	
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>			
	<i>Total</i>						
	<i>SR</i>						
Balance at 31 December 2012	400,000,000	28,985,180	(145,763,222)	(1,680,823)	281,541,135	13,959,320	295,500,455
Net income for the year	-	-	30,401,477	-	30,401,477	-	30,401,477
Proceeds from the rights issue offering (note 17)	200,000,000	-	-	-	200,000,000	-	200,000,000
Costs of rights issue (note 17)	-	-	(9,035,761)	-	(9,035,761)	-	(9,035,761)
Net movement during the year	-	-	-	-	-	(12,697,232)	(12,697,232)
Net change in fair value from revaluation of available for sale investments	-	-	-	1,012,367	1,012,367	-	1,012,367
Balance at 31 December 2013	600,000,000	28,985,180	(124,397,506)	(668,456)	503,919,218	1,262,088	505,181,306
Net loss for the year	-	-	(23,072,492)	-	(23,072,492)	-	(23,072,492)
Net movement during the year	-	-	-	-	-	(17,881,134)	(17,881,134)
Net change in fair value from revaluation of available for sale investments	-	-	-	70,309	70,309	-	70,309
<b>Balance at 31 December 2014</b>	<b>600,000,000</b>	<b>28,985,180</b>	<b>(147,469,998)</b>	<b>(598,147)</b>	<b>480,917,035</b>	<b>(16,619,046)</b>	<b>464,297,989</b>

The attached notes 1 to 30 form part of these consolidated financial statements.

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

### 1 ACTIVITIES

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

The Company and its subsidiaries (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 consolidated financial statements:

Subsidiary	Current Ownership %		Country of Incorporation
	2014	2013	
Middle East Specialised Cables Company - Jordan	49.0	49.0	Hashemite Kingdom of Jordan
MESC for Medium and High Voltage Cables Company (Formerly MESC Fujikura Cable Company) *	69.14	69.14	Hashemite Kingdom of Jordan
MESC - Ras Al-Khaimah (Limited Liability Company)	100.0	100.0	United Arab Emirates

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

### 2 BASIS OF CONSOLIDATION

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

### 3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The significant accounting policies, applied consistently, are as follows:

#### *Accounting convention*

These consolidated financial statements are prepared under the historical cost convention except for the measurement at fair value for held for trading and available for sale investments.

#### *Use of estimates*

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting year. Although these estimates and judgments are based on management’s best knowledge of current events and actions, actual results ultimately may differ from those estimates.

#### *Accounts receivable*

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



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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2014

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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 overheads. 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, and are stated at fair value and included under current assets. Changes in market value are credited or charged to the 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. Investment in associate is accounted for using the equity method of accounting. Under the equity method, investment in associate is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The consolidated statement of income reflects 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.

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.

***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 of non-current assets***

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 consolidated statement of income.

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 consolidated statement of income.

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2014

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

***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.

***Accounts payable and 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 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. In view of accumulated loss incurred, no such transfers have been made. 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.

***Expenses***

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group'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.

***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 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, if material are recorded as a separate component of equity.

Middle East Specialized Cables Company (MESC)  
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2014

**3 SIGNIFICANT ACCOUNTING POLICIES (continued)**

*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 HELD FOR TRADING INVESTMENTS**

These comprise of investments in quoted equity shares on an international stock exchange market and denominated in Jordanian Dinar, and are carried at fair value:

	2014 SR	2013 SR
At the beginning of the year	9,822,613	6,306,569
Disposals during the year	(9,822,613)	-
Net change in unrealized gain from revaluation	-	3,516,044
	<u>-</u>	<u>9,822,613</u>
At the end of the year	<u>-</u>	<u>9,822,613</u>

**5 ACCOUNTS RECEIVABLE**

	2014 SR	2013 SR
Trade receivables	484,413,765	502,075,703
Less: provision for doubtful debts	(45,336,075)	(34,679,369)
	<u>439,077,690</u>	<u>467,396,334</u>
Retentions receivable	50,299,490	49,835,765
Less: non-current portion (note 13)	(26,994,471)	(48,647,210)
	<u>23,305,019</u>	<u>1,188,555</u>
Retentions receivable – current	<u>462,382,709</u>	<u>468,584,889</u>

Movement in the provision for impairment of trade receivable was as follows:

	2014 SR	2013 SR
At the beginning of the year	34,679,369	30,016,718
Additions during the year (note 18)	13,800,000	5,719,300
Amounts written off during the year	(3,143,294)	(1,056,649)
	<u>45,336,075</u>	<u>34,679,369</u>
At the end of the year	<u>45,336,075</u>	<u>34,679,369</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2014

**6 PREPAID EXPENSES AND OTHER CURRENT ASSETS**

	2014 SR	2013 SR
Advances to suppliers	9,697,325	8,542,643
Prepaid expenses	3,367,899	4,525,041
Margin deposits	3,104,412	3,742,021
Insurance receivable	579,606	579,606
Other current assets	3,355,411	2,757,145
	<u>20,104,653</u>	<u>20,146,456</u>

**7 INVENTORIES**

	2014 SR	2013 SR
Finished goods	129,306,516	107,443,660
Raw and packing materials	79,561,735	101,498,889
Work in progress	35,420,505	32,960,003
Spare parts	18,225,765	19,082,910
Goods in transit	12,206,986	19,307,447
	<u>274,721,507</u>	<u>280,292,909</u>
Less: provision of slow moving inventories	<u>(20,567,417)</u>	<u>(25,426,218)</u>
	<u>254,154,090</u>	<u>254,866,691</u>

Movement in the provision of slow moving inventories was as follows:

	2014 SR	2013 SR
At the beginning of the year	25,426,218	32,224,781
Charge for the year	6,141,983	2,088,000
Written off during the year	<u>(11,000,784)</u>	<u>(8,886,563)</u>
At the end of the year	<u>20,567,417</u>	<u>25,426,218</u>

**8 RELATED PARTY TRANSACTIONS**

The following are the details of major related party transactions during the year:

<i>Related party</i>	<i>Nature of transaction</i>	<i>Amount of transaction</i>	
		2014 SR	2013 SR
Affiliates	Sales	216,111	1,057,334
	Purchases	2,008,435	2,200,952

Amounts due to related parties are shown in note 15.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

31 December 2014

**9 AVAILABLE FOR SALE INVESTMENTS**

Available for sale investments (AFS) comprise of investments in quoted securities, all are denominated in Jordanian Dinar. The movement is set out below:

	<b>2014</b>	<b>2013</b>
	<b>SR</b>	<b>SR</b>
<i>Cost:</i>		
At the beginning and end of the year	<b>6,854,114</b>	6,854,114
Disposal during the year	<b>(2,008,952)</b>	-
	<u><b>4,845,162</b></u>	<u>6,854,114</u>
<i>Unrealized losses:</i>		
At the beginning of the year	<b>(1,082,294)</b>	(3,148,343)
Net movement during the year	<b>143,457</b>	2,066,049
	<u><b>(938,837)</b></u>	<u>(1,082,294)</u>
<i>Net carrying amount</i>	<u><b>3,906,325</b></u>	<u>5,771,820</u>

(\*) The unrealized loss from AFS shown in the consolidated balance sheet represents the Group's share of unrealized losses reduced by the minority interests share of SR 340,690 (2013: SR 413,838).

**10 INVESTMENT IN AN ASSOCIATE**

Investment in an associate represented direct equity investment in Juba Investment and Development Company (JIDC) which is a limited liability company registered in the kingdom of Jordan.

	<b>2014</b>	<b>2013</b>
	<b>SR</b>	<b>SR</b>
At the beginning of the year	<b>10,613,000</b>	10,613,000
Transfer to property, plant and equipment (*)	<b>(10,613,000)</b>	-
	<u>-</u>	<u>10,613,000</u>

(\*) During the year 2014, the Company transferred their share in the associated company for a floor in a new building in Jordan, which will be used by the Group. Accordingly, the amount has been transferred to property, plant and equipment (note 11).

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**11 PROPERTY, PLANT AND EQUIPMENT**

The estimated useful lives of the assets for the calculation of depreciation are as follows:

	10 - 25 years		Furniture, fixtures and office equipment 4 - 10 years					
	4-15 years		Motor vehicles		4 - 10 years			
	<i>Land</i>	<i>Buildings*</i>	<i>Plant and machinery</i>	<i>Furniture, fixtures and office equipment</i>	<i>Motor vehicles</i>	<i>Capital work in progress</i>	<i>Total 2014</i>	<i>Total 2013</i>
	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>
<b>Cost:</b>								
At the beginning of the year	19,159,730	235,875,247	639,321,122	24,161,494	16,362,703	1,328,689	<b>936,208,985</b>	942,379,010
Additions	-	243,704	3,637,620	530,490	311,096	4,824,439	<b>9,547,349</b>	21,988,512
Transfer (note10)	-	10,613,000	-	-	-	-	<b>10,613,000</b>	-
Transfer from work in progress	-	-	1,384,085	-	-	(1,384,085)	-	-
Disposal	-	-	(2,615,184)	(277,197)	(1,587,286)	-	<b>(4,479,667)</b>	(28,158,537)
At the end of the year	<u>19,159,730</u>	<u>246,731,951</u>	<u>641,727,643</u>	<u>24,414,787</u>	<u>15,086,513</u>	<u>4,769,043</u>	<b><u>951,889,667</u></b>	<u>936,208,985</u>
<b>Depreciation:</b>								
At the beginning of the year	-	71,891,720	284,196,308	19,658,689	14,484,534	-	<b>390,231,251</b>	348,261,084
Charge for the year	-	11,167,530	28,361,901	1,268,741	805,374	-	<b>41,603,546</b>	42,791,084
Disposals	-	-	(707,641)	(277,142)	(1,587,272)	-	<b>(2,572,055)</b>	(820,917)
At the end of the year	<u>-</u>	<u>83,059,250</u>	<u>311,850,568</u>	<u>20,650,288</u>	<u>13,702,636</u>	<u>-</u>	<b><u>429,262,742</u></b>	<u>390,231,251</u>
Net book amounts:								
<b>At 31 December 2014</b>	<b><u>19,159,730</u></b>	<b><u>163,672,701</u></b>	<b><u>329,877,075</u></b>	<b><u>3,764,499</u></b>	<b><u>1,383,877</u></b>	<b><u>4,769,043</u></b>	<b><u>522,626,925</u></b>	
At 31 December 2013	<u>19,159,730</u>	<u>163,983,527</u>	<u>355,124,814</u>	<u>4,502,805</u>	<u>1,878,169</u>	<u>1,328,689</u>		<u>545,977,734</u>

\* Buildings include a factory building with a net book value of SR 47 million (2013: SR 51 million) constructed on a land leased from the Saudi Industrial Property Authority (MODON) at a nominal rent. This lease expires on 7 Rabi Awal 1439H (corresponding to 25 November 2017). The renewal of the lease is at the option of the Company.

Property, plant and equipment, except land, with a net book value of SR 127 million (2013: SR 138 million) are mortgaged to Saudi Industrial Development Fund (SIDF) as a security against loans (Note 14).

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**11 PROPERTY, PLANT AND EQUIPMENT (continued)**

Depreciation charge for the year is allocated as follows:

	2014 SR	2013 SR
Cost of sales	34,808,670	37,007,956
Cost of unutilized production capacity	5,450,257	4,312,167
General and administrative expenses (note 19)	1,344,619	1,470,961
	<u>41,603,546</u>	<u>42,791,084</u>

**12 INTANGIBLE ASSETS**

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

Movement in the intangible assets were as follow:

	2014 SR	2013 SR
At the beginning of the year	7,046,186	2,521,892
Additions during the year	6,764,389	6,812,611
Amortization during the year	(2,592,209)	(2,288,317)
At the end of the year	<u>11,218,366</u>	<u>7,046,186</u>

**13 OTHER LONG TERM ASSETS**

	2014 SR	2013 SR
Retentions receivable – non-current portion (note 5)	26,994,471	48,647,210
Employees' fund	1,331,183	1,331,183
	<u>28,325,654</u>	<u>49,978,393</u>

**14 BANK BORROWINGS AND TERM LOANS**

	2014 SR	2013 SR
<b>Current: (a)</b>		
Murabaha loans	75,000,000	44,085,376
Short-term loans and bank overdrafts	83,593,706	87,068,237
	<u>158,593,706</u>	<u>131,153,613</u>
Current portion of term loans	157,475,923	105,229,533
	<u>316,069,629</u>	<u>236,383,146</u>
<b>Non - current: (b)</b>		
Term loans	335,248,422	438,660,201
	<u>651,318,051</u>	<u>675,043,347</u>

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**14 BANK BORROWINGS AND TERM LOANS (continued)**

(a) The Company has entered into Murabaha financing agreement. with various local commercial banks which purchase goods on behalf of the Company and resells them to the Company on an extended credit up to a maximum period of 12 months from the date of purchase by the Company. Murabaha facilities are fully secured by duly signed promissory notes.

Short-term loans are obtained by a subsidiary and are secured by its own corporate guarantee and are obtained to finance its operations.

(b) Term loans were obtained to finance the Group's operations. The installments due in next twelve months period are shown as a current liability.

During 2013, the subsidiaries in Jordan have rescheduled part of their short-term loans of SR 64 million to long term loans. The long term loans for the subsidiaries are secured by its own corporate guarantee. The outstanding balance of long-term loans as of 31 December 2014 is SR 161.6 million (2013: SR 223 million).

In addition, the Company has obtained several long-term loans from the Saudi Industrial Development Fund (SIDF), which are secured by mortgage over the property, plant and equipment of the Company (note 11). It is repayable in semi-annual installments and the last installment will be due on 15 Shawwal, 1440H (corresponding to 15 June 2019). The long term loans agreements contain covenants which, among other things, require that certain financial ratios and a ceiling on capital expenditures be maintained. Under the terms of the loans agreements, the lender has the right to demand immediate repayments if such covenants are not met.

Further 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 property, plant and equipment items. They carry borrowing costs at normal commercial rates.

During the year ended 31 December 2013, the Company signed a restructuring agreement with its current local bankers to restructure its short term loans.

Loans agreement 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. As at 31 December 2014, the Company was not in compliance with certain covenants, and the management has submitted a request to the banks for a waiver from these covenants.

The Group has unutilized bank facilities amounting to SR 36.4 million as of 31 December 2014 (2013: SR 75.1 million) from local commercial banks in the Kingdom of Saudi Arabia for Murabaha facilities, bank overdraft and other credit lines. Commission on these facilities is payable at varying rates.

The Group has unutilized bank facilities amounting to SR 57.3 million as of 31 December 2014 (2013: SR 40 million) from local commercial banks in Jordan and United Arab Emirates for loans, bank overdraft and other credit lines. Commission on these facilities is payable at varying rates.

**15 ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**

	2014 SR	2013 SR
Accrued expenses	21,325,363	20,015,705
Zakat payable (note 16)	17,829,069	11,153,201
Advances from customers	11,999,223	13,727,676
Amounts due to affiliates (note 8)	2,043,224	3,533,096
Other current liabilities	12,152,633	8,806,038
	<u>65,349,512</u>	<u>57,235,716</u>



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**16 ZAKAT AND INCOME TAX**

Zakat charge for the year amounting to SR 9,900,000 (2013: SR 6,999,996) consist of current year provision.

The movement in zakat provision for the year is as follows:

	2014 SR	2013 SR
At the beginning of the year	11,153,201	5,410,400
Provided during the year	9,900,000	6,999,996
Paid during the year	(3,224,132)	(1,257,195)
At end of the year	<u>17,829,069</u>	<u>11,153,201</u>

The Company has filed its zakat returns for prior years up to the year ended 31 December 2013 and has obtained the final zakat assessments up to the year ended 31 December 2007.

Given the losses of the foreign subsidiaries, no income tax is provided for during 2014 and 2013.

**17 SHARE CAPITAL**

The Company's share capital is divided into 60 million shares as of 31 December 2014 (31 December 2013: 60 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.

During the year ended 31 December 2013, the Company completed the rights issue offering and received the proceeds from the offering. The rights issue related costs of SR 9,035,761 have been charged to accumulates losses.

**18 SELLING AND DISTRIBUTION EXPENSES**

	2014 SR	2013 SR
Salaries and related costs	14,026,802	13,121,831
Provision for doubtful debts (note 5)	13,800,000	5,719,300
Freight	5,341,277	5,211,865
Promotion and advertising	3,414,549	5,842,115
Travel	1,023,021	957,694
Rent	571,921	595,709
Others	3,693,593	3,608,090
	<u>41,871,163</u>	<u>35,056,604</u>

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31 December 2014

**19 GENERAL AND ADMINISTRATIVE EXPENSES**

	2014 SR	2013 SR
Salaries and related costs	24,158,640	25,876,468
Consultancy and professional fees	2,120,935	2,791,376
Repairs and maintenance	1,879,163	1,200,892
Travel	1,379,801	867,468
Depreciation (note 11)	1,344,619	1,470,961
Utilities	1,188,788	948,301
Other	3,597,155	3,282,034
	<u>35,669,101</u>	<u>36,437,500</u>

**20 OTHER (EXPENSES) INCOME, NET**

	2014 SR	2013 SR
Mortgage fees for restructuring of loans	(2,307,687)	-
Gain from sale of property, plant and equipment	147,168	12,725,615
Gain from sale of available for sale investments	69,386	-
Miscellaneous	193,870	(690,036)
	<u>(1,897,263)</u>	<u>12,035,579</u>

**21 EARNINGS (LOSS) PER SHARE**

Earnings (loss) per share attributable to income from main operations and net (loss) income for the year are calculated by dividing income from main operations and net (loss) income for the year, respectively, by the number of shares outstanding of 60 million as at 31 December 2014.

**22 MINORITY INTERESTS**

Movement in the minority interests were as follow:

	2014 SR	2013 SR
At the beginning of the year	1,262,088	13,959,320
Share in net losses from the subsidiaries during the year	(17,954,283)	(13,750,931)
Other movements	73,149	1,053,699
At the end of the year	<u>(16,619,046)</u>	<u>1,262,088</u>

**23 COMMITMENT AND CONTINGENCIES**

As at 31 December 2014, the Group has capital commitments at SR 18 million (2013: SR 17.2 million).

At 31 December 2014, the Group's bankers have issued on its behalf bank guarantees amounting to SR 199 million (2013: SR 199 million), in the normal course of business.

**24 OPERATING LEASES**

The Group has various renewable operating leases for employees housing, office facilities, showrooms and warehouses having different terms extending between one and ten years. Rental expenses incurred during year ended 31 December 2014 under leases were approximately SR 2.4 million (2013: SR 2.3 million).

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**25 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.

**Jordan**

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

**United Arab Emirates**

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

The total assets and total liabilities as at 31 December 2014 and 2013, total revenues, gross profit and net (loss) income for the year ended, by segment, are as follows:

31 December 2014	Segment				Total SR
	Saudi Arabia SR	Jordan SR	United Arab Emirates SR	Eliminations SR	
Sales	786,277,321	179,478,875	164,236,138	(271,515,189)	858,477,145
Gross profit	84,290,645	7,364,331	14,796,163	-	106,451,139
Net (loss) income	(23,072,485)	(49,603,476)	1,842,901	47,760,568	(23,072,492)
Total assets	939,188,163	404,254,964	400,812,188	(415,247,818)	1,329,007,497
Total liabilities	458,271,123	392,504,706	131,261,452	(117,327,773)	864,709,508

31 December 2013	Segment				Total SR
	Saudi Arabia SR	Jordan SR	United Arab Emirates SR	Eliminations SR	
Sales	758,681,783	242,400,826	171,582,256	(241,933,943)	930,730,922
Gross profit	107,910,129	15,122,505	22,871,099	-	145,903,733
Net income (loss)	30,401,486	(40,203,341)	9,891,154	30,312,178	30,401,477
Total assets	968,929,023	451,051,092	373,357,777	(392,877,126)	1,400,460,766
Total liabilities	465,009,800	389,840,808	143,772,446	(103,343,594)	895,279,460

**26 FAIR VALUES OF FINANCIAL INSTRUMENTS**

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. Financial instruments comprise of financial assets and financial liabilities. The Group's financial assets consist of bank balances and cash, receivables and investments in securities and its financial liabilities consist of bank borrowing and term loans, payables, accrued expenses and certain other liabilities.

The fair values of financial instruments are not materially different from their carrying values.

**27 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 borrowings and loans.

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**27 RISK MANAGEMENT (continued)**

**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, Jordanian 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.

**28 KEY SOURCES OF ESTIMATION UNCERTAINTY**

**Doubtful trade accounts receivable**

An estimate of the collectible amount of trade accounts receivable is made when collection of the amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were SR 507,718,784 (31 December 2013: SR 503,264,258), and the provision for doubtful trade accounts receivable was SR 45,336,075 (31 December 2013: SR 34,679,369). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the statement of income.

**Impairment of inventories**

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the balance sheet date, gross inventories were SR 274,721,507 (31 December 2013: SR 280,292,909), with allowance for old and obsolete inventories amounting to SR 20,567,417 (31 December 2013: SR 25,426,218). Any difference between the amounts actually realized in future periods and the amounts expected will be recognized in the statement of income.

**Useful lives of property and equipment**

The Company management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. The estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

**29 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS**

The Board of Directors has approved the consolidated financial statements on 24 February 2015.

**30 COMPARATIVE FIGURES**

Certain prior year figures have been re-classified to conform with the presentation in the current year.