

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AND REVIEW REPORT
THREE- MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2013**

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013

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REVIEW REPORT

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Cable Company (a Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as of September 30, 2013 and the related interim consolidated statement of operations for the three-month and nine-month periods then ended, and the interim consolidated statement of changes in shareholders' equity and cash flows for the nine-month period then ended, and notes 1 to 17 which form an integral part of these interim consolidated financial statements as prepared by the Group and presented to us with all necessary information and explanations. These interim consolidated financial statements are the responsibility of the Group's management.

We conducted our review in accordance with the standard of review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants. A review of interim consolidated financial statements consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial accounting matters. The scope of the review is substantially less than an audit conducted in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia, 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.

Observation

The Group incurred a net loss of SR 155 million during the nine-month period ended September 30, 2013 and, as of that date, the Group's current liabilities exceeded its current assets by SR 268 million and is in the process of restructuring its bank loans. These conditions along with other matters as set forth in note 14, indicate the existence of uncertainty that may cast doubt on the Group's ability to continue as a going concern. The restructuring of the bank loans is still in process and is not yet finalized to date of this review report.

Review results

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

REVIEW REPORT (continued)

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

Emphasis of matters

- 1) We draw attention to note 4 regarding unbilled revenue.
- 2) We draw attention to note 6 regarding the possible impairment of non-current assets.
- 3) We draw attention to note 7 regarding breach of bank loans' covenants.

Deloitte & Touche
Bakr Abulkhair & Co.



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Certified Public Accountant
License No. 296

24 Dhual Hijjah, 1434
October 29, 2013

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2013

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	2013	2012
		(Unaudited)	(Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		108,148	121,823
Accounts receivable		833,429	1,315,683
Prepayments and other receivables		185,442	301,006
Due from related parties		1,254	3,013
Unbilled revenue	4	200,512	216,375
Inventories		555,815	631,182
Total current assets		1,884,600	2,589,082
Non-current assets			
Investments		397,154	299,832
Property, plant and equipment		873,355	923,087
Deferred tax asset		9,463	2,928
Other intangible assets		69,038	41,393
Goodwill	5	86,558	86,558
Total non-current assets	6	1,435,568	1,353,798
TOTAL ASSETS		3,320,168	3,942,880
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank overdrafts	7	102,449	82,066
Short term loans	7	1,020,035	1,372,023
Accounts payable and accruals		518,032	526,040
Current portion of long-term loans	7	156,711	148,632
Current obligation under finance lease		4,526	5,584
Zakat and income tax		46,708	46,747
Advances from customers		248,006	194,657
Due to related parties		55,668	3,519
Total current liabilities		2,152,135	2,379,268
Non-current liabilities			
Obligation under finance lease		30,472	18,060
Long term loans	7	266,465	246,094
Employees' termination benefits		61,193	58,908
Other long term liabilities	8	59,337	83,198
Total non-current liabilities		417,467	406,260
Shareholders' equity			
Share capital	9	760,000	760,000
Statutory reserve	10	63,432	66,598
Cumulative changes in fair values	11	10,452	62,750
(Accumulated losses)/Retained earnings		(91,733)	248,361
Total shareholders' equity in the parent		742,151	1,137,709
Minority interest		8,415	19,643
Total shareholders' equity		750,566	1,157,352
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		3,320,168	3,942,880

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

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013
(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	Three-month period ended September 30		Nine-month period ended September 30	
		2013 (Unaudited)	2012 (Unaudited)	2013 (Unaudited)	2012 (Unaudited)
Sales		487,518	595,117	1,586,446	2,253,807
Contract revenue		129,842	20,317	299,210	139,980
Total revenue		617,360	615,434	1,885,656	2,393,787
Cost of sales		(455,860)	(553,216)	(1,504,413)	(2,060,888)
Contract cost		(115,452)	(21,880)	(270,568)	(135,571)
		(571,312)	(575,096)	(1,774,981)	(2,196,459)
Gross profit		46,048	40,338	110,675	197,328
General and administrative expenses		(23,395)	(24,226)	(81,998)	(66,553)
Selling and distribution expenses		(13,051)	(16,485)	(51,241)	(48,990)
Provision for unbilled revenue and doubtful debts		(15,217)	(7,574)	(102,890)	(22,062)
Amortization of other intangible assets		(8,722)	(3,288)	(12,313)	(10,418)
(Loss)/income from main operations		(14,337)	(11,235)	(137,767)	49,305
Foreign currency measurement gain / (loss)		3,226	(9,482)	6,394	(5,136)
Financial charges		(27,659)	(23,665)	(96,493)	(75,165)
Equity share of profit from associates		33,572	32,824	82,576	70,017
Other (loss) / income		(86)	258	(2,278)	(1,945)
Net (loss) / income before zakat and income tax and minority interest		(5,284)	(11,300)	(147,568)	37,076
Zakat and income tax		(4,460)	(2,536)	(12,507)	(6,911)
Net (loss) / income before minority interest		(9,744)	(13,836)	(160,075)	30,165
Minority interest		1,706	158	4,878	1,493
Net (loss)/income for the period		(8,038)	(13,678)	(155,197)	31,658
(Loss)/income per share from net (loss) /income (SR)	12	(0.11)	(0.18)	(2.04)	0.42
(Loss)/income from main operations (SR)	12	(0.19)	(0.15)	(1.81)	0.65
(Loss)/income per share from other operations (SR)	12	0.12	(0.001)	(0.13)	(0.16)

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

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	Nine-month period ended September 30	
		2013 (Unaudited)	2012 (Unaudited)
Shareholders' equity			
Share capital	9	<u>760,000</u>	760,000
Statutory reserve:			
January 1		63,432	63,432
Transfer from retained earnings		-	3,166
September 30	10	<u>63,432</u>	<u>66,598</u>
Cumulative changes in fair values			
January 1		28,188	(34,208)
Fair value adjustments		(17,736)	96,958
September 30	11	<u>10,452</u>	<u>62,750</u>
(Accumulated losses)/Retained earnings:			
January 1		63,464	219,869
Net (loss)/income for the period		(155,197)	31,658
Transfer to statutory reserve		-	(3,166)
September 30		<u>(91,733)</u>	<u>248,361</u>
Total shareholders' equity of the parent company			
Minority Interest			
January 1		13,283	12,308
Net movement during the period		10	8,828
Net loss for the period attributable to Minority Interest		(4,878)	(1,493)
September 30		<u>8,415</u>	<u>19,463</u>
Total shareholders' equity		<u>750,566</u>	<u>1,157,352</u>

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

SAUDI CABLE COMPANY
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INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2013

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Nine-month period ended September 30	
	2013 (Unaudited)	2012 (Unaudited)
OPERATING ACTIVITIES		
Net (loss)/income before zakat and income tax and minority interest	(147,568)	37,076
Adjustments for:		
Depreciation	59,867	55,151
Provision for doubtful debts	66,347	22,141
Provision for unbilled revenue	36,543	
Amortization of other intangible assets	12,313	10,418
Provision against investment	2,324	-
Equity share of profit from associates	(82,576)	(70,017)
Employees' termination benefits, net	545	2,826
Finance charges	96,493	75,165
Changes in operating assets and liabilities:		
Accounts receivable	83,833	(202,290)
Prepayments and other receivables	50,816	(25,925)
Due from related parties	1,277	(25)
Unbilled revenue	(23,151)	68,717
Inventories	233,024	362,836
Deferred tax asset	-	(2,928)
Accounts payable and accruals	(40,606)	63,431
Advances from customers	76,034	62,387
Due to related parties	22,144	2,509
Cash from operations	447,659	461,472
Zakat and income tax paid	(9,415)	(329)
Financial charges paid	(96,493)	(75,165)
Net cash from operating activities	341,751	385,978
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	(13,461)	(104,353)
Dividends received from an associate	9,392	116,552
Purchase of other intangible assets	(24,190)	(6,533)
Net cash (used in)/from investing activities	(28,259)	5,666
FINANCING ACTIVITIES		
Bank overdrafts	100,931	81,773
Short term loans	(217,053)	(426,787)
Long term loans	(224,335)	(8,226)
Obligation under finance lease	15,351	(10,073)
Other long term liabilities	(12,617)	-
Net cash used in financing activities	(337,723)	(363,313)
Net change in cash and cash equivalents	(24,231)	28,331
Cash and cash equivalents, January 1	132,379	93,492
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	108,148	121,823

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

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013
(Expressed in thousand Saudi Riyals unless otherwise stated)

1. GENERAL INFORMATION

Saudi Cable Company is a Saudi joint stock company registered in Saudi Arabia under Commercial Registration No. 4030009931 dated 27 Rabi Thani 1396 H, corresponding to April 27,1976.

The objectives of the Group are the manufacture and supply of electrical and telecommunication cables, copper rod, PVC compounds, wooden reels and related products. The Group through its subsidiaries is also engaged in the manufacture, contracting, trading, distribution and supply of cables, electronic products, information technology products and related accessories.

The accompanying interim consolidated financial statements include the accounts of the following subsidiaries (collectively referred to as “the Group”):

Name of entity	Principal activities	Country of incorporation	% of ownership	
			2013	2012
Domestic				
Saudi Cable Company for Marketing Limited	Purchase and sale of electrical cables and related products	Saudi Arabia	100%	100%
Mass Projects for Power and Telecommunications Limited	Turnkey power and telecommunication projects	Saudi Arabia	100%	100%
Mass Centers for Distribution of Electrical Products Limited	Electrical and telecommunication distribution services	Saudi Arabia	100%	100%
International				
Mass Kablo Yatirim Ve Ticaret Anonim Anonim Sirketi)	Sirketi (Previously Mass Holding Holding Company	Turkey	100%	100%
Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi	Manufacture, supply and trading of electrical cables	Turkey	100%	100%
Mass International Trading Company Limited (dormant)	International trade	Ireland	100%	100%
Saudi Cable Company (U.A.E) L.L.C.	Sale of cables and related products	United Arab Emirates	100%	100%
Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%
Elimsan Elektroteknik San. ye Tic.A.S.	Manufacture and distribution of Turkey electronic gears and goods	Turkey	79%	79%
Elimsan Sinai Mam. Pazarlama Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%
Elimsan Aydin. ve Alt. En. Tek. San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%

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THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013
(Expressed in thousand Saudi Riyals unless otherwise stated)

- a) The Group has the following investments in associates, which are accounted for on equity basis as at September 30 using unaudited management accounts:

<u>Name of entity</u>	<u>Principal field of activities</u>	<u>Country of incorporation</u>	<u>% of ownership</u>	
			<u>2013</u>	<u>2012</u>
Midal Cables W.L.L.	Conductors & related products	Bahrain	50%	50%
XECA International Information Technology	Implementation of information systems and network services	Saudi Arabia	25%	25%

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying interim consolidated financial statements have been prepared in accordance with the interim accounting standard issued by the Saudi Organization for Certified Public Accountants. These interim consolidated financial statements have been prepared according to the accounting standards annually adopted by the Company in preparing the annual consolidated financial statements. The following is a summary of significant accounting policies applied by the Group and should be read in conjunction with the Group's audited consolidated financial statements for the year ended December 31, 2012.

Critical accounting estimates and judgments

The preparation of interim consolidated financial statements in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia 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 that period. Although these estimates are based on management's best knowledge of current events and activities available with the management actual result ultimately may differ from those estimates.

Basis of preparation

The interim consolidated financial statements have been prepared under the historical cost basis, using the accrual basis of accounting and the going concern concept.

Interim consolidated financial statements

The interim consolidated financial statements include the accounts of the Company and its subsidiaries (hereafter referred to as "the Group"). All significant intercompany balances and transactions among the Company and its subsidiaries are eliminated in the consolidation.

Sales

Sales are recognized upon delivery of goods and customer acceptance and are stated net of trade or quantity discounts.

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THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013
(Expressed in thousand Saudi Riyals unless otherwise stated)

Contract Revenue

Revenue on long-term contracts, where the outcome can be estimated reliably, is recognized under the percentage of completion method by reference to the stage of completion of the contract activity. The stage of completion is measured by calculating the proportion that costs incurred to date bear to the estimated total costs of a contract. The percentage of completion is then applied to the total contract value to determine the revenue earned to date. When the current estimate of total contract costs and revenues indicate a loss, provision is made for the entire loss on the contract irrespective of the amount of work done. Revenue recognized in excess of amounts billed to customers are classified under current assets as unbilled revenue. Amounts billed to customers in excess of revenue recognized are classified under current liabilities as billings in excess of revenue.

Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Company's products. All other expenses are classified as general and administrative expenses.

General and administrative expenses include direct and indirect costs not specifically part of cost of sales or contract cost as required under accounting principles generally accepted in the Kingdom of Saudi Arabia.

Allocations between general and administrative expenses, cost of sales and contract cost, when required, are made on a consistent basis

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of finished goods includes cost of materials, labour and an appropriate proportion of direct overheads. Other inventories are valued on a weighted average cost basis. An allowance is made wherever necessary for obsolete, slowing-moving and defective stock.

Net realizable value represents the estimated selling price for the inventories less costs necessary to make the sale.

Investment in subsidiaries

Investments in subsidiaries which are more than 50% owned and in which the Group exercises control are consolidated based on the financial statements of the respective subsidiaries in the interim consolidated financial statements of the Group.

Intercompany transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of all investments and financial instruments is reduced to recognize other than temporary diminution in value.

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THREE-MONTH AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2013
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Investment in associates

Investments in companies which are at least 20% owned and in which the Group exercises significant influence are recorded using the equity method, under which the investment is stated initially at cost and adjusted thereafter for the post acquisition change in the Group's share of the net assets of the investee. These are referred to as associates. The Group's share in the associates' net income for the year is included in the consolidated statement of operations. Dividends are recorded when the right to receive the dividend is established.

Property plant and equipment

Property and equipment are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. Leasehold improvements are amortized over the shorter of the estimated useful life or the remaining term of the lease. The estimated rates of depreciation of the principal classes of assets are as follows:

Buildings	15% - 50%
Plant and equipment	4%-20%
Furniture and fixtures	4% - 10%

Goodwill

The goodwill represents the excess of the investment over the Group's share in the value of the net assets of the investee Company at the date of acquisition and is stated at cost less any impairment, if any. Goodwill is not amortized but is reviewed for impairment at least annually.

Impairment of goodwill

For the purpose of impairment testing, goodwill is allocated to each of the cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment amount is allocated first to reduce the carrying amount of the any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Derivative financial instruments

The Group uses derivative financial instruments such as metal futures that are cash settled to hedge the exposure against metal price changes risk on sale of goods.

Derivative financial instruments are initially recognized at fair value and subsequently re-measured at fair value. Derivatives are recognized as a financial asset if it has a positive fair value and as a financial liability if has a negative fair value.

The gain or loss on re-measurement to fair value is recognized immediately in the interim consolidated statement of operations. However, where derivatives qualify for hedge accounting, recognition of any resulting gain or loss depends on the nature of the item being hedged.

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The derivative instruments used by the Group are designated as cash flow hedges of the risks being hedged. The use of financial derivatives is governed by the Group's policies which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of forecast transactions are recognized directly in interim consolidated statement of shareholders' equity. If the cash flow hedge results in the recognition of an asset or a liability, then at the time the asset or liability is recognized, the associated gains or losses on the derivative that had been recognized in interim consolidated statement of shareholders' equity are included in the initial measurement of the asset or liability.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the interim consolidated statement of operations as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the interim consolidated statement of operations for the period.

Impairment of non-current assets

At each balance sheet date, the Group assesses whether there are any indications, whether internal or external, of impairment in the value of non-current assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount of an asset is the higher of its value in use and fair value less cost to sell.

A non-current asset is considered impaired if its carrying amount is higher than its recoverable amount. To determine impairment, the Group compares the non-current asset's carrying amount with the non-discounted estimated cash flow from the asset's use. If the carrying amount exceeds the non-discounted cash flow from the asset, the Group estimates the present value of the estimated future cash flows from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered an impairment loss.

An impairment loss is recognized immediately in the interim consolidated statement of operations. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized immediately in the interim consolidated statement of operations. Impairment loss relating to intangible assets with indefinite lives is not reversed in a subsequent period. A reversal of an impairment loss to intangible assets with identified useful life of recognized immediately in the interim consolidated statement of operations.

Financial assets and financial liabilities

Financial assets comprise of cash and cash equivalents, accounts receivables, unbilled revenue and due from related parties. These financial assets are initially measured as fair value and thereafter at their cost value as reduced by appropriate allowance for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include due to banks, accounts payable and due to related parties and are stated at their fair value.

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(Expressed in thousand Saudi Riyals unless otherwise stated)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Certain categories of financial assets, such as accounts receivable, that are assessed not to be impaired individually are subsequently assessed for impairment on an individual basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced through the loss resulting from the impairment immediately for all the financial assets except for the accounts receivable as they are not considered recoverable it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the interim consolidated statement of operations. Changes in the carrying amount of the allowance account are recognized in the interim consolidated statement of operations

Zakat and income tax

The Group is subject to the regulations of the Directorate of Zakat and Income Tax (DZIT) in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis. The Zakat charge is computed on the Zakat base. Any differences in the estimate is recorded when the final assessment is approved at which time the accrual is cleared.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to interim consolidated statement of operations.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labour Law, are provided in the financial statements based on the employees' length of service.

Foreign currency translation

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the interim consolidated statement of operations.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at exchange rates prevailing on the interim consolidated balance sheet date. Income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve.

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(Expressed in thousand Saudi Riyals unless otherwise stated)

Leasing

Leases are classified as capital leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under capital leases are recognized as assets of the Company at the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease.

Finance costs, which represent the difference between the total leasing commitments and the lower of the present value of the minimum lease payments or the fair market value of the assets at the inception of the lease, are charged to the statement of operations over the term of the relevant lease in order to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight line basis over the term of the operating lease.

3. INTERIM FINANCIAL RESULTS

The interim consolidated financial statements for the three-month and nine-month periods ended September 30, 2013 have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim consolidated financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fair statements of financial position, results of operations and cash flows. The interim consolidated financial statements do not include all information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements for the year ended December 31, 2012.

4. UNBILLED REVENUE

Unbilled revenue includes an amount of SR 76 million which is outstanding for more than three years. The management of the Group believes that this amount will be invoiced and collected before December 31, 2013.

5. GOODWILL ACQUISITION OF A SUBSIDIARY

On July 31, 2009, the Group acquired 79% of the issued share capital of Elimsan Salt Cihazlari ye Elektromekanik San ve Tic. A.S. (group of companies) for consideration of SR 128,336 thousands.

The acquisition was accounted for using the purchase method of accounting. The purchase consideration in excess of the fair value of the net assets acquired, which amounted to Saudi Riyals 86,558 thousands, has been accounted for as goodwill in these interim consolidated financial statements.

6. NON-CURRENT ASSETS

Due to the losses and other factors, there may be a potential impairment to the Group's non-current assets. In accordance with the Group's policy, the management will assess at the year end whether or not those non-current assets are impaired. The management of the Group believes that these interim consolidated financial statements do not require a provision for impairment against the Group's non-current assets.

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(Expressed in thousand Saudi Riyals unless otherwise stated)

7. BANK BORROWINGS

The Group has breached covenants related to the bank borrowings and is in process of restructuring its borrowings with the banks as mentioned in note 14.

8. OTHER LONG TERM LIABILITIES

Other long term liabilities include SR 38,085 thousand (2012: 83,198 thousand) payable to previous shareholders in relation to an acquisition of Elimsan Salt Cihazlari ve Elektromekanik San ve Tic. A.S.

9. SHARE CAPITAL

The share capital consists of 76,000,000 shares of Saudi Riyals 10 each as at September 30, 2013 and September 30, 2012.

10. STATUTORY RESERVE

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

11. CUMULATIVE CHANGES IN FAIR VALUES

Movement in cumulative changes in fair values is as follows as of September 30:

	<u>2013</u>	2012
January 1	28,188	(34,208)
Net movement in unrealized losses on available-for-sale investments	30	(40)
Net movement in unrealized losses relating to cash flow hedges	<u>(17,766)</u>	96,998
September 30	<u>10,452</u>	<u>62,750</u>

The balance of cumulative changes in fair values is comprised of the following as at September 30:

	<u>2013</u>	2012
Net unrealized gains on revaluation of investments	523	1,891
Net unrealized gains relating to cash flow hedges	<u>9,929</u>	60,859
September 30	<u>10,452</u>	<u>62,750</u>

12. (LOSS)/INCOME PER SHARE

(Loss)/income per share for the three-month and nine-month periods ended September 30, 2013 and 2012 have been computed by dividing the net (loss)/income and (loss)/income from main operations and (loss)/income per share from other operations for such periods by the number of shares outstanding at the end of the period.

13. SEGMENTAL INFORMATION

Segment information pertains to the Group's activities and operations as basis for preparing its own financial information.

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The Group currently operates in manufacturing and selling its products and turnkey power and telecommunication projects.

Revenues and costs for the nine-month period ended September 30:

Revenue	Sale of goods		Contract revenue	
	2013	2012	2013	2012
Kingdom of Saudi Arabia	1,163,643	1,626,367	261,584	127,042
Other Gulf Cooperation Council Countries	41,191	58,411	-	-
Turkey	381,612	569,029	37,626	12,938
	1,586,446	2,253,807	299,210	139,980
Cost	Cost of sales		Contract cost	
	2013	2012	2013	2012
Kingdom of Saudi Arabia	1,099,530	1,491,969	243,950	127,133
Other Gulf Cooperation Council Countries	38,137	54,381	-	-
Turkey	366,746	514,538	26,618	8,438
	1,504,413	2,060,888	270,568	135,571

The Group's operations are conducted in Saudi Arabia, GCC countries and Turkey. Selected financial information for the nine-month period ended September 30, and financial position as of September 30, 2013 & 2012, summarized by geographic area, is as follows:

2013 (Unaudited)	Saudi	GCC	Turkey	Total
	Arabia	countries		
Accounts receivable	682,128	11,386	139,915	833,429
Property, plant and equipment, net	467,122	352	405,881	873,355
Short term loans	790,963	-	229,072	1,020,035
Long term loans	323,332	-	99,844	423,176
Net loss	131,811	617	22,769	155,197
2012 (Unaudited)	Saudi	GCC	Turkey	Total
	Arabia	countries		
Accounts receivable	1,122,827	19,212	173,644	1,315,683
Property, plant and equipment, net	478,950	549	443,588	923,087
Short term loans	1,067,673	-	304,350	1,372,023
Long term loans	382,103	-	12,623	394,726
Net income/(loss)	36,802	173	(5,317)	31,658

14. FINANCIAL RESTRUCTURING

The Group has engaged internationally renowned institutions of financial advisors, to restructure the financial requirements for the group. A comprehensive plan which proposes a long term feasible financial structure for the group with additional working capital financing, including a capital increase, which will help stabilize, and strengthen the on-going operations, has been presented to its lenders. The Group has worked closely with its lenders and advisors, and expects to finalize the restructuring plan before the end of 2013.

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15. NON-CASH TRANSACTIONS

Non-cash transactions comprised the following:

	<u>2013</u>	<u>2012</u>
Cumulative changes in fair values	17,766	96,998
Materials received against dividend	<u>1,875</u>	<u>-</u>

16. COMMITMENTS AND CONTINGENCIES

	<u>2013</u>	<u>2012</u>
Outstanding forward metal contracts	<u>599,614</u>	<u>824,907</u>
Contingent liabilities in respect of performance and bid bonds	<u>889,749</u>	<u>518,425</u>
Authorized and contracted for capital expenditure commitments	<u>2,354</u>	<u>22,044</u>
Contingent liabilities in respect of outstanding letters of credit	<u>1,915</u>	<u>31,238</u>

In addition to providing guarantees in respect of bank facilities available to certain subsidiaries, the parent company has also provided undertakings to support such subsidiaries in meeting their liabilities as they fall due.

Also, a claim amounting to Saudi Riyals 8.4 million was lodged in prior years against a subsidiary company from a contractor. To date the court has not yet passed any decision. The Company believes that this claim will not result in any significant liability. Thus no liability has been recorded in the accompanying interim consolidated financial statements in respect of this claim.

17. COMPARATIVE FIGURES

Certain figures for 2012 have been reclassified to conform with the presentation of 2013.