SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

UANUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the three-months and nine-months periods ended September 30, 2015

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REVIEW REPORT ON THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Shareholders
Saudi Cable 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 at September 30, 2015, the related interim consolidated statement of income for three -months and nine- months periods then ended, the interim consolidated statements of cash flows and changes in equity for the nine- months period then ended and notes 1 to 16 which form an integral part of these interim condensed consolidated financial statements. These interim condensed consolidated financial statements are the responsibility of the Group's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Observations resulting in qualified review conclusion

i) During the nine months period ended September 30, 2015, the Group has suffered a net loss of SR 9.91 million (September 30, 2014: SR 141.74 million) and as at the date, it's current liabilities exceeded current assets by SR 705.46 million (September 30, 2014: SR 615.16 million) and accumulated losses have reached to SR 377.25 million (September 30, 2014: SR 307.39 million), representing 49.64% (September 30, 2014: 40.45%) of the share capital. These circumstances indicate the existence of uncertainties that may cast doubt about the Group's ability to continue as a going concern. However, on the basis of a comprehensive plan, management believes the operations shall continue for the foreseeable future and generate profit for the annual period ending December 31, 2015, subject to the successful restructuring of part of the Group's total debt amounting to approximately SR 1.14 billion and certain changes in business operations.

   In view of management intention of restructuring the debt obligations; on April 7, 2015 the Company has been able to secure agreement on the "Indicative Restructuring Terms" with a consortium of three banks, for debt amounting to SR 640 million. The conclusion of this restructuring will provide joint lenders, certain additional securities and rights on some of the Group's assets and allows Company to extend term of the loan upto eight years. As at September 30, 2015, the relevant agreements are being formulated and studied by the lenders' legal counsel and Company is in the process of fulfilling revised restructuring requirements.

The Company is also progressing towards restructuring another overdue loan amounting to SR 77 million from an independent bank that has shown interest to join the consortium and agree on the similar terms of restructuring. Moreover, during the three months period ended June 30, 2015, the Company had obtained deferral of loans from a Development Financial Institution (DFI), amounting to SR 112.9 million for further two years, despite breach of loan covenants. Subsequently on August 12, 2015, DFI has agreed to match the tenor of their loan with other banks' restructured loan, retaining the requirement to comply with debt covenants. The legal documentation for both of these arrangements have not been completed as yet.

As mentioned in the preceding paragraphs, whilst the Company has been able to secure initial restructuring terms with some of the financiers, the outcome of the restructuring is still uncertain and dependent on fulfilling additional requirements and reaching to formal loan agreements. The validity of going concern assumption for these interim condensed consolidated financial statements depends on successful restructuring of the business and said debt obligations. Consequently management's forecasts and the operational plans do not include any adjustments that might result from a failure to finalize the implementation of above negotiations with banks and financial institutions;

Accordingly, the notes to interim condensed consolidated financial statements do not sufficiently disclose the details of above restructuring plan and its potential implications on Group's financial position.

ii) We were unable to obtain sufficient evidence in respect of:

- the recoverability of unbilled revenues of SR 69.97 million (September 30, 2014: 64.7 million) that is overdue for more than one year;
- the basis of the reversal of provision for doubtful receivables amounting to SR 21.45 million (September 30, 2014: Nil); and
- the commercial and financial feasibility of development cost amounting to SR 43.2 million (September 30, 2014: SR 53.92 million) included in the intangible assets.

Any adjustment to these balances would have a consequential impact on the assets and equity and net loss for the period included in the interim consolidated balance sheet and interim consolidated statement of income, respectively.

Qualified review conclusion

Based on our review, except for the effects of matters described in the paragraphs 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.

For KPMG Al Fozan & Al Sadhan

Tareq Abdulrahman Al Sadhan
License No. 352

KPMG Al Fozan & Al Sadhan
Certified Public Accountants
C.R. 46

Muharram 8, 1437H
Corresponding to October 21, 2015

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
As at September 30, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	**September 30, 2015**	September 30, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	5	**25,626**	39,205
Trade receivable		**591,019**	379,332
Unbilled revenue	6	**87,921**	103,219
Inventories		**373,520**	434,001
Retentions receivable - current portion		**74,353**	126,977
Prepayments and other current assets		**151,642**	111,699
Total current assets		**1,304,081**	1,194,433
Non-current assets:			
Investments in securities		**638**	2,337
Investments in equity accounted investees		**457,912**	431,670
Retentions receivable - non-current portion		**96,755**	118,203
Investment properties		**29,999**	31,575
Property, plant and equipment		**711,836**	779,081
Deferred tax asset		**4,148**	2,508
Intangible assets	7	**128,698**	154,061
Total non-current assets		**1,429,986**	1,519,435
Total assets		**2,734,067**	2,713,868
LIABILITIES AND EQUITY			
Current liabilities:			
Short-term loans	8	**758,403**	875,717
Long-term loans - current portion	8	**177,209**	149,376
Obligations under finance lease – current portion		**2,172**	2,455
Accounts payable		**478,997**	327,874
Due to related parties		**58,066**	36,250
Accrued expenses and other current liabilities	9	**458,300**	356,806
Zakat and income-tax		**76,396**	61,117
Total current liabilities		**2,009,543**	1,809,595
Non-current liabilities:			
Long-term loans	8	**202,344**	234,264
Obligations under finance lease		**28,165**	39,457
Other long-term liabilities		**151**	44,222
Employees' end of service benefits		**70,678**	69,165
Total non-current liabilities		**301,338**	387,108
Total liabilities		**2,310,881**	2,196,703

The accompanying notes 1 through 16 form an integral part of these interim condensed consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)
As at September 30, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	**September 30, 2015**	September 30, 2014
EQUITY			
Equity attributable to the shareholders' of the Parent Company:			
Share capital	10	**760,000**	760,000
Statutory reserve	11	**63,432**	63,432
Cumulative changes in fair values		**(20,166)**	230
Foreign currency translation reserve		**(9,143)**	(7,185)
Accumulated losses		**(377,246)**	(307,393)
Total equity attributable to the shareholders' of the Parent Company		**416,877**	509,084
Non-controlling interests		**6,309**	8,081
Total equity		**423,186**	517,165
Total liabilities and equity		**2,734,067**	2,713,868

The accompanying notes 1 through 16 form an integral part of these interim condensed consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)
For the three-months and nine-months periods ended September 30, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Notes	For the three-months period ended September 30, 2015	For the three-months period ended September 30, 2014	For the nine-months period ended September 30, 2015	For the nine-months period ended September 30, 2014
Revenue		**491,481**	394,660	**1,456,272**	1,287,758
Costs of revenue		**(475,107)**	(396,101)	**(1,398,570)**	(1,271,899)
Gross profit		**16,374**	(1,441)	**57,702**	15,859
Selling and distribution expenses		**(9,526)**	(19,646)	**(28,719)**	(50,593)
General and administrative expenses		**(27,006)**	(35,160)	**(81,573)**	(103,828)
Loss from operations		**(20,158)**	(56,247)	**(52,590)**	(138,562)
Financial charges		**(24,157)**	(24,105)	**(66,967)**	(90,316)
Share of profit from equity accounted investees		**15,816**	26,218	**68,173**	77,577
Other income - net	12	**29,436**	5,994	**52,839**	16,012
Net profit / (loss) for the period before zakat and income-tax and non-controlling interests		**937**	(48,140)	**1,455**	(135,289)
Zakat and income-tax		**(4,000)**	(3,831)	**(12,070)**	(11,872)
Net loss for the period before non-controlling interests		**(3,063)**	(51,971)	**(10,615)**	(147,161)
Non-controlling interests		**210**	1,923	**701**	5,421
Net loss for the period attributable to the Company's shareholders		**(2,853)**	(50,048)	**(9,914)**	(141, 740)
Loss per share from operations for the period (SR)	13	**(0.27)**	(0.74)	**(0.69)**	(1.82)
Loss per share from net loss for the period (SR)	13	**(0.04)**	(0.66)	**(0.13)**	(1.87)

The accompanying notes 1 through 16 form an integral part of these interim condensed consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine months period ended September 30, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	2015	2014
Cash flows from operating activities:		
Net profit / (loss) before Zakat and income-tax and non-controlling interests	**1,455**	(135,289)
Adjustments for:		
Depreciation	**57,715**	58,829
(Reversal) / provision for doubtful debts	**(39,988)**	12,705
(Reversal) / provision for slow-moving inventories	**(5,270)**	30,881
Gain on disposal of property, plant and equipment	**(5,614)**	--
Amortization of other intangible assets	**14,271**	14,903
Provision against investment	**(14)**	(24)
Share of profit from equity accounted investees	**(68,173)**	(77,577)
Employees' end of service benefits charge	**8,717**	10,679
Finance charges	**66,967**	90,316
Changes in operating assets and liabilities:		
Trade receivable	**(208,322)**	240,193
Retention receivables	**65,990**	(129,697)
Prepayments and other receivables	**(40,865)**	24,666
Unbilled revenue	**(10,840)**	104,772
Inventories	**50,628**	55,588
Accounts payable	**127,811**	(137,263)
Accrued expenses and other current liabilities	**(29,868)**	(6,631)
Due to related parties	**16,496**	(18,786)
	1,096	138,265
Zakat and income-tax paid	**(414)**	(2,582)
Financial charges paid	**(22,216)**	(66,077)
Employees' end of service benefits paid	**(5,976)**	(172)
Net cash (used in) / provided by operating activities	**(27,510)**	69,434
Cash flows from Investing activities		
Additions to property, plant and equipment	**(15,773)**	(11,653)
Proceeds from disposal of property, plant and equipment	**14,891**	--
Dividends received from an equity accounted investees	**75,000**	87,167
Purchase of other intangible assets	**(4,456)**	(3,749)
Net cash provided by investing activities	**69,662**	71,765
Cash flows from financing activities		
Net movement in long-term and short-term loans	**(70,150)**	(206,943)
Obligations under finance lease	**(8,478)**	(8,357)
Other long-term liabilities	**151**	(8,723)
Net cash used in financing activities	**(78,477)**	(224,023)
Net movement in cash and cash equivalents	**(36,325)**	(82,824)
Cash and cash equivalents at the beginning of the period	**61,951**	122,029
Cash and cash equivalents at the end of the period	**25,626**	39,205
Supplemental schedule of non-cash information:		
Cumulative changes in fair value of derivative financial instruments	**(493)**	(3,502)

The accompanying notes 1 through 16 form an integral part of these interim condensed consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the nine months period ended September 30, 2015
(Expressed in thousands of Saudi Arabian Riyals)

	Equity attributable to the shareholders' of the Parent Company							
	Share capital	Statutory reserve	Cumulative changes in fair values	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests (NCI)	Total equity
Balance at January 1, 2015	760,000	63,432	(20,123)	(6,234)	(367,332)	429,743	7,415	437,158
Net loss for the period	--	--	--	--	(9,914)	(9,914)	(701)	(10,615)
Fair value adjustments	--	--	(43)	--	--	(43)	--	(43)
Foreign currency movement	--	--	--	(2,909)	--	(2,909)	--	(2,909)
Other changes in NCI	--	--	--	--	--	--	(405)	(405)
Balance at September 30, 2015	760,000	63,432	(20,166)	(9,143)	(377,246)	416,877	6,309	423,186
Balance at January 1, 2014	760,000	63,432	23,087	(7,185)	(165,653)	673,681	4,469	678,150
Net loss for the period	--	--	--	--	(141,740)	(141,740)	(5,421)	(147,161)
Fair value adjustments	--	--	(22,857)	--	--	(22,857)	--	(22,857)
Other changes in NCI	--	--	--	--	--	--	9,033	9,033
Balance at September 30, 2014	760,000	63,432	230	(7,185)	(307,393)	509,084	8,081	517,165

The accompanying notes 1 through 16 form an integral part of these interim condensed consolidated financial statements.

(Expressed in thousands of Saudi Arabian Riyals)

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

Saudi Cable Company ("the Company" or "the Parent Company") is a Saudi joint stock company registered in the Kingdom of Saudi Arabia under Commercial Registration No. 4030009931 dated 27 Rabi Thani 1396H, corresponding to April 27, 1976.

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

The registered office of the Company is located at the following address:
Saudi Cable Company
P. O. Box 4403, Jeddah 21491
Kingdom of Saudi Arabia

The accompanying interim condensed consolidated financial statements include assets, liabilities and the results of the operations of the following subsidiaries:

Company's name	Principal activities	Country of incorporation	Effective % of ownership 2015	2014
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	Holding Company (Previously Mass 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	**94%**	79%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	**94%**	79%

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

As at September 30, the Group has the following investments in equity accounted investees:

Company's name	Principal activities	Country of incorporation	% of ownership 2015	2014
Midal Cables W.L.L.	Conductors & related products Implementation of information	Bahrain	**50%**	50%
XECA International Information Technology	Systems and network services	Saudi Arabia	**25%**	25%

All subsidiaries and equity accounted investees have the same year -end as of the Parent Company.

2. BASIS OF PREPARATION

(a) Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia and in accordance with Accounting Standards on Interim Financial Reporting, issued by Sandi Organization for Certified Public Accountants standard (SOCPA).

The interim results may not be an indicator of the annual results of the Group. The interim condensed consolidated financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the kingdom of Saudi Arabia and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2014.

(b) Basis of measurement

These interim condensed consolidated financial statements have been prepared under the historical cost basis, except for available-for-sale investments and derivative financial instruments which are stated at fair values, using the accrual basis of accounting and the going concern concept (Refer note 3).

2. BASIS OF PREPARATION (continued)

(c) Basis of consolidation

These interim condensed consolidated financial statements comprise the interim financial statements of the parent company and its subsidiaries, as explained in Note (1) above.

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the right to variability of return from its involvement with the investee and its ability to affect those returns through its power over the investee, is considered. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiaries and those arising between the subsidiaries are eliminated in preparing these consolidated financial statements. Any unrealized gains and losses arising from intra-group transactions are also eliminated on consolidating the interim condensed consolidated financial statements.

Non-controlling interests

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

(d) Functional and presentation currency

These interim condensed consolidated financial statements have been presented in Saudi Arabian Riyals (SR) which is the Group's presentation currency and Parent Company's functional currency. All financial information presented in SR has been rounded to the nearest thousand, unless otherwise stated.

(e) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

The key areas requiring significant management judgments are as follows:

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

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

- *Impairment of non-financial assets*
  Non-current assets including goodwill are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's (CGU) fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-current assets other than goodwill that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income, immediately in the consolidated statement of income. Impairment losses recognized on goodwill are not reversible.

  The company performs impairment reviews annually if events or changes in circumstances indicate a potential impairment. As at December 31, 2015, the Company plans to get the detailed annual assessment performed by an external consultant to assess the carrying value of the assets and the provisions for impairment required, if any. Determination of the assets' recoverable amount involves the use of estimates by the management consultant and can have a material impact on the respective values as at December 31, 2015 and ultimately the amount of any impairment.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgments (continued)

- *Cost to complete the projects*
  As part of application of percentage of completion method on contract accounting, the cost to complete the project is estimated. These estimates include, amongst other items, the construction costs, variation orders by contractors and the cost of meeting other contractual obligations to the customers. Such estimates are reviewed at regular intervals. Any subsequent changes in the estimated cost to complete may affect the results of the subsequent periods. Contract variations are recognised as revenue to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of judgment by management based on prior experience, application of contract terms and relationships with the contract owners and stage of negotiations reached.

- *Contract claims*
  A claim is an amount that that the contractor seeks to collect from the customer or another party as reimbursements for costs not included in the contract price. A claim may arise from customer caused delays, prolongation costs, cost of acceleration of project, program errors in specification or design and disputed variation in contract work. The measurement of the amounts of revenue arising from claims is subject to a high level of uncertainty and often depends on the outcome of negotiations. Therefore, claims are only included in contract revenue when the amount has been accepted by the customer and can be reliably measured.

- *Useful lives of property and equipment*
  The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and change in depreciation charges, if any, are adjusted in current and future periods.

3. ACCUMULATED LOSSES AND GOING CONCERN

During the period ended September 30, 2015, the Group has suffered a net loss of SR 9.91 million (September 30, 2014: SR 141.74 million) and as at that date, the Group’s current liabilities exceeded its current assets by SR 705.46 million (September 30, 2014: SR 615.16 million) and accumulated losses have reached to SR 377.25 million (September 30, 2014: SR 307.39 million), which is 49.64% (September 30, 2014: 40.45%) of the share capital. Although, these circumstances indicate the existence of material uncertainties that may cast doubt on the Group’s ability to continue as a going concern; the interim consolidated financial statements have been prepared on a going concern based on the management’s assessment and the comprehensive plans prepared by them, that are dependent on the successful restructuring of its business and debt obligations, as well as the Group’s ability to achieve its operational plans that shall provide sufficient resources for continuing the business in the foreseeable future. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern. (Refer note 8).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the interim condensed consolidated financial statements. Certain comparative amounts have been reclassified to conform with the current period's presentation.

a) Cash and cash equivalents

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

b) Trade receivables

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

c) Inventories

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

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

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

d) Investments

i) Investment in equity accounted investees

Investment in equity accounted investees 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 or jointly controlled entities. The Group's share in the investees' net income for the period is included in the interim consolidated statement of income and its share in post-acquisition movement in reserves is recognized directly in the Group's statement of changes in equity. Dividends are recorded when the right to receive the dividend is established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments (continued)

ii) Investments in Securities (Available-for-sale)

Investments purchased neither with the intention of being held to maturity nor for trading purposes are designated as available for sale investments and initially recorded at cost and subsequently measured at fair value. Unrealised gains and losses reported as a separate component of equity until the investment is derecognized or the investment is determined to be impaired. On derecognition or impairment, the cumulative gain or loss previously reported in equity, is included in the interim consolidated statement of income for the period.

Fair value is determined by reference to the market value in the open market. If fair value is not available, cost is considered to be the most appropriate objective and reliable measurement of the fair value of investments.

Dividend income is recognized when the right to receive the dividend is established.

e) Property, plant and equipment

Property, plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment loss, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognized in the income statement when incurred.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of individual item of property, plant and equipment. The estimated useful lives of assets over which the asset will be depreciated are as follows:

	Number of years
Buildings	15 – 50
Plant and machineries	4 – 20
Furniture and fixtures	4 – 10

Capital work-in-progress

Capital work-in-progress represents all costs relating directly and indirectly to the projects in progress and is capitalized as property and equipment when the project is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Investment properties

Properties held for rental or capital appreciation purposes as well as those held for undetermined future use are classified as investment properties. Investment properties are carried at cost less accumulated depreciation and impairment losses, if applicable. The estimated useful lives over which the investment property is 50 years

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the assets) is including in the interim consolidated statement of income in the period in which the investment property is derecognized.

g) Intangibles

i) Goodwill
Goodwill represents the excess of the investment over the Group's share in the fair value of the identifiable 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 to determine whether any objective indicator of impairment exists unless an event or change in circumstances occur during the year indicating an impairment of the carrying value which requires a valuation of goodwill during the year.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

ii) Research and development costs
Research costs are charged to the interim consolidated statement of income in the period in which they are incurred.

Development activities involve a conversion of the results of the research activities into a plan or design for new products, services and technological mechanism or for significant improvement on existing products, services or mechanisms, regardless of the purpose whether being for sale or use. Development costs is recorded when they occur as period costs and charged to interim consolidated statement of income. Development costs can only be capitalized if all of the following conditions are met:

- Clear identification of the product or the process, and the possibility of separating and measuring costs related to the product or the process in a reliable manner.
- The technological feasibility of the process or the product has been established.
- The intention of the Group to produce and market or use the product or the process.
- Existence of adequate resources, or ensuring that such resources could be made available to complete the development project and to market or use the product or process.
- Existence of a market for the product or the process. If the product or process is used inside the Group, the Group’s benefits from the use should be confirmed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalized up to stage when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed and, otherwise, such costs are charged to the interim consolidated statement of income.

i) Trade Payable and Accruals

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

j) Deferred tax

Deferred tax applicable on foreign operations, is recognized on differences between the carrying amounts of assets and liabilities in the financial statements of the subsidiary and the corresponding tax bases which are used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

k) Zakat and income-tax

The Group is subject to zakat in accordance with the regulations of Saudi Department of Zakat and Income-tax ("DZIT"). Foreign subsidiaries are subject to the relevant income-tax regulations in their countries of domicile. Group's zakat and its share in the foreign subsidiaries income-tax are accrued and charged to the interim consolidated statement of income currently. Foreign income-tax attributable to the foreign subsidiaries' shareholders are charged to the minority shareholders in accompanying interim condensed consolidated financial statements. Additional zakat and foreign income-tax liabilities, if any, related to prior years' assessments are accounted for in the period in which the final assessments are finalized.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Employees' end-of-service benefits

Employees' end of service benefits, calculated in accordance with Saudi Arabian labour regulations, are accrued and charged to the consolidated interim condensed statement of income. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should his services be terminated at the balance sheet date.

The foreign subsidiaries' end of service liability is determined in accordance with the applicable laws of the country in which the subsidiaries' are registered.

m) Revenue

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Group,
- it can be reliably measured, regardless of when the payment is being made,
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable as per the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Sales of goods

Sales of goods are recognized when products are delivered or shipped to customers and when risks and rewards are transferred. Sales represent the invoiced value of the goods supplied during the period, net of discounts and returns.

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.

Rental Income

Rental income is recognized in on a straight-line basis over the term of the lease.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

n) Expenses

Selling and distribution expenses principally comprise of costs incurred in the distribution and sale of the Group's products. All other expenses excluding cost of sales and financial charges are classified as general and administrative expenses.

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

o) Provisions

A provision is recognized in the interim consolidated balance sheet when the Group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions for restructuring costs are recognized when the Group has a detailed formal plan for the restructuring which has been notified to affected parties.

p) Offsetting

Financial assets and liabilities are offset and reported net in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and when the Group intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

q) Segmental reporting

Operating Segment:

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Decision Maker in order to allocate resources to the segments and to assess its performance. An operating segment is a separately identifiable group of assets, operations or entities engaged in revenue producing activities, and its financial information is separately available.

Geographical Segment:

A geographical segment is a group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Derivative financial instruments

i) The Group uses derivative financial instruments such as metal futures, to hedge the exposure against metal price changes risk on purchases and 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 income. However, changes in fair value of derivative financial instruments that qualify for cash flow hedges accounting are recorded as derivative financial instruments in the consolidated balance sheet and taken to other reserves in statement of changes in equity.

The derivative instruments used by the Group are designated as cash flow hedges.

When the hedging instrument matures or expires or the hedge ceases to be effective, any associated accumulated gain or loss in other reserves is reclassified to statement if income in the same period during which the hedged item affects statement of income.

Changes in fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in the interim consolidated statement of income 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 income for the period.

ii) The Group uses interest rate swaps to manage its exposure to interest rate fluctuations on its bank borrowings.

Interest rate swaps, if material, are presented as a non-current asset in case of favorable contracts or a non-current liability in case of unfavorable contracts if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are recorded in Saudi Arabian Riyals at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the interim balance sheet date. All differences are taken to the interim consolidated statement of income. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate at the date of initial recognition.

Foreign operations

Assets and liabilities of foreign operations are converted into Saudi Arabian Riyals at the exchange rates in effect at the balance sheet date. The equity components of foreign subsidiaries with the exception of retained earnings are translated at the exchange rates in effect at the dates the related items originated. The elements of foreign subsidiaries' income statements are translated using the weighted-average exchange rate for the period. Adjustments resulting from the translation of foreign subsidiaries' financial statements into Saudi Arabian Riyals are reported as a separate component of equity (foreign currency translation reserve) attributable to shareholders of the Company in the interim condensed consolidated financial statements.

t) 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 Group 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 interim consolidated statement of income 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 year.

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

(Expressed in thousands of Saudi Arabian Riyals)

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at 30 September, comprise the following:

	2015 (SR '000)	2014 (SR '000)
Cash in hand	**509**	852
Cash at bank-unrestricted	**25,117**	38,353
	25,626	39,205

6. UNBILLED REVENUE

Unbilled revenue represents revenue earned but not yet billed as at September 30, 2015. This also includes an amount of SR 69.97 million (September 30, 2014: SR 64.7 million) which remains overdue for billing for more than one year. The management believes that this amount will be invoiced during 2015.

7. INTANGIBLE ASSETS

Intangible assets as at September 30, comprise the following:

	2015 (SR '000)	2014 (SR '000)
Goodwill (Note 7.1)	**74,216**	86,558
Development cost	**43,205**	53,917
Rights and Licenses	**11,277**	13,586
	128,698	154,061

7.1 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 a consideration of SR 128.336 million that resulted in goodwill amounting to SR 86.56 million.

During the year ended December 31, 2014, the Group performed an impairment analysis and consequently, SR 12.34 million was recorded as impairment. A detailed annual impairment study will again be carried out during the year ending December 31, 2015 to assess the recoverable amount of the goodwill.

(Expressed in thousands of Saudi Arabian Riyals)

8. BANK BORROWINGS AND FINANCIAL RESTRUCTURING

The Group has several financing arrangements with local and foreign banks and Saudi Industrial and Development Fund (SIDF) with short and long term maturity to finance its working capital and capital expenditure requirements. All these loans are obtained at prevailing commercial rates.

Short term loans are secured by assignment of Group's receivables and has contractual maturity within one year, whereas the loans relating to subsidiaries' are secured by the Company's guarantee.

Long term loans as at September 30, comprise the following:

	2015	2014
Loans from commercial banks	**266,593**	258,080
Loan from SIDF	**112,960**	125,560
Total	**379,553**	383,640
Less: current portion of long term loans	**(177,209)**	(149,376)
Non-current portion of long term loans	**202,344**	234,264

The loan agreements contain certain covenants that amongst other things, limits the distribution of dividends, requires a minimum net worth and prescribes the Company to maintain certain level of ratios. As at September 30, 2015, the Group is not in compliance with some of the covenants. However, the Group is under negotiation with the financier to obtain waiver for the same.

At September 30, 2015, the Group has overdue loans amounting to SR 760 million out of the total Group debt of SR 1,138 million.

The Group has developed and presented a comprehensive plan proposing a long term feasible financial structure, with additional working capital financing, including capital increase that shall assist stabilizing and strengthening the on-going operations, with an aim to realign the financial and management resources.

In this regard on April 7, 2015, the Company has been able to secure agreement on the "Indicative Restructuring Terms" with its main lenders, namely National Commercial Bank, AL Rajhi bank and Bank Al-Jazira (consortium of banks) for restructuring part of the debt amounting to SR 640 million including accumulated interest, that mainly states:

- Moratorium on repayments to the three banks until March 31, 2016;
- Repayment tenure not to exceed 8 years from the start of moratorium period.
- Total amount to be restructured is SR 640 million.
- Rights issue of no less than SR 500 million by no later than December 2017.

(Expressed in thousands of Saudi Arabian Riyals)

8. BANK BORROWINGS AND FINANCIAL RESTRUCTURING (continued)

As at September 30, 2015, the relevant agreements are being formulated and studied by the lenders' legal counsel and Company is in the process of fulfilling revised restructuring requirements which is expected to be complete by December 1, 2015.

Additionally, the Group is also progressing towards restructuring another overdue loan amounting to SR 77 million from BNP Paribas that has shown interest to join the consortium and agree on the similar terms of restructuring. Moreover, during the three months period ended June 30, 2015, SIDF had consented deferred the repayment of loan for 2 years from July 31, 2015 (corresponding to Shawwal 15, 1436), to July 10, 2017 (corresponding to Shawwal 15, 1438). Subsequently on August 12, 2015, SIDF has agreed to match the tenor of its loan with other banks' restructured loan. The legal documentation for both of these arrangements have not been completed as yet.

By the year ending December 31, 2015 the Group expects to:

- finalise the implementation of signed indicative restructuring terms for the loans with consortium of banks.
- work closely with the remaining lenders, in reaching agreement on its financial structure, and expects to finalize its restructuring plan with all its lenders.
- Obtain waiver letter from SIDF, following the breach of covenants.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities as at September 30, comprise the following:

	2015	2014
Accrued expenses	**310,123**	201,189
Billing in excess of contract revenue	**36,194**	48,350
Advances from customers	**111,983**	107,267
	458,300	356,806

10. SHARE CAPITAL

The share capital consists of 76,000,000 shares of Saudi Arabian Riyals 10 each as at September 30, 2015 and September 30, 2014.

11. STATUTORY RESERVE

In accordance with Regulations for Companies in the Kingdom of Saudi Arabia, the Company has established a statutory reserve by appropriation of 10% of net income until the reserve equaled 50% of the share capital. This reserve is not available for dividend distribution. As the Company is in losses, therefore, no amount has been transferred to statutory reserve during the current period.

(Expressed in thousands of Saudi Arabian Riyals)

12. OTHER INCOME - NET

Other income for the three and nine months periods ended September 30, 2015 mainly represents, an amount of SR 21.45 million and SR 40 million respectively (2014: Nil), the reversal of provision against doubtful receivables. During the period ended September 30, 2015, the Group has recovered old outstanding receivables and accordingly provision held against those collected receivables has been reversed. The recoveries of the old outstanding receivables are principally driven by the improvements in the collection process, including rigorous follow up with the customers.

13. LOSS PER SHARE

Loss per share from operations for the period is calculated by dividing loss from operations by the weighted average number of outstanding shares during the period. Loss per share has been calculated on loss from operations attributable to the Group (including non-controlling interests).

Loss per share from loss for the period is calculated by dividing the net loss attributable to the equity holders of the Company for the period by the weighted average number of outstanding shares during the period.

The calculation of diluted earnings per share is not applicable to the Company.

14. SEGMENTAL INFORMATION

Operating Segment:

The Group has the following main business segments:

- Sale of manufactured goods
- Turnkey power and telecommunication projects (based on the contracts)

These form the basis of internal management reporting of main business segments

	Sale of goods		**Contract revenue**		**Total**	
	2015	2014	**2015**	2014	**2015**	2014
	--------------------	-------------	-------------	*Unaudited*	-------------	--------------------
Revenue	**1,404,208**	1,156,056	**52,064**	131,702	**1,456,272**	1,287,758
Costs of revenue	**1,356,552**	1,149,369	**42,018**	122,530	**1,398,570**	1,271,899
Net loss	**(7,438)**	(126,406)	**(2,476)**	(15,334)	**(9,914)**	(141,740)
Trade receivable	**455,340**	268,957	**135,679**	110,375	**591,019**	379,332
Property, plant and equipment	**706,409**	771,637	**5,427**	7,444	**711,836**	779,081
Short-term loans	**685,656**	742,337	**72,747**	133,380	**758,403**	875,717
Long-term loans	**284,089**	288,176	**95,464**	95,464	**379,553**	383,640

(Expressed in thousands of Saudi Arabian Riyals)

14. SEGMENTAL INFORMATION (continued)

Geographic Information:

The Group's operations are conducted in Saudi Arabia, UAE and Turkey. Selected financial information summarized by geographic area, is as follows:

2015 (Unaudited)	**Saudi Arabia**	**UAE**	**Turkey**	**Total**
Revenue	**1,010,319**	**54,321**	**391,632**	**1,456,272**
Costs of revenue	**985,104**	**51,455**	**362,011**	**1,398,570**
Net income / (loss)	**6,168**	**187**	**(16,269)**	**(9,914)**
Trade receivable	**379,453**	**27,136**	**184,430**	**591,019**
Property, plant and equipment	**358,789**	**44**	**353,003**	**711,836**
Short-term loans	**598,988**	**--**	**159,415**	**758,403**
Long-term loans	**290,169**	**--**	**89,384**	**379,553**

2014 (Unaudited)	Saudi Arabia	UAE	Turkey	Total
Revenue	847,792	38,939	401,027	1,287,758
Costs of revenue	845,873	36,291	389,735	1,271,899
Net loss	(95,669)	(635)	(45,436)	(141,740)
Trade receivable	245,981	10,601	122,750	379,332
Property, plant and equipment	406,417	167	372,497	779,081
Short-term loans	668,434	-	207,283	875,717
Long-term loans	302,769	-	80,871	383,640

(Expressed in thousands of Saudi Arabian Riyals)

15. COMMITMENTS AND CONTINGENCIES

In addition to the note 3 and 8, following are the commitments and contingencies:

	2015	2014
Outstanding forward metal contracts	**154,205**	331,427
Contingent liabilities in respect of performance and bid bonds	**157,463**	190,481
Authorized and contracted for capital expenditure commitments	**6,244**	**-**
Corporate guarantees issued	**83,590**	66,180

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.

16. APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved for issuance by the management on behalf of the Board of Directors on October 21, 2015.