

SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AND REVIEW REPORT
THREE-MONTH PERIOD ENDED MARCH 31, 2015

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
THREE-MONTH PERIODS ENDED MARCH 31, 2015**

INDEX	PAGE
Review report	1 - 2
Interim consolidated balance sheet (Unaudited)	3 - 4
Interim consolidated statement of operations (Unaudited)	5
Interim consolidated statement of changes in shareholders' equity (Unaudited)	6
Interim consolidated cash flows statement (Unaudited)	7
Notes to the interim consolidated financial statements (Unaudited)	8 - 20



Deloitte & Touche
Bakr Abulkhair & Co
Public Accountants
P.O. Box 442
Jeddah 21411
Kingdom of Saudi Arabia
Tel: +966 (0) 12 657 2725
Fax: +966 (0) 12 657 2722
www.deloitte.com
License No. 96
Head Office: Riyadh

REVIEW REPORT

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

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Saudi Cable Company (Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as of March 31, 2015 and the related interim consolidated statement of operations, changes in shareholders' equity and cash flows for the period then ended, and notes 1 to 16 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.

Observations

- i) The Group incurred a net loss of SR 7.94 million for the three-month period ended March 31, 2015 and, as of that date the Group's current liabilities exceeded its current assets by SR 646.12 million and it has accumulated losses of SR 375.27 million which represent 49.4% of the share capital. The management has prepared forecasts that predict profitable results for the 2015 financial year and which are dependent on successfully restructuring its loans and operations. The restructuring of loans has not been completely finalized and on April 7, 2015 the Company signed with three of its lenders indicative terms to restructure part of total indebtedness with these three lenders of approximately SR 640 million plus accrued interest and which are still subject to review by the lenders' legal counsel and the Company satisfactorily meeting certain new restructuring requirements.

The Group has also an overdue loan of approximately SR 99.6 million for which there is no agreement with that lender to restructure that loan and it has also not complied with the covenants relating to loans of SR 112.9 million with another lender, which give rise to defaults relating to certain of the Group's borrowings; consequently the related borrowings become repayable on demand which were not reflected in the presentation of these loans as current liabilities in the accompanying interim consolidated financial statements.

REVIEW REPORT (continued)

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

In expressing our conclusion, we have considered the adequacy of the disclosures made in the interim consolidated financial statements concerning the possible outcome of meeting the new restructuring requirements and of finalizing the restructuring of the Group's loan obligations totalling approximately SR 1.2 billion as of March 31, 2015. As indicated in the preceding paragraphs, whilst the Company has been able to secure indicative terms for restructuring part of the Group's loans from three of its lenders to restructure part of approximately SR 1.2 billion of the total Group indebtedness subject to the satisfactory conclusion of requirements by the lenders and the Company, the outcome of which is still uncertain, the Company has also another overdue amount for which no agreement has yet been reached with that lender to restructure that loan and nor has it been able to obtain a waiver from another lender for the breach of loan covenant. Even though these factors indicate the existence of uncertainties which may cast doubt on the Group's ability to continue as a going concern, the interim consolidated financial statements which have been prepared on a going concern basis, the validity of which depends on successfully restructuring its financial and operational plans do not include any adjustments that would result from a failure to:

- Finalise on the signed indicative terms to restructure its loans with three of its lenders;
- Agree on a satisfactory restructuring plan with another of its lenders on an overdue loan amount;
- Obtain a written waiver from one more of its lenders following a breach of covenant.

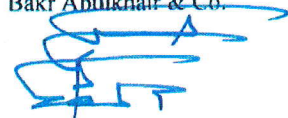
The interim consolidated financial statements and notes thereto do not disclose the details relating to these facts.

- ii) Additionally, we were unable to obtain sufficient audit evidence in relation to the recoverability of old unbilled revenues of SR 55.6 million as disclosed in note 5 and the commercial and financial feasibility of development cost of SR 52 million. Any adjustment to this number would have a consequential impact on the interim consolidated statements of operations, assets, liabilities and the equity. Further, we were unable to obtain management representations relating to the above.

Review results

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

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
Certified Public Accountant
License No. 296



1 Rajab, 1436
April 20, 2015

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED BALANCE SHEET
AS OF MARCH 31, 2015**

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	2015 (Unaudited)	2014 (Unaudited)
ASSETS			
Current assets			
Cash and cash equivalents		64,068	67,037
Accounts receivable		603,001	600,975
Due from a related party		-	84
Prepayments and other receivables	4	165,377	117,905
Unbilled revenue	5	78,404	215,695
Inventories		357,705	477,227
Total current assets		1,268,555	1,478,923
Investments		424,065	383,879
Non-current portion of retentions receivable		44,948	57,389
Property, plant and equipment		748,659	808,428
Investment properties		30,482	32,058
Deferred tax asset		4,222	3,800
Other intangible assets		60,825	74,911
Goodwill	6	74,216	86,558
Total non-current assets		1,387,417	1,447,023
TOTAL ASSETS		2,655,972	2,925,946
LIABILITIES AND EQUITY			
Current liabilities			
Short term loans	16	768,495	923,709
Accounts payable and other liabilities		691,271	643,623
Current portion of long term loans	16	192,008	161,805
Current obligation under finance lease		7,011	7,173
Due to related parties		39,689	36,188
Billing in excess of contract revenue		34,177	13,981
Advances from customers		113,292	146,843
Zakat and income tax		68,730	53,820
Total current liabilities		1,914,673	1,987,142
Non-current liabilities			
Obligation under finance lease		27,852	40,666
Long term loans	16	215,091	207,383
Other long term liabilities		-	48,722
End-of-service indemnities		68,034	59,212
Total non-current liabilities		310,977	355,983

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

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED BALANCE SHEET - CONTINUED
AS OF MARCH 31, 2015**

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	2015 (Unaudited)	2014 (Unaudited)
Equity			
Share capital	7	760,000	760,000
Statutory reserve	8	63,432	63,432
Cumulative changes in fair values	9	(15,738)	(29,427)
Foreign currency translation reserve		(9,143)	(7,185)
Accumulated losses		(375,274)	(206,778)
Equity attributable to the shareholders of the parent		423,277	580,042
Non-controlling interest		7,045	2,779
Total Equity		430,322	582,821
TOTAL LIABILITIES AND EQUITY		2,655,972	2,925,946

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

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED STATEMENT OF OPERATIONS
THREE-MONTH PERIOD ENDED MARCH 31, 2015**
(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	Three-month period ended March 31	
		2015 (Unaudited)	2014 (Unaudited)
Sales		472,238	393,310
Contract revenue		26,112	65,247
Total revenue		498,350	458,557
Cost of sales		(448,165)	(380,102)
Contract cost		(20,849)	(62,109)
		(469,014)	(442,211)
Gross profit		29,336	16,346
General and administrative expenses		(24,723)	(23,108)
Selling and distribution expenses		(14,917)	(24,099)
Allowance for doubtful debts		(749)	(4,584)
Amortization of other intangible assets		(4,745)	(5,048)
Loss from main operations		(15,798)	(40,493)
Fair value of derivative financial instruments		-	4,358
Foreign currency measurement gain/(loss)		3,394	(1,792)
Financial charges		(25,139)	(34,680)
Share of profit from associates		33,609	27,705
Other (expense)/income		(332)	6,291
Net loss before zakat and income tax and non-controlling interest		(4,266)	(38,611)
Zakat and income tax		(4,046)	(4,201)
Net loss before non-controlling interest		(8,312)	(42,812)
Non-controlling interest		370	1,687
Net loss for the period		(7,942)	(41,125)
Loss per share from net loss (SR)	10	(0.10)	(0.54)
Loss per share from main operations (SR)	10	(0.21)	(0.53)
Income per share from other operations (SR)	10	0.15	0.02

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SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
THREE-MONTH PERIOD ENDED MARCH 31, 2015

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	Three-month period ended	
		2015	2014
		(Unaudited)	(Unaudited)
Share capital	7	<u>760,000</u>	<u>760,000</u>
Statutory reserve	8	<u>63,432</u>	<u>63,432</u>
Cumulative changes in fair values			
January 1		(20,123)	23,087
Fair value adjustments		<u>4,385</u>	<u>(52,514)</u>
March 31	9	<u>(15,738)</u>	<u>(29,427)</u>
Foreign currency translation reserve			
January 1		(6,234)	(7,185)
Movement during the period		<u>(2,909)</u>	<u>-</u>
March 31		<u>(9,143)</u>	<u>(7,185)</u>
Accumulated losses			
January 1		(367,332)	(165,653)
Net loss for the period		<u>(7,942)</u>	<u>(41,125)</u>
March 31		<u>(375,274)</u>	<u>(206,778)</u>
Total equity attributable to the shareholders of the parent		<u>423,277</u>	<u>580,042</u>
Non-controlling interest			
January 1		7,415	4,469
Net movement during the period		-	(3)
Net loss for the period attributable to non-controlling interest		<u>(370)</u>	<u>(1,687)</u>
March 31		<u>7,045</u>	<u>2,779</u>
Total equity		<u>430,322</u>	<u>582,821</u>

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

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
THREE-MONTH PERIOD ENDED MARCH 31, 2015**

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Three-month period ended March 31	
	2015 (Unaudited)	2014 (Unaudited)
OPERATING ACTIVITIES		
Net loss before zakat and income tax and non-controlling interest	(4,266)	(38,611)
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	18,839	19,881
Allowance for doubtful debts	749	4,584
Reversal of allowance for slow moving inventories	3,572	1,848
Loss on disposal of property, plant and equipment	712	-
Amortization of other intangible assets	3,472	5,048
Provision against investment	-	2
Share of profit from associates	(33,609)	(27,705)
Employees' termination benefits, net	97	554
Finance charges	25,139	34,680
Fair value of derivative financial instruments	-	(4,358)
Changes in operating assets and liabilities:		
Accounts receivable	(79,895)	90,388
Non-current portion of retention	11,004	(5,707)
Prepayments and other receivables	(54,600)	44,666
Unbilled revenue	(1,323)	(7,704)
Inventories	57,601	41,395
Accounts payable and liabilities	44,638	(80,501)
Billing in excess of contract revenue	(11,807)	1,030
Advances from customers	(2,597)	5,159
Due to related parties	(1,881)	(18,848)
Cash (used in)/from operations	(24,155)	65,801
Zakat and income tax paid	-	(3,500)
Financial charges paid	(6,626)	(23,050)
Net cash (used in)/from operating activities	(30,781)	39,251
INVESTING ACTIVITIES		
Additions to property, plant and equipment, net	(5,638)	(2,535)
Dividends received from an associate	75,000	85,292
Purchase of other intangible assets	-	(1,302)
Net cash from investing activities	69,362	81,455
FINANCING ACTIVITIES		
Repayment of long term and short term loans	(32,512)	(173,403)
Obligation under finance lease	(3,952)	(2,430)
Other long term liabilities	-	135
Net cash used in financing activities	(36,464)	(175,698)
Net change in cash and cash equivalents	2,117	(54,992)
Cash and cash equivalents, January 1	61,951	122,029
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	64,068	67,037

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

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**
(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	
			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	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	94%	79%
Elimsan Metalurji ve Makine San. Ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	94%	79%

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**

(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 March 31 using unaudited management accounts:

Name of entity	Principal field of activities	Country of Incorporation	% of ownership	
			2015	2014
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, 2014.

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.

Interim consolidated financial statements

The interim consolidated financial statements include the accounts of the Company and its subsidiaries (hereafter referred to as "the Group") as stated in note 1. 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 are stated net of discounts.

**SAUDI CABLE COMPANY
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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**
(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.

Investments available-for-sale

Investments in financial instruments are classified according to the Group's intent with respect to those securities. Financial instruments available-for-sale ("AFS") are stated at fair value, and unrealized gains and losses thereon are included in interim consolidated statement of shareholders' equity. Where the fair value is not readily determinable, such financial instruments are stated at cost. The carrying amount of investment in financial instruments is reduced to recognize other than temporary diminution in value.

Income from the investments in financial instruments is recognized when dividends are declared.

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.

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**

(Expressed in thousand Saudi Riyals unless otherwise stated)

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

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 period is included in the interim consolidated statement of operations. Dividends are recorded when the right to receive the dividend is established.

Property, plant and equipment

Property, plant 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.

The estimated rates of depreciation of the principal classes of assets 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.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Land is recorded at cost. Investment properties, excluding lands, are stated at cost, including transaction cost less accumulated depreciation and reviewed every balance sheet date for any decline in the value of the investment.

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 operations in the period in which the property is derecognized.

Deferred cost

Deferred cost represents key money paid for acquiring a land and is amortized over five years.

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THREE-MONTH PERIOD ENDED MARCH 31, 2015**
(Expressed in thousand Saudi Riyals unless otherwise stated)

Non-current retentions receivable

Non-current retentions receivable are measured at their fair value at each period end by discounting them at the Group's effective borrowing rate, which management considers to be the appropriate discount rates for these assets.

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.

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.

Research and development costs

Research costs are charged to the interim consolidated statement of operations in the period in which they are incurred.

Development costs are charged to the interim consolidated statement of operations in the period in which they are incurred, except where a clearly-defined project is undertaken and it is reasonably anticipated that development costs will be recovered through future commercial activity. Such development costs, if any deferred and amortized on a straight line basis over the life of the project from the date of commencement of commercial operations.

Provision for obligations

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.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**
(Expressed in thousand Saudi Riyals unless otherwise stated)

Segmental reporting

An operating segment is a component of the Group that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Group is organized into business units based on their products and services and has following three reportable operating segments under manufacturing/sale of products and turnkey power and telecommunication products:

- Kingdom of Saudi Arabia
- Other Gulf Cooperation Council Countries
- Turkey

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the accompanying interim consolidated financial statements.

Non-controlling interests

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the acquisition. Losses applicable to the non-controlling interest in excess of its share in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.

Impairment of non-current assets, excluding goodwill

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.

Intangible asset with indefinite useful life are tested for impairment annually or whenever there is an indication that asset may be impaired.

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 is recognized immediately in the interim consolidated statement of operations.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**
(Expressed in thousand Saudi Riyals unless otherwise stated)

Financial assets and liabilities

Financial assets comprise of cash and cash equivalents, accounts receivables, due from related a party, investments, non-current retention receivable and other receivables. These financial assets except for investment in associates and available-for-sale investments-unquoted 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 short term and long term loans, accounts payable, finance lease obligations, other liabilities and due to related parties and are stated at their fair value.

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 year 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 an allowance account. When a financial asset is 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 Company and its Saudi Arabian subsidiaries are 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.

Deferred tax

Deferred tax 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 balance sheet 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.

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**
(Expressed in thousand Saudi Riyals unless otherwise stated)

End-of-service indemnities

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

Derivative financial instruments

- i) 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.

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.

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

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. The resulting gains or losses are recognized in the interim consolidated statement of operations immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the interim consolidated statement of operations depends on the nature of the hedge relationship.

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.

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**

(Expressed in thousand Saudi Riyals unless otherwise stated)

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 year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation difference are recognized in the interim consolidated statement of operations in the period in which the overseas subsidiary is disposed.

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 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 year.

Rentals payable under operating leases are charged to interim consolidated statement of operations 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 period ended March 31, 2015 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, 2014.

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**

(Expressed in thousand Saudi Riyals unless otherwise stated)

4. PREPAYMENTS AND OTHER RECEIVABLES

Prepayment and other receivables include an amount of SR 8.83 million (31 March 2014: SR 16.83 million) paid to the Custom Authorities on account of custom duty levied on the Company for certain imports during previous years. The Company has pursued this matter with the Custom Authorities and management believes that this amount is recoverable based on communication with the ministry.

5. UNBILLED REVENUE

Unbilled revenue represents revenue earned but not yet billed up to the period end. These amounts will be billed in the subsequent periods. It also includes an amount of SR 55.6 million (31 March 2014: SR 107.7 million) which is outstanding for more than one year. The management believes that this amount will be invoiced and collected during 2015.

6. GOODWILL

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 thousand.

The acquisition has been accounted for using the purchase method of accounting. The purchase consideration in excess of the fair value of the net assets acquired, amounted to SR 86,558 thousand, and has been accounted for as goodwill in these interim consolidated financial statements. During 2014, due to increase in capital of Elimsan Şalt Cihazlari, the ownership percentage increased to 94%.

During 2014, the Group performed an impairment analysis on cash generating unit related with goodwill and as a result, SR 12.34 million was recorded as impairment.

7. SHARE CAPITAL

The share capital consists of 76,000,000 shares of Saudi Riyals 10 each as at March 31, 2015 and March 31, 2014.

8. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia and the by-laws of the Company, after recovering the accumulated losses, the Company establishes a statutory reserve by appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

9. CUMULATIVE CHANGES IN FAIR VALUES

Movement in cumulative changes in fair values is as follows as of March 31:

	<u>2015</u>	<u>2014</u>
January 1	(20,123)	23,087
Net movement in unrealized gains on available-for-sale investments	-	208
Net movement in unrealized gains/(losses) relating to cash flow hedges	4,385	(52,722)
March 31	<u>(15,738)</u>	<u>(29,427)</u>

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**
(Expressed in thousand Saudi Riyals unless otherwise stated)

The balance of cumulative changes in fair values is comprised of the following as at March 31:

	<u>2015</u>	<u>2014</u>
Net unrealized gains on revaluation of investments	-	1,110
Net unrealized loss relating to cash flow hedges	(15,738)	(30,537)
March 31	<u>(15,738)</u>	<u>(29,427)</u>

10. (LOSS)/INCOME PER SHARE

(Loss)/income per share for the three-month periods ended March 31, 2015 and 2014 have been computed by dividing the net loss, loss from main operations and income per share from other operations for such periods by the number of shares outstanding at the end of the period.

11. SEGMENTAL INFORMATION

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

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

The Group's operations are conducted in Saudi Arabia, GCC countries and Turkey. Revenues and costs for the three-month period ended March 31:

	<u>Sale of goods</u>		<u>Contract revenue</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenue				
Kingdom of Saudi Arabia	362,290	249,323	17,544	65,247
Other Gulf Cooperation Council Countries	13,640	15,578	-	-
Turkey	96,308	128,409	8,568	-
	<u>472,238</u>	<u>393,310</u>	<u>26,112</u>	<u>65,247</u>
	<u>Cost of sales</u>		<u>Contract cost</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Cost				
Kingdom of Saudi Arabia	341,894	236,763	15,441	62,109
Other Gulf Cooperation Council Countries	12,783	14,602	-	-
Turkey	93,488	128,737	5,408	-
	<u>448,165</u>	<u>380,102</u>	<u>20,849</u>	<u>62,109</u>

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**

(Expressed in thousand Saudi Riyals unless otherwise stated)

The Group's operations are conducted in Saudi Arabia, GCC countries and Turkey. Selected financial information for the three-month period ended March 31, and financial position as of March 31, 2015 and March 31, 2014, summarized by geographic area, is as follows:

2015 (Unaudited)	Saudi Arabia	GCC countries	Turkey	Total
Accounts receivable	497,977	12,049	92,975	603,001
Property, plant and equipment, net	380,293	78	368,288	748,659
Short term loans	632,909	-	135,586	768,495
Long term loans	290,168	-	116,931	407,099
Net income / (loss)	3,514	16	(11,472)	(7,942)

2014 (Unaudited)	Saudi Arabia	GCC countries	Turkey	Total
Accounts receivable	459,795	14,872	126,308	600,975
Property, plant and equipment, net	427,925	267	380,236	808,428
Short term loans	686,534	-	237,175	923,709
Long term loans	315,108	-	54,080	369,188
Net loss	(19,790)	(226)	(21,109)	(41,125)

12. FINANCIAL RESTRUCTURING

These interim consolidated financial statements have been prepared on a going concern basis. The Group has engaged internationally renowned institutions of financial advisors, to restructure the financial requirements of the Group. A comprehensive plan proposing a long term feasible financial structure for the Group, with additional working capital financing, including capital increase, which will help stabilise, and strengthen the on-going operations, has been presented to its lenders. The Group has reached agreement with certain lenders on its facilities, and continues to work closely with the remaining lenders, in reaching agreement on its financial structure, and expects to finalise its restructuring plan with all its lenders during 2015.

13. NON-CASH TRANSACTIONS

Non-cash transactions comprised the following:

	2015	2014
Cumulative changes in fair values	4,385	52,514
Exchange difference on translation of foreign operations	(2,909)	-
Movement in non-controlling interest, net	-	1,690

**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**

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**SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
THREE-MONTH PERIOD ENDED MARCH 31, 2015**

(Expressed in thousand Saudi Riyals unless otherwise stated)

14. COMMITMENTS AND CONTINGENCIES

	<u>2015</u>	<u>2014</u>
Outstanding forward metal contracts	<u>214,952</u>	<u>507,906</u>
Contingent liabilities in respect of performance and bid bonds	<u>186,631</u>	<u>248,771</u>
Authorized and contracted for capital expenditure commitments	<u>4,475</u>	-
Contingent liabilities in respect of outstanding letters of credit	<u>-</u>	<u>2,068</u>
Corporate guarantees issued	<u>84,642</u>	<u>63,851</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.

15. COMPARATIVE FIGURES

Certain figures for 2014 have been reclassified to conform to the presentation of 2015.

16. POST BALANCE SHEET EVENT

On April 7, 2015, the Company and its main lenders, National Commercial Bank, Al Rajhi Bank and Bank Al-Jazira, have signed a term sheet to restructure its debts. Salient details of the term sheet include:

- Moratorium on repayments to the three banks until March 31 2016.
- Repayment tenure for 8 years
- Total amount to be restructured SR 640 million. Right issues planned by December 2017.

The lenders have appointed legal counsel who will be preparing the legal documents, which we expect to be completed by the end of the second quarter 2015.