

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012
AND INDEPENDENT AUDITORS' REPORT

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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INDEPENDENT AUDITORS' REPORT

February 25, 2013

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

Scope of Audit

We have audited the accompanying consolidated balance sheet of **Saudi Cable Company** (a Saudi joint stock company) (the "Company") and its subsidiaries (collectively "the Group") as of December 31, 2012 and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes which form an integral part of the consolidated financial statements. These consolidated financial statements, which were prepared by the Company to comply with article 123 of the Regulations for Companies and presented to us with all information and explanations which we required, are the responsibility of the Group's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

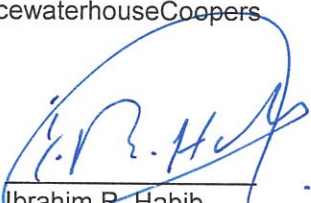
Unqualified Opinion

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

- Present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in Saudi Arabia appropriate to the circumstances of the Group; and
- Comply, in all material respects, with the requirements of the Regulations for Companies and the Company's bylaws with respect to the preparation and presentation of consolidated financial statements.

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SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
Consolidated balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

	<u>Note</u>	<u>As at December 31,</u>	
		2012	2011
Assets			
Current assets			
Cash and cash equivalents	4	132,379	93,492
Accounts receivable	5	983,609	1,135,534
Prepayments and other receivables	6	249,821	275,083
Due from related parties	7	2,531	2,988
Unbilled revenue	8	213,904	285,092
Inventories	9	786,964	994,018
		<u>2,369,208</u>	<u>2,786,207</u>
Non-current assets			
Investments	10	333,271	315,134
Property, plant and equipment	13	919,761	873,885
Deferred tax assets		8,134	-
Other intangible assets	11	57,161	45,278
Goodwill	12	86,558	86,558
		<u>1,404,885</u>	<u>1,320,855</u>
Total assets		<u><u>3,774,093</u></u>	<u><u>4,107,062</u></u>
Liabilities			
Current liabilities			
Bank overdrafts	14	1,518	293
Short term loans	14	1,237,088	1,798,810
Accounts payable and accruals	15	559,577	538,267
Current portion of long term loans		199,886	90,347
Current obligation under finance lease	16	10,793	17,839
Zakat and income tax	19	42,287	40,165
Advances from customers		171,972	132,270
Due to related parties	7	33,524	1,010
		<u>2,256,645</u>	<u>2,619,001</u>
Non-current liabilities			
Obligations under finance leases	16	8,854	15,878
Long term loans	17	447,625	312,605
Employees' termination benefits		60,648	56,082
Other long term liabilities	18	71,954	82,095
		<u>589,081</u>	<u>466,660</u>
Total liabilities		<u><u>2,845,726</u></u>	<u><u>3,085,661</u></u>
Shareholders' equity			
Share capital	20	760,000	760,000
Statutory reserve	21	63,432	63,432
Cumulative changes in fair values	22	28,188	(34,208)
Retained earnings		63,464	219,869
Total shareholders' equity in the parent		<u>915,084</u>	<u>1,009,093</u>
Minority interest		<u>13,283</u>	<u>12,308</u>
Total shareholders' equity		<u><u>928,367</u></u>	<u><u>1,021,401</u></u>
Total liabilities and shareholders' equity		<u><u>3,774,093</u></u>	<u><u>4,107,062</u></u>

The attached notes on pages 7 to 27 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
Consolidated income statement

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Year ended December 31,	
		2012	2011
Sales		2,458,180	3,021,546
Contracts revenue		<u>229,670</u>	<u>178,019</u>
		<u>2,687,850</u>	<u>3,199,565</u>
Cost of sales		(2,407,979)	(2,880,419)
Contracts cost		<u>(199,636)</u>	<u>(175,641)</u>
		<u>(2,607,615)</u>	<u>(3,056,060)</u>
Gross profit		<u>80,235</u>	<u>143,505</u>
Operating expenses			
Selling and distribution	23	(101,879)	(67,668)
General and administrative	24	(86,508)	(85,136)
Amortization of other intangible assets	11	<u>(11,959)</u>	<u>(6,615)</u>
		<u>(200,346)</u>	<u>(159,419)</u>
Loss from main operations		<u>(120,111)</u>	<u>(15,914)</u>
Fair value of derivative financial instruments	18	(32,496)	-
Foreign currency re-measurement loss		(606)	(9,604)
Financial charges		(109,921)	(71,587)
Equity share of profit from associates	10	104,610	96,272
Other (loss) income		<u>(1,036)</u>	<u>1,876</u>
Net (loss) income before zakat and income tax and minority interest		<u>(159,560)</u>	<u>1,043</u>
Zakat and income tax / adjustments	19	<u>(4,311)</u>	<u>362</u>
Net (loss) income before minority interest		<u>(163,871)</u>	<u>1,405</u>
Minority interest		<u>7,466</u>	<u>3,698</u>
Net (loss) income for the year		<u>(156,405)</u>	<u>5,103</u>
(Loss) earnings per share:			
		<u>Saudi Riyals</u>	
Loss from main operations	25	<u>(1.58)</u>	<u>(0.21)</u>
Net (loss) income	25	<u>(2.06)</u>	<u>0.07</u>

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SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)
Consolidated cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	<u>Year ended December 31,</u>	
	2012	2011
Cash flow from operating activities		
Net (loss) income before Zakat and income tax and minority interest	(159,560)	1,043
<u>Adjustments for non-cash items</u>		
Depreciation	74,104	66,910
Provision for doubtful debts	40,157	13,212
Loss (gain) on sale of property, plant and equipment	2,063	(470)
Amortization of other intangible assets	11,959	6,615
Provision for slow moving items	15,364	17,712
Equity share of profit from associates	(104,610)	(96,272)
Fair value of derivative financial instruments	32,496	-
Employees' termination benefits, net	4,566	1,494
Financial charges	109,921	71,587
<u>Change in working capital</u>		
Accounts receivable	111,768	(476,618)
Prepayments and other receivables	17,128	41,303
Due from related parties	457	(787)
Unbilled revenue	71,188	101,580
Inventories	191,690	(147,156)
Accounts payable and accruals	19,430	164,767
Advances from customers	39,702	6,610
Due to related parties	32,514	(17,353)
Zakat and income tax paid	(2,189)	(9,488)
Net cash generated from (utilized in) operating activities	<u>508,148</u>	<u>(255,311)</u>
Cash flow from investing activities		
Purchase of property, plant and equipment	(130,353)	(84,077)
Dividends received from an associate	116,553	48,172
Proceeds from disposal of property, plant and equipment	8,310	486
Purchase of other intangible assets	(23,842)	(37,868)
Net cash utilized in investing activities	<u>(29,332)</u>	<u>(73,287)</u>
Cash flow from financing activities		
Short-term loans	(561,722)	478,799
Long-term loans	244,559	(44,398)
Obligation under finance lease	(14,070)	(9,604)
Bank overdrafts	1,225	(6,463)
Dividends paid	-	(57,000)
Financial charges paid	(109,921)	(63,614)
Net cash (utilized in) generated from financing activities	<u>(439,929)</u>	<u>297,720</u>
Net change in cash and cash equivalents	38,887	(30,878)
Cash and cash equivalents at the beginning of the year	<u>93,492</u>	<u>124,370</u>
Cash and cash equivalents at the end of the year	<u><u>132,379</u></u>	<u><u>93,492</u></u>
Supplementary information for non-cash transactions		
Net changes in fair value of investments and cash flow hedges	<u><u>62,396</u></u>	<u><u>(122,635)</u></u>

The attached notes on pages 7 to 27 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

Consolidated statement of changes in shareholders' equity
 (All amounts in thousands Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserve	Cumulative changes in fair values	Retained earnings	Shareholders' equity of the parent company	Minority interest	Total shareholders' equity
January 1, 2012	760,000	63,432	(34,208)	219,869	1,009,093	12,308	1,021,401
Net loss for the year	-	-	-	(156,405)	(156,405)	-	(156,405)
Unrealized gain from changes in fair value	-	-	62,396	-	62,396	-	62,396
Net loss for the year attributable to minority interest	-	-	-	-	-	(7,466)	(7,466)
Net change in minority interest	-	-	-	-	-	8,441	8,441
December 31, 2012	760,000	63,432	28,188	63,464	915,084	13,283	928,367
January 1, 2011	760,000	62,922	88,427	272,276	1,183,625	16,001	1,199,626
Net income for the year	-	-	-	5,103	5,103	-	5,103
Transferred from retained earning	-	510	-	(510)	-	-	-
Dividends	-	-	-	(57,000)	(57,000)	-	(57,000)
Unrealized loss from changes in fair value	-	-	(122,635)	-	(122,635)	-	(122,635)
Net loss for the year attributable to minority interest	-	-	-	-	-	(3,698)	(3,698)
Net change in minority interest	-	-	-	-	-	5	5
December 31, 2011	760,000	63,432	(34,208)	219,869	1,009,093	12,308	1,021,401

The attached notes on pages 7 to 27 form an integral part of these consolidated financial statements.

SAUDI CABLE COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2012**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 GENERAL INFORMATION

- a) Saudi Cable Company (the "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.
- b) The objectives of the Company are the manufacture and supply of electrical and telecommunication cables, copper rod, PVC compounds, wooden reels and related products. The Company through its subsidiaries is also engaged in the manufacture, contracting, trading, distribution and supply of cables, electronic products, information technology products and related accessories.
- c) The Company's consolidated financial statements include the financial statements of the following subsidiaries as at December 31:

<u>Name of Subsidiary</u>	<u>Principal field of activities</u>	<u>Country of incorporation</u>	<u>% of capital held directly or indirectly</u>	
			<u>2012</u>	<u>2011</u>
<u>Domestic</u>				
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%
<u>International</u>				
Mass Kablo Yatirim Ve Ticaret Anonim Sirketi (Previously Mass Holding Anonim Sirketi)	Holding Company	Turkey	100%	100%
Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi	Manufacture, supply and trading of electrical cables	Turkey	100%	100%
Mass Plaza Gayrimenkul Kiralama Ve Turizm Gelistirme Anonim Sirketi	Real Estate	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 ve Elektromekanik San ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%
Elimsan Elektroteknik San. ve Tic.A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%
Elimsan Sinai Mam. Pazarlama Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%
Elimsan Metalurji ve Makine San. ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%
Elimsan Aydın. ve Alt. En. Tek. San. ve Tic. A.S.	Manufacture and distribution of electronic gears and goods	Turkey	79%	79%

SAUDI CABLE COMPANY**(A Saudi Joint Stock Company)****Notes to the consolidated financial statements for the year ended December 31, 2012**

(All amounts in Saudi Riyals thousands unless otherwise stated)

1 GENERAL INFORMATION (CONTINUED)

d) The Company has the following investments in associates, which are accounted for on equity basis as at December 31:

<u>Name of entity</u>	<u>Principal field of activities</u>	<u>Country of incorporation</u>	<u>% of ownership</u>	
			<u>2012</u>	<u>2011</u>
Midal Cables W.L.L.	Conductors & related products	Bahrain	50%	50%
XECA International Information Technology	Implementation of information systems and network services	Saudi Arabia	25%	25%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying consolidated financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of available for sale investments and derivative financial instruments to fair value, and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants.

2.1.1 Basis of consolidation

The consolidated financial statements comprise the accounts of Company (the parent company) and its subsidiaries, which are explained in note 1 above (collectively "the Group"). All material intercompany transactions and balances are eliminated on consolidation.

The subsidiary is consolidated from the date the parent company obtains control until such time control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of the subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies. The attributable equity interests of third parties in the Group are included under the minority interest caption in these consolidated financial statements.

2.2 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

2.3 Segment reporting**(a) Business segment**

A business segment is group of assets, operations or entities:

- (i) Engaged in revenue producing activities;
- (ii) For which results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
- (iii) For which financial information is separately available.

SAUDI CABLE COMPANY

(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

(b) Geographical segment

A geographical segment is 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.

2.4 Foreign currency translations

(a) Reporting currency

These consolidated financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

(c) Group companies

The results and financial position of a foreign subsidiary and an associate having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- (i) assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- (ii) income and expenses for each item in the consolidated income statement are translated at average exchange rates; and
- (iii) Components of the equity accounts are translated at the exchange rates in effect at the dates of the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of a foreign subsidiary and an associate into Saudi Riyals are reported as a separate component of equity.

Dividends received from an associate are translated at the exchange rate in effect at the transaction date and related currency translation differences are realized in the consolidated income statement.

When investment in a foreign subsidiary and an associate is partially disposed off or sold, currency translation differences that were recorded in equity are recognized in the consolidated income statement as part of gain or loss on disposal or sale.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments with maturities of three months or less from the purchase date.

2.6 Time deposits

Time deposits include placements with banks and other short-term highly liquid investments with original maturities of three months or more but not more than one year from the purchase date.

2.7 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts 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 receivables. Such provisions are charged to the consolidated income statement. When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited in the consolidated income statement.

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Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

2.8 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. The cost of finished products include the cost of raw materials, labor and production overheads.

Inventories are comprised of raw materials, spare parts, wooden reels, work-in-progress and finished goods. Inventories are stated at the lower of cost and net realizable value.

Costs of raw materials, spare parts, and wooden reels are arrived at based on the moving average method.

Cost of work-in-progress and finished goods include cost of direct materials and labor in addition to attributable overheads based on normal level of activity.

Provision is made for the inventory considered by management to be slow moving or obsolete.

Gains or losses on forward contracts entered into in order to hedge the metal purchases are accounted for as part of inventory cost when the related transaction is completed.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.9 Unbilled revenue

Unbilled revenue of contracts is stated at cost, plus attributable profit, less provision for any losses incurred or foreseen in bringing the contracts to completion, and less amounts received or receivable as progress payments. Cost includes direct materials, labour and other direct overheads.

2.10 Investments

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported as a separate component in the accompanying consolidated balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated amortization and impairment losses, if any.

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

(b) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost.

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Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Group's share of its associates' post-acquisition income or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses, if any, arising in investments in associates are recognized in the consolidated income statement.

(c) available-for sale investments

Available-for-sale investments principally consist of less than 20% equity investments in certain quoted/unquoted investments including investments in mutual funds. These investments are included in non-current assets unless management intends to sell such investments within twelve months from the balance sheet date. These investments are initially recognized at cost and are subsequently re-measured at fair value at each reporting date as follows:

- (i) Fair values of quoted securities are based on available market prices at the reporting date adjusted for any restriction on the transfer or sale of such investments; and
- (ii) Fair values of unquoted securities are based on a reasonable estimate determined by reference to the current market value of other similar quoted investment securities or is based on the expected discounted cash flows.

Cumulative adjustments arising from revaluation of these investments are reported as separate component of equity as fair value reserve until the investment is disposed.

2.11 Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation except construction in progress which is carried at cost. Land is not depreciated. Depreciation is charged to the consolidated income statement, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the consolidated income statement.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the consolidated income statement as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

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Notes to the consolidated financial statements for the year ended December 31, 2012
(All amounts in Saudi Riyals thousands unless otherwise stated)

2.12 Deferred charges

Costs that are not of benefit beyond the current period are charged to the consolidated income statement, while costs that will benefit future periods are capitalized. Deferred charges are amortized over the estimated useful lives of each assets (three to ten years). Deferred charges also include front-end fee paid on a loan from Saudi Industrial Development Fund ("SIDF"). Such charges are amortized over the term of the loan.

2.13 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets 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 income statement. Impairment losses recognized on intangible assets are not reversible.

2.14 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred, if any. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the consolidated income statement.

2.15 Capital leases

The Group accounts for property, plant and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to income statement applying the straight-line method over the term of the lease.

2.16 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Group.

2.17 Provisions

Provisions are recognized when; the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.18 Zakat and taxes

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provision for zakat for the Company is charged to the consolidated income statement. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

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

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(All amounts in Saudi Riyals thousands unless otherwise stated)

Deferred income taxes are recognized on all major temporary differences between financial income and taxable income are recognized during the period in which such differences arise, and are adjusted when related temporary differences are reversed. Deferred income tax assets on carry forward losses are recognized to the extent that it is probable that future taxable income will be available against which such carry-forward tax losses. Deferred income taxes are determined using tax rates which have been enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

2.19 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the consolidated income statement. The liability is calculated; as the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

The foreign subsidiaries provide currently for employee termination and other benefits as required under the laws of their respective countries of domicile. There are no funded or unfunded benefit plans established by the foreign subsidiaries.

2.20 Revenue recognition

Revenues are recognized upon delivery of products and customer acceptance, if any, or on the performance of services. Revenues are shown net of discounts and transportation expenses, and after eliminating sales within the Group.

Revenues from contracts are recognized using the percentage of completion method. Percentage of completion is determined by comparison of contract costs incurred to date with estimated total costs. Changes in cost estimates and losses on uncompleted contracts, if any, are recognized in the period they are determined. When it is probable that the total contract costs will exceed the total contract revenues, the expected loss is recognized immediately. Costs and estimated earnings in excess of billings, if any, are included in current assets. Billings in excess of costs incurred and estimated earnings, if any, are included in current liabilities.

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

2.21 Selling, distribution and general and administrative expenses

Selling, distribution and general and administrative expenses include direct and indirect costs not specifically part of production costs as required under generally accepted accounting principles. Allocations between selling, distribution and general and administrative expenses and production costs, when required, are made on a consistent basis.

2.22 Dividends

Dividends are recorded in the consolidated financial statements in the period in which they are approved by shareholders of the Group.

2.23 Derivative financial instruments

a) Metal Hedging:

Saudi Cable Company enters into forward commodity contracts with the London Metal Exchange for the purchase/sale of aluminum and copper, that could be purchased/sold without taking/making physical delivery, at a specified future date at the then prevailing market prices. These contracts are matched with future sales/purchase commitments and are entered into to protect the Company against future adverse fluctuation in aluminum and copper prices.

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The changes in fair value of these contracts which meet the criteria of cash flow hedges are included in the balance sheet in "prepayments and other receivables" in case of favorable contracts and "accounts payable and accruals" in case of unfavorable contracts. Any resultant gain or loss arising in respect of these contracts are recognized in the consolidated statement of changes in equity and subsequently adjusted through the consolidated income statement on realization.

For hedges, which do not qualify for hedge accounting, any gains or losses arising from changes in the fair value of the hedging instrument are taken directly to the consolidated income statement for the year.

b) Interest rate swaps:

The Group uses derivative financial instruments (interest rate swaps) to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives during the year that do not qualify for hedge accounting are taken directly to the statement of income.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documents include identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting years for which they were designated.

Cash flows hedge which meet the strict criteria for hedge accounting are accounted for by taking the gain or loss of the effective portion of the hedging instrument directly in equity, while any ineffective portion is recognized immediately in the consolidated income statement.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction or firm commitment occurs.

2.24 Operating leases

Rental expenses under operating leases are charged to the consolidated income statement over the period of the respective lease. Rental income is recognized on the accrual basis in accordance with the terms of the contracts.

2.25 Comparative figures

Certain prior year amounts have been reclassified to conform with the presentation in the current year.

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3 FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow interest rate risks.

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, accounts receivable, due from related parties, investments, short-term and long-term borrowings, bank overdrafts, liabilities against capital leases, accounts payable, due to related parties and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals, US dollars and Euros.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. The Group also has investments in foreign subsidiaries and an associate, whose net assets are exposed to currency translation risk. Currently, such exposures are mainly related to exchange rate movements between Saudi Riyals against Euros. The Group's management monitors such exposures and considers the use of forward exchange contracts and borrowings denominated in the relevant foreign currency to hedge the foreign currency exposures. However, there were no significant forward exchange contracts or other related hedging instruments outstanding at December 31, 2012.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial positions and cash flows. The Group's interest rate risks arise mainly from its borrowings and bank overdrafts which are at floating rate of interest and are subject to re-pricing on a regular basis.

The management limits the Group's interest rate risk by monitoring the changes in interest rate in the currencies in which its interest bearing assets and liabilities are denominated and through interest rate swaps, in which the Group agrees to exchange, at specified interval, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount.

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet as available for sale investment. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio.

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3.4 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

The following table demonstrates the maturity dates of the Group's financial liabilities:

December 31, 2012	Less than 3 months	3 to 12 months	1 to 5 years	Total
Bank overdrafts	1,518	-	-	1,518
Short-term loans	513,123	723,965	-	1,237,088
Accounts payables and accruals	320,164	239,413	-	559,577
Obligations under finance leases	-	10,793	8,854	19,647
Term-loans	-	199,886	447,625	647,511
Due to related parties	-	33,524	-	33,524
Total	834,805	1,207,581	456,479	2,498,865

December 31, 2011	Less than 3 months	3 to 12 months	1 to 5 years	Total
Bank overdrafts	293	-	-	293
Short-term loans	498,583	1,300,227	-	1,798,810
Accounts payables and accruals	343,232	195,035	-	538,267
Obligations under finance leases	5,055	12,784	15,878	33,717
Term-loans	58,660	154,343	189,949	402,952
Due to related parties	-	1,010	-	1,010
Total	905,823	1,663,399	205,827	2,775,049

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Group's financial instruments are compiled under the historical cost convention, except for available for sale investment and derivative financial instrument which are carried at fair value, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

4 CASH AND CASH EQUIVALENTS

	2012	2011
Cash on hand	550	518
Bank balances	129,691	92,962
Time deposits	2,138	12
	<u>132,379</u>	<u>93,492</u>

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5 ACCOUNTS RECEIVABLE

Accounts receivable include the following as at December 31, 2012:

- a) Saudi Riyals 194.55 million (2011: Saudi Riyals 357.9 million) assigned with recourse to a bank as security against bank overdrafts and short-term loans.
- b) Saudi Riyals 123.61 million (2011: Saudi Riyals 122.3 million) due from Government organizations and utility companies of which approximately Saudi Riyals 53.93 million (2011: Saudi Riyals 40.6 million) is more than one year old.
- c) Trade receivables of Saudi Riyals 131.4 million (2011: Saudi Riyals 91.9 million) were impaired and provided for.

The unimpaired trade receivables include Saudi Riyals 301.3 million (2011: Saudi Riyals 214.5 million) which are past due, more than normal collection cycle, but not impaired.

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is generally not the practice of the Group to obtain collateral over receivables and the majority is, therefore, unsecured.

6 PREPAYMENTS AND OTHER RECEIVABLES

	2012	2011
Prepaid expenses	41,338	26,525
Advances to suppliers	44,708	78,690
Other deposits	72,808	64,369
Other receivable	90,967	105,499
	<u>249,821</u>	<u>275,083</u>

7 RELATED PARTY TRANSACTIONS AND BALANCES

The Group had the following related party transactions during the years ended December 31:

<u>Related party</u>	<u>Nature of transaction</u>	2012	2011
Management	Remunerations	1,661	1,746
Midal Cables W.L.L.	Purchases	21,941	7,148
Midal Cables W.L.L.	Dividends income	116,553	48,172
Xenel Industries Limited	Loan received and other advances	25,003	6,668
Xeca International Information Technology	Outsourcing services paid	1,318	2,820
Xeca International Information Technology	Advances	6,788	11,829
Hidada Limited	Expenses charged by the Group	153	43
Alujain Corporation	Expenses charged by the Group	77	144

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Related party balances comprised of the following as at December 31:

	2012	2011
Due from related parties		
Alujain Corporation	1,396	1,319
Hidada Limited	1,132	1,069
XECA International Information Technology	3	-
Midla Cables W.L.L.	-	600
	<u>2,531</u>	<u>2,988</u>
Due to related parties		
Xenel Industries Limited	25,350	346
Midal Cables W.L.L.	7,510	-
Chem Global Limited	664	664
	<u>33,524</u>	<u>1,010</u>

8 UNBILLED REVENUE

Unbilled revenue represents revenue earned but not yet billed up to the year end. These amounts will be billed in the subsequent periods. Unbilled revenue for the years ended December 31 is as follows:

	2012	2011
Value of work completed	2,075,630	1,900,859
Less: Progress billings received and receivable	(1,857,250)	(1,611,291)
Provision for unbilled revenue	(4,476)	(4,476)
	<u>213,904</u>	<u>285,092</u>

Movement for provision for unbilled revenue as follows:

	2012	2011
January 1	4,476	4,515
Write off	-	(39)
December 31	<u>4,476</u>	<u>4,476</u>

9 INVENTORIES

	2012	2011
Finished goods	367,169	432,814
Raw materials	241,177	287,939
Work-in-progress	165,459	243,611
Spares and wooden reels	9,371	14,302
Goods in-transit	3,788	15,352
	<u>786,964</u>	<u>994,018</u>

10 INVESTMENTS

	2012	2011
Investments in associates (note a)	329,042	309,468
Available for sale investments – quoted (note b)	1,700	3,137
Available for sale investments – unquoted (note c)	2,529	2,529
	<u>333,271</u>	<u>315,134</u>

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Movement in investments is as follows:

a) Associates:

	2012	2011
Beginning balance	309,468	312,541
Share of results of associates for the year	104,610	96,272
Share of net movement of unrealized gain (loss) relating to cash flow hedges (note 22)	31,517	(51,173)
Dividends received (note 7)	<u>(116,553)</u>	<u>(48,172)</u>
	<u><u>329,042</u></u>	<u><u>309,468</u></u>

b) Available for sale investment – quoted:

	2012	2011
Beginning balance	3,137	3,827
Net movement in unrealized loss during the year (note 22)	<u>(1,437)</u>	<u>(690)</u>
	<u><u>1,700</u></u>	<u><u>3,137</u></u>

Available for sale investments-quoted comprise quoted equity securities denominated in United States Dollars. As at December 31, 2012, available for sale investments amounting to Saudi Riyals 1.3 million (2011: Saudi Riyals 2.7 million) are pledged against short term facilities provided to the Company by Merrill Lynch.

c) Available for sale investment – unquoted:

	2012	2011
Balance at January 1 and December 31	<u><u>2,529</u></u>	<u><u>2,529</u></u>

Available for sale investments-unquoted comprise unquoted equity securities carried at cost due to the unpredictable nature of future cash flows and lack of suitable alternate methods for determining a reliable fair value.

11 OTHER INTANGIBLE ASSETS

	January 1, 2012	Additions	December 31, 2012
Cost			
Capitalized development cost	57,749	20,044	77,793
Rights	15,942	326	16,268
Other	9,504	3,472	12,976
Total 2012	<u>83,195</u>	<u>23,842</u>	<u>107,037</u>
Total 2011	<u>45,327</u>	<u>37,868</u>	<u>83,195</u>
Accumulated amortization			
Capitalized development cost	17,537	8,025	25,562
Rights	12,080	338	12,418
Other	8,300	3,596	11,896
Total 2012	<u>37,917</u>	<u>11,959</u>	<u>49,876</u>
Total 2011	<u>31,302</u>	<u>6,615</u>	<u>37,917</u>
Net book values 2012	<u><u>45,278</u></u>		<u><u>57,161</u></u>
Net book values 2011	<u>14,025</u>		<u>45,278</u>

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12 GOODWILL

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

The Group recognized the following fair value adjustments:

Share in acquire net assets before combination	<u>(17,748)</u>
Fair value adjustment to :	
Property, plant and equipment	60,210
Inventories	3,917
Deferred tax liabilities	<u>(4,601)</u>
	<u>59,526</u>
 Fair value of net assets acquired	 41,778
 Goodwill	 <u>86,558</u>
Total consideration fulfilled by cash	<u>128,336</u>

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 Saudi Riyals 86,558 thousands, has been accounted for as goodwill in these consolidated financial statements.

13 PROPERTY, PLANT AND EQUIPMENT

	January 1, 2012	Additions	Transfers	Disposal	December 31, 2012
Cost					
Lands	176,925	6,045	-	(2,205)	180,765
Buildings	448,536	10,117	(23)	-	458,630
Plant and equipment	1,244,943	59,848	150	(2,007)	1,302,934
Furniture and fixtures	93,633	1,921	-	(848)	94,706
Construction in progress (*)	78,039	52,422	(127)	(7,455)	122,879
Total	<u>2,042,076</u>	<u>130,353</u>	<u>-</u>	<u>(12,515)</u>	<u>2,159,914</u>
 Accumulated depreciation					
Buildings	220,078	12,385	-	-	232,463
Plant and equipment	873,747	51,930	-	(1,463)	924,214
Furniture and fixtures	74,366	9,789	-	(679)	83,476
Total	<u>1,168,191</u>	<u>74,104</u>	<u>-</u>	<u>(2,142)</u>	<u>1,240,153</u>
Net book values	<u>873,885</u>				<u>919,761</u>

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	January 1, 2011	Additions	Transfers	Disposal	December 31, 2011
Cost					
Lands	147,446	29,479	-	-	176,925
Buildings	443,225	5,311	-	-	448,536
Plant and equipment	1,155,184	4,984	101,223	(16,448)	1,244,943
Furniture and fixtures	88,897	3,852	1,553	(669)	93,633
Construction in progress (*)	140,364	40,451	(102,776)	-	78,039
Total	<u>1,975,116</u>	<u>84,077</u>	<u>-</u>	<u>(17,117)</u>	<u>2,042,076</u>
Accumulated depreciation					
Buildings	205,777	14,301	-	-	220,078
Plant and equipment	841,714	48,466	-	(16,433)	873,747
Furniture and fixtures	70,891	4,143	-	(668)	74,366
Total	<u>1,118,382</u>	<u>66,910</u>	<u>-</u>	<u>(17,101)</u>	<u>1,168,191</u>
Net book values	<u>856,734</u>				<u>873,885</u>

(*) Construction in progress represents buildings, plant & equipment, furniture and fixtures under construction.

14 BANK OVERDRAFTS AND SHORT TERM LOANS

Bank overdrafts and short term loans obtained from various local and foreign banks are secured by assignment of receivables and are repayable within one year. These loans carry commission charges at various rates at normal commercial terms.

The Company's foreign subsidiaries have obtained short term loans from various foreign banks which are secured by Saudi Cable Company's guarantee. These loans carry commission charges at various rates on normal commercial terms. All short term loans are repayable within one year and are shown as current liability.

15 ACCOUNTS PAYABLE AND ACCRUALS

	2012	2011
Trade payables	441,317	476,206
Accrued expenses and other payables	<u>118,260</u>	<u>62,061</u>
	<u>559,577</u>	<u>538,267</u>

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16 OBLIGATIONS UNDER FINANCE LEASES

	<u>Minimum lease payments</u>		<u>Present value of minimum lease payments</u>	
	2012	2011	2012	2011
Amounts payable under finance lease	<u>19,647</u>	<u>33,717</u>	<u>19,647</u>	<u>33,717</u>
Within one year	10,793	18,964	10,793	17,839
In second to fifth years inclusive	<u>8,854</u>	<u>16,294</u>	<u>8,854</u>	<u>15,878</u>
	19,647	35,258	19,647	33,717
Less: Future finance charges	<u>(113)</u>	<u>(1,541)</u>	-	-
Present value of finance lease obligations	<u>19,534</u>	<u>33,717</u>	<u>19,647</u>	<u>33,717</u>
Less: Amounts due for settlement within twelve months (shown under current liabilities)			<u>10,793</u>	<u>(17,839)</u>
Amounts due for settlement after twelve months			<u>8,854</u>	<u>15,878</u>

Finance leases relate to manufacturing equipment leases with a term of 5 years or less. The Group has options to purchase the equipment for a nominal amount at the end of the lease agreement. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

17 LONG TERM LOANS

	2012	2011
Saudi Industrial Development Fund ("SIDF")	142,318	157,700
Other commercial loans	<u>505,193</u>	<u>245,252</u>
	<u>647,511</u>	<u>402,952</u>
Less: Current portion of Saudi Industrial Development Fund ("SIDF")	(21,800)	(16,600)
Other commercial loans	<u>(178,086)</u>	<u>(73,747)</u>
	<u>(199,886)</u>	<u>(90,347)</u>
Long term portion	<u>447,625</u>	<u>312,605</u>

All commercial loans are at prevailing commercial terms. The loans are repayable in approximately equal semi-annual installments spread over various periods up to the year 2015 commencing April 15, 2011. These are secured by promissory notes. The SIDF loan is secured by a mortgage over property, plant and equipment of the parent Company and is repayable in semi-annual installments up to the year 2015 commencing from March 15, 2010.

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18 OTHER LONG TERM LIABILITIES

	2012	2011
Previous shareholders of Elimsan Salt (*)	39,458	82,095
Derivative financial instruments (**)	<u>32,496</u>	<u>-</u>
	<u><u>71,954</u></u>	<u><u>82,095</u></u>

(*) This amount represents payables to previous shareholders of Elimsan Salt due to the acquisition of the entity.

(**) The Group entered into an interest rate swap (the "Swap Contract"), with a commercial bank to hedge future adverse fluctuation in interest rates on its long term borrowings. The Group designated the Swap Contracts, at its outset, as a cash flow hedge.

The notional amount of the Swap Contracts at December 31, 2012 is US Dollars 130 million. The Swap Contract is intended to effectively convert the interest rate cash flow on the long term loans from a floating rate based on LIBOR to a fixed rate, during the entire tenor of the loan agreements.

At December 31, 2012, the Swap Contracts had a negative fair value of Saudi Riyals 32 million, based on the valuation determined by a model and confirmed by the banker. Such negative fair value is included in non-current liabilities in the balance sheet with a corresponding debit to the changes in fair value of derivatives in the income statement, being ineffective interest rate swap.

19 ZAKAT AND INCOME TAX

19.1 Zakat computation for the years ended December 31, 2012 and 2011 was based on the financial statements of the parent Company and its subsidiaries.

Foreign subsidiaries are subject to income tax in accordance with the tax laws of the countries of their incorporation. Provisions for income tax of foreign subsidiaries are charged to the consolidated income statement.

19.2 Movement of zakat and income tax provision during the years ended December 31 was as follows:

	2012	2011
Beginning balance	40,165	50,015
Paid during the year	(2,189)	(9,488)
Provision / Adjustments	<u>4,311</u>	<u>(362)</u>
Ending balance	<u><u>42,287</u></u>	<u><u>40,165</u></u>

19.3 At December 31, 2012, deferred tax assets amounting to Saudi Riyals 8,134 thousands relates to a foreign subsidiary of the Group (2011: Saudi Riyals nil).

19.4 Status of assessments:

Saudi Cable Company

The Department of Zakat and Income Tax (DZIT) has assessed additional Zakat liability amounting to Saudi Riyals 85.9 million on the company for the years 1993 to 2007. The Company booked a provision against the additional liabilities assessed by the DZIT and objected against part of the additional liabilities amounting to Saudi Riyals 57.9 million, which is still under study by DZIT.

The Company filed its Zakat returns for the years 2008 to 2011 and obtained the respective restricted Zakat certificates. The DZIT did not issue the final Zakat assessments for the said years till today.

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Mass Centers for Distribution of Electrical Products Limited

The DZIT issued the Zakat assessments for the years from 1998 to 2007, which showed Zakat liability of Saudi Riyals 1 million. The Company filed an appeal with the Higher Appeal Committee (HAC) against the said assessments and is confident of favorable outcome.

The Company filed its Zakat returns for the years ended December 31, 2008 to 2010. The DZIT did not issue the final Zakat assessments for the said years till today. The Company did not file the Zakat returns for the year 2011 till today.

Mass Projects for Power & Telecommunications Limited

The Company filed its Zakat returns for the years from 1999 to 2011. The DZIT issue its final Zakat assessments for the years 1999 to 2004 and claimed additional Zakat differences of Saudi Riyals 3 million. The Company filed an objection against the DZIT assessment, which is still under review by DZIT. Final assessments for the years 2005 to 2011 were not issued by the DZIT till today.

Saudi Cable Company for Marketing Limited

The DZIT issued the final assessment for the years 1996 to 2004, and claimed Zakat differences of Saudi Riyals 17 million. The Company filed its objection against the said Zakat differences and is confident of favorable outcome. The Company filed its Zakat returns for the years 2005 to 2007. The DZIT did not issue the final Zakat assessment for the said years till today. The Company has not yet filed its Zakat returns for the years ended December 31, 2008 to 2011 till today.

20 SHARE CAPITAL

The share capital consists of 76,000,000 shares of Saudi Riyals 10 each as at December 31, 2012 and 2011.

21 STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to a statutory reserve until such reserve equals 50% of its share capital. During the year ended 2012, no transfer was made to the reserve due to losses (2011: Saudi Riyals 510 thousands were transferred to this reserve). This reserve currently is not available for distribution to the shareholders of the Company.

22 CUMULATIVE CHANGES IN FAIR VALUES

	2012	2011
Beginning balance	(34,208)	88,427
Net movement in unrealized gain (loss) relating to cash flow hedges (note 10a) (*)	63,833	(121,945)
Net movement in unrealized loss on available for sale investments (note 10b)	<u>(1,437)</u>	<u>(690)</u>
Ending balance	<u><u>28,188</u></u>	<u><u>(34,208)</u></u>

(*) During the year ended December 31, 2012, amount includes of Saudi Riyals 31,517 thousands gain (2011: Saudi Riyals 51,173 thousands loss) which represents the Group's share of the unrealized gain (loss) relating to cash flow hedges of an associate.

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

	2012	2011
Net unrealized gain relating to available of sale investments	494	1,931
Net unrealized gain (loss) relating to cash flow hedges	<u>27,694</u>	<u>(36,139)</u>
	<u><u>28,188</u></u>	<u><u>(34,208)</u></u>

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

23 SELLING AND DISTRIBUTION EXPENSES

	2012	2011
Employees' salaries and benefits	38,375	35,232
Provision for doubtful debts	35,109	6,452
Travel and transportation	7,327	7,467
Repair and maintenance	3,486	3,448
Professional charges	3,055	3,396
Commissions	2,742	1,533
Export, loading and unloading	2,445	2,978
Depreciation	2,394	1,751
Rent	1,731	1,347
Utilities	1,043	705
Advertisements	932	907
Printing and stationary	607	329
Bank charges	28	119
Other	2,605	2,004
	<u>101,879</u>	<u>67,668</u>

24 GENERAL AND ADMINISTRATIVE EXPENSES

	2012	2011
Employees' salaries and benefits	34,185	40,124
Professional charges	9,599	10,031
Depreciation	8,846	4,782
Bank charges	7,883	7,746
Repairs and maintenance	5,368	2,657
Travel and transportation	4,903	4,684
Rent and insurance	3,350	3,714
Utilities	3,157	2,604
Communications, public relations and social responsibility	2,871	1,743
Training and seminars	1,946	2,346
Advertisements	1,007	676
Printing and stationary	585	1,287
Other	2,808	2,742
	<u>86,508</u>	<u>85,136</u>

25 (LOSS) EARNINGS PER SHARE

(Loss) earnings per share for the years ended December 31, 2012 and 2011 have been computed by dividing the loss from main operations, and net (loss) income for the year, for such years by the number of shares outstanding during the years.

SAUDI CABLE COMPANY
(A Saudi Joint Stock Company)

Notes to the consolidated financial statements for the year ended December 31, 2012

(All amounts in Saudi Riyals thousands unless otherwise stated)

26 COMMITMENTS AND CONTINGENCIES

	2012	2011
Outstanding forward metal contracts	<u>920,027</u>	<u>528,603</u>
Contingent liabilities in respect of performance and bid bonds and letter of guarantees	<u>583,711</u>	<u>659,458</u>
Authorized and contracted for capital expenditures commitments	<u>22,699</u>	<u>36,416</u>

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

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

For Zakat and tax contingencies, see note 19.4.

27 SEGMENTAL INFORMATION

Consistent with the Group internal reporting process, business segments have been approved by management in respect of the Group's activities. Transactions between the business segments are reported as recorded by the Group's transfer pricing system. The Group's revenue, net income, non-current assets, total assets, and total liabilities, by geographical segments, are as follows:

	2012	2011
Total revenues		
Kingdom of Saudi Arabia	1,502,785	2,125,119
Other Gulf Cooperation Council Countries	374,894	462,383
Rest of the World	<u>842,068</u>	<u>612,063</u>
	<u>2,719,747</u>	<u>3,199,565</u>
Net (loss) income		
Kingdom of Saudi Arabia	(190,641)	(78,533)
Other Gulf Cooperation Council Countries	103,140	98,051
Rest of the World	<u>(32,167)</u>	<u>(14,415)</u>
	<u>(119,668)</u>	<u>5,103</u>
Non-current assets		
Kingdom of Saudi Arabia	485,191	444,392
Other Gulf Cooperation Council Countries	330,041	311,936
Rest of the World	<u>589,653</u>	<u>564,529</u>
	<u>1,404,885</u>	<u>1,320,857</u>
Total assets		
Kingdom of Saudi Arabia	2,252,301	2,626,584
Other Gulf Cooperation Council Countries	370,644	352,727
Rest of the World	<u>1,155,389</u>	<u>1,127,751</u>
	<u>3,778,334</u>	<u>4,107,062</u>
Total liabilities		
Kingdom of Saudi Arabia	2,071,813	2,357,669
Other Gulf Cooperation Council Countries	1,630	1,819
Rest of the World	<u>739,787</u>	<u>726,173</u>
	<u>2,813,230</u>	<u>3,085,661</u>