

SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND
AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2014

SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2014

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AUDITORS' REPORT

To the Shareholders
Saudi Cable Company
Jeddah, Saudi Arabia

Scope of Audit

We have audited the balance sheet of SAUDI CABLE COMPANY (a Saudi Joint Stock Company) (the "Company") and its subsidiaries (the "Group") as of December 31, 2014, and the related consolidated statements of operations, changes in equity and cash flows for the year then ended, and notes 1 to 35 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company'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 the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Basis for Qualified Opinion

- 1) The Group incurred a net loss of SR 201.68 million for the year ended December 31, 2014 and, as of that date the Group's current liabilities exceeded its current assets by SR 768.98 million and it has accumulated losses of SR 367.33 million which represent 48.3% 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 had not been finalized up to February 22, 2015 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 93 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 126 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 consolidated financial statements.

In forming our opinion, we have considered the adequacy of the disclosures made in the 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 December 31, 2014. 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

AUDITORS' REPORT (Continued)

To the Shareholders
Saudi Cable Company
Jeddah, Saudi Arabia

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

- 2) Additionally, we were unable to obtain sufficient audit evidence in relation to the recoverability of old unbilled revenues of SR 50.4 million as disclosed in note 7 and the commercial and financial feasibility of development costs of SR 52 million as disclosed in note 12. Any adjustment to these numbers would have a consequential impact on the consolidated statements of operations, assets, liabilities and the equity. Further, we were unable to obtain management representations relating to the above.

Qualified Opinion

In our opinion, except for the effect of the qualification paragraphs mentioned above, the consolidated financial statements presently fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2014, and the consolidated results of its operations and its consolidated cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia appropriate to the nature of the Group, and comply with the relevant provisions of the Regulations for Companies and the by-laws of the Company as these relate to preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
License No. 296



4 Jumada'I, 1436
February 22, 2015

(Except for note 35, as to which the date is 19 Jumada'II, 1436/April 8, 2015)

SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS OF DECEMBER 31, 2014

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	3	61,951	122,029
Accounts receivable	4	523,855	691,063
Due from a related party	6	-	84
Prepayments and other receivables	5	110,777	162,571
Unbilled revenue	7	77,081	207,991
Inventories	8	418,878	520,470
Total current assets		1,192,542	1,704,208
Non-current assets			
Investments	9	470,207	440,224
Non-current portion of retentions receivable		55,952	56,566
Property, plant and equipment	10	762,335	825,537
Investment properties	11	30,719	32,295
Deferred tax asset	22	5,524	957
Other intangible assets	12	64,297	78,657
Goodwill	13	74,216	86,558
Total non-current assets		1,463,250	1,520,794
TOTAL ASSETS		2,655,792	3,225,002
LIABILITIES AND EQUITY			
Current liabilities			
Short term loans	14	843,216	1,085,008
Accounts payable and other liabilities	15	635,593	658,733
Current portion of long term loans	17	204,609	168,450
Current obligation under finance lease	16	9,919	9,573
Due to related parties	6	41,570	55,036
Billing in excess of contract revenue	7	45,984	12,951
Advances from customers		115,889	141,684
Zakat and income tax	22	64,740	50,276
Total current liabilities		1,961,520	2,181,711
Non-current liabilities			
Obligation under finance lease	16	28,896	40,696
Long term loans	17	160,281	212,842
Other long term liabilities	18	-	52,945
End-of-service indemnities	19	67,937	58,658
Total non-current liabilities		257,114	365,141

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

SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET - Continued
AS OF DECEMBER 31, 2014

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	2014	2013
Equity			
Share capital	20	760,000	760,000
Statutory reserve	21	63,432	63,432
Cumulative changes in fair values	23	(20,123)	23,087
Foreign currency translation reserve	9	(6,234)	(7,185)
Accumulated losses		(367,332)	(165,653)
Equity attributable to the shareholders of the parent		429,743	673,681
Non-controlling interest		7,415	4,469
Total Equity		437,158	678,150
TOTAL LIABILITIES AND EQUITY		2,655,792	3,225,002

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

SAUDI CABLE COMPANY
(SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2014

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	2014	2013
Sales		1,563,179	2,073,846
Contract revenue		153,142	404,598
Total revenue		1,716,321	2,478,444
Cost of sales	6	(1,549,947)	(1,987,647)
Contract cost		(141,863)	(389,833)
		(1,691,810)	(2,377,480)
Gross profit		24,511	100,964
Selling and distribution expenses	24	(101,906)	(97,633)
General and administrative expenses	25	(103,635)	(114,438)
Allowance for doubtful debts	4	(3,970)	(71,439)
Amortization of other intangible assets	12	(16,485)	(13,781)
Loss from main operations		(201,485)	(196,327)
Fair value of derivative financial instruments	18	11,715	15,660
Impairment of goodwill	13	(12,342)	-
Foreign currency measurement loss		(473)	(6,243)
Financial charges		(112,039)	(153,225)
Share of profit from associates	9	114,540	131,858
Other income/(loss), net		9,783	(738)
Loss before zakat and income tax and non-controlling interest		(190,301)	(209,015)
Zakat and income tax	22	(13,535)	(29,339)
Net loss before non-controlling interest		(203,836)	(238,354)
Non-controlling interest		2,157	9,237
Net loss for the year		(201,679)	(229,117)
Loss per share from net loss (SR)	26	(2.65)	(3.01)
Loss per share from main operations (SR)	26	(2.65)	(2.58)
Loss per share from other operations (SR)	26	(0.15)	(0.17)

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SAUDI CABLE COMPANY
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CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2014

(Expressed in thousand Saudi Riyals unless otherwise stated)

	Note	2014	2013
Share capital	20	<u>760,000</u>	760,000
Statutory reserve	21	<u>63,432</u>	63,432
Cumulative changes in fair values			
January 1		23,087	28,188
Fair value adjustment		<u>(43,210)</u>	(5,101)
December 31	23	<u>(20,123)</u>	23,087
Foreign currency translation reserve			
January 1		(7,185)	-
Exchange difference on translation of foreign operations	9	<u>951</u>	<u>(7,185)</u>
December 31		<u>(6,234)</u>	<u>(7,185)</u>
(Accumulated losses)/retained earnings			
January 1		(165,653)	63,464
Net loss for the year		<u>(201,679)</u>	(229,117)
December 31		<u>(367,332)</u>	<u>(165,653)</u>
Total equity attributable to the shareholders of the parent		<u>429,743</u>	673,681
Non-controlling interest			
January 1		4,469	13,283
Net movement during the year		5,103	423
Net loss for the year attributable to non-controlling interest		<u>(2,157)</u>	(9,237)
December 31		<u>7,415</u>	4,469
Total equity		<u>437,158</u>	678,150

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

SAUDI CABLE COMPANY
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CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

(Expressed in thousand Saudi Riyals unless otherwise stated)

	2014	2013
OPERATING ACTIVITIES		
Net loss before zakat and income tax and non-controlling interest	(190,301)	(209,015)
Adjustments for:		
Depreciation for property, plant and equipment	78,376	79,598
Depreciation for investment properties	965	983
Impairment of goodwill	12,342	
Allowance for doubtful debts	3,970	71,439
Allowance for slow moving inventories	35,123	12,331
Amortization of other intangible assets	16,485	13,781
Loss on sale of Investment property	611	-
(Gain) / loss on sale of property, plant and equipment	(6,137)	(19)
Gain on sale of investment	(875)	
Allowance against investments	-	2,316
Share of profit from associates	(114,540)	(131,858)
Employees' termination benefits, net	9,279	(1,990)
Finance charges	112,039	153,225
Fair value of derivative financial instruments	(11,715)	(15,660)
Changes in operating assets and liabilities:		
Accounts receivable	163,238	170,214
Non-current portion of retentions	614	(5,673)
Due from related parties	84	2,447
Prepayments and other receivables	6,129	87,251
Unbilled revenue	130,910	13,628
Inventories	66,469	254,163
Accounts payable and other liabilities	(51,278)	74,579
Billing in excess of contract revenue	33,033	5,236
Due to related parties	(13,466)	21,512
Advances from customers	(25,795)	(30,288)
Cash from operations	255,560	568,200
Zakat and income tax paid	(3,638)	(14,173)
Finance charges paid	(78,798)	(129,118)
Net cash from operating activities	173,124	424,909
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(17,383)	(37,898)
Addition to investments	(35)	-
Dividends received from an associate	87,167	11,195
Proceeds from disposal of property, plant and equipment	8,346	19,265
Proceeds from sale of investment	1,706	-
Additions to other intangible assets	(2,125)	(35,277)
Net cash from/(used in) investing activities	77,676	(42,715)

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

SAUDI CABLE COMPANY
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CONSOLIDATED STATEMENT OF CASH FLOWS - Continued
YEAR ENDED DECEMBER 31, 2014

(Expressed in thousand Saudi Riyals unless otherwise stated)

	<u>2014</u>	<u>2013</u>
FINANCING ACTIVITIES		
Bank overdraft	-	(1,518)
Short term loans	(241,792)	(152,080)
Long term loans	(16,402)	(266,219)
Obligation under finance lease	(11,454)	30,622
Other long term liabilities	(41,230)	(3,349)
Net cash used in financing activities	(310,878)	(392,544)
Net change in cash and cash equivalents	(60,078)	(10,350)
Cash and cash equivalents, January 1	<u>122,029</u>	<u>132,379</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>61,951</u>	<u>122,029</u>

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

SAUDI CABLE COMPANY
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

(Expressed in thousand Saudi Riyals unless otherwise stated)

1. ORGANIZATION AND ACTIVITIES

Saudi Cable Company is a Saudi joint stock company registered in Saudi Arabia under Commercial Registration No. 4030009931 dated 27 Rabi' II, 1396H (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 consolidated financial statements include the financial statements of the following subsidiaries (collectively referred to as "the Group"):

Name of entity	Principal activities	Country of incorporation	% of ownership	
			2014	2013
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 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%

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- a) The Group has the following investments in associates, which are accounted for on an equity basis as at December 31:

Name of entity	Principal field of activities	Country of incorporation	% of ownership	
			2014	2013
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

Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia. The following is a summary of significant accounting policies applied by the Group.

Consolidated financial statements

The consolidated financial statements include the accounts of the Company and its subsidiaries (hereafter referred to as "the Group"). The consolidated financial statements have been consolidated on line by line basis adding together items of assets, liabilities, equity, income and expenses. All significant inter-company 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.

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.

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Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of finished goods includes cost of materials, labor and an appropriate proportion of direct overheads. 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 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 Company exercises control, are consolidated based on the financial statements of the respective subsidiaries.

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

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

Investment in associates

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

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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 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.

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.

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Research and development costs

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

Development costs are charged to the 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 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.

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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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 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 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 consolidated statement of operations.

Financial assets and liabilities

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

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include 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.

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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 consolidated statement of operations. Changes in the carrying amount of the allowance account are recognized in the 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 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.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the 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 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.

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Changes in the fair value of derivative financial instruments that are designated and effective as hedges of forecast transactions are recognized directly in 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 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 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 consolidated statement of operations for the year.

- 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 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 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.

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 consolidated statement of operations.

On consolidation, the assets and liabilities of the Group's overseas subsidiaries are translated at exchange rates prevailing on the 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 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.

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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 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 consolidated statement of operations on a straight line basis over the term of the operating lease.

Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described above, management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations), which are dealt with below:

Impairment of non-current assets, excluding goodwill

Non-current assets, excluding goodwill are reviewed to look for any indication that the asset may be impaired. If impairment is indicated, the asset's recoverable amount is estimated. Recoverable amount is higher of fair value less costs to sell and value in use.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2. The recoverable amounts of cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates.

Development costs

Development costs are charged to the 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.

Contract variations

Contract variations are recognized as revenue to the extent that it is probable that they will result in revenue which can be reliably measured. This requires the exercise of judgment by management based on prior experience, application of contract terms and relationships with the contract owners and stage of negotiations reached.

Contract claims

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

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Percentage-of-completion

The Group uses the percentage-of-completion method in accounting for its construction contract revenue. Use of the percentage-of-completion method requires the Group to estimate the proportion of work performed to date as a proportion of the total work to be performed and management considers that the survey of work performed is the most appropriate measure of percentage-of-completion in arriving at the profit to be recognized for the period.

The Group's revenue is also subject to re-measurement by customers. In order to determine the overall contract revenue, the Group's management relies on internally generated estimates prepared by their quantity surveyors taking into account material used, scope of work and labour hours.

The measurement of revenue is affected by a variety of uncertainties that depend on the outcome of future events. The estimated contract value may need to be revised as events occur and uncertainties are resolved. In making this judgment, consideration was given as to whether the outcome of a construction contract can be estimated reliably and it is probable that the economic benefits associated with the transaction will flow to the Group. Based on these judgments, margins may vary year on year as amounts which are deferred due to uncertainty in one financial period are recognized in the subsequent financial period, when management considers that the outcome of the related contract could be reliably estimated.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Property, plant and equipment

Property, plant and equipment is depreciated over its estimated useful life, which is based on expected usage of the asset and expected physical wear and tear which depends on operational factors. The management has not generally considered any residual value as it is deemed immaterial.

Allowance for doubtful debts

Allowance for doubtful debts is determined based upon a combination of factors to ensure that the contract receivables are not overstated due to uncollectability. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of the receivables and continuing credit evaluation of the customers' financial conditions.

Allowance for slow-moving and obsolete inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, physical deterioration and quality issues.

Non-current retentions

Non-current retentions receivable and payable are measured at their fair value at each period end by discounting at the Group's effective borrowing rate which management considers to be the appropriate discount rates for these assets and liabilities. The expected recovery date of retentions receivable is based on management's estimate, in turn based on past experience and likely timeframe of recovery, rather than contractual due dates.

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3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, demand deposits and highly liquid investments with original maturities of three months or less and comprise of the following:

	<u>2014</u>	<u>2013</u>
Cash and bank balances	<u>61,951</u>	122,029

4. ACCOUNTS RECEIVABLE

	<u>2014</u>	<u>2013</u>
Accounts receivable*	<u>734,133</u>	897,371
Less: Allowance for doubtful debts	<u>(210,278)</u>	(206,308)
	<u>523,855</u>	691,063

The movement in allowance for doubtful debts is as follows:

	<u>2014</u>	<u>2013</u>
January 1	<u>206,308</u>	134,959
Provision for the year	<u>3,970</u>	71,439
December 31	<u>210,278</u>	206,308

* This includes retentions receivable of SR 109.99 million (2013: SR 96.13 million).

5. PREPAYMENTS AND OTHER RECEIVABLES

	<u>2014</u>	<u>2013</u>
Prepaid expenses	<u>15,596</u>	16,059
Advances to suppliers	<u>26,886</u>	35,730
Other deposits (5.1)	<u>43,362</u>	39,057
Other receivable (15.2)	<u>24,933</u>	71,725
	<u>110,777</u>	162,571

5.1 Other deposits include an amount of SR 8.8 million (2013: SR 13.5 million) paid to the Custom Authorities on account of custom duty levied on the Company for certain imports of copper rods, the main raw material for cable production and it is considered duty exempt for all cable producers. Based on the exemption available in the Customs Act, the Company is pursuing this matter with the relevant authorities for the refund of such deposit, the Company is confident of the full recovery of the amount.

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6. RELATED PARTY TRANSACTIONS

The Group has transacted during the year under terms set and agreed with the following related parties:

<u>Name</u>	<u>Relationship</u>
Midal Cables W.L.L	Associate
Xenel Industries Limited	Affiliate
Xeca International Information Technology	Affiliate
Hidada Limited	Affiliate
Alujain Corporation	Affiliate
Chem Global Limited	Affiliate

The significant transactions and the related amounts are as follows:

	<u>2014</u>	<u>2013</u>
Purchases	6,865	61,755
Dividend income	87,167	11,195
Other advances	2,866	8,003
Outsourcing services paid	6,742	7,501
Expenses charged by the Group	-	16
Directors' remuneration	72	640

Due from a related party as of December 31 is comprised of the following:

	<u>2014</u>	<u>2013</u>
Alujain Corporation	-	84
	-	84

Due to related parties as of December 31 is comprised of the following:

	<u>2014</u>	<u>2013</u>
Xenel Industries Limited	36,219	33,353
Midal Cables W.L.L	2,687	20,175
Chem Global Limited	664	664
Xeca International Information Technology	549	550
Hidada Limited	1,451	294
	<u>41,570</u>	<u>55,036</u>

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7. UNBILLED REVENUE/BILLINGS IN EXCESS OF CONTRACT REVENUE

Unbilled revenue represents revenue earned but not yet billed up to the year end. These amounts will be billed in the subsequent periods. It also includes an amount of SR 50.4 million (2013: 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.

	<u>2014</u>	<u>2013</u>
Value of work completed	2,074,823	1,958,874
Less: Progress billings	(2,042,237)	(1,762,345)
	32,586	196,529
Unbilled revenue	78,570	209,480
Billing in excess of contract revenue	(45,984)	(12,951)
	32,586	196,529
Unbilled revenue	78,570	209,480
Less: Allowance for unbilled revenue	(1,489)	(1,489)
Net unbilled revenue	77,081	207,991

The movement in allowance for unbilled revenue is as follows:

	<u>2014</u>	<u>2013</u>
January 1	1,489	4,476
Utilized during the year	-	(2,987)
December 31	1,489	1,489

8. INVENTORIES

	<u>2014</u>	<u>2013</u>
Finished goods	210,550	247,215
Work in process	74,424	107,479
Raw materials	188,826	187,609
Spare parts and wooden reels	28,466	25,994
Goods in transit	-	10,506
	502,266	578,803
Less: Allowance for slow moving inventories	(83,388)	(58,333)
	418,878	520,470

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The movement in provision for slow moving inventories is as follows:

	2014	2013
January 1	58,333	53,710
Allowance during the year	35,123	12,331
Utilized during the year	(10,068)	(7,708)
December 31	<u>83,388</u>	<u>58,333</u>

9. INVESTMENTS

	2014	2013
Investment in associates (note a)	469,583	437,902
Available-for-sale investments - quoted (note b)	-	1,733
Available-for-sale investments - unquoted (note c)	624	589
	<u>470,207</u>	<u>440,224</u>

Movement in investments is as follows:

a) Associates:

	2014	2013
January 1	437,902	329,042
Share of profit from associates	114,540	131,858
Share of net movement of unrealized gain/(loss) relating to cash flow hedges	3,357	(4,618)
Share of exchange differences on translation of foreign operations	951	(7,185)
Dividends	(87,167)	(11,195)
December 31	<u>469,583</u>	<u>437,902</u>

b) Available -for-sale investments - quoted:

	2014	2013
January 1	1,733	1,700
Provision during the year	-	(376)
Disposal of investment	(831)	-
Net movement in realized/unrealized (loss)/gain during the year	(902)	409
December 31	<u>-</u>	<u>1,733</u>

c) Available-for-sale investments - unquoted:

	2014	2013
January 1	589	2,529
Addition during the year	35	-
Provision during the year	-	(1,940)
December 31	<u>624</u>	<u>589</u>

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Available-for-sale investments for 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.

10. PROPERTY, PLANT AND EQUIPMENT

	<u>January 1</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>December 31</u>
Cost:					
Lands	180,154	-	(1,221)	-	178,933
Buildings	438,094	210	(1,263)	(1,534)	435,507
Plant and machineries	1,345,783	2,801	(13,223)	6,921	1,342,282
Furniture and fixtures	145,113	1,366	(447)	307	146,339
Capital work-in-progress (*)	20,758	13,006	(8)	(5,694)	28,062
Total Cost	2,129,902	17,383	(16,162)	-	2,131,123
Depreciation:					
Buildings	230,430	12,288	(1,012)	-	241,706
Plant and machineries	976,292	51,852	(12,507)	-	1,015,637
Furniture and fixtures	97,643	14,236	(434)	-	111,445
Total Depreciation	1,304,365	78,376	(13,953)	-	1,368,788
Net Book Value at January 1	825,537				
Net Book Value at December 31					762,335

(*) Capital work-in-progress represents buildings, plant and machineries, development cost, furniture and fixtures under construction.

As of 31 December 2014, the management performed an impairment analysis on property, plant and equipment. Management believes that there is no impairment of property, plant and equipment which is based on the assumption of successful restructuring of loans as disclosed in note 29.

11. INVESTMENT PROPERTIES

	<u>January 1</u>	<u>Additions</u>	<u>Disposal</u>	<u>December 31</u>
Cost:				
Lands & Buildings	47,734	-	(611)	47,123
Depreciation:				
Buildings	15,439	965	-	16,404
Total Depreciation	15,439	965	-	16,404
Net Book Value at January 1	32,295			
Net Book Value at December 31				30,719

The Group has pledged its investment properties to secure general banking facilities.

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12. OTHER INTANGIBLE ASSETS

	January 1	Additions	December 31
Cost:			
Capitalized development cost	101,343	1,688	103,031
Rights	16,478	375	16,853
Other	24,493	62	24,555
Total Cost	142,314	2,125	144,439
Amortization:			
Capitalized development cost	37,827	13,032	50,859
Rights	13,296	311	13,607
Other	12,534	3,142	15,676
Total Amortization	63,657	16,485	80,142
Net Book Value at January 1	78,657		
Net Book Value at December 31			64,297

As of 31 December 2014, the management performed an impairment analysis on other intangible assets. Management believes that there is no impairment of other intangible assets which is based on the assumption of successful restructuring of loans as disclosed in note 29.

13. GOODWILL

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

The Group recognized the following fair value adjustments:

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

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 consolidated financial statements. During 2014, due to increase in capital of Elimsan Şalt Cihazlari, the ownership percentage increased to 94%.

As of 31 December 2014, the Group performed an impairment analysis on cash generating unit related with goodwill and as a result, SR 12.34 million (2013: SR Nil) was recorded.

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14. SHORT TERM LOANS

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 the 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.

The Group has breached covenants related to the bank borrowings and is in process of restructuring its borrowings with the banks as mentioned in note 29.

15. ACCOUNTS PAYABLE AND OTHER LIABILITIES

	<u>2014</u>	<u>2013</u>
Accounts payable*	351,186	465,137
Accrued expenses and other liabilities (note 15.2 & 18.2)	284,407	193,596
	<u>635,593</u>	<u>658,733</u>

15.1 This includes retention payable of SR 30.6 million (2013: SR 30.03 million).

15.2 In order to hedge its exposure to copper and lead prices, the Group enters into future contracts. Unrealized gains and losses arising on copper and lead future contracts designated as hedges of identified exposures are deferred and matched against gains and losses arising on the specified transactions.

At 31 December 2014, the fair value of the Group's metal price hedging is based on quoted market prices for equivalent instruments at the balance sheet date, comprising SR 21.11 million liabilities. (2013: SR 24.53 million assets). The fair value of metal price hedging that is designated and effective as cash flow hedges has been deferred in equity.

16. OBLIGATION UNDER FINANCE LEASE

	<u>2014</u>	<u>2013</u>
Minimum lease payments	44,140	58,527
Less: financial charges not yet due	(5,325)	(8,258)
	38,815	50,269
Current maturity shown under current liabilities	9,919	9,573
	<u>28,896</u>	<u>40,696</u>
	<u>2014</u>	<u>2013</u>
Obligation under finance lease	38,815	50,269
Within one year	9,919	9,573
Within two to five years	28,896	40,696

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.

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17. LONG TERM LOANS

	<u>2014</u>	<u>2013</u>
Other commercial loans	239,330	237,884
Loan from SIDF	125,560	143,408
Long term loans	364,890	381,292
Less : Current portion of long term loans	(204,609)	(168,450)
Non-current portion of long term loans	160,281	212,842

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 Company and is repayable in semi-annual installments up to the year 2015 commencing from March 15, 2010.

The non-current portion of loan is allocated as follows:

	<u>2014</u>	<u>2013</u>
2015	-	77,382
2016	75,395	56,250
2017	43,250	43,250
2018	41,636	35,960
	160,281	212,842

The Group has breached covenants related to the bank borrowings and is in process of restructuring its borrowings with the banks as mentioned in note 29.

18. OTHER LONG TERM LIABILITIES

	<u>2014</u>	<u>2013</u>
Previous shareholders of Elimsan Salt (18.1)	-	36,109
Derivative financial instrument (18.2)	-	16,836
December 31	-	52,945

18.1 During the year, the amount SR 36,109 thousand was repaid to previous shareholders of Elimsan Salt.

18.2 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 Contract at December 31, 2014 is US Dollars 60 million (2013: 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.

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At December 31, 2014, the Swap Contract has a negative fair value of SR 5.12 million (2013: negative fair value of SR 16.84 million), based on the valuation determined by a model and confirmed by the banker. Such negative fair value is included in accruals and other payable - current liabilities in the consolidated balance sheet and changes in fair value of derivative is recognized in the consolidated statement of operations, being ineffective interest rate swap. The maturity of Swap Contract is April 2015.

19. END-OF-SERVICE INDEMNITIES

	<u>2014</u>	<u>2013</u>
January 1	58,658	60,648
Provision for the year	16,663	6,762
Paid during the year	(7,384)	(8,752)
December 31	<u>67,937</u>	<u>58,658</u>

20. SHARE CAPITAL

The share capital consists of 76,000,000 shares of Saudi Riyals 10 each as at December 31, 2014 and 2013.

21. 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.

22. ZAKAT AND INCOME TAX

The principal elements of the zakat base are as follows:

	<u>2014</u>	<u>2013</u>
Non-current assets	1,164,934	1,026,669
Non-current liabilities	156,614	219,078
Opening shareholders' equity	511,940	1,002,945
Net loss before zakat and income tax and non-controlling interest	<u>108,389</u>	<u>157,912</u>

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

Zakat computation for the years ended December 31, 2014 and 2013 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 statement of operations.

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The movement in zakat and income tax provision is as follows:

	<u>2014</u>	<u>2013</u>
January 1	50,276	42,287
Provision during the year	15,000	22,162
Payment during the year	(536)	(14,173)
December 31	<u>64,740</u>	<u>50,276</u>

The movement in deferred tax asset is as follows:

	<u>2014</u>	<u>2013</u>
January 1	957	8,134
Movement during the year	4,567	(7,177)
December 31	<u>5,524</u>	<u>957</u>

At December 31, 2014, deferred tax asset amounting to SR 5.5 million (2013: SR 0.96 million) relates to a foreign subsidiary of the Group and the management believes that it is recoverable.

Status of assessments:

Saudi Cable Company

The Department of Zakat and Income Tax (DZIT) has assessed additional Zakat liability amounting to Saudi Riyals 88.8 million on the Company for the years 1993 to 2004 and 2008 to 2012. The Company objected against part of the additional liabilities, which is still under an appeal with the DZIT and Board of grievances (BOG).

DZIT issued the assessment for the years 2005 to 2007 and claimed additional zakat and withholding tax liability of SR 35.6 million. The Company objected against the said assessment, which was transferred to Preliminary Objection Committee (PAC) for the review and decision. PAC approved the approved the DZIT point of view. Accordingly, the Company filed an appeal against PAC's decision with Higher Appeal Committee (HAC) which is under review by the HAC. HAC might reject the appeal since the Company did not submit the bank guarantee of SR 33 million along with the appeal. However, the HAC might accept the said appeal if the Company will manage to file the bank guarantee before the hearing.

The Company booked a provision of Saudi Riyals 63 million against the above mentioned assessments by the DZIT. The Company filed its Zakat returns for the year 2010 to 2013 and has obtained the restricted Zakat certificates.

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 to date. Although, the Company is essentially dormant but is in the process to file the Zakat returns for the years up to 2014.

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Mass Projects for Power & Telecommunications Limited

The Company filed its Zakat returns for the years from 1999 to 2013, 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 2013 were not issued by the DZIT till to date.

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 to date. Although, the Company is essentially dormant but is in the process to file the Zakat returns for the years up to 2014.

23. CUMULATIVE CHANGES IN FAIR VALUES

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

	<u>2014</u>	<u>2013</u>
January 1	23,087	28,188
Net movement in realized/unrealized (losses)/gains on available-for-sale investments	(902)	409
Net movement in unrealized (losses)/gains relating to cash flow hedges	<u>(42,308)</u>	<u>(5,510)</u>
December 31	<u>(20,123)</u>	23,087

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

	<u>2014</u>	<u>2013</u>
Net unrealized gains on revaluation of available-for-sale investments	-	902
Net unrealized gains relating to cash flow hedges	<u>(20,123)</u>	<u>22,185</u>
December 31	<u>(20,123)</u>	23,087

24. SELLING AND DISTRIBUTION EXPENSES

	<u>2014</u>	<u>2013</u>
Salaries and related benefits	42,496	39,480
Travel and transportation	6,159	5,322
Repair and maintenance	2,500	2,063
Professional charges	2,135	2,631
Commissions	15,558	18,766
Freight and insurance	22,807	18,366
Export, loading and unloading	3,188	2,947
Depreciation	2,564	2,964
Rent	2,188	1,594
Utilities	561	861
Printing and stationery	199	312
Other	1,551	2,327
	<u>101,906</u>	<u>97,633</u>

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25. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2014</u>	<u>2013</u>
Salaries and related benefits	48,965	45,895
Professional charges	14,819	12,394
Cable testing expenses	3,238	6,937
Depreciation	12,543	12,477
Bank charges	2,101	5,648
Repairs and maintenance	4,988	5,539
Traveling and transportation expenses	3,852	3,990
Rent and insurance	2,347	3,082
Utilities	2,437	2,901
Communications, public relations and social responsibility	245	7,020
Training and seminars	1,900	3,076
Advertisements	433	1,305
Printing and stationary	304	501
Others	5,463	3,673
	<u>103,635</u>	<u>114,438</u>

26. LOSS PER SHARE

Loss per share for the years ended December 31, 2014 and 2013 have been computed by dividing the net loss, loss from main operations and loss from other operations for such years by the weighted average number of shares outstanding at the end of the year.

27. COMMITMENTS AND CONTINGENT LIABILITIES

	<u>2014</u>	<u>2013</u>
Outstanding forward metal contracts	<u>411,840</u>	746,242
Contingent liabilities in respect of performance and bid bonds	<u>182,394</u>	330,187
Authorized and contracted for capital expenditure commitments (Property, plant and equipment)	<u>9,774</u>	4,143
Contingent liabilities in respect of outstanding letters of credit	<u>-</u>	2,068
Corporate guarantees issued	<u>79,217</u>	69,824
Letter of guarantees	<u>114,015</u>	96,750

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

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28. 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/selling its products and turnkey power and telecommunication projects.

Revenues and costs for the years ended December 31:

Revenues	Sale of goods		Contract revenue	
	2014	2013	2014	2013
Kingdom of Saudi Arabia	1,000,516	1,476,084	128,756	366,972
Other Gulf Cooperation Council Countries	45,716	57,389	-	-
Turkey	516,947	540,373	24,386	37,626
	1,563,179	2,073,846	153,142	404,598

Costs	Cost of sales		Contract cost	
	2014	2013	2014	2013
Kingdom of Saudi Arabia	995,933	1,405,288	123,240	378,682
Other Gulf Cooperation Council Countries	42,557	53,163	-	-
Turkey	511,457	529,196	18,623	11,151
	1,549,947	1,987,647	141,863	389,833

The Group's operations are conducted in Saudi Arabia, other Gulf Cooperation Council Countries (GCC) and Turkey. Selected financial information for the year ended December 31, 2014 & 2013 and financial position as of December 31, 2014 & 2013, summarized by geographic area, is as follows:

2014	Saudi Arabia	Other GCC countries	Turkey	Total
Accounts receivable	455,265	5,642	62,948	523,855
Property, plant and equipment	391,354	118	370,863	762,335
Short term loans	646,006	-	197,210	843,216
Long term loans	302,769	-	62,121	364,890
Net loss	(124,087)	(708)	(76,884)	(201,679)

2013	Saudi Arabia	Other GCC countries	Turkey	Total
Accounts receivable	593,571	16,238	81,254	691,063
Property, plant and equipment	440,089	315	385,133	825,537
Short term loans	836,022	-	248,986	1,085,008
Long term loans	321,752	-	59,540	381,292
Net loss	(174,459)	(306)	(54,352)	(229,117)

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29. FINANCIAL RESTRUCTURING

These 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.

30. NON-CASH TRANSACTIONS

Non-cash transactions comprised the following:

	<u>2014</u>	<u>2013</u>
Cumulative changes in fair values	(43,210)	(5,101)
Exchange difference on translation of foreign operations	951	(7,185)
Movement in non-controlling interest, net	<u>5,103</u>	<u>(8,814)</u>

31. OPERATING LEASE ARRANGEMENTS

	<u>2014</u>	<u>2013</u>
Payments under operating leases recognized as an expense during the year	<u>2,328</u>	<u>2,868</u>

Operating lease payments represent rentals paid by the Group for warehouses, offices, staff housing and equipment and expire within one year.

32. RISK MANAGEMENT

a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The Group is exposed to interest rate risk mainly is mainly on the amounts due to banks. The Group monitors the fluctuation, where applicable, in the interest rates and also entered into an interest rate Swap with a commercial to hedge future adverse fluctuation in interest rates on its long term borrowing.

b) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. This risk is managed by the Group's treasury department by monitoring the maturity profile of the Group and affiliates' financial assets and liabilities to ensure that adequate liquidity is maintained.

The Group's financial liabilities primarily consist of include short term and long term loans, accounts payable, finance lease obligations, other liabilities and due to related parties.

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c) 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.

Credit risk arises from the possibility that assets could be impaired because counter parties cannot meet their obligations in transactions involving financial instruments. The Group has established procedures to manage credit exposure including credit approvals, credit limits and guarantee requirements. An allowance for potential doubtful receivables is maintained at a level which, in the judgment of management, is adequate to provide for potential losses on delinquent receivables.

The amounts presented in the balance sheet are net of allowance for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange rates. Except for operations of foreign subsidiaries, the Group did not undertake significant transactions in currencies other than Saudi Riyals and US Dollars, during the year.

e) Commodity price risk

The Group is exposed to commodity price risk uses commodity based derivative instruments to manage, some of the risks arising from fluctuations in commodity prices. Where these derivatives have been designated as cash flow hedges of underlying commodity price expenses, certain gains and losses attributable to these instruments are deferred in shareholders' equity and recognized in the consolidated statement of operations when the underlying hedged transaction crystalizes or is no longer expected to occur.

f) Price risk management

The Group's activities expose it primarily to the financial risks of changes in metal pricing. The Group enters into derivative financial instruments to manage its exposure to metal pricing.

33. FAIR VALUES

Except for the investments in associates, non-current retention receivable and available-for-sale – unquoted, the fair values of the Group's financial assets and liabilities approximate their carrying amounts.

34. COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to conform with the presentation of 2014.

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35. 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.