

**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)**

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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
<b>ASSETS</b>			
<b>Current assets</b>			
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
<b>Total current assets</b>		<b>1,192,542</b>	<b>1,704,208</b>
<b>Non-current assets</b>			
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
<b>Total non-current assets</b>		<b>1,463,250</b>	<b>1,520,794</b>
<b>TOTAL ASSETS</b>		<b>2,655,792</b>	<b>3,225,002</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
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
<b>Total current liabilities</b>		<b>1,961,520</b>	<b>2,181,711</b>
<b>Non-current liabilities</b>			
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
<b>Total non-current liabilities</b>		<b>257,114</b>	<b>365,141</b>

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
<b>Equity</b>			
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)
<b>Equity attributable to the shareholders of the parent</b>		<b>429,743</b>	673,681
Non-controlling interest		7,415	4,469
<b>Total Equity</b>		<b>437,158</b>	678,150
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,655,792</b>	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
<b>Total revenue</b>		<b>1,716,321</b>	<b>2,478,444</b>
Cost of sales	6	(1,549,947)	(1,987,647)
Contract cost		(141,863)	(389,833)
		<b>(1,691,810)</b>	<b>(2,377,480)</b>
<b>Gross profit</b>		<b>24,511</b>	<b>100,964</b>
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)
<b>Loss from main operations</b>		<b>(201,485)</b>	<b>(196,327)</b>
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		<b>(190,301)</b>	<b>(209,015)</b>
Zakat and income tax	22	(13,535)	(29,339)
<b>Net loss before non-controlling interest</b>		<b>(203,836)</b>	<b>(238,354)</b>
Non-controlling interest		2,157	9,237
<b>Net loss for the year</b>		<b>(201,679)</b>	<b>(229,117)</b>
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
<b>Share capital</b>	20	<u>760,000</u>	760,000
<b>Statutory reserve</b>	21	<u>63,432</u>	63,432
<b>Cumulative changes in fair values</b>			
January 1		23,087	28,188
Fair value adjustment		<u>(43,210)</u>	(5,101)
December 31	23	<u>(20,123)</u>	23,087
<b>Foreign currency translation reserve</b>			
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>
<b>(Accumulated losses)/retained earnings</b>			
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>
<b>Total equity attributable to the shareholders of the parent</b>		<u>429,743</u>	673,681
<b>Non-controlling interest</b>			
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
<b>Total equity</b>		<u>437,158</u>	678,150

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



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

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**YEAR ENDED DECEMBER 31, 2014**

(Expressed in thousand Saudi Riyals unless otherwise stated)

	2014	2013
<b>OPERATING ACTIVITIES</b>		
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)
<b>Net cash from operating activities</b>	<b>173,124</b>	<b>424,909</b>
<b>INVESTING ACTIVITIES</b>		
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)
<b>Net cash from/(used in) investing activities</b>	<b>77,676</b>	<b>(42,715)</b>

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

**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>
<b>FINANCING ACTIVITIES</b>		
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)
<b>Net cash used in financing activities</b>	<b>(310,878)</b>	<b>(392,544)</b>
<b>Net change in cash and cash equivalents</b>	<b>(60,078)</b>	<b>(10,350)</b>
Cash and cash equivalents, January 1	<u>122,029</u>	<u>132,379</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b><u>61,951</u></b>	<b><u>122,029</u></b>

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