



**SAUDI CABLE COMPANY**  
(A Joint Stock Company)

**BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2010**

**INTRODUCTION**

Saudi Cable Company (SCC) is a Joint Stock Company with ownership in several manufacturing companies in the Kingdom of Saudi Arabia (KSA), Kingdom of Bahrain and Turkey. These companies are engaged in the manufacture, supply, installation and maintenance of Power Cables, ranging from Super High Tension Voltage, Medium Tension Voltage, Low Tension Voltage, Building Wires, Telecommunication Cables, Instrumentation, Special Petrochemical, Control Cables, Electrical Sub-Stations, Switch Gears, Electrical Cables' Accessories and Transformers.

Additionally, SCC Group provides its customers with steady supply of all types of cables and associated electrical products from several of its Warehouses and has a Contracting Division for the supply, installation and maintenance of Electrical Systems. It also provides its customers with state of the art Digital and Information Technology Systems

**SALIENT ACTIVITIES**

**Profit & Loss**

The year 2010, saw global financial and economic retraction of large proportions. Our region was not spared the negative effects of this turmoil. A large disparity between Supply and Demand was created resulting in an oversupply situation in our region and beyond. Large capacity of cable manufacturing sprouted in the KSA and the Middle East region. The significant factors that impacted the group were the delays in major petrochemical projects which are the core of its sophisticated product range. In addition, the lower segment of the product range was adversely affected by new entrants in the market place bringing aggressive entry prices chasing a lower market demand.

The Group's strategy was to take minimal orders at the prevailing highly depressed margins and aggressively pursue its cost reduction program. Operating costs lowered by reducing material costs and overhead costs. These actions helped ameliorate the end of year losses. As a result, lower capacity utilization coupled with depressed margins resulted in a loss for the year of SR 88 million, after Zakat and tax.

The outlook for 2011 is significantly better than 2010 due to the measurable results of the Cost Reduction Plan and the accumulation of a healthy order book in the last quarter of 2010, with improved margins.

**Profit Distribution & Dividend**

In 2009, the company disbursed dividends amounting to SR 57,000,000 to all the shareholders in its register. For the year 2010, the Board of Directors may recommend a similar dividend, if the current improvement in the Group's performance is sustained.



## **Other Highlights**

The Group progressed further in its development of extra high voltage business as it obtained new orders of 380 kV in the GCC, and also completed its qualification process in some of the other GCC countries.

The Group has completed its production of 500 kV cable as well as its 500 kV accessories facility, which will help reduce its dependence on International suppliers, and will provide an additional competitive edge in the Group's progress towards a total solution provider, ranging from a wide spectrum, of building wires cables to 500 kV underground cables, and accessories (joints and terminations) along with other electrical product range of transformers switch-gears etc. This will provide the regional customers a dynamic group within their territory that provides all these products/services under one umbrella.

The company launched its THHN range of products, which are manufactured according to American Standards' Specification. These cables are currently in great demand within the KSA region. The additional market segments of flexible cables and Fiber-To-The-Home cables (FTTH) are also expected to generate additional business opportunities in the coming periods.

## **REVENUES**

The Group's revenues in 2010 were SR 1,857 million as compared to SR 2,458 million in 2009. The delay and postponement of some major projects, along with the group's decision of not taking business at cut throat levels were the principal factors in this volume decline.

The Group's consolidated revenues include sales from its Turkish and UAE subsidiaries, but do not include the revenues of Midal Cables, which is 50% owned by SCC. Midal Cables benefitted from its recent expansion and its revenue for 2010 of SR 2,312 million, was notably higher as compared to SR 1,728 million in 2009.

### **The Geographical distribution of the revenues was:**

Region	SR Million	
	2010	2009
Kingdom of Saudi Arabia (KSA) & GCC	1,599	2,209
Rest of the World	258	249
<b>TOTAL SALES</b>	<b>1,857</b>	<b>2,458</b>

The Geographical distribution of the net income was:

Region	SR Million	
	2010	2009
Kingdom of Saudi Arabia (KSA) & GCC	(47)	75
Rest of the World	(41)	30
<b>TOTAL NET INCOME</b>	<b>(88)</b>	<b>105</b>



Revenue was generated from the following segments:

Revenue	SR Million	
	2010	2009
Cable sales	1,733	2,065
Projects & Contracting	124	393
<b>Total Revenue</b>	<b>1,857</b>	<b>2,458</b>

## **ORGANIZATIONAL DEVELOPMENT**

The Group continued maintaining its Saudiazation policy and also in its commitment of encouraging local employment. At the end of the year 2010, the locals constituted 60% of the total Group workforce of 1,649 employees, as compared to 58% of 1,600 employees at the end of 2009.

## **INFORMATION TECHNOLOGY**

The company has made significant progress in the installation and operation of Integrated Enterprise Applications known as SAP Business Suite software. A new version of SAP is currently being installed and ready for commissioning. It will be operational during the first half of 2011.

Additionally, the Business Intelligence and Dashboard Suites will follow immediately thereafter.

## **TURKISH OPERATIONS**

### **MASS CABLES**

The Group's Turkish subsidiary was also affected by the lower regional demand of their higher end product range. However, the prevailing situation appears to be substantially better, with the completion of the accessories' facility and rejuvenated regional market conditions in the high voltage segment.

The development of accessories expertise coupled with the ongoing introduction of larger application capacity products is enhancing the group's capability of creating a high-end value enterprise.

### **ELIMSAN**

Elimsan is a major manufacturer of Transformers, Switch Gears and Electrical Substation in Turkey, which is depicting a positive trend in its revenue generation and profitability.

Now with additional development of high technology products, GIS (Gas-Insulated-Switch-Gear), along with other specialized products in distribution systems and industrial applications, the company is expected to generate higher returns in the periods ahead.

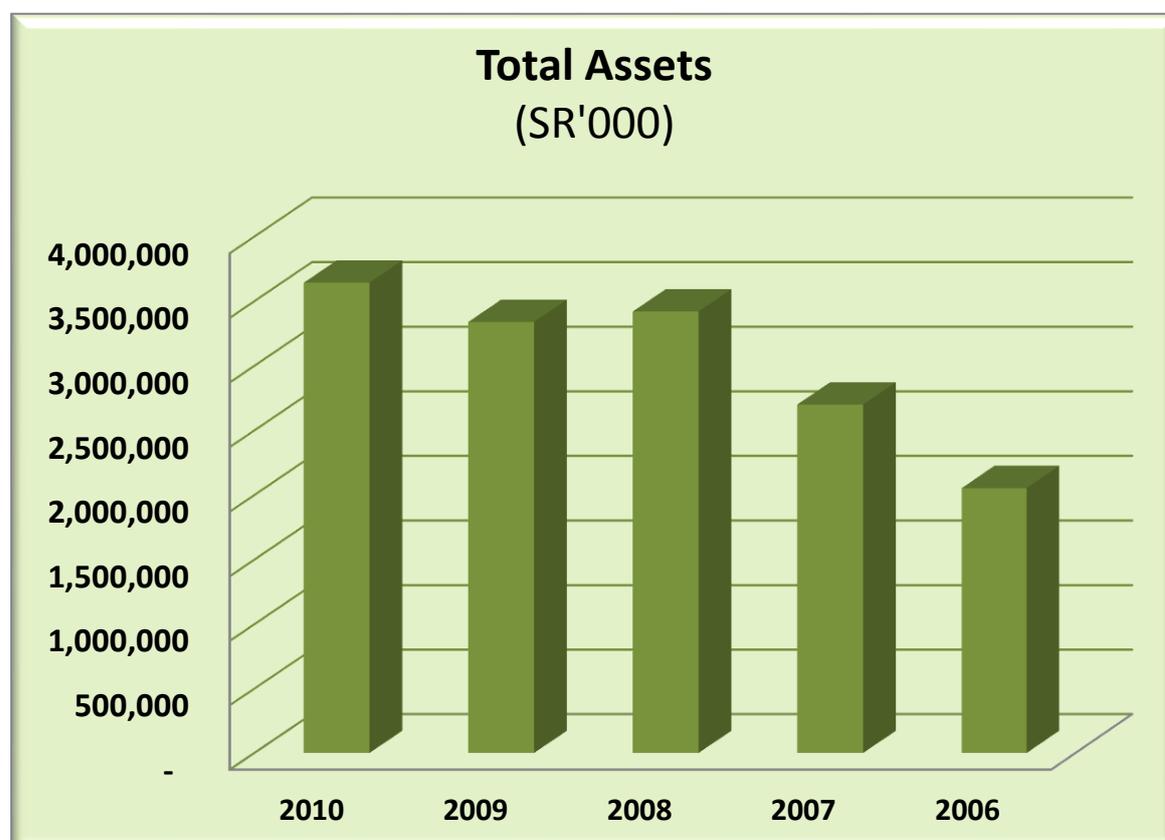


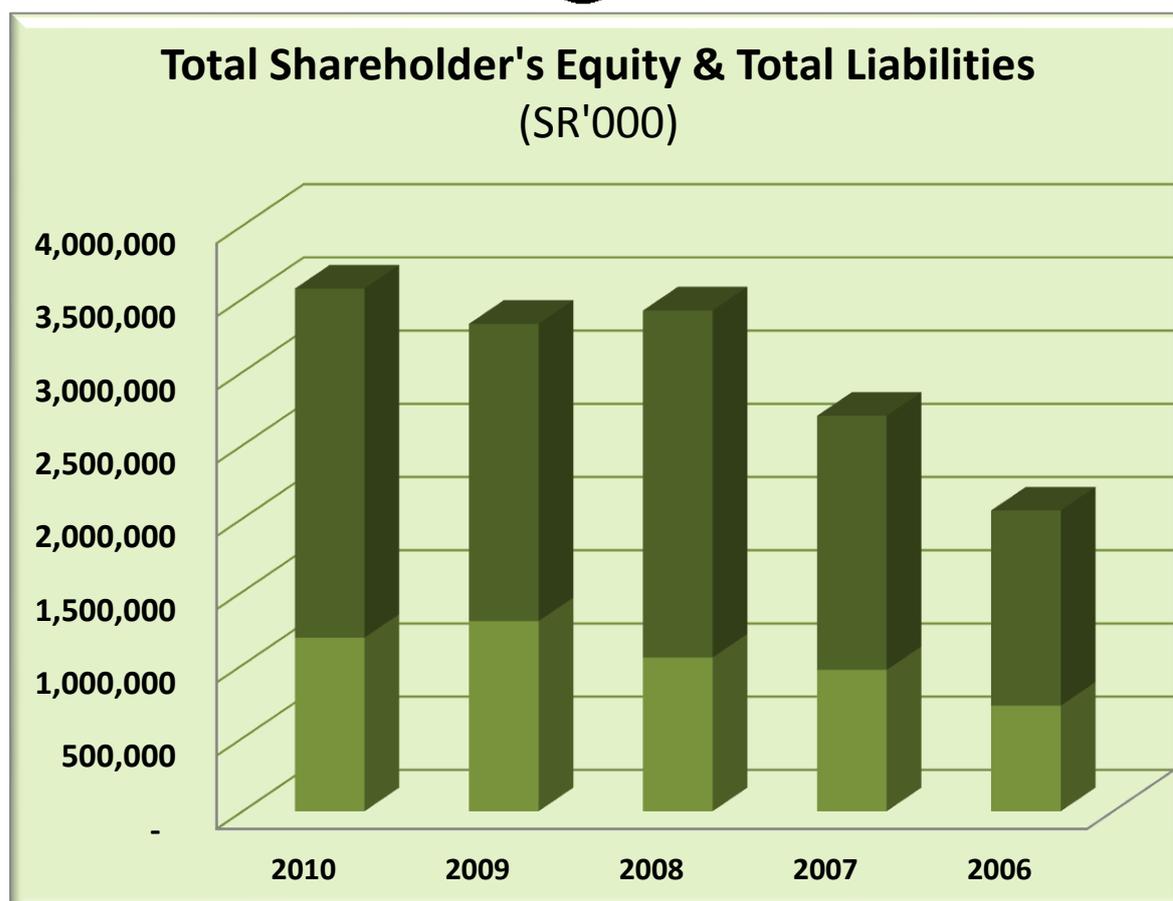
## GROUP FINANCIALS

### Summary of Financial Position (5 years)

(IN SR'000)

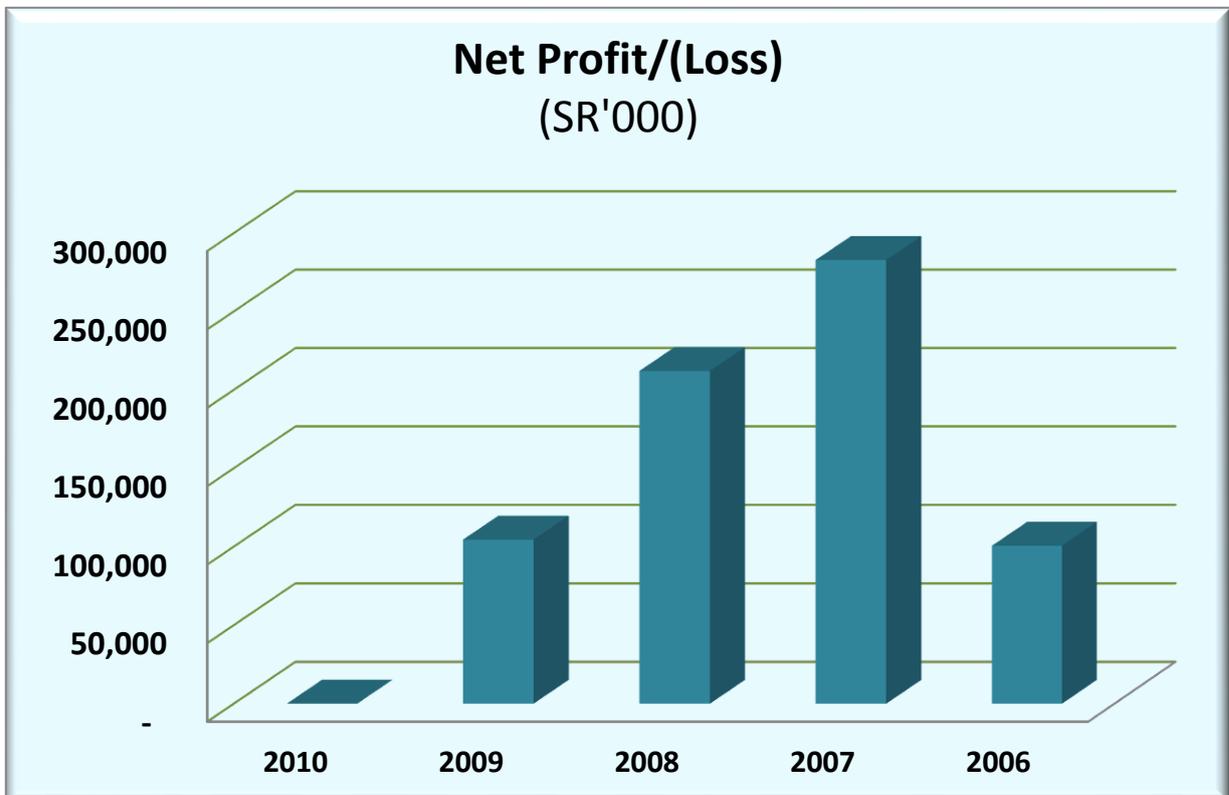
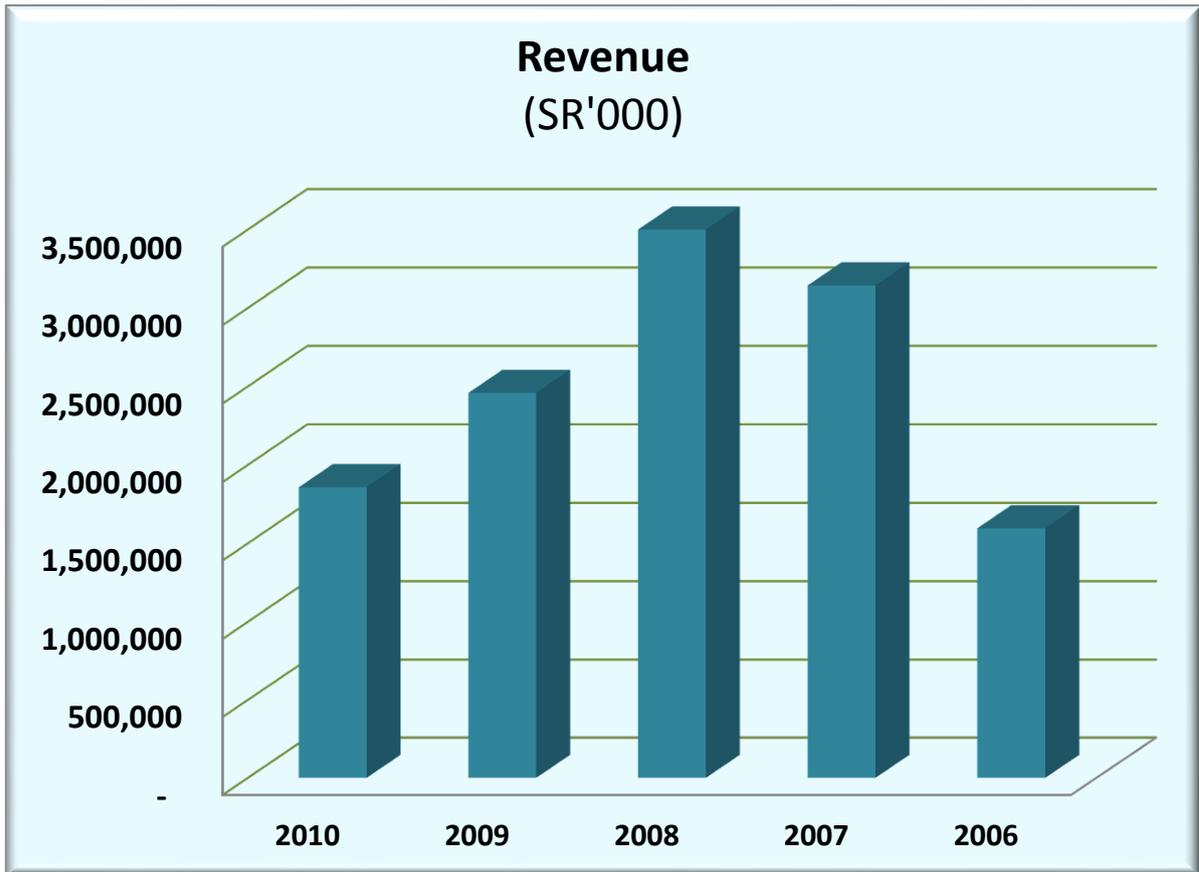
DESCRIPTION	As at 31 December				
	2010	2009	2008	2007	2006
<b>ASSETS:</b>					
Current Assets	2,366,331	2,202,003	2,672,915	2,142,472	1,633,862
Non - Current Assets	1,276,214	1,137,362	747,237	557,883	419,859
<b>Total Assets</b>	<b>3,642,545</b>	<b>3,339,365</b>	<b>3,420,152</b>	<b>2,700,355</b>	<b>2,053,721</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>					
Current liabilities	1,978,521	1,513,478	2,046,436	1,543,451	1,267,618
Non - Current liabilities	464,398	516,701	323,646	191,902	64,677
<b>Total Liabilities</b>	<b>2,442,919</b>	<b>2,030,179</b>	<b>2,370,082</b>	<b>1,735,353</b>	<b>1,332,295</b>
Shareholders' Equity	1,183,625	1,298,619	1,050,070	965,002	721,426
Minority Interest	16,001	10,567	-	-	-
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,642,545</b>	<b>3,339,365</b>	<b>3,420,152</b>	<b>2,700,355</b>	<b>2,053,721</b>





### Profit & Loss Summary (5 years) (IN SR'000)

DESCRIPTION	Year ended December 31				
	2010	2009	2008	2007	2006
Revenue	1,857,106	2,458,431	3,499,391	3,143,336	1,595,461
Costs and Expenses	(2,050,715)	(2,393,713)	(3,302,758)	(2,852,434)	(1,516,383)
<b>Net Profit/(Loss)</b>	<b>(193,609)</b>	<b>64,718</b>	<b>196,633</b>	<b>290,902</b>	<b>79,078</b>
Equity Share of Profit from Associates	116,308	61,477	62,590	48,514	28,247
<b>Net Profit/(Loss) before Zakat</b>	<b>(77,301)</b>	<b>126,195</b>	<b>259,223</b>	<b>339,416</b>	<b>107,325</b>
Zakat	(10,515)	(21,718)	(47,172)	(56,620)	(6,715)
<b>Net Profit/(Loss)</b>	<b>(87,816)</b>	<b>104,477</b>	<b>212,051</b>	<b>282,796</b>	<b>100,610</b>





**FINANCIAL HIGHLIGHTS**  
**Profit and Loss Summary (2 Years)**  
**(In SR'000)**

DESCRIPTION	2010		2009		Increase /(Decrease) Amount
	Amount	%	Amount	%	
Gross Sales	1,733,295	93.3	2,065,137	84.0	(331,842)
Contract revenue	123,811	6.7	393,294	16.0	(269,483)
<b>Total Sales</b>	<b>1,857,106</b>	<b>100.0</b>	<b>2,458,431</b>	<b>100.0</b>	<b>(601,325)</b>
Cost of Sales	(1,698,406)	(91.5)	(1,789,248)	(72.8)	(90,842)
Contracts Cost	(140,287)	(7.6)	(358,388)	(14.6)	(218,101)
Selling & Distribution Expenses	(57,954)	(3.1)	(56,298)	(2.3)	1,656
General & Administrative Expenses	(91,172)	(4.9)	(103,385)	(4.2)	(12,213)
Amortization of Deferred Cost	(5,888)	(0.3)	(3,461)	(0.1)	2,427
Financial Charges	(63,920)	(3.4)	(76,720)	(3.1)	(12,800)
Provision for Doubtful Debts	(21,518)	(1.2)	(22,530)	(0.9)	(1,012)
<b>Total Expenses</b>	<b>(2,079,145)</b>	<b>(112.0)</b>	<b>(2,410,030)</b>	<b>(98.0)</b>	<b>(330,885)</b>
Other Income / (Loss)	22,586	1.2	9,074	0.4	13,512
Foreign Currency re-measurement (Loss)/Profit	5,957	0.3	6,065	0.2	(108)
Equity share of Profit from Associates	116,308	6.3	61,477	2.5	54,831
<b>Total Other Income &amp; Share of Profit From Associates</b>	<b>144,851</b>	<b>7.8</b>	<b>76,616</b>	<b>3.1</b>	<b>68,235</b>
<b>PROFIT / (LOSS) BEFORE ZAKAT &amp; INCOME TAX</b>	<b>(77,188)</b>	<b>(4.2)</b>	<b>125,017</b>	<b>5.1</b>	<b>(202,205)</b>
Zakat and income tax	(10,515)	(0.6)	(21,718)	(0.9)	(11,203)
<b>PROFIT/(LOSS) BEFORE MINORITY INTEREST</b>	<b>(87,703)</b>	<b>(4.7)</b>	<b>103,299</b>	<b>4.2</b>	<b>(191,002)</b>
Minority Interest	(113)	-	1,178	-	(1,291)
<b>NET PROFIT / (LOSS)</b>	<b>(87,816)</b>	<b>(4.7)</b>	<b>104,477</b>	<b>4.2</b>	<b>(192,293)</b>

**FINANCIAL HIGHLIGHTS**  
**THE SHAREHOLDERS EQUITY**  
**(IN SR'000)**

DESCRIPTION	As at 31 December		Net Change
	2010	2009	
Capital Stock	760,000	760,000	-
Statutory Reserves	62,922	62,922	-
Accumulated Profit	272,276	360,092	(87,816)
Proposed dividends	-	57,000	(57,000)
Cumulative changes in fair values	88,427	58,605	29,822
<b>Total Shareholders' Equity</b>	<b>1,183,625</b>	<b>1,298,619</b>	<b>(114,994)</b>
Minority Interest	16,001	10,567	5,434
<b>Total Equity</b>	<b>1,199,626</b>	<b>1,309,186</b>	<b>(109,560)</b>



**FINANCIAL HIGHLIGHTS**  
**ZAKAT AND OTHER AMOUNTS PAID TO GOVERNMENT**  
**(IN SR'000)**

DESCRIPTION	As at 31 December	
	2010	2009
Zakat	18,170	38,417
The Public Authority for Social Insurance	5,545	5,823
Registration, Visa and Other Expenses	758	892
<b>Total amounts paid to the Government</b>	<b>24,473</b>	<b>45,132</b>

### ZAKAT & INCOME TAX

Zakat and income taxes applicable to the Company and its subsidiaries are calculated separately in accordance with the respective countries' applicable laws. Provision is made for Zakat and income tax payable annually. Adjustments arising from final zakat and income tax assessments, if any, are reported as part of the results of the year in which such assessments are made. Accordingly, a provision of SR 10.515 million was made in the year 2010. The total provision available at 31 December 2010 amounted to SR 50.015 million, includes prior years' provisions.

The Company is still contesting some of the prior years' assessments with the appellate authorities and also awaiting the Board of Grievances ruling on an appeal filed with them.

### BANK LOANS

The Bank Borrowings of the Company at 31 December 2010 were:

DESCRIPTION	IN SR'000			
	OPENING BALANCE 2010	2010		CLOSING BALANCE 2010
		DRAWDOWN	REPAYMENTS	
Short Term Loans & Overdraft	878,914	2,170,617	1,722,764	1,326,767
Term loans	421,681	256,383	230,714	447,350
<b>TOTAL BANK LOANS</b>	<b>1,300,595</b>	<b>2,427,000</b>	<b>1,953,478</b>	<b>1,774,117</b>



## SUBSIDIARIES & ASSOCIATE COMPANIES

Subsidiaries	Principal Field of Activities	Country of Incorporation	% of Capital held Directly or Indirectly
<b>Domestic</b>			
Saudi Cable Company for Marketing Limited	Purchase and sale of electrical cables and related products	Saudi Arabia	100%
Mass Projects for Power and Telecommunications Limited	Turnkey power and telecommunication projects	Saudi Arabia	100%
Mass Centers for Distribution of Electrical Products Limited	Electrical & telecommunication distribution services	Saudi Arabia	100%
<b>International</b>			
Mass Kablo Yatirim Ve Ticaret Anonim Sirketi (Previously Mass Holding Anonim Sirketi)	Holding Company	Turkey	100%
Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi	Manufacture, supply and trading of electrical cables	Turkey	100%
Mass Plaza Gayrimenkul Kiralama Ve Turizm Gelistirme Anonim Sirketi	Real Estate	Turkey	100%
Mass International Trading Company Limited (dormant)	International trade	Ireland	100%
Saudi Cable Company (U.A.E) L.L.C.	Sale of cables and related products	United Arab Emirates	100%
Elimsan Group of Companies (New Acquisition)	Manufacturer of Switch Gears, Transformers and related accessories	Turkey	79%
<b>Associate Companies</b>			
Name of Entity	Principal Field of Activities	Country of Incorporation	% of Ownership
Midal Cables W.L.L.	Conductors, Rods & related products	Bahrain	50%
XECA International Information Technology	Implementation of Information Systems and Network Services	Saudi Arabia	25%

### **Midal Cables W.L.L.**

The Company owns 50% of Midal Cables W.L.L. which is engaged in the manufacture and supply of Aluminum alloy rods, wires and conductors and related products. The facilities are located adjacent to the Alba Smelter in Bahrain. The capacity of Aluminum rod production of 200,000 MT has now made Midal Cables as the single largest producer of Aluminum Rod in the world under one roof.

### **XECA International Information Technology**

The Company owns 25% of XECA, which is engaged in the Implementation of Information Systems and Network Services. It is providing this service to many companies, including SCC. XECA has its headquarters in Saudi Arabia and provides its services internationally; presently throughout the GCC and some Middle East countries, Turkey and in several parts of Africa and spreading further internationally.



## BOD MEETINGS & IMPORTANT RESOLUTIONS

The Board held four (4) meetings in 2010. Khalid A. Alireza, Waheeb A. Linjawi attended all four meetings, while Abdullah H. Masri, Adnan A. Maimani, Saleh Eid Al Hussaini attended three meetings. Yousuf A. Alireza and Shaukat Aziz attended two meetings.

The following important resolutions were passed:

	<b>Subject</b>
1	Formation of the Compensation & Nominations Committee with Abdullah Hassan Masri, Saleh Eid Al Hussaini, Adnan Abdullah Maimani, Yousuf A. Alireza and Khalid A. Alireza as members. (BOD Res 132/4).
2	Recommendation to the Shareholders to appoint Al Juraid Co (Member of PriceWaterHouseCoopers) as the External Auditors for the year 2010. (BOD Res 133/1).
3	Appointment of Shaukat Aziz as a member of the Board in place of late Mansour Abdul Ghaffar for the remaining portion of the current term. (BOD Res 133/2).
4	Approval for setting up a Limited Liability Company in Saudi Arabia with a share of 1 %, in partnership with Midal Cables (98 %) and Al Zayani Investments (1 %). (BOD Res 135/2).

## DIRECTORS' OWNERSHIP OF SCC SHARES

There were no changes in the Directors' and their Families' ownership of shares in the company, which are as follows:

<b>Name</b>	<b>No. of shares</b>
Khalid A. Alireza	2,797
Yousuf A. Alireza	1,000
Waheeb A. Linjawi	1,000
Adnan A. Maimani	1,000
Abdullah H. Masri	2,559
Saleh Eid Al-Hussaini	1,000
<b>Directors' family shares</b>	
Family of Khalid A. Alireza	171,000



### THE SCC BOARD OF DIRECTORS

Members	Executive	Non-Executive	Independent
Khalid A. Alireza	√		
Yousuf A. Alireza		√	
Adnan A. Maimani		√	
Abdullah H. Masri		√	√
Saleh Eid Al Hussein		√	√
Shaukat Aziz		√	√
Waheeb A. Linjawi	√		

### BOARD MEMBERSHIP OF OTHER PUBLICLY TRADED JOINT STOCK COMPANIES

Member	Company Name
Khalid A. Alireza	Alujain Corporation
Yousuf A. Alireza	
Adnan A. Maimani	Saudi Industrial Services Co (SISCO)
Abdullah H. Masri	
Saleh Eid Al Hussein	Saudi Arabian Basic Industries Corporation (SABIC)
Shaukat Aziz	
Waheeb A. Linjawi	

### DETAILS OF REMUNERATION TO EXECUTIVE & NON-EXECUTIVE BOD MEMBERS & SENIOR EXECUTIVES

#### DIRECTORS' REMUNERATION (SR' 000)

Directors - Executive	Salaries & Allowances	Fees	Bonus	Total 2010	Total 2009
Khalid A. Alireza	440	24	2,280	2,744	6,296
Waheeb A. Linjawi	1,097	24	1,500	2,621	5,042
<b>Total Executive Directors</b>	<b>1,537</b>	<b>48</b>	<b>3,780</b>	<b>5,365</b>	<b>11,338</b>
Directors - Non-Executive					
Yousuf A. Alireza	-	12	200	212	209
Adnan A. Maimani	-	24	200	224	209
Abdullah H. Masri	-	21	200	221	212
Saleh Eid Al Hussein	-	21	200	221	209
Shaukat Aziz	-	18	-	18	-
<b>Total Non-Executive Directors</b>	<b>-</b>	<b>96</b>	<b>800</b>	<b>896</b>	<b>839</b>
<b>TOTAL DIRECTORS' REMUNERATION</b>	<b>1,537</b>	<b>144</b>	<b>4,580</b>	<b>6,261</b>	<b>12,177</b>



## TOP FIVE EXECUTIVES' REMUNERATION

Remunerations paid to top 5 executives of the Group

Positions	(SR'000)			
	Salaries & Allowances	Bonus	Total 2010	Total 2009
Operational Head 1	602	350	952	1,580
Head of Sales	552	350	902	1,532
VP - Finance	558	300	858	1,059
Operation Head 2	845	-	845	1,342
Financial Controller	551	250	801	745

### **Board Committees:**

#### **SCC-Audit & Risk Committee**

(i) **Mandate**

The main objective of the Committee includes ensuring adequacy and soundness of internal control structure, financial accounting and reporting policies/procedures and its implementation, effectiveness of the external audit functions; and to examine risks and exposures facing the Company and its management.

ii) **Membership**

The following are the members of the Audit & Risk Committee:

Members	Non-executive	Shareholder	Position
Omar H. Khalifati	√	√	Chairman
Adnan A. Maimani	√	√	Member
Wadia Eshgi	√	√	Member
Ashraf Tumbi	√	√	Member

iii) **SCC – Audit & Risk Committee Meetings**

The committee held 3 meetings in 2010.

Omar H. Khalifati and Wadia Eshgi attended all three meetings, while Ashraf Tumbi attended two and Adnan A. Maimani attended one meeting.

## TRANSACTIONS WITH RELATED PARTIES

The Company, in the normal course of business, has the following major dealings with related parties:

1. The Group engages in regular trade transactions with Midal Cables and Hidada Limited, which are disclosed in the annual financial statements. All transactions are enacted on prevailing commercial terms.



2. An affiliate of the Company, XECA, is engaged in providing Information Technology Services at commercial prices.
3. Xenel Industries Limited, under an agreement with the Company, is reimbursed with actual costs incurred on its behalf for the Chairman's office and for other services.

## **POTENTIAL RISKS**

The Company and its subsidiaries are subject to the risk of changes in the rate of financial charges on its assets and liabilities including bank deposits and bank loans.

## **CORPORATE GOVERNANCE**

SCC Group is a pioneer in developing a set of policies, procedures and regulations framework to govern and guide its various operations and regulate its relationships and communications with all its Stakeholders. The Board of Directors assigned a special committee made up of board members, audit & risk committee members and top executives to supervise and guide the development of the company's Corporate Governance Manual (CGM). This committee engaged a specialized consultant in this field to assist it in developing the company's CGM.

CGM specifies all the necessary policies, procedures, rules, regulations, organization and lines of communication between all the staff, executives, suppliers, customers, government officials, trade organizations, board members, sub-committees of the board and the shareholders. Sharing of timely information/data and transparency in all communications is at the heart of establishing the Corporate Governance System in SCC.

The company's board and management follow the rules, regulations and by-laws laid down in the CGM. This document will be submitted for approval at the next Ordinary General Assembly of Shareholders (OGA) meeting.

Accordingly, the board will submit to the OGA at the next meeting for approval of a new sub-committee of the board, namely Compensation and Nomination Committee. This action is required by the corporate governance rules and regulations. An operational Charter will be developed and submitted to OGA for final approval.

## **BOARD DECLARATIONS**

1. The Company's financial statements were prepared in accordance with the accounting principles generally accepted in the Kingdom of Saudi Arabia and such accounting principles are applied on a consistent basis.
  2. The Company's Internal Control has been developed on a sound basis and is effectively being carried out. The Company has an adequate internal auditing function which appears to have satisfactorily established that the internal controls are well in place.
  3. There is absolutely no trace of doubt that the Company is a going concern.
  4. The Company has not issued any financial instruments such as stock options or stock rights that may be converted into shares.
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5. There were no major contracts awarded to any related parties, other than those disclosed in the financial statements and some reimbursements of certain charges and costs that were made to Xenel Industries, a principal shareholder.
6. There were no outstanding loans that neither were due from the directors during the year nor were any loan repayments made.
7. There were no loans given to any of its members.
8. The Company has not made any transactions relating to its own stocks.
9. Bank loans and its movements are disclosed in this report, and in the financial statements.
10. The Chairman of the Board has decided to suspend his compensation until the Group achieves two quarters of profitability.
11. There were no other share dealings entered by the Company with any of its directors or immediate members of their families other than those disclosed above.
12. No waiver of rights has been received from any shareholder.
13. The external auditor has given an unqualified opinion on the financial statements.

#### **BOARD OF DIRECTORS RECOMMENDATIONS TO THE SHAREHOLDERS:**

1. Approval of the Board of the Directors' Report for 2010.
2. Approval of the 2010 year-end financial statements and external auditors' report.
3. Absolving the Board of Directors of their responsibilities for the year 2010.
4. Approval of the appointment of external auditors for the year 2011.
5. Appointment of new Board of Directors for a three-year term starting 03 September 2011.
6. Approval of Mr. Shaukat Aziz's membership as a Board Director for the remaining period of the current term.
7. Approval of the Rules & Regulations of the Compensation & Nominations Committee.

The Board of Directors duly expresses appreciation and gratitude to the Government of the Custodian of the two Holy Mosques, King Abdullah Bin Abdul Aziz, the Crown Prince and Minister of Defense & Aviation, Sultan Bin Abdul Aziz, and Prince Naif Bin Abdul Aziz, the Second Deputy Prime Minister and Minister of Interior, and the Ministries, for their continuing cooperation and support. The Directors thank all customers, shareholders and employees for their continued loyalty and support to the Company.

On behalf of the Board of Directors  
**CHAIRMAN**