

SAUDI CABLE COMPANY
(A Joint Stock Company)

BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2011

INTRODUCTION

Saudi Cable Company (SCC) is a Joint Stock Company with ownership in several manufacturing facilities 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 Extra High Tension Voltage, Medium Tension Voltage, Low Tension Voltage, Building Wires, Telecommunication Cables, Instrumentation, Specialty Control Cables, Electrical Sub-Stations, Switch Gears, Electrical Cables' Accessories and Transformers.

Additionally, SCC Group has a network of distribution for the supply of all types of cables and associated electrical products from several of its Warehouses. It also supports its customers through a total solution for the supply, installation and maintenance of Electrical Systems with the state-of-the-art Digital and Information Technology System.

SALIENT ACTIVITIES

Profit & Loss

The Group net profit of SR 5 million was a marked improvement as compared to the previous year net loss of SR 88 million. This turnaround is largely attributable to better market conditions and improved operational performance in the core cable business of the Group.

The Group enjoyed success in obtaining substantial business in the latter part of the year in all market segments as the imbalance of supply and demand narrowed, and the aggressive new entrant pricing strategy of the new cable manufacturers in KSA and GCC began to settle down to more realistic sustainable pricing levels. This enhancement in business volume has provided the Company with a sizeable backlog of better margin orders.

Profit Distribution & Dividend

During 2011, the company disbursed dividends amounting to SR 57,000,000 in two equal installments (SR 57,000,000 in 2010). This is in accordance with the on-going policy of annual dividend distribution to the shareholders.

Other Highlights

The Group progressed further in its development of extra high voltage business as it obtained qualification to supply a major utility for its 380 kV in KSA, and also completed its qualification process in some of the other GCC countries.

The Group's production capabilities of 500 kV cable as well as its 500 kV accessories facility are under pre-qualification testing. Once completed, this 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 equipment range of transformers, switch-gears etc. This will provide the regional customers a dynamic group within their territory that provides the entire spectrum of electrical network products and services under one umbrella.



The outlook for 2012 seems promising given the market upturn in the region and sizeable backlog added during the fourth quarter 2011. This is attributed to the substantial plans in government investing on infrastructure projects. The market in GCC is now opening up and the Group has been successful in obtaining orders for its high-tension business.

REVENUES

The Group's revenues increased by 73% in 2011 to SR 3,200 million, as compared to SR 1,857 million in 2010.

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 growth continued and its revenue for 2011 of SR 2,640 million, was higher as compared to SR 2,312 million in 2010. Midal Group continued its growth and has recently opened up a new facility in Turkey.

The Geographical distribution of the revenues was:

Region	SR Million	
	2011	2010
Kingdom of Saudi Arabia (KSA) & GCC	2,588	1,599
Rest of the World	612	258
TOTAL SALES	3,200	1,857

The Geographical distribution of the net income was:

Region	SR Million	
	2011	2010
Kingdom of Saudi Arabia (KSA) & GCC	19	(47)
Rest of the World	(14)	(41)
TOTAL NET INCOME	5	(88)

Revenue was generated from the following segments:

Revenue	SR Million		
	As at 31 December		
	2011	2010	Net Change
Cable sales	3,022	1,733	1,289
Projects & Contracting	178	124	54
Total Revenue	3,200	1,857	1,343

ORGANIZATIONAL DEVELOPMENT

The Group continued maintaining its Saudiazation policy and also in its commitment of encouraging local employment. At the end of the year 2011, the locals constituted 59% of the total Group workforce of 1,620 employees, as compared to 60% of 1,649 employees at the end of 2010.



INFORMATION TECHNOLOGY

The company successfully migrated to the new Integrated Enterprise Application system of SAP. Business Intelligence & Dashboard suites are currently under progress. This sophisticated tool will enhance the management capabilities in exercising more effective and efficient controls.

TURKISH OPERATIONS

MASS CABLES

The Group's Turkish subsidiary also improved its performance and benefitted from improvement in certain areas of its market, but was also hampered from the turmoil created by the European crisis and the Arab spring, which prevented it in achieving over all expectations.

With the development of accessories expertise coupled with the ongoing introduction of larger application capacity products which have enhanced the group's capability of creating a high-end value enterprise. This along with further alignment of resources and reduction of cost base, is expected to significantly contribute in the Group's future performance.

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.

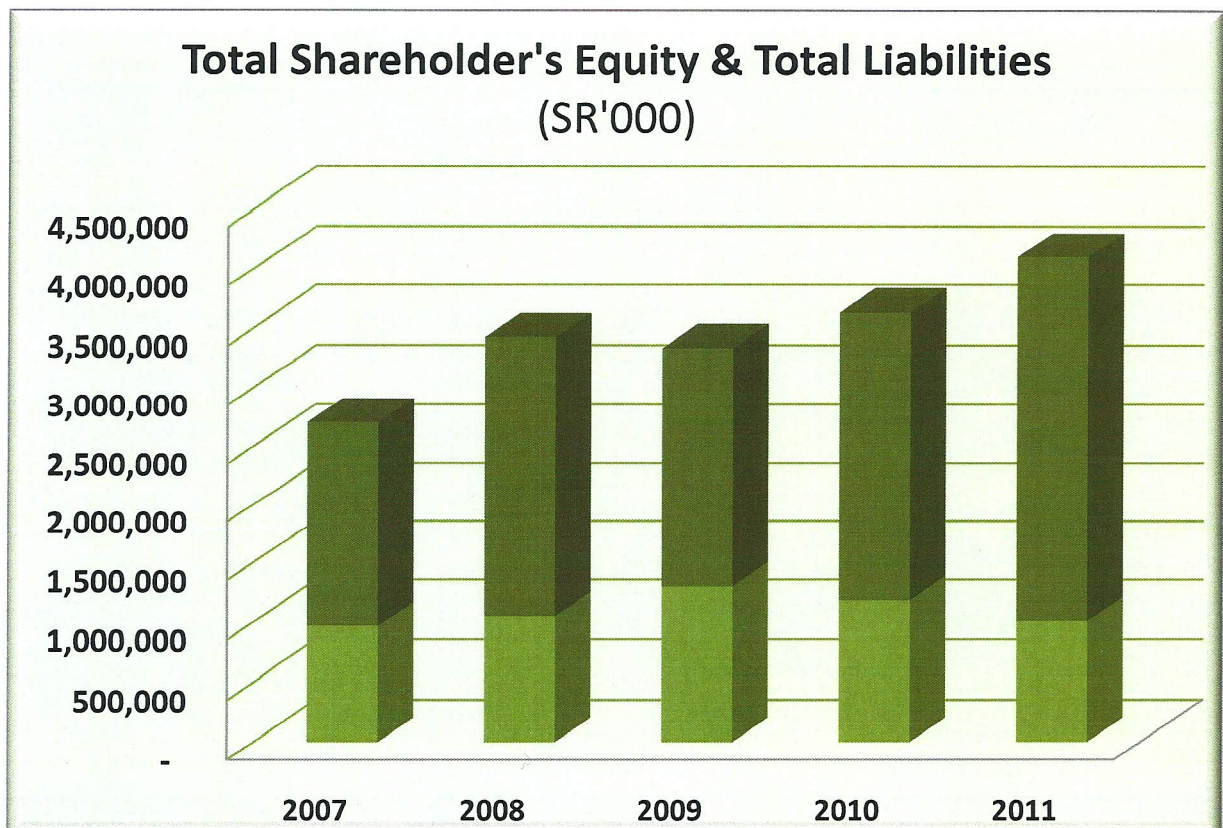
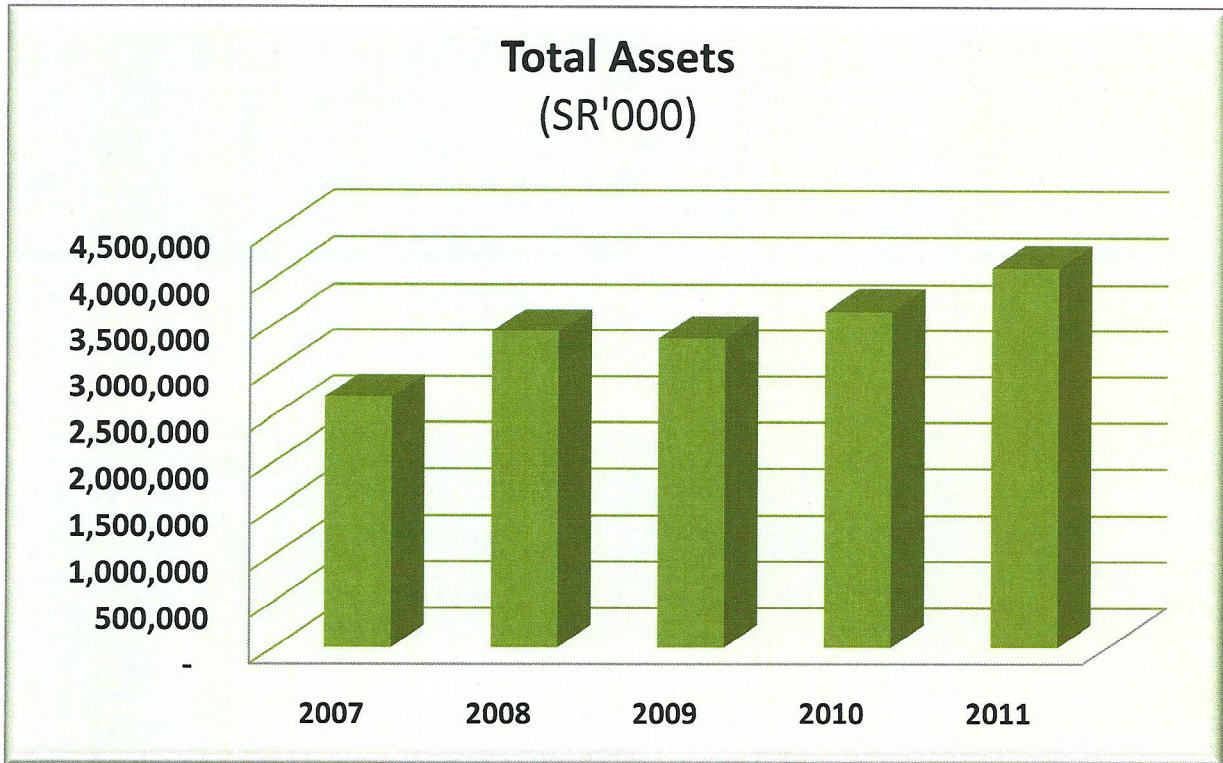
Now with additional development of high technology products such as SF6 insulated Ring Main Units and the ongoing innovation of our measuring transformers portfolio, along with other specialized products in distribution systems and industrial applications, the company is expected to advance its revenues and margin generating potential in the periods ahead.

GROUP FINANCIALS

Summary of Financial Position (5 years)

(IN SR'000)

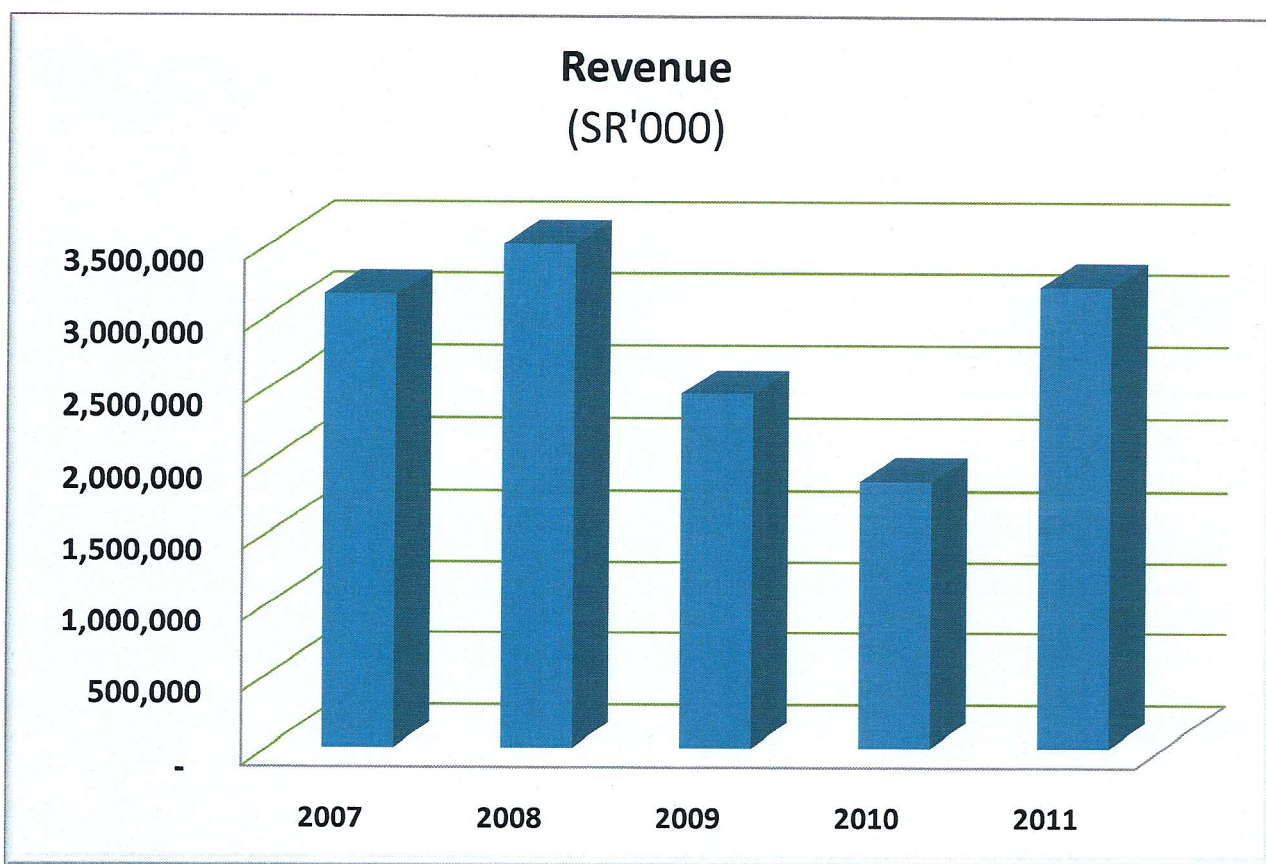
DESCRIPTION	As at 31 December				
	2007	2008	2009	2010	2011
ASSETS:					
Current Assets	2,142,472	2,672,915	2,202,003	2,366,331	2,786,207
Non - Current Assets	557,883	747,237	1,137,362	1,276,214	1,320,855
Total Assets	2,700,355	3,420,152	3,339,365	3,642,545	4,107,062
LIABILITIES AND SHAREHOLDERS' EQUITY:					
Current liabilities	1,543,451	2,046,436	1,513,478	1,978,521	2,619,001
Non - Current liabilities	191,902	323,646	516,701	464,398	466,660
Total Liabilities	1,735,353	2,370,082	2,030,179	2,442,919	3,085,661
Shareholders' Equity	965,002	1,050,070	1,298,619	1,183,625	1,009,093
Minority Interest	-	-	10,567	16,001	12,308
Total Liabilities and Shareholders' Equity	2,700,355	3,420,152	3,339,365	3,642,545	4,107,062

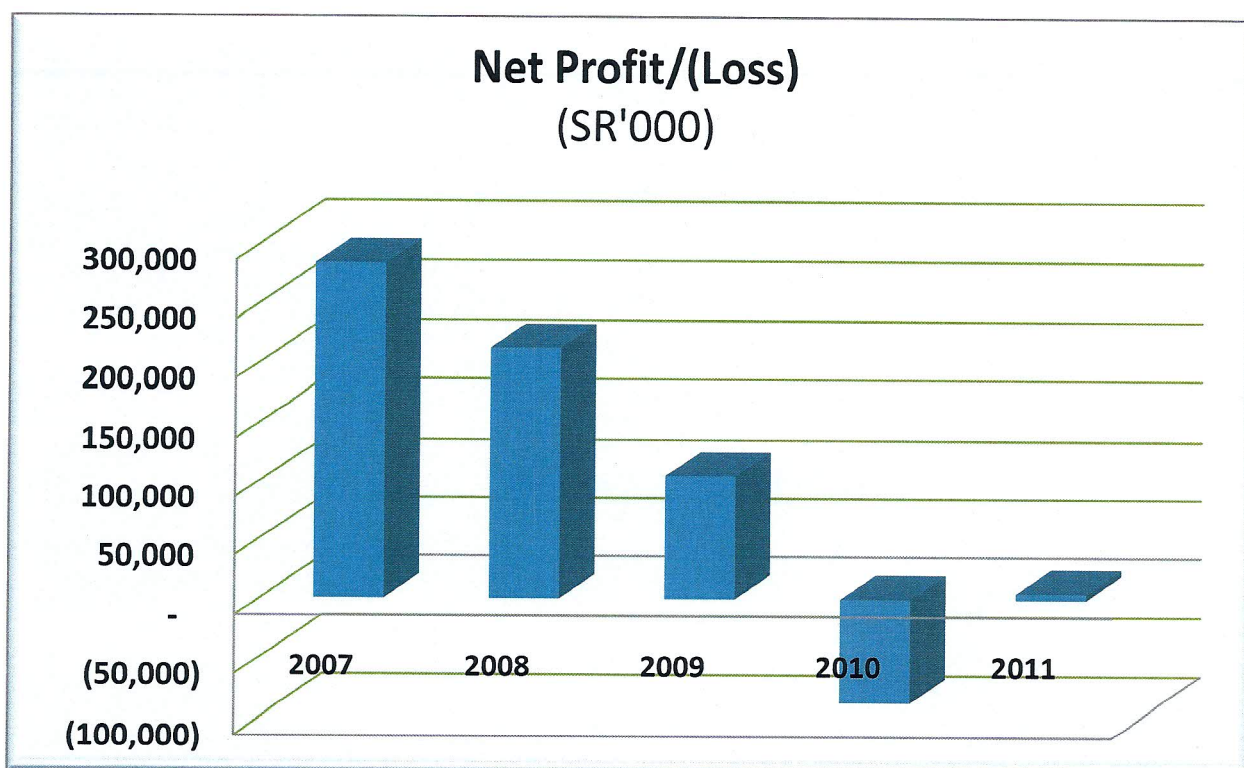




Profit & Loss Summary (5 years)
(IN SR'000)

DESCRIPTION	Year ended December 31				
	2007	2008	2009	2010	2011
Revenue	3,143,336	3,499,391	2,458,431	1,857,106	3,199,565
Costs and Expenses	(2,852,434)	(3,302,758)	(2,393,713)	(2,050,715)	(3,291,096)
Net Profit/(Loss)	290,902	196,633	64,718	(193,609)	(91,531)
Equity Share of Profit from Associates	48,514	62,590	61,477	116,308	96,272
Net Profit/(Loss) before Zakat	339,416	259,223	126,195	(77,301)	4,741
Zakat & Income Tax	(56,620)	(47,172)	(21,718)	(10,515)	362
Net Profit/(Loss)	282,796	212,051	104,477	(87,816)	5,103





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

DESCRIPTION	2011		2010		Increase /(Decrease) Amount
	Amount	%	Amount	%	
Gross Sales	3,021,546	94.4	1,733,295	93.3	1,288,251
Contract revenue	178,019	5.6	123,811	6.7	54,208
Total Sales	3,199,565	100.0	1,857,106	100.0	1,342,459
Cost of Sales	(2,880,419)	(90.0)	(1,698,406)	(91.5)	1,182,013
Contracts Cost	(175,641)	(5.5)	(140,287)	(7.6)	35,354
Selling & Distribution Expenses	(61,700)	(1.9)	(57,954)	(3.1)	3,746
General & Administrative Expenses	(85,136)	(2.7)	(91,172)	(4.9)	(6,036)
Amortization of Deferred Cost	(6,615)	(0.2)	(5,888)	(0.3)	727
Financial Charges	(71,587)	(2.2)	(63,920)	(3.4)	7,667
Provision for Doubtful Debts	(5,968)	(0.2)	(21,518)	(1.2)	(15,550)
Total Expenses	(3,287,066)	102.7	(2,079,145)	(112.0)	1,207,921
Other Income / (Loss)	1,876	0.1	22,586	1.2	(20,710)
Foreign Currency re-measurement (Loss)/Profit	(9,604)	(0.3)	5,957	0.3	(15,561)
Equity share of Profit from Associates	96,272	3.0	116,308	6.3	(20,036)
Total Other Income & Share of Profit From Associates	88,544	2.8	144,851	7.8	(56,307)
PROFIT / (LOSS) BEFORE ZAKAT & INCOME TAX	1,043	0.0	(77,188)	(4.2)	78,231
Zakat and Income Tax	362	0.0	(10,515)	(0.6)	(10,877)
PROFIT/(LOSS) BEFORE MINORITY INTEREST	1,405	0.0	(87,703)	(4.7)	89,108
Minority Interest	3,698	0.1	(113)	-	3,811
NET PROFIT / (LOSS)	5,103	0.2	(87,816)	(4.7)	92,919



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

DESCRIPTION	As at 31 December		Net Change
	2011	2010	
Capital Stock	760,000	760,000	-
Statutory Reserves	63,432	62,922	510
Accumulated Profit	219,869	272,276	(52,407)
Proposed dividends	-	-	-
Cumulative changes in fair values	(34,208)	88,427	(122,635)
Total Shareholders' Equity	1,009,093	1,183,625	(174,532)
Minority Interest	12,308	16,001	(3,693)
Total Equity	1,021,401	1,199,626	(178,225)

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

DESCRIPTION	As at 31 December		Net Change
	2011	2010	
Zakat	12,545	18,170	(5,625)
The Public Authority for Social Insurance	5,439	5,545	(106)
Registration, Visa and Other Expenses	724	758	(34)
Total amounts paid to the Government	18,708	24,473	(5,765)

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 2,766 million was made in the year 2011. The total provision available at 31 December 2011 amounted to SR 38,419 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 2011 were:

DESCRIPTION	IN SR'000			CLOSING BALANCE 2011
	OPENING BALANCE 2011	2011		
		DRAWDOWN	REPAYMENTS	
Short Term Loans & Overdraft	1,326,767	3,008,685	2,536,349	1,799,103
Term loans	447,350	319,230	363,628	402,952
TOTAL BANK LOANS	1,774,117	3,327,915	2,899,977	2,202,055

SUBSIDIARIES & ASSOCIATE COMPANIES

Subsidiaries	Principal Field of Activities	Country of Incorporation	% of Capital held Directly or Indirectly
Domestic			
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%
International			
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	Manufacturer of Switch Gears, Transformers and related accessories	Turkey	79%
Associate Companies			
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 230,000 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 currently owns 25% of XECA (increase from 25% to 50% is under formal completion). XECA 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.

TRANSPARENCY AND CORPORATE GOVERNANCE

THE SCC BOARD OF DIRECTORS

The major functions and responsibilities of the Board of Directors are:

- a) Approving the strategic plans and main objectives of the Company and supervising their implementation;
- b) Laying down rules for internal control systems and supervising them;
- c) Drafting a corporate governance code for the company which does not contradict the provisions of the CMA regulations, supervising and monitoring in general the effectiveness of the code and amending it whenever necessary
- d) Laying down specific and explicit policies, standards and procedures, for the membership of the Board of Directors and implementing them after approval of these by the General Assembly
- e) Without prejudice to the competencies of the General Assembly, the Board shall assume all the necessary powers for the Company's management the ultimate responsibility for the company rests with the Board even if it sets up committees or delegates some of its powers to a third party.

BRIEF CREDENTIALS

The Board of Directors comprises of 7 members elected for a three-year term commencing 3rd September 2011.

Name of the Member	Member Classification	Academic Qualifications	Membership of other Public Joint Stock Companies
Khalid A. Alireza Chairman	Non-Executive	<ul style="list-style-type: none"> - Bachelor's degree in Engineering from University of California, Berkley - Master's degree in Engineering from University of California, Berkley 	Alujain Corporation



Name of the Member	Member Classification	Academic Qualifications	Membership of other Public Joint Stock Companies
Shaukat Aziz	Non-Executive /Independent	- Master's degree in Business Administration	-
Saleh E. Al Hussaini	Non-Executive /Independent	- Master's degree in Economics	Saudi Arabian Basic Industries (SABIC) Corporation)
Abdulla H. Masri	Non-Executive /Independent	<ul style="list-style-type: none"> - Bachelor's degree in Humanities from University of California, - Master's degree in Humanities from University of Chicago, - Doctorate in Humanities from University of Chicago, - Dip in Business Administration from Harvard University 	-
Adnan A. Maimani	Non-Executive	- Master's degree in Law from McGill University, Canada	Saudi Industrial (SISCO) Services Co)
Yousuf A. Alireza	Non-Executive	<ul style="list-style-type: none"> - Bachelor's degree in Applied Sciences in Business Sector from University of San Francisco - Master's degree in Business Administration 	-
Waheeb A. Linjawi Managing Director & Group President	Executive	<ul style="list-style-type: none"> - Master's degree in Town Planning from University of South Carolina - Doctorate in Town Planning from University of Claremont 	-



The following important resolutions were passed:

	Subject
1	Reappointment of Nomination and Remuneration committee for 3 years, with Mr. Khalid Alireza as its Chairman, Dr. Abdullah Masri, Mr. Saleh Hussein, Mr. Shaukat Aziz & Mr. Yousuf Ali Reza as its members. (BOD Res. C-2011-8).
2	Reappointment of the audit committee for 3 years with Mr. Omar Khalifati as its Chairman, and Mr. Adnan Maimani, Mr. Ashraf Tumbi & Mr. Wadia Eshgi as its members. (BOD Res. C-2011-7)

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

DIRECTORS' REMUNERATION (SR' 000)

Directors - Executive	Salaries & Allowances	Fees	Bonus	Total 2011	Total 2010
Waheeb A. Linjawi	1,097	24	-	1,121	2,621*
Total Executive Directors	1,097	24	-	1,121	2,621
Directors - Non-Executive					
Khalid A. Alireza	520	24	-	544	2,744*
Yousuf A. Alireza	-	9	-	9	212*
Adnan A. Maimani	-	6	-	6	224*
Abdullah H. Masri	-	24	-	24	221*
Saleh Eid Al Hussein	-	21	-	21	221*
Shaukat Aziz	-	21	-	21	18
Total Non-Executive Directors	520	105	-	625	3,640
TOTAL DIRECTORS' REMUNERATION	1,617	129	-	1,746	6,261

* Most of these amounts represents Bonus for the previous year's performance.

Board Committees:

1. SCC-Audit & Risk Committee

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.

The Audit Committee in the Company was formed under the Resolution No. 903 dated 12/08/1414H issued by the Ministry of Commerce. The formation of the Committee was approved by the Ordinary General Assembly of the shareholders on 30/12/1414H. The Charter of the Audit Committee was approved by the Board of Directors on 8/6/1994 (Resolution No. BM 65-4).



Membership

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

Members	Member of the BOD	Non-Executive	Shareholder	Position
Omar H. Khalifati		√	√	Chairman
Adnan A. Maimani	√	√	√	Member
Wadia Eshgi		√		Member
Ashraf Tumbi		√	√	Member

All the Audit & Risk Committee Members are not the Employees of SCC Group

SCC – Audit & Risk Committee Meetings

The committee held 4 meetings in 2011.

No.	Meeting Date	Attended by:
1	04 January 2011	1. Omar H. Khalifati 2. Adnan Maimani 3. Wadia Eshgi 4. Ashraf Tumbi
2	17 February 2011	1. Omar H. Khalifati 2. Adnan Maimani 3. Wadia Eshgi
3	23 April 2011	1. Omar H. Khalifati 2. Adnan Maimani 3. Wadia Eshgi
4.	16 October 2011	1. Omar H. Khalifati 2. Adnan Maimani 3. Wadia Eshgi

Meeting Fees paid @ SR3,000 per meeting per member.

The result of Internal Audit showed that internal control procedures were adequate and effective throughout the Group. No major procedural violations were noted.

2. Nominations & Remunerations Committee:

The functions of the Nominations & Remunerations Committee may be summarized as determining the policies and standards for nominations to the membership of the Board of Directors with periodical review of the requirements of capabilities and skills for the Board; study of the Board's strengths and weaknesses and suggesting ways of addressing it; ensuring the independence of the independent Directors, study of conflict of interest with their membership of the Boards of other companies; beside studying or suggesting policies for compensation and bonus to the Board of Directors and Senior Executives. The Committee has been constituted with five members, who are:

Members	Position
Khalid A. Alireza	Chairman
Shaukat Aziz	Member
Saleh Eid Al-Hussaini	Member
Abdullah H. Masri	Member
Yousuf A. Alireza	Member

The Committee's charter has been approved during the General Assembly held on 7 June 2011 and the Board of Directors has approved the appointment of the members of the Committee to carry out its functions during the current term with effect from 3 September 2011. The first meeting of this Committee is scheduled to be convened in April 2012.



IMPLEMENTATION STATUS OF CORPORATE GOVERNANCE (CMA) REGULATIONS

(As of 31 December 2011)

No	CMA Article No. /Description	No. of clauses	Implemented	Partial Implem	In Process of Implmnt.	Not Appl.	REMARKS
1	3- General Rights of Shareholders	1	1				
2	4- Shareholders Exercise of Rights and Access to Information	2	2				
3	5- Shareholders Rights related to the General Assembly	10	10				
4	6- Voting Rights	4	3			1	Article 6/d - is not applicable to the company
5	7- Dividends Rights of Shareholders	2	2				
6	8- Policies and Procedure related to Disclosure	1	1				
7	9- Disclosure in the Board of Directors' Report	7	7				
8	10- Main Functions of the Board of Directors	17	13		4		Article 10/b/1 – Policy is under preparation. Article 10/c - Under preparation. Article 10/d - Under preparation. Article 10/e – Clauses 1,4, Procedures are under preparation.
9	11- Responsibilities of the Board	8	7		1		Article 11/f – Procedures under preparation
10	12- Formation of the Board	9	8		1		Article 12/d- under review.
11	13- Committees of the Board	3	3				
12	14- Audit Committee	11	11				
13	15- Nomination and Remuneration Committee	8	7		1		Article 15/c/6- Policy under preparation
14	16- Meetings of the Board	4	4				
15	17- Remuneration and Indemnification of Board Members	1	1				
16	18- Conflict of Interest within the Board	3	3				
17	Total Clauses	91	83		7	1	
18	Percentage of Implementation	100%	91.2%		7.7%	1.1%	



PENALTIES IMPOSED BY CAPITAL MARKET AUTHORITY

In the year 2011, the Capital Market Authority levied on the Company two fines of Saudi Riyals Fifty thousand each. These were levied:

- (1) For its delay in announcing by one working day, the recommendation of the Board of Directors to distribute dividend to the shareholders for the financial year 2010, and
- (2) For omitting information in the 2010 Director's report, on what had been implemented out of the Corporate Governance Regulations, and what had not been implemented and the reasons thereto.

TOP FIVE EXECUTIVES' REMUNERATION

Remunerations paid to top 5 executives of the Group

Positions	(SR'000)			
	Salaries & Allowances	Bonus	Total 2011	Total 2010
Operational Head 1	602	-	602	952
Head of Sales 1	552	-	552	902
VP – Finance	558	-	558	858
Head of Sales 2	555	-	555	801
Operation Head 2	719	-	719	845

Neither the Senior Executives nor their Families acquired any shares during the year 2011. There were no shares owned by any of them at the end of 2011 and 2010.

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.



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

Related party	Nature of transaction	2011	2010
Management	Remunerations	1,746	6,261
Midal Cables W.L.L.	Purchases	7,148	40,748
Midal Cables W.L.L.	Dividends income	48,172	22,750
Xenel Industries Limited	Expenses charged to the Group	6,668	8,243
Xeca International Information Technology	Outsourcing services paid	2,820	5,947
Xeca International Information Technology	Cost of SAP Implementation	11,829	11,000
Hidada Limited	Expenses charged by the Group	43	3
Alujain Corporation	Expenses charged by the Group	144	144

Related party balances comprised of the following as at 31 December:		2011	2010
Due from related parties			
Hidada Limited		1,069	1,026
Alujain Corporation		1,319	1,175
Midal Cables W.L.L.		600	-
		2,988	2,201
Due to related parties			
Xenel Industries Limited		346	799
Midal Cables W.L.L.		-	16,900
Chem Global Limited		664	664
		1,010	18,363

The above related party transactions along with an external auditor's special report will be submitted at the next Ordinary General Assembly (OGA).

POTENTIAL RISKS

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



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

CORPORATE GOVERNANCE

The Company endeavors to lay down the basis, the policies and procedures that match the Corporate Governance Regulations issued by the Capital Market Authority as per Resolution No. 1-212-2006 dated 21/10/1427 H corresponding to 21/11/2006G.

Taking guidance from the Corporate Governance Regulations in the Kingdom of Saudi Arabia, the Company's Corporate Governance Regulations have been approved vide Resolution No. 10 issued by the General Assembly of the Shareholders at its meeting No. 36 held on 5-7-1432 H / 7-6-2001G.

Operationally, the Company has applied what has been laid down in the Regulations, either fully or partly, through the Bylaws and the Internal Regulations and Procedures and the related mechanisms, beside its adherence to the Accounting Standards recognized in the Kingdom of Saudi Arabia.

The Company is continuously working on updating the policies and procedures governing the application of these regulations.

Rights of Shareholders: All shareholders are entitled to all rights attached to the share and as described in the Company's By-laws and as laid down in governance regulations. In particular the right to participate in governance and the profits of the Company.

Share Capital of the Company: The Company has a fully paid up capital of SR 760,000,000 divided into 76,000,000 equal shares of SR 10 each.

IMPORTANT DATES FOR SHAREHOLDERS AND STAKEHOLDERS:

The following tentative dates have been fixed for important meetings to be convened in 2012:

	Meeting	Day and Date
1	Ordinary General Assembly (OGA)	Saturday, 03-08-1433H – 23/06/2012G
2	Board of Directors Meeting	Saturday, 29-05-1433H – 21/04/2012G
3	Board of Directors Meeting	Wednesday, 07-08-1433H – 27/06/2012G
4	Board of Directors Meeting	Saturday, 04-12-1433H – 20/10/2012G
5	Board of Directors Meeting	Wednesday, 12-02-1433H – 26/12/2012G

BOARD DECLARATIONS

1. Proper books of account have been maintained.
2. The system of internal control is sound in design and has been effectively implemented.
3. There are no significant doubts concerning the Company's ability to continue as a going concern



4. 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.
5. The Company has not issued any financial instruments such as stock options or stock rights that may be converted into shares.
6. There were no major contracts awarded to any related parties, other than those disclosed in the afore-mentioned section of this report and also similarly disclosed in the financial statements.
7. There were no outstanding loans that neither were due from the directors during the year nor were any loan repayments made.
8. There were no loans given to any of its members.
9. The Company has not made any transactions relating to its own stocks.
10. Bank loans and its movements are disclosed in this report, and in the financial statements.
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 2011.
2. Approval of the 2011 year-end financial statements and external auditors' report.
3. Absolving the Board of Directors of their responsibilities for the year 2011.
4. Approval of the appointment of external auditors for the year 2012.

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 Al Saud, HRH Crown Prince Naif Bin Abdul Aziz Al Saud, Deputy Prime Minister and Interior Minister, and the Government 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