



**SAUDI CABLE COMPANY**  
Board of Directors' Report  
For the Year Ended December 31, 2012

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## **SAUDI CABLE COMPANY**

(A Joint Stock Company)

### **BOARD OF DIRECTORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 2012**

#### **1 - 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, Testing & Commissioning and Maintenance of Power Cable, ranging from Extra High Voltage, Medium Voltage, Low Voltage, Building Wires, Telecommunication Cables, Instrumentation, Specialty Control Cables, Electrical Sub-Station, 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, Testing & Commissioning and Maintenance of Electrical Systems with the state-of-the-art Digital and Information Technology System.

#### **2 - SALIENT ACTIVITIES**

##### **Profit & Loss**

The Group net loss of SR 156 million was largely as a result of inadequate funding facilities available to the Group during the latter half of the year. Curtailment of operating financing facilities caused a major disruption to the main operations of the Group, which in particular, adversely disrupted the fourth quarter performance. Going forward the Group has now decided to stabilize the operating levels at reduced levels in the near term, while embarking on plans for the long term solutions to the liquidity structuring issues.

The Company continues to benefit from the growth in infrastructure investments resulting in vigorous uptrend both in demand and margin. The market trend of improving margins gives the Group substantial encouragement to streamline its resources for the long term. This would allow the Group to capitalize on the good prevailing market conditions, and also to benefit from the going forward outlook.

##### **Profit Distribution & Dividend**

During 2012, the company did not disburse any dividends as compared to SR 57,000,000 that was disbursed in 2011.

#### **3 - REVENUES**

The Group's revenues in 2012 were SR 2,688 million as compared to SR 3,200 million in 2011.

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 recorded revenue of SR 2,489 million in 2012.



The Geographical distribution of the revenues was:

Region	SR Million	
	2012	2011
Kingdom of Saudi Arabia (KSA) & GCC	1,846	2,588
Rest of the World	842	612
<b>TOTAL SALES</b>	<b>2,688</b>	<b>3,200</b>

The Geographical distribution of the net income was:

Region	SR Million	
	2012	2011
Kingdom of Saudi Arabia (KSA) & GCC	(124)	19
Rest of the World	(32)	(14)
<b>TOTAL NET INCOME</b>	<b>(156)</b>	<b>5</b>

Revenue was generated from the following segments:

Revenue From	SR Million		
	As at 31 December		
	2012	2011	Net Change
Product sales	2,458	3,022	(564)
Projects & Contracting	230	178	52
<b>TOTAL REVENUE</b>	<b>2,688</b>	<b>3,200</b>	<b>(512)</b>

#### **4 - ORGANIZATIONAL DEVELOPMENT**

The Group continued maintaining its Saudization policy and also in its commitment of encouraging local employment. At the end of the year 2012, the locals constituted 58% of the total Group workforce of 1,878 employees, as compared to 59% of 1,620 employees at the end of 2011.

#### **5 - INFORMATION TECHNOLOGY**

The new Integrated Enterprise Application system of SAP is now operational allowing the management to exercise better controls. The enhancement of Business Intelligence and Dashboard suites are under development and expected to be completed in the coming year.

#### **6 - TURKISH OPERATIONS**

##### **MASS CABLES**

The company continues to record satisfactory growth in their core markets, however internal performance was adversely influenced by economic factors. During the fourth quarter, the business unit recorded adjustments particularly as it relates to the loss of added value while recycling goods originally produced to satisfy a turnkey contract in Syria.



Despite the impact of these elements, demand drivers in our primary High and Extra High Voltage systems remain fundamentally strong which coupled with the benefits of our long term growth investment and the incorporation of our own accessories brand should translate into steady performance improvement.

### **ELIMSAN (SWITCHGEAR)**

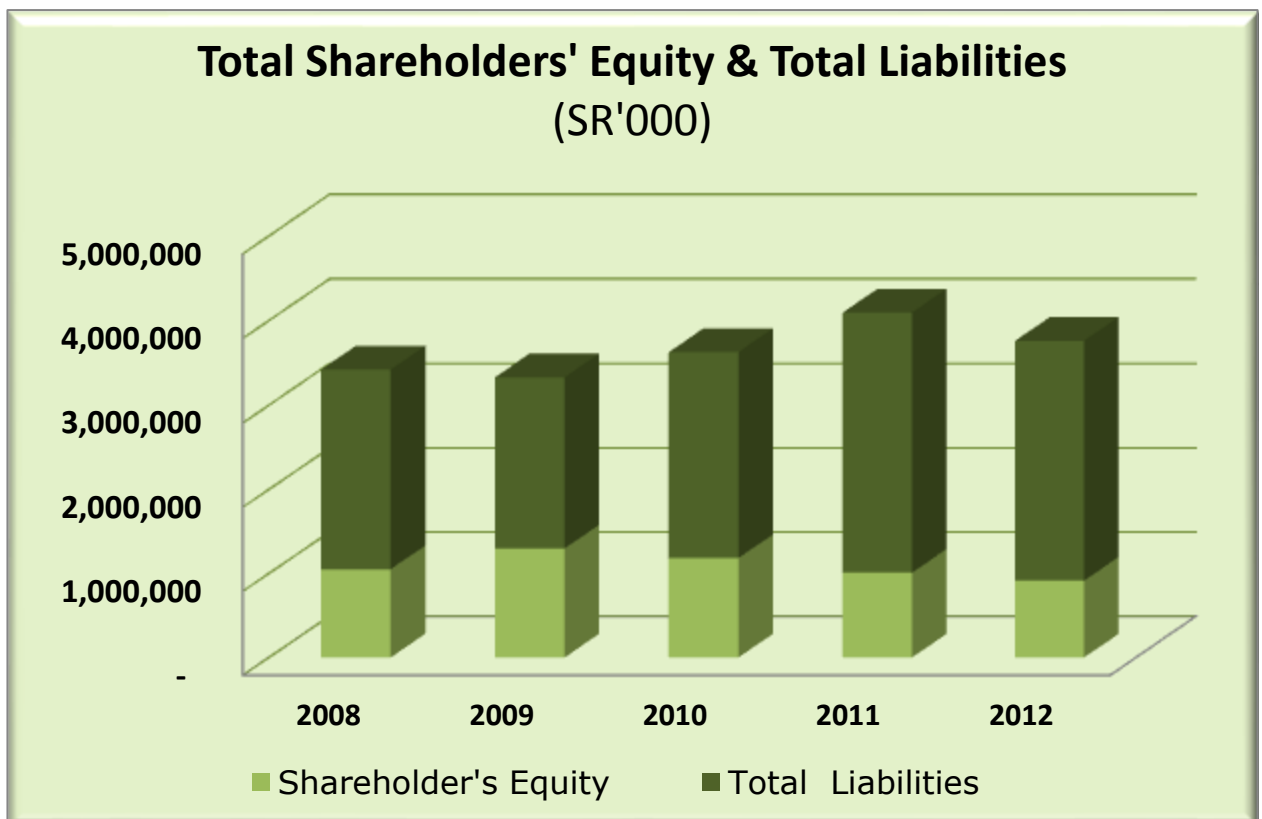
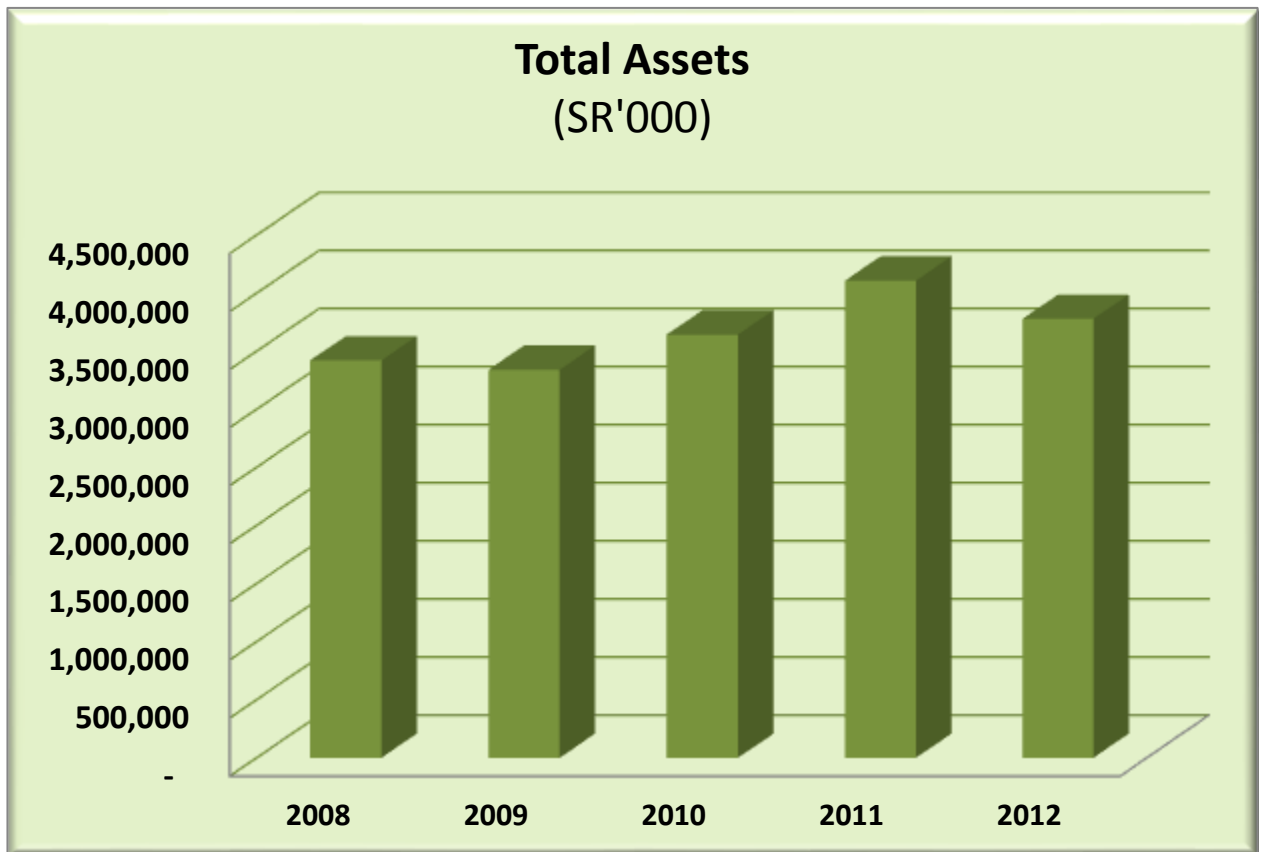
Despite the continuing positive domestic electric infrastructure growth trend, particularly from the privatized distribution component, actual project implementation demand was flat during the period resulting in margin erosion. On the export segment our efforts to secure vendor qualifications was mixed, with delays in gaining entry to the GCC market but successful in other important markets.

While the measures taken to streamline our cost base and deliver the essential growth in exports should diminish the domestic dependency, the business is expected to improve in future.

## **7 - GROUP FINANCIALS**

Summary of Financial Position (5 years)

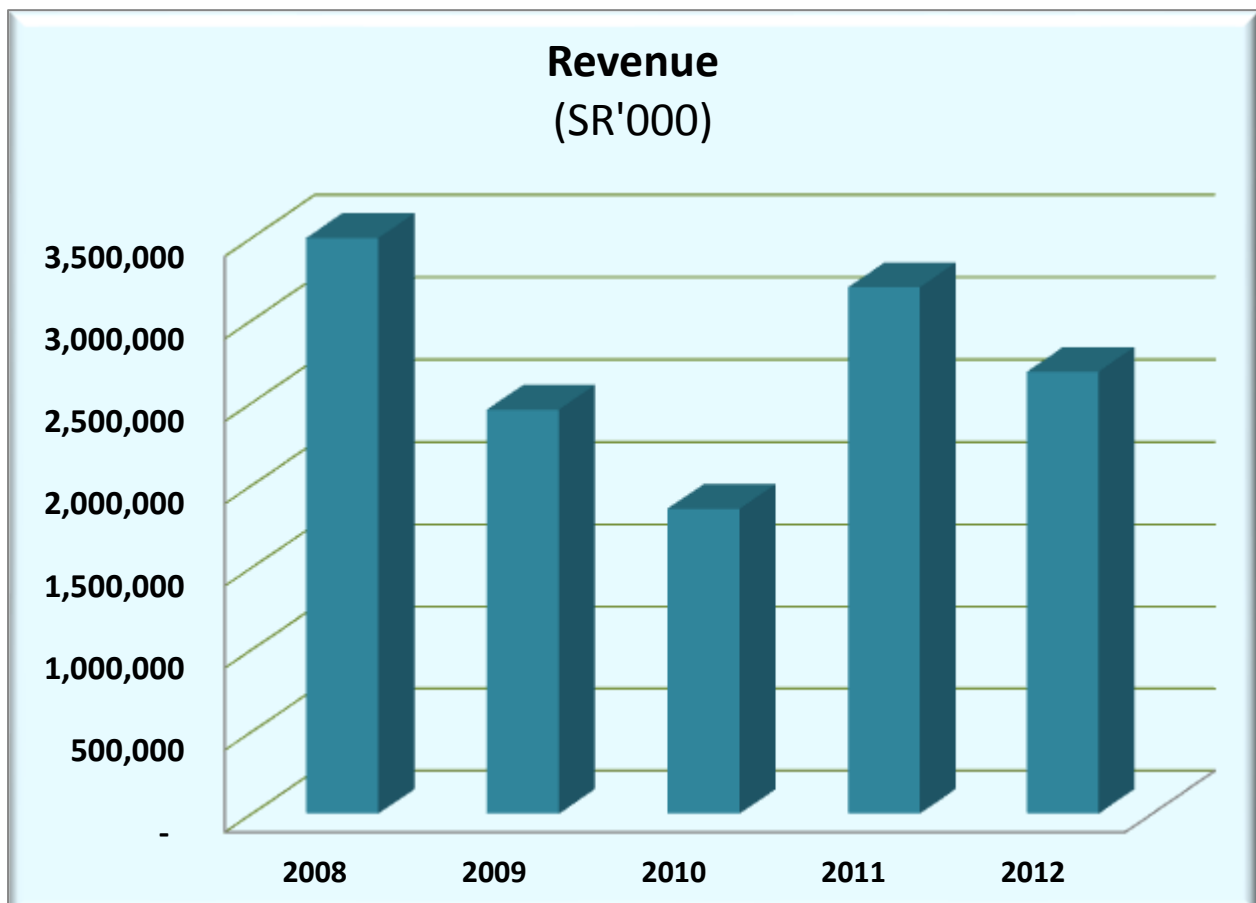
DESCRIPTION	As at 31 December				
	2008	2009	2010	2011	2012
<b>ASSETS:</b>					
Current Assets	2,672,915	2,202,003	2,366,331	2,786,207	2,369,208
Non - Current Assets	747,237	1,137,362	1,276,214	1,320,855	1,404,885
<b>Total Assets</b>	<b>3,420,152</b>	<b>3,339,365</b>	<b>3,642,545</b>	<b>4,107,062</b>	<b>3,774,093</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>					
Current liabilities	2,046,436	1,513,478	1,978,521	2,619,001	2,256,645
Non - Current liabilities	323,646	516,701	464,398	466,660	589,081
<b>Total Liabilities</b>	<b>2,370,082</b>	<b>2,030,179</b>	<b>2,442,919</b>	<b>3,085,661</b>	<b>2,845,726</b>
Shareholders' Equity	1,050,070	1,298,619	1,183,625	1,009,093	915,084
Minority Interest	-	10,567	16,001	12,308	13,283
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,420,152</b>	<b>3,339,365</b>	<b>3,642,545</b>	<b>4,107,062</b>	<b>3,774,093</b>

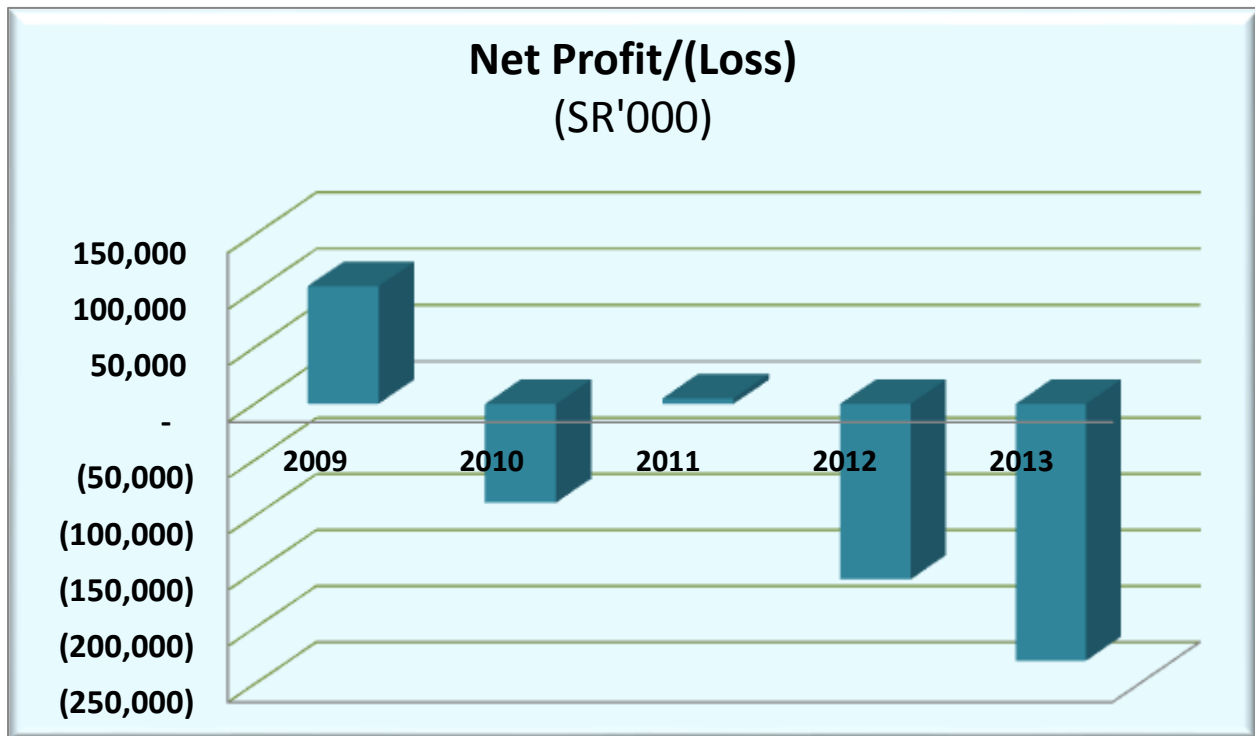




**Profit & Loss Summary (5 years)**  
**(IN SR'000)**

DESCRIPTION	Year ended December 31				
	2008	2009	2010	2011	2012
Revenue	3,499,391	2,458,431	1,857,106	3,199,565	2,687,850
Costs and Expenses	(3,302,758)	(2,393,713)	(2,050,715)	(3,291,096)	(2,944,554)
<b>Net Profit/(Loss)</b>	<b>196,633</b>	<b>64,718</b>	<b>(193,609)</b>	<b>(91,531)</b>	<b>(256,704)</b>
Equity Share of Profit from Associates	62,590	61,477	116,308	96,272	104,610
<b>Net Profit/(Loss) before Zakat</b>	<b>259,223</b>	<b>126,195</b>	<b>(77,301)</b>	<b>4,741</b>	<b>(152,094)</b>
Zakat & Income Tax	(47,172)	(21,718)	(10,515)	362	(4,311)
<b>Net Profit/(Loss)</b>	<b>212,051</b>	<b>104,477</b>	<b>(87,816)</b>	<b>5,103</b>	<b>(156,405)</b>





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

DESCRIPTION	2012		2011		Increase /(Decrease)
	Amount	%	Amount	%	Amount
Gross Sales	2,458,180	91.5	3,021,546	94.4	(563,366)
Contract revenue	229,670	8.5	178,019	5.6	51,651
<b>Total Sales</b>	<b>2,687,850</b>	<b>100.0</b>	<b>3,199,565</b>	<b>100.0</b>	<b>(511,715)</b>
Cost of Sales	(2,407,979)	(89.6)	(2,880,419)	(90.0)	(472,440)
Contracts Cost	(199,636)	(7.4)	(175,641)	(5.5)	23,995
Selling & Distribution Expenses	(66,770)	(2.5)	(61,700)	(1.9)	5,070
General & Administrative Expenses	(86,508)	(3.2)	(85,136)	(2.7)	1,372
Amortization of Deferred Cost	(11,959)	(0.4)	(6,615)	(0.2)	5,344
Financial Charges	(109,921)	(4.1)	(71,587)	(2.2)	38,334
Provision for Doubtful Debts	(35,109)	(1.3)	(5,968)	(0.2)	29,141
<b>Total Expenses</b>	<b>(2,917,882)</b>	<b>(108.6)</b>	<b>(3,287,066)</b>	<b>(102.7)</b>	<b>(369,184)</b>
Other Income / (Loss)	(1,036)	-	1,876	0.1	(2,912)
Foreign Currency re-measurement (Loss)/Profit	(606)	-	(9,604)	(0.3)	8,998
Equity share of Profit from Associates	104,610	3.9	96,272	3.0	8,338
Derivative Financial Instruments	(32,496)	(1.2)	-	-	(32,496)
<b>Total Other Income &amp; Share of Profit From Associates</b>	<b>70,472</b>	<b>2.6</b>	<b>88,544</b>	<b>2.8</b>	<b>(18,072)</b>
<b>PROFIT / (LOSS) BEFORE ZAKAT &amp; INCOME TAX</b>	<b>(159,560)</b>	<b>(5.9)</b>	<b>1,043</b>	<b>-</b>	<b>(160,603)</b>
Zakat and Income Tax	(4,311)	(0.2)	362	-	4,673
<b>PROFIT/(LOSS) BEFORE MINORITY INTEREST</b>	<b>(163,871)</b>	<b>(6.1)</b>	<b>1,405</b>	<b>-</b>	<b>(165,276)</b>
Minority Interest	7,466	0.3	3,698	0.1	3,768
<b>NET PROFIT / (LOSS)</b>	<b>(156,405)</b>	<b>(5.8)</b>	<b>5,103</b>	<b>0.2</b>	<b>(161,508)</b>



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

DESCRIPTION	As at 31 December		Net Change
	2012	2011	
Capital Stock	760,000	760,000	-
Statutory Reserves	63,432	63,432	-
Accumulated Profit	63,464	219,869	(156,405)
Proposed dividends	-	-	-
Cumulative changes in fair values	28,188	(34,208)	62,396
<b>Total Shareholders' Equity</b>	<b>915,084</b>	<b>1,009,093</b>	<b>(94,009)</b>
Minority Interest	13,283	12,308	975
<b>Total Equity</b>	<b>928,367</b>	<b>1,021,401</b>	<b>(93,034)</b>

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

DESCRIPTION	As at 31 December		Net Change
	2012	2011	
Zakat	8,513	12,545	(4,032)
The Public Authority for Social Insurance	5,715	5,439	276
Registration, Visa and Other Expenses	1,018	724	294
<b>Total amounts paid to the Government</b>	<b>15,246</b>	<b>18,708</b>	<b>(3,462)</b>

## **8 - 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 net of provision of SR 4.3 million was made in the year 2012 (total provision for KSA, SR 10.9 million was offset by SR 6.6 million against deferred tax from a foreign subsidiary). The provision available at 31 December 2012 amounted to SR 42.3 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.





## 9 - BANK LOANS

The Bank Borrowings of the Company in SR'000 at 31 December 2012 were:

Description	Period		Opening Balance 2012	Movement in 2012		Closing Balance In 2012	Cost of Finance (Average)
	From	To		Drawdown	Repayments		
<b>LONG TERM LOANS</b>							
SIDF	Mar-10	Jun-18	149,400	43,817	50,900	142,317	NIL (Admin Charges Only)
All Other Banks in KSA	Sep-09	Dec-15	205,060	539,125	395,553	348,632	3.20
Banks of Foreign Subsidiaries	Sep-09	Mar-13	48,492	156,562	48,492	156,562	5.60
<b>TOTAL LONG TERM LOANS</b>			<b>402,952</b>	<b>739,504</b>	<b>494,945</b>	<b>647,511</b>	
<b>SHORT TERM LOANS</b>							
Banks in KSA	Annually Renewable		1,472,095	3,187,090	3,672,481	986,704	3.36
Banks of Foreign Subsidiaries	Annually Renewable		326,715	501,963	578,294	250,384	6.30
<b>TOTAL SHORT TERM LOANS</b>			<b>1,798,810</b>	<b>3,689,053</b>	<b>4,250,775</b>	<b>1,237,088</b>	
<b>TOTAL BANK LOANS</b>			<b>2,201,762</b>	<b>4,428,557</b>	<b>4,745,720</b>	<b>1,884,599</b>	

## 10 - 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	Manufacturer of Switch Gears, Transformers and related accessories	Turkey	79%
<b>Associate Companies</b>			
<b>Name of Entity</b>	<b>Principal Field of Activities</b>	<b>Country of Incorporation</b>	<b>% of Ownership</b>
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 for Aluminum rod production at the year-end 2012 was 270,000 MT which has made Midal Cables as the single largest producer of Aluminum Rod in the world under one roof. Midal Cables has, during the year, setup a conductor manufacturing facility in Turkey.

### **XECA International Information Technology**

The Company currently owns 25% of XECA. Process of ownership increase to 50% is under progress. 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.

## **11 - TRANSPARENCY AND CORPORATE GOVERNANCE**

### **11A - 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.

### 11B - BRIEF CREDENTIALS

The Board of Directors comprises of 7 members elected for a three-year term commencing 3<sup>rd</sup> 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"><li>- Bachelor's degree in Engineering from University of California, Berkley</li><li>- Master's degree in Engineering from University of California, Berkley</li></ul>	Alujain Corporation
Shaukat Aziz	Non-Executive /Independent	<ul style="list-style-type: none"><li>- Master's degree in Business Administration</li></ul>	-
Saleh E. Al Hussaini	Non-Executive /Independent	<ul style="list-style-type: none"><li>- Master's degree in Economics</li></ul>	-
Abdullah H. Masri	Non-Executive /Independent	<ul style="list-style-type: none"><li>- Bachelor's degree in Humanities from University of California,</li><li>- Master's degree in Humanities from University of Chicago,</li><li>- Doctorate in Humanities from University of Chicago,</li><li>- Dip in Business Administration from Harvard University</li></ul>	-
Adnan A. Maimani	Non-Executive	<ul style="list-style-type: none"><li>- Master's degree in Law from McGill University, Canada</li></ul>	Saudi Industrial Services Co. (SISCO)
Yousuf A. Alireza	Non-Executive	<ul style="list-style-type: none"><li>- Bachelor's degree in Applied Sciences in Business Sector from University of San Francisco</li><li>- Master's degree in Business Administration</li></ul>	-
Waheeb A. Linjawi Managing Director & Group President	Executive	<ul style="list-style-type: none"><li>- Master's degree in Town Planning from University of South Carolina</li><li>- Doctorate in Town Planning from University of Claremont</li></ul>	-

**11C - DIRECTORS' OWNERSHIP OF SCC SHARES**

The details of the Directors' and their Families' ownership of shares in the Company is as follows:

Name of the Member	No. of shares at the beginning of 2012	No. of shares at the end of 2012	Net change in the No. of shares during the year	Cash dividend distributed during the year 2012	Ownership of First Degree relatives and changes therein
Khalid A. Alireza	52,797	52,797	-	-	97,727 shares. No change during the year
Shaukat Aziz	-	-	-	-	None
Saleh Eid Al-Hussaini	1,000	1,000	-	-	None
Abdullah H. Masri	2,559	2,559	-	-	None
Adnan A. Maimani	1,000	1,000	-	-	2,230 shares. No change during the year
Yousuf A. Alireza	1,000	1,000	-	-	None
Waheeb A. Linjawi	1,000	1,000	-	-	None

**11D - BOD MEETINGS & IMPORTANT RESOLUTIONS**

Attended By	2012 Meeting Dates			
	17 Jan	21 Apr	05 Jun	18 Nov
Khalid A. Alireza	√	√	√	√
Shaukat Aziz	√	√	√	√
Saleh E. Al-Husseini	By Proxy	By Proxy	√	By Proxy
Abdullah H. Masri	√	√	√	√
Adnan A. Maimani	√	√	—	By Proxy
Yousuf A. Alireza	√	√	√	√
Waheeb A. Linjawi	√	√	√	√



The following important resolutions were passed:

	<b>Subject</b>
1	Decision to recommend to the Shareholders General Assembly amendment to SCC bylaws as per Ministry of Commerce & Industry Circular No.222/2929 dated 1/3/1433H and No.222/3384 dated 12/3/1433H (BOD Res.No.C-2012-3).
2	Approval to purchase the foreign partner Computer Associate's holding of 3.3 m shares of XECA International, for a total nominal price of US\$1 (US Dollars One only), as offered by them (BOD Res.No.C-2012-4).
3	Approval for continuation of payment of monthly remuneration of SR 40,000 to the Chairman till the end of the Board's current term and reimbursement of all expenses incurred in carrying out his work (BOD Res.No.C-2012-5).
4	Approval of banking facilities from Bank Muscat (BOD Res. No.C-2012-6).
5	Approval for Mr. Adnan Khalaf to proceed on retirement from the post of Board Secretary and appointment of Mr. Adnan A. Maimani in his place (BOD Res.No.BOD-140/3).
6	Reconstitution of Nomination and Remuneration committee, with Dr. Abdullah H. Masri as Chairman, Dr. Waheeb A. Linjawi and Mr. Ahmed Gabbani as members. (BOD Res. No.BOD-142/2).

### **11E - DETAILS OF REMUNERATION TO EXECUTIVE & NON-EXECUTIVE BOD MEMBERS & SENIOR EXECUTIVES**

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

<b>Directors - Executive</b>	<b>Salaries &amp; Allowances</b>	<b>Fees</b>	<b>Bonus</b>	<b>Total 2012</b>	<b>Total 2011</b>
Waheeb A. Linjawi	1,061	21	-	1,082	1,121
<b>Total Executive Directors</b>	<b>1,061</b>	<b>21</b>	<b>-</b>	<b>1,082</b>	<b>1,121</b>
<b>Directors - Non-Executive</b>					
Khalid A. Alireza	480	21	-	501	544
Yousuf A. Alireza	-	21	-	21	9
Adnan A. Maimani	-	9	-	9	6
Abdullah H. Masri	-	21	-	21	24
Saleh Eid Al Hussein	-	9	-	9	21
Shaukat Aziz	-	18	-	18	21
<b>Total Non-Executive Directors</b>	<b>480</b>	<b>99</b>	<b>-</b>	<b>579</b>	<b>625</b>
<b>TOTAL DIRECTORS' REMUNERATION</b>	<b>1,541</b>	<b>120</b>	<b>-</b>	<b>1,661</b>	<b>1,746</b>



## **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:

<b>Members</b>	<b>Member of the BOD</b>	<b>Non-Executive</b>	<b>Shareholder</b>	<b>Position</b>
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 and Result**

The committee held 4 meetings in 2012.

<b>No</b>	<b>Meeting Date</b>	<b>Meeting No</b>	<b>Attended By</b>
1	16 January 2012	(93) Ninety Three	1- Omar Khalifati. 2- Ashraf Tumbi. 3- Wadia Eshgi.
2	24 April 2012	(94) Ninety Four	1- Omar Khalifati. 2- Adnan Maimani. 3- Wadia Eshgi.
3	27 June 2012	(95) Ninety Five	1- Omar Khalifati. 2- Ashraf Tumbi.
4	17 November 2012	(96) Ninety Six	1- Omar Khalifati. 2- Ashraf Tumbi. 3- Wadia Eshgi.

Meeting Fees paid @ SR 3,000 per meeting per member.

#### **RESULT AND FINDINGS**

1. The Audit Plan, Procedures and profile of the Internal Audit Department were reviewed and found adequate.



2. A study of the Company's financial and operational policies/procedures and internal control system shows that the policies/procedures are adequate and well placed.
3. The result of Internal Audit showed that internal control procedures were effective throughout the Group. Examination and review of books of account, financial transactions, reports, data and operational activities and physical verification of company's assets and properties showed no major procedural violations.

## 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 Committee has been reconstituted vide BOD Resolution No. BOD 142/2 dated 4 Muharram 1434 H corresponding to 18 November 2012 G as follows:

Members	Position
Dr. Abdullah H. Masri	Chairman of the Committee
Dr. Waheeb A. Linjawi	Member
Dr. Ahmed Saad Gabbani	Member

The tenure of the new committee will be for a period of the existing Board of Directors' as per the rules approved by the shareholders.

### Meetings:

The initial Committee had one meeting during the year 2012 as per the following attendance, there is no remuneration paid to any of the committee members including the Chairman.

Members	Position	Meeting Date	Attendance
Khalid A. Zainal Alireza	Chair Person	Nov. 18, 2012	✓
Shaukat Aziz	Member	Nov. 18, 2012	✓
Saleh Eid Al-Hussaini	Member	Nov. 18, 2012	×
Abdullah H. Masri	Member	Nov. 18, 2012	✓
Yousuf A. Zainal Alireza	Member	Nov. 18, 2012	✓

**12 - IMPLEMENTATION STATUS OF CORPORATE GOVERNANCE (CMA) REGULATIONS**

(As of 31 December 2012)

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	17				
9	11- Responsibilities of the Board	8	8				
10	12- Formation of the Board	9	9				
11	13- Committees of the Board	3	3				
12	14- Audit Committee	11	11				
13	15- Nomination and Remuneration Committee	8	8				
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	90			1	
18	Percentage of Implementation	<b>100%</b>	<b>98.9%</b>			<b>1.1%</b>	

**13 - PENALTIES IMPOSED BY CAPITAL MARKET AUTHORITY**

No Penalties were imposed by CMA in the year 2012.



**14 - TOP FIVE EXECUTIVES' REMUNERATION**

Remunerations paid to top 5 Executives of the Group

Positions	(SR'000)			
	Salaries & Allowances	Bonus	Total 2012	Total 2011
Operational Head	940	-	940	602
Head of Technical/Sales	785	-	785	552
Head of Business Activities / Operational Head 2	740	-	740	719
Head of Sales	737	-	737	555
Head of Finance	572	-	572	558

Neither the Senior Executives nor their Families acquired any shares during the year 2012. There were no shares owned by any of them at the end of 2012 and 2011.

**15 - 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 on-going agreement with the Company, is reimbursed with actual costs incurred on its behalf for services rendered. Additionally, during the year 2012, an amount of SR 25 million was advanced to SCC to support its working capital requirements on an urgent basis.

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

Related party	Nature of transaction	2012	2011
Management	Remunerations	1,661	1,746
Midal Cables W.L.L.	Purchases of Aluminum Rod	21,941	7,148
Midal Cables W.L.L.	Dividends income	116,553	48,172
Xenel Industries Limited	Expenses of Travel, Consultancy, Training, Legal etc. charged to the Group and advances.	25,003	6,668
XECA International Information Technology	IT Outsourcing services paid	1,318	2,820
XECA International Information Technology	Cost of SAP Implementation	6,788	11,829
Hidada Limited	Consultancy Expenses charged by the Group	153	43
Alujain Corporation	Consultancy Expenses charged by the Group	77	144



Related party balances comprised of the following as at 31 December:	2012	2011
<b>Due from related parties</b>		
Hidada Limited	1,132	1,069
Alujain Corporation	1,396	1,319
Midal Cables W.L.L.	-	600
XECA International Information Technology	3	-
	<b>2,531</b>	<b>2,988</b>
<b>Due to related parties</b>		
Xenel Industries Limited	25,350	346
Midal Cables W.L.L.	7,510	-
Chem Global Limited	664	664
	<b>33,524</b>	<b>1,010</b>

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

## 16 - 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.

## 17 - 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.



**Shareholders' Rights and communications with them:** All shareholders are entitled to all rights attached to the share and as described in the Company's Bylaws and as laid down in the governance regulations, in particular the right to participate in governance and profits of the Company. These documents cover the rights of the shareholders and they may acquaint themselves of these by visiting the Company's website ([www.saudicable.com](http://www.saudicable.com)); this is in addition to what is published periodically on 'Tadawul' and that published from time to time in the local newspapers.

**Dividend Policy:** Articles 39 and 40 of the Company's Bylaws cover the policy on distribution of annual profits as follows:

**Article 39 – Distribution of annual profits:**

The annual profits arrived at after deducting all general expenditures and other charges, shall be distributed as follows:

39.1 A sum of 10 per cent of the net profits shall be set aside to form a Legal Reserve. The Ordinary General Assembly may stop such setting aside when the said reserve equal fifty per cent of the Company's paid-up capital.

39.2 Out of the remainder of the net profits a first dividend of not less than five per cent of the paid-up capital shall be distributed among the shareholders.

39.3 Then an amount of not more than 10% (maximum of SR 200,000 per Director) of the remainder of the net profits, shall be allocated and distributed to the members of the Board of Directors.

39.4 The remainder shall be distributed among the shareholders as an additional dividend, or be carried forward for subsequent years in the manner recommended by the Board of Directors and approved by the General Assembly.

**Article 40 – Distribution of Dividends:**

The dividends decided to be distributed among the shareholders shall be paid at the place and time fixed by the Board of Directors within the guidelines or the relevant directives issued by the Ministry of Commerce.

**Voting :** The Company had included a resolution on approval of cumulative voting in the agenda of the Extraordinary General assembly No.39 on 3/8/1433H corresponding to 23/6/2012G; but there was no quorum and therefore the cumulative voting method has not been incorporated in the Company's Bylaws till date. Hence the Company has not implemented it.

**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.

**18 - IMPORTANT DATES FOR SHAREHOLDERS AND STAKEHOLDERS:**

The BOD endeavors to meet four times each year. The dates of meetings are dependent on the maximum attendance availability of its members. The following tentative dates have been initially fixed for important meetings to be convened in 2013. The actual meeting dates may vary upon BOD Members' availability.

Meeting		Day and Date
1	Ordinary General Assembly (OGA)	Tuesday, 04-07-1434 H – 14/05/2013 G
2	Board of Directors Meeting	Saturday, 07-03-1434 H – 19/01/2013 G
3	Board of Directors Meeting	Monday, 15-04-1434 H – 25/02/2013 G
4	Board of Directors Meeting	Tuesday, 20-06-1434 H – 30/04/2013 G
5	Board of Directors Meeting	Tuesday, 08-09-1434 H – 16/07/2013G
6	Board of Directors Meeting	Sunday, 10-12-1434 H – 15/10/2013 G

**19 - 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.



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**20 - BOARD OF DIRECTORS RECOMMENDATIONS TO THE SHAREHOLDERS:**

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1. Approval of the Board of the Directors' Report for 2012.
2. Approval of the 2012 year-end financial statements and external auditors' report.
3. Absolving the Board of Directors of their responsibilities for the year 2012.
4. Approval of the appointment of external auditors for the year 2013.
5. Approval of the amendment of the Nomination and Remuneration Committee Charter.
6. Approval of the Business and Agreements made by and between the Company and related parties.

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 Salman Bin Abdul Aziz Al Saud, Deputy Prime Minister and Minister of Defense, and the Government for their continuing cooperation and support.

All the company employees join the Directors in offering their deepest condolences to the Royal family and the citizens, on the demise of HRH Crown Prince Naif Bin Abdul Aziz Al Saud, Deputy Prime Minister and Interior Minister, who had dedicatedly served the country over many years.

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**