



## **Message from the Chairman**

Saudi Cable Company incurred a net loss of 80 million SAR for the year 2017 after inclusion of a restructuring gain of 77 million SAR due to a settlement with one of the lenders.

Whereas the volume decreased only marginally, the ongoing slump in the market was felt in price pressure in all segments and lack of projects, notably in the High Voltage segment. Further penetration in export markets was hampered by lack of funds due to the ongoing strain of the restructuring discussion with the lenders.

Due to accumulated losses crossing the 50% equity boundary by the end of 2016, the company had to do a capital reduction which was finalized in June 2017. That event and the subsequent waiver of the June repayment by the remaining lenders resulted then in the company publishing its full year 2016 results on November 15<sup>th</sup> 2017.

The different views with its auditors that had materialized in the beginning of 2017 caused a deadlock for publishing financial results of subsequent quarters and only after the general assembly on January 14<sup>th</sup> 2018 elected Crowe and Horwath as its new auditors was the company able to continue publishing (Q1 2017 on February 5<sup>th</sup> 2018, Q2 2017 on February 19<sup>th</sup> 2018, and Q3 2017 on February 26<sup>th</sup> 2018).

In the same January 14<sup>th</sup> 2018 shareholders meeting, a new board was elected and thereafter reconstituted itself on February 11<sup>th</sup> by choosing the undersigned as its new independent Chairman. Raaid Alireza was selected as the Vice Chairman of the company.

The main task for the new board will be to find a permanent solution for the company to restructure its equity and debt positions - enabling working capital financing for growth in existing and new markets. A number of alternatives and options will need to be looked at.

**Meyassar Nowailati**  
Chairman

## **Message from the President**

Dear Stakeholder,

The year 2017 continued the trend that had started in the second half of 2016, i.e. a contraction of the market that resulted in accelerated price pressures. As a result, the company has been very selective in its bidding, notably since the available High Voltage projects were very limited.

Focus has been on maintenance jobs and specialty cables, while making sure that customer relations were preserved in the expectation that better times will come soon under the Vision 2030 initiatives.

The number of lenders has been reduced to three, since it has been possible to find a debt reduction and settlement deal with one of them.

Further progress was made on the accessories side where the company now has type tested its own 380 kV accessories and has entered the elite of the very few who master this technology.

Elimsan, our Turkish subsidiary engaged in the production of electrical switchgear and transformer products, continued its good trend and grew its business further, crossing the breakeven and achieving profitability. Also the in-house projects activity generated a profit, albeit a small one.

In our factories further cost cutting has been achieved, notably with the introduction of bar coding and focus on material consolidation. Working capital ratios were optimized and machine utilization was improved. As such, the company is ready for more business, provided that working capital restrictions can be eliminated, which has become the main goal for 2018.

The management is extremely pleased with the employees who continued to find new and better ways in another difficult year. During various occasions, special efforts were noticed and employees were signaled out for their effort and success. Also on the customer and supplier-front, the support for SCC has been remarkable and reason for gratefulness.

**Dionysius Metzemaekers**  
President, SCC Group

# SAUDI CABLE COMPANY

## Board of Director's Report

For the Year Ended 31 December 2017

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

**BOARD OF DIRECTORS' REPORT**  
**FOR THE YEAR ENDED**  
**31 December 2017**

**1 - INTRODUCTION**

The Group is a leading manufacturer and provider of Power Transmission and Distribution equipment, services and solutions with a global footprint.

The Group was founded and is headquartered in Jeddah, Kingdom of Saudi Arabia where it also has its biggest manufacturing site. The Group owns and operates factories as well as service and solution units in Kingdom of Saudi Arabia, Kingdom of Bahrain and Turkey.

The comprehensive product range does not only include cables for a wide variety of applications such as low, medium, high and extra high voltage power cables, building wires, telecommunication, instrumentation, control and speciality cables. The Group also manufactures medium voltage instrument transformers, switchgear panels and high voltage disconnectors.

Besides Power Transmission and Distribution equipment, The Group offers all product related services such as design, installation, commissioning and testing of complete power cable systems. With its strong global sales and service network, The Group is able to address their customers worldwide with products, solutions and services worldwide.

**2 - SALIENT ACTIVITIES**

**Profit & Loss And Financial Restructuring**

The Group has made a net loss of SR 80.3 million as compared to the net loss of SR 235.4 million last year. The reasons for decrease in net loss of current period compared with the net loss of similar period of last year, are mainly due to the following items included in the statement of comprehensive income:

1. A waive off of loans totaling SR 77 million from one of the restructuring banks
2. Reduction in operating expenses and improved margins
3. Absence of provision against development cost and impairment of Goodwill as compared to year 2016
4. Share of loss from associates as compared to a profit in year ended 2016



## **Financial Restructuring**

On 23 February 2016, the Group secured financial restructuring agreements ("Initial restructuring agreement") with its four main lenders that requires the Group to comply with additional covenants and allows the Group to reschedule repayment of its debts over a period of 7 years, culminating with a final payment at the end of December 2022, subject to certain additional requirements to be completed within sixty days. The amount of total debt restructured is SR 793 million, including accumulated financing costs of SR 85 million. However, these terms were amended subsequent to the yearend, through the following:

- a) On 17 April 2017, the Group had entered into a Final Settlement Agreement ("the Settlement agreement") with BNP Paribas on the basis of which the Group made a payment of SR 40 million. Based on the terms of the said agreement, on receipt of SR 40 million by BNP Paribas, the loan amount of BNP Paribas shall be reduced from SR 142 million to SR 24.99 million. Accordingly, the Group has reversed the obligation through consolidated statement of income and reduction in accumulated losses, by SR 77 million in the period.
- b) On 11 June 2017, the Group finalized further renegotiations to "Restructuring Framework Agreement" through an amendment and restatement agreement by virtue of which the Participating Banks (excluding BNP Paribas) have agreed to defer the repayment of the loan for a further period. According to the terms of the said agreement, the Company shall increase its capital through issuance of right shares and settle an amount of SR 188.38 million, from the said proceeds by 30 June 2018. The remaining amount of SR 371.65 million is payable in equal semi-annual instalments commencing from 31 December 2018 to 30 June 2022.
- c) During October 2017 all the participating banks (excluding BNP Paribas) within the restructuring consortium, have confirmed that, in an event the issuance of right shares gets delayed and the Company is unable to generate sufficient cash for the repayment of amounts due on 30 June 2018, the participating banks will revisit the current repayment terms and defer the obligations for a sufficient period to ensure that the Company's operations are not discontinued. Concurrently, the Company shall be relieved from any breaches of debt covenants caused by the aforementioned delay. Additionally, the Participating banks have also confirmed to provide continued support to in case of unwillful defaults by the Company due to unforeseen circumstances, as mentioned.



Furthermore, as per the restructuring agreement, DFI has agreed to restructure the loan according to the revised repayment terms of the restructured loan.

### **Profit Distribution & Dividend**

During 2017, the company did not disburse any dividends, similar to 2016.

### **3 - REVENUES**

The Group's revenues in 2017 were SR 1,342 million as compared to SR 1,565 million in 2016.

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 3,142.8 million in 2017.

The Geographical distribution of the revenues was:

Region	SR Million	
	2017	2016
Kingdom of Saudi Arabia (KSA) & GCC	939	1,120
Rest of the World	403	445
<b>TOTAL SALES</b>	<b>1,342</b>	<b>1,565</b>

The Geographical distribution of the net Income/(Loss) was:

Region	SR Million	
	2017	2016
Kingdom of Saudi Arabia (KSA) & GCC	(70)	(204)
Rest of the World	(11)	(32)
<b>TOTAL NET INCOME / (LOSS)</b>	<b>(80)</b>	<b>(236)</b>

Revenue was generated from the following segments:

Revenue From	SR Million		
	As at 31 December		
	2017	2016	Net Change
Product Sales	1,244	1,481	(237)
Projects & Contracting	99	84	15
<b>TOTAL REVENUE</b>	<b>1,342</b>	<b>1,565</b>	<b>(222)</b>





## 4 - ORGANIZATIONAL DEVELOPMENT

The company realizes that a strong cultural foundation is the cornerstone of its short and long-term strategies in building a high performance organization. Our Journey to Excellence, specifies three guiding principles: people-centric, results-driven, and forward-looking:

**People-centric** – To become an accessible and responsive organization, the company needed to expand and enhance its connections with customers and suppliers, emphasizing commitment and transparency, and engage with its own employees' development for leadership, ownership and accountability.

**Results-driven** – The provision of excellent results necessitated emphasis on accurate data collection, individual performance measures, key performance indicators, and team performance monitoring. Everyone is to be held accountable for results that matter to the company. Additionally, building cost-consciousness in all conduct and staying within the budget are also key aspects of our results-driven culture.

**Forward-looking** – Investment in SCC facilities, technology, systems, programs, and business processes that need to be conducted to establish value added processes.

At the company, we value a High Performance Culture and sense of ownership among our team. We live by our "ICARE" value system, Occupational Health & Safety and compliance with legislations and codes of ethics. A high performance culture is about diversity, teamwork and leadership. It is how we build trust, focus on customers and drive changes through creativity and innovation.

We are certain that a cohesive culture based on our "ICARE" values strengthens our business and makes the SCC group a more attractive employer, business partner, industry leader, and trusted corporate citizen. "ICARE" stands for:

<b>I</b> nnovation	Creative thinking that adds value
<b>C</b> ommitment	Transform promise to reality, as one team
<b>A</b> ppreciation	Recognize the achievements of others
<b>R</b> espect	Showing admiration and consideration to everyone
<b>E</b> xcellence	Deliver outstanding results



## **Human Resources**

With the belief of the company's Management that the human element is the prime ingredient for success of an enterprise, the company has developed a new Organization Structure including changes to functional regulation and salary scale.

The company's Management has followed the latest scientific methods for job evaluation and estimation of functional depth for all positions. This has enabled the company to systematize salary administration and keep up with a market approach to the labor market in the Kingdom of Saudi Arabia, thereby providing an encouraging work environment and greater job stability to all employees of the company. We believe this will have a beneficial effect on the company's results in the future.

### **Program to employ recent young graduates**

Proceeding from the company's approach to maintain its leading role in the Saudization of jobs in 2017, the company continues to train 24 recent graduates and enrolled them into a training program in cooperation with the Ministry of Labor through the Human Resources Development Fund (HRDF), at one of the non-profitable institutes contracting with the Human Resources Development Fund. Also, the (27) trainees who have completed training period of 24 months at the institute have been enrolled.

This program aims at preparing the youth and imparting to them the required basic skills so that they are adequately prepared to add value in their new positions at the company. We believe this will also reflect positively on the company's performance.

### **Programs created for welfare of Employees**

The company supports the welfare of its employees by providing educational assistance to the children of its employees. This program sustained in 2017 as well.

## **Manpower**

<b>Sector / Company</b>	<b>Total Employees</b>	<b>Nationalization %</b>	<b>NITAQAT Rating</b>
Total Workforce in the Kingdom	771	22.82%	<b>Light Green</b>
Total Workforce outside the Kingdom	849		
Total workforce	1,620		





## **Social Responsibility and Sustainability Programs**

The company encourages its employees to get involved in helping the local community through a range of activities, including charitable establishments and other similar institutions and by devoting a part of their time for that purpose. The company seeks to build constructive relations with several institutions for building a better society and a better environment that is economically sustainable.

### **Support to social organizations in carrying out their role**

- The company provides annual support to 15 Charitable Societies for Memorization of Quran in various regions of the Kingdom of Saudi Arabia
- The company also supports various Charitable Organizations by making donation in kind from time to time
- The company participates in the training of young Saudi men and women with the cooperation of Ministry of Labor's Human Resources Development Fund (HRDF)

### **Programs for continuous contact with the Employees " Hosting Parties"**

The company always endeavors to consolidate the relationship among the employees through hosting parties. Accordingly, in Ramadan 1438H (2017), the company organized a party for all employees at its headquarters for breaking the fast. In Ramadan 1438H (2017), the company conducted a football tournament for strengthening and enhancing the social relations amongst the employees.

## **5 - TURKISH OPERATIONS**

### **MASS KABLO:**

Mass Kablo is an entity that holds Demirer Kablo (for Cables and Accessories) and Elimsan (for Switchgear).

### **Demirer Kablo (Cables and Accessories):**

At the beginning of 2017 Demirer Kablo had 20 MUSD orders at hand but throughout the year struggled to execute the orders it had and also could not secure sufficient new orders in an aggressive way.

Consequently invoiced sales by end of the year reached only around 43 MUSD.

However, on a positive note the costs were reduced and kept under check: cost cutting and manpower adjustment (headcount was reduced by 66 personnel with a positive



effect of almost 1 MUSD). Demirer Kablo headcount has been reduced from 345 (in 2016) to 279 (by beginning 2018).

Overall in 2017 there was 2.6 MUSD loss for Demirer Kablo.

The UK and UAE were the main export markets and TEIAS the main domestic customer.

In the domestic market, partnership was set up with EMTA – a TEIAS contractor. The aim of the partnership was to use EMTA financing for bid / performance bonds and to use their capability for cable laying, civil Works and to some extent jointing. The partnership enabled 4 TEIAS projects to be won.

New opportunities, especially out of UAE as well as other markets, led to growth in backlog: by end 2017, Demirer Kablo had 50 MUSD backlog which continues to increase in early 2018 as well.

Investment in SAP implementation and alignment continued. Over the coming months through better control the benefits of SAP will be more visible.

In the Ambarlı Project (380 kV 16.5 km route), one of the phases failed to pass the AC test in May 2017. The issue was eventually solved but the issue created payment delays from TEIAS, aggravating the tight working capital situation.

The 2 assets of Demirer Kablo were put on sale through REMAX end of 2017: Boyacıkoş and Mass Plaza. The estimated value of 28 – 30 MUSD would improve the balance sheet significantly, facilitating further growth towards profitability.

### **Elimsan (Switchgear)**

2017 was a successful year for Elimsan as it continued to grow and improve in sales, EBITDA and Net Profit (Loss) for the 4<sup>th</sup> consecutive year. The sales figure realized as USD 61 million compared to USD 55 million in 2016. EBITDA grew to USD 6 million from USD 3.2 million in 2016.

The restructuring contract is the main obstacle of Elimsan to get access to new financing with the banks despite the improvement in the P/L. The repayments of the restructuring has been frozen in 2017 and will start again in July 2018. So far, Elimsan has repaid USD 3 million of the principal amount of its debt and USD 10 million debt has remained excluding the interest rate. The payments will unfreeze in July 2018.

In 2017, the indirect costs were a major issue. These include delay penalties, air freight costs replacing the delayed sea shipments, discounting of customer receivables by using factoring, legal payments due to the late payment settlements. The very weak cash situation and hence high supplier payables caused also higher purchase prices of raw materials. These high indirect costs could be replaced partly in 2017 thanks to higher Contribution on Raw Material, i.e. the difference between sales and material cost.



The year has started with an order backlog of USD 85 million, the highest in the company's history and has been completed with USD 70 million. As going forward, Elimsan focuses on cash management. There are significant cost-cutting measures and the organization is being both downsized and made more effective and plain. The demand in domestic market and in Qatar remains strong. There are opportunities in South America primarily via ENEL, Kuwait and Algeria. In 2017, the activities for R&D were slower than planned.

The risks for the key liabilities of the company, which are supplier debts, bank debts and debt to minority shareholders are great.

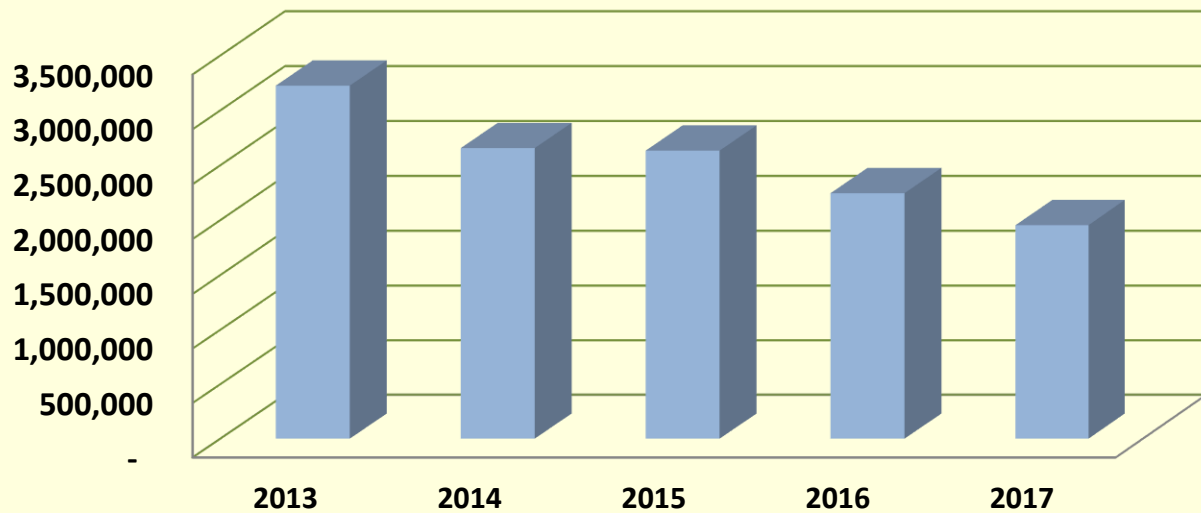
## 6 - GROUP FINANCIALS

### Summary of Financial Position (5 Years)

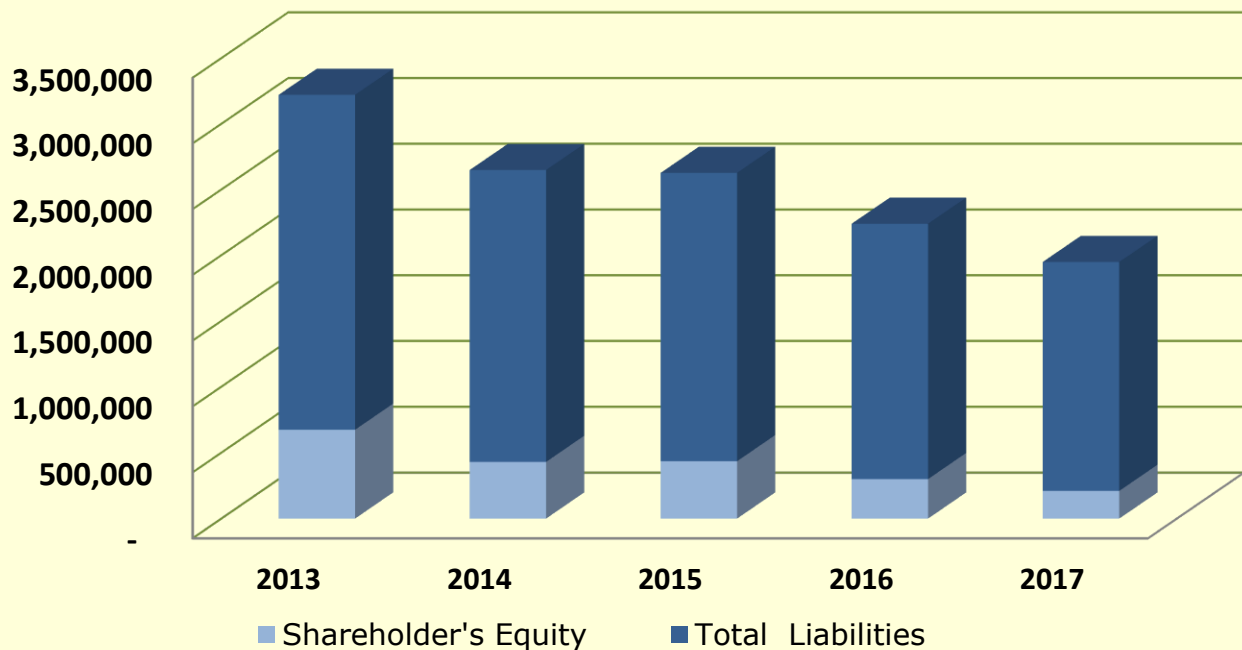
Description	As of 31 December				
	(SR'000)				
	2013	2014	2015	2016	2017
Current Assets	1,704,208	1,116,440	1,222,560	1,008,934	892,923
Non - Current Assets	1,520,794	1,539,353	1,410,334	1,236,523	1,061,193
<b>Total Assets</b>	<b>3,225,002</b>	<b>2,655,793</b>	<b>2,632,894</b>	<b>2,245,457</b>	<b>1,954,116</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>					
Current liabilities	2,181,711	1,961,520	1,928,747	1,263,136	1,197,083
Non - Current liabilities	365,141	257,114	263,042	677,072	541,583
<b>Total Liabilities</b>	<b>2,546,852</b>	<b>2,218,634</b>	<b>2,191,789</b>	<b>1,940,208</b>	<b>1,738,666</b>
Shareholders' Equity	673,681	429,744	434,951	299,632	209,854
Minority Interest	4,469	7,415	6,154	5,617	5,596
<b>Total Liabilities and Shareholders' Equity</b>	<b>3,225,002</b>	<b>2,655,793</b>	<b>2,632,894</b>	<b>2,245,457</b>	<b>1,954,116</b>



### Total Assets (SR'000)

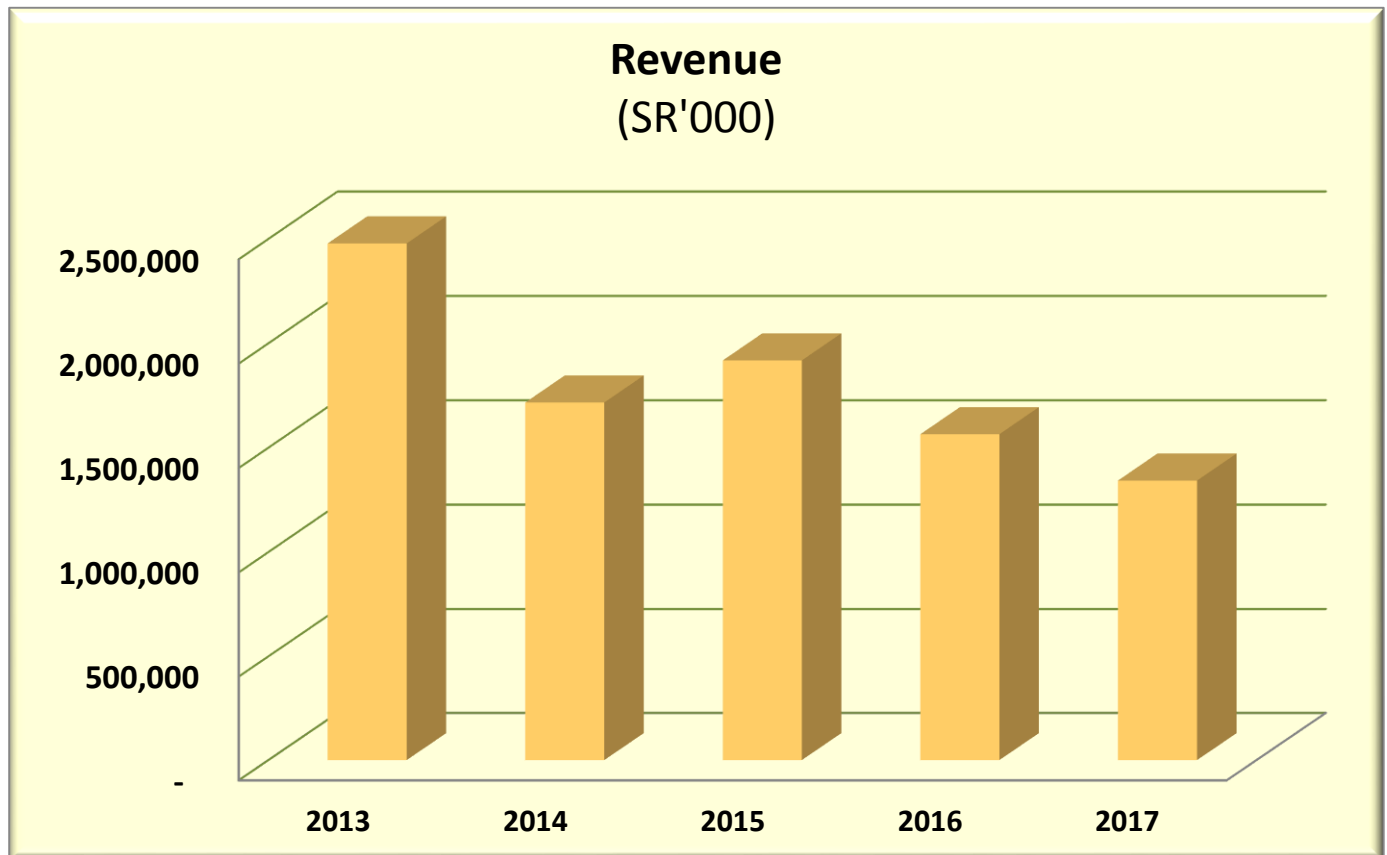


### Total Shareholder's Equity & Total Liabilities (SR'000)



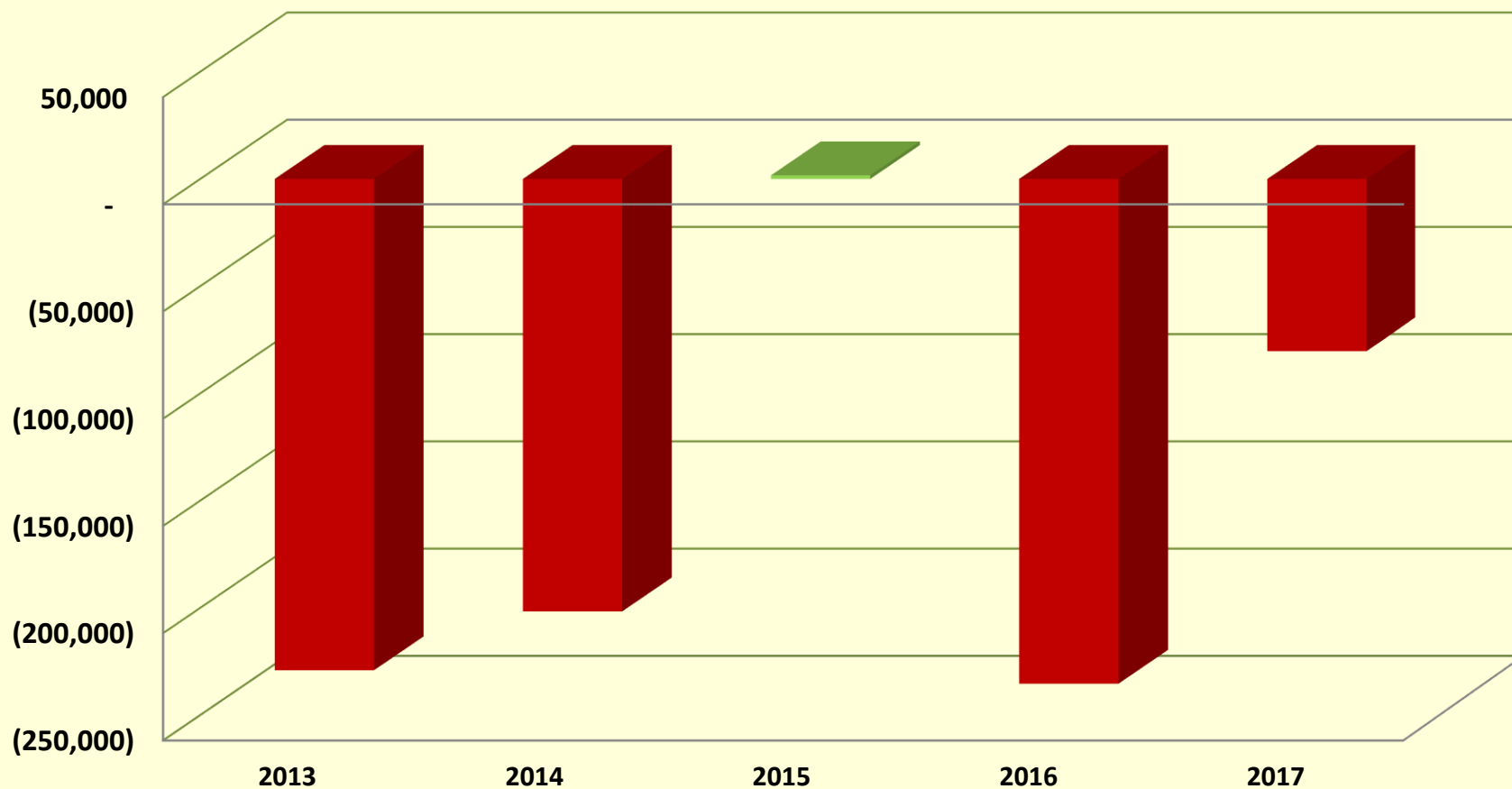


DESCRIPTION	Year ended 31 December				
	(SR'000)				
	2013	2014	2015	2016	2017
Revenue	2,478,444	1,716,321	1,918,059	1,564,555	1,342,477
Costs and Expenses	(2,810,080)	(2,019,005)	(1,986,235)	(1,831,573)	(1,387,190)
<b>Net Profit/(Loss)</b>	<b>(331,636)</b>	<b>(302,684)</b>	<b>(68,176)</b>	<b>(267,018)</b>	<b>(44,713)</b>
Equity Share of Profit from Associates	131,858	114,540	83,763	42,577	(23,238)
<b>Net Profit/(Loss) before Zakat</b>	<b>(199,778)</b>	<b>(188,144)</b>	<b>15,587</b>	<b>(224,441)</b>	<b>(67,951)</b>
Zakat & Income Tax	(29,339)	(13,535)	(13,900)	(10,952)	(12,362)
<b>Net Profit/(Loss)</b>	<b>(229,117)</b>	<b>(201,679)</b>	<b>1,687</b>	<b>(235,393)</b>	<b>(80,313)</b>





### Net Profit/(Loss) - Group (SR'000)



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

DESCRIPTION	2017		2016		Increase / (Decrease)
	Amount	%	Amount	%	Amount
Gross Sales	1,243,680	92.6	1,480,652	94.6	(236,972)
Contract revenue	98,797	7.4	83,903	5.4	14,894
<b>Total Sales</b>	<b>1,342,477</b>	<b>100.0</b>	<b>1,564,555</b>	<b>100.0</b>	<b>(222,078)</b>
Cost of Sales	(1,171,341)	(87.3)	(1,416,266)	(90.5)	(244,925)
Contracts Cost	(119,218)	(8.9)	(108,938)	(7.0)	10,280
Selling & Distribution Expenses	(37,272)	(2.8)	(51,924)	(3.3)	(14,652)
General & Administrative Expenses	(76,630)	(5.7)	(228,466)	(14.6)	(151,836)
Amortization of Deferred Cost	(12,170)	(0.9)	(12,626)	(0.8)	(456)
Financial Charges	(65,394)	(4.9)	(65,258)	(4.2)	136
Provision for Doubtful Debts	7,507	0.6	5,793	0.4	(1,714)
<b>Total Expenses</b>	<b>(1,474,518)</b>	<b>(109.8)</b>	<b>(1,877,685)</b>	<b>(120.0)</b>	<b>(403,167)</b>
Other Income / (Loss)	86,567	6.4	40,756	2.6	45,811
Foreign Currency re-measurement (Loss)/Profit	753	0.1	4,911	0.3	(4,158)
Equity share of Profit from Associates	(23,238)	(1.7)	42,577	2.7	(65,815)
<b>Total Other Income &amp; Share of Profit From Associates</b>	<b>64,082</b>	<b>4.8</b>	<b>88,244</b>	<b>5.6</b>	<b>(24,162)</b>
<b>PROFIT / (LOSS) BEFORE ZAKAT &amp; INCOME TAX</b>	<b>(67,959)</b>	<b>(5.1)</b>	<b>(224,886)</b>	<b>(14.4)</b>	<b>156,927</b>
Zakat and Income Tax	(12,362)	(0.9)	(10,952)	(0.7)	1,410
<b>PROFIT/(LOSS) BEFORE MINORITY INTEREST</b>	<b>(80,321)</b>	<b>(6.0)</b>	<b>(235,838)</b>	<b>(15.1)</b>	<b>155,517</b>
Minority Interest	8	0.0	445	0.0	(437)
<b>NET PROFIT / (LOSS)</b>	<b>(80,313)</b>	<b>(6.0)</b>	<b>(235,393)</b>	<b>(15.0)</b>	<b>155,080</b>





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

DESCRIPTION	As at 31 December		Net Change
	2017	2016	
Capital Stock	404,114	760,000	(355,886)
Accumulated (Loss)/Profit	(175,542)	(451,115)	275,573
Cumulative changes in fair values	(11,650)	5,095	(16,745)
Foreign currency translation reserve	(7,068)	(14,348)	7,280
<b>Total Shareholders' Equity</b>	<b>209,854</b>	<b>299,632</b>	<b>(89,778)</b>
Minority Interest	5,596	5,617	(21)
<b>Total Equity</b>	<b>215,450</b>	<b>305,249</b>	<b>(89,799)</b>

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

DESCRIPTION	As at 31 December		Net Change
	2017	2016	
Zakat	110	135	(25)
The Public Authority for Social Insurance	6,179	6,963	(784)
Registration, Visa and Other Expenses	3,325	2,389	936
<b>Total amounts paid to the Government</b>	<b>9,614</b>	<b>9,487</b>	<b>127</b>



## **7 - CONVERGENCE TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

As of 31 December 2017, the Group has completed its convergence to IFRS and is in full compliance of all the accounting standards issued and made effective by SOCPA.

Standards issued but effective for annual periods beginning on or after 01 January 2018 including IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers are being reviewed and the impact to the financial statements is being quantified.

## **8 - ZAKAT & INCOME TAX**

The General Authority of Zakat and Tax (GAZT) has assessed additional Zakat liability amounting to Saudi Riyals 50.70 million on the Company for the years 1993 to 2004. The Company objected against part of the additional liabilities, which is still under an appeal at various levels between GAZT and Board of grievances (BOG).

GAZT issued the assessment for the years 2005 to 2007 and claimed additional zakat and withholding tax liability of SR 35.69 million. The Company objected against the said assessment, which was transferred to Preliminary Appeal Committee (PAC) for the review and decision. PAC approved the GAZT point of view. Accordingly, the Company filed an appeal against PAC's decision with Higher Appeal Committee (HAC). The HAC rejected the company's appeal. The company file a petition with BOG, which is still under review by BOG.

The GAZT has raised assessment for the years 2008 and 2009 with additional liability of 32.9 million. The company has filed an appeal against the GAZT's assessment with the Preliminary Appeal Committee (PAC).

The GAZT issued the assessment for the years from 2010 to 2012 and claimed additional Zakat liability of SR 66.97 million. The Company objected against the said assessment, which is still under review by the GAZT till to date.

The Company booked a provision of Saudi Riyals 100.4 million against current and above mentioned assessment years by the GAZT. The Company filed its Zakat returns for the year 2013 and 2014 and has obtained the restricted Zakat certificates.

The Company filed its Zakat returns for the years 2014, 2015 and 2016 and has obtained restricted Zakat certificates.

## 9 - BANK LOANS

Term Loans of the Company at 31 December 2017 were:

Figures in (SR'000)

Company	Bank Name	Loan Date	Financing Period	Original Loan Amount	Balance YTD 2016	Addition/Transfer from TL	Transfer from Short Term Loans	Paid in 2017	Balance YTD 2017
TERM LOANS									
Saudi Cable	SIDF	25-Jul-16	6 Years	191,460	112,960	-		(1,960)	110,230
TOTAL SIDF LOAN				191,460	112,960			(1,960)	110,230
RESTRUCTURED BANK LOANS (A)									
Restructured Bank Loans	ALRAJHI FACILITY– A	25-Jul-16	6 Years	31,578	171,281			(1,502)	169,779
	BANK AL JAZIRA FACILITY – A	25-Jul-16	6 Years	-	83,339			(731)	82,608
	NCB FACILITY – A	25-Jul-16	6 Years	-	222,481			(1,951)	220,530
	TOTAL FACILITY – B			31,578	477,101			(4,184)	472,917
	ALRAJHI BANK – B (MP)	25-Jul-16	6 Years	159,988	92,929			(815)	92,114
	BNP PARIBAS BANK– B	25-Jul-16	6 Years	30,000	141,985			(117,000)	24,985
	TOTAL BANKS (B)			189,988	234,914			(117,815)	117,099
TOTAL RESTRUCTURED BANK LOANS (C) = (A+B)			221,566	712,015	-	-	(121,999)	590,016	
	TOTAL TERM LOAN			413,026	824,205	-	-	(123,959)	700,246
Mass Kablo	ZIRAATBANK	09-Oct-17	2 Years	9,375	-	9,375	(4,563)	-	4,812
	EXIMBANK	07-Apr-15	5 Years	6,825	3,795	-	-	-	3,795
	TOTAL MASS KABLO (D)			16,200	3,795	9,375	(4,563)	-	8,607
ELIMSAN	YAPI KREDİ	2015	5 Years	7,136	4,984	(1,789)	-	-	3,195
	İŞBANKASI	2015	5 Years	9,540	6,663	(2,393)	-	-	4,271
	KUVEYTTURK	2015	5 Years	6,551	5,381	(2,768)	-	-	2,613
	DENİZBANK	2015	5 Years	8,929	6,374	(94)	-	-	6,280
	VAKIFBANK	2015	5 Years	6,375	4,500	(293)	-	-	4,208
	BANK ASYA	2015	5 Years	-	4,283	(1,856)	-	-	2,427
	TOTAL ELIMSAN (E)			38,531	32,185	(9,191)	-	-	22,994
TOTAL LONG TERM LOAN (C+D+E)				467,757	860,185	184	(4,563)	(123,959)	731,847
LESS: Current Position	SIDF	Rescheduled for 2 years			(38,963)	35,043	-	1,960	(38,963)
	Commercial Banks				(226,707)	(59,120)	-	29,716	(226,707)
	Total Current Portion Term Loan				(265,670)	(24,077)	-	31,676	(265,670)
TOTAL LONG TERM LOANS AS OF 31-DEC-2017					594,515	(23,893)	(4,563)	(92,283)	473,776



Figures in (SR'000)

Company	Bank Name	Loan Date	Financing Period	Original Loan Amount	Balance YTD 2016	Addition/ Transfer from TL	Transfer to Term Loans	Paid in 2017	Balance YTD 2017
<b>SHORT TERM LOANS</b>									
Saudi Cable Company	Bank Al-Bilad	02-Oct-13	1 Year	33,405	9,791	-	-	(9,791)	-
	Saudi British Bank	27-Nov-14	2 Months	15,233	5,483	29,946	-	(5,483)	29,946
<b>TOTAL SAUDI CABLE COMPANY</b>				<b>48,638</b>	<b>15,274</b>	<b>29,946</b>	<b>-</b>	<b>(15,274)</b>	<b>29,946</b>
Mass Kablo	AK BANK	2014	5 Years	56,250	16,875	11,250	-	(2,271)	14,604
	ALBARAKA TURK	2015	1 Year	15,673	9,060	-	-	(9,060)	-
		2017	1 Year	17,584	-	17,584	-	(13,800)	3,783
	FIBA BANK	2016	7 Months	-	263	-	-	(263)	-
		2016	5 Months	-	5,925	-	-	(5,925)	-
		2016	8 Months	-	12,750	-	-	(12,750)	-
		2016	7 Months	-	3,975	-	-	(3,975)	-
		2017	6 Months	700	-	2,625	-	(2,625)	-
		2017	7 Months	1,000	-	3,750	-	(3,750)	-
		2017	6 Months	200	-	750	-	(750)	-
	T.VAKIFLAR BANKASI	2014	1.5 Years	9,375	5,625	-	-	(938)	4,688
		2016	1 Year	-	8,437	-	-	(1,875)	6,562
	ZIRAATBANK	2016	6 Months	-	3,150	-	-	(3,150)	-
		2016	1 Year	-	8,179	-	-	(8,179)	-
		2016	8 Months	-	13,125	-	-	(13,125)	-
		2016	9 Months	-	5,250	-	-	(5,250)	-
		2016	9 Months	-	12,375	-	-	(12,375)	-
		2017	9 Months	-	-	563	-	(563)	-
		2017	9 Months	-	-	5,625	-	(5,625)	-
		2017	9 Months	-	-	5,625	-	(5,625)	-
		2017	9 Months	-	-	10,500	-	-	10,500
		2017	9 Months	-	-	9,000	-	-	9,000
		2017	7 Months	-	-	2,625	-	-	2,625
		2017	8 Months	-	-	2,625	-	-	2,625
		2017	9 Months	-	-	2,775	-	-	2,775
		2017	10 Months	-	-	5,179	-	-	5,179
		2017	1 Month	-	-	2,250	-	-	-
		2017	1 Year	-	-	4,557	-	(743)	3,814
		2017	9 Months	-	-	938	-	-	938
		2017	3 Months	-	-	1,350	-	-	1,350



Figures in (SR'000)

Company	Bank Name	Loan Date	Financing Period	Original Loan Amount	Balance YTD 2016	Addition/ Transfer from TL	Transfer to Term Loans	Paid in 2017	Balance YTD 2017
	VAKIFBANK	2016 2017	1 YEAR 1 YEAR	- -	5,093 -	21,548	- -	(5,093) (15,294)	- 6,254
	EXIMBANK	7-July-05	5 YEARS	1,820	1,515	-	-	(1,515)	-
	TRANSLATION				(344)	354	-	346	356
	INT. ACCOUNT				70	69	-	(70)	69
TOTAL MASS KABLO				102,602	111,323	100,290	-	(136,492)	75,120
ELIMSAN	YAPI KREDİ	2015	1 Year	1,470	2,148	3,615		(2,149)	3,614
	İŞBANKASI	2015	1 Year	1,966	2,877	4,838	- -	(2,876)	4,838
	KUVEYTTURK	2014	8 Months	3,341	2,929	2,318	-	(2,929)	2,318
		2015	1 Year	1,039	1,170	3,795	-	(1,170)	3,795
	T-BANK	2013 2015	1 Year	2,278	208	- -	- -	(208)	-
	BANK ASYA	2015	9 Months	10,260	2,163	2,321	-	(2,163)	2,321
	DENİZBANK	2015	1 Year	1,132	2,555	2,558	-	(2,555)	2,558
VAKIFBANK	2015 2015	1 Year 1 Year	1,132 1,125	2,555 1,875	2,558 2,111	- -	(2,555) (1,875)	2,558 2,111	
TOTAL ELIMSAN				22,611	15,925	21,555	-	(15,925)	21,555
TOTAL SHORT TERM LOANS AS OF 31-DEC-2017				173,851	142,522	151,791	-	(167,691)	126,621



## 10 - SUBSIDIARIES & ASSOCIATE COMPANIES

Subsidiaries	Principal Field of Activities	Country of Incorporation	% of Capital held Directly or Indirectly	Capital as per Nominal Share Value in SR Million
<b>Domestic</b>				
Saudi Cable Company for Marketing Limited	Purchase and sale of electrical cables and related products	Saudi Arabia	100%	10.0
Mass Projects for Power and Telecommunications Limited	Turnkey power and telecommunication projects	Saudi Arabia	100%	10.0
Mass Centers for Distribution of Electrical Products Limited	Electrical & telecommunication distribution services	Saudi Arabia	100%	44.5
<b>International</b>				
Mass Kablo Yatirim Ve Ticaret Anonim Sirketi (Previously Mass Holding Anonim Sirketi)	Holding Company	Turkey	100%	477.3
Demirer Kablo Tesisleri Sanayi Ve Ticaret Anonim Sirketi	Manufacture, supply and trading of electrical cables	Turkey	100%	
Mass International Trading Company Limited (dormant)	International trade	Ireland	100%	0.6
Saudi Cable Company (U.A.E) L.L.C.	Sale of cables and related products	United Arab Emirates	100%	1.0
Elimsan Group of Companies	Manufacturer of Switch Gears, Transformers and related accessories	Turkey	94.4%	216.9
Midal Cables W.L.L.	Conductors, Rods & related products	Bahrain	50%	124.3
XECA International Information Technology	Implementation of Information Systems and Network Services	Saudi Arabia	25%	13.2

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

The Company owns 50% of Midal Cables Limited. – Bahrain, 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.

Statement below provides shareholding pattern & principal business activities of the subsidiary companies of Midal Cables Limited.



Sr #	Subsidiary	Country of Incorporation	Share-holding %	Principal activities
1	Aluminium Wheel Company W.L.L (Aluwheel)	Bahrain	100	Manufacturing and sale of aluminum allow car and truck wheel castings and ingots.
2	Bahrain Welding Wire Products Manufacturing Company W.L.L	Bahrain	75	Manufacturing of aluminum rods.
3	Metal Form W.L.L	Bahrain	100	Manufacturing of alloy wires, aluminum clad steel wire, core and conform products and providing processing services.
4	Midal Kablo San. ve Tic. A.Ş	Turkey	100	Manufacturing and supply of aluminum alloy rods, wires and conductors.
5	Midal Cables International Pty Ltd.	Australia	90	Manufacturing and supply of aluminum and aluminum alloy rods, wires and conductors.
6	Midal Cables Private Ltd.	India	100	The commercial operations have not commenced yet.
7	Midal Cables International Limited	Mozambique	100	Manufacturing and supply of aluminum and aluminum alloy rods, wires and conductors.
8	Midal Cables International FZE	UAE	100	Provision of engineering and management services.
9	Sohar Electrical Industries L.L.C.	Oman	100	The commercial operations have not commenced yet.
10	Midal Cables International Limited	UK	100	Marketing the products of Midal in Europe and Turkey.
11	Midal Cables International SDN. BHD.	Malaysia	100	Marketing the products of Midal in Asia, Australia and New Zealand.
12	Midal Cables Marketing Ltd.	Kenya	100	Dormant
13	Midal Cable International Ltd.	Canada	100	Marketing the products of Midal in Americas and Canada.
14	Midal Cables Saudi	Saudi Arabia	100	Provide commercial services and produce rods, wires, cables and conductors.
15	Midal Electrics Company	Bahrain	100	Dormant.
16	Tunaverken Sweden A.B. (owned by Aluwheel)	Sweden	100	Managing shares and other securities, manufacturing and trading of parts for motor vehicles and runs consultancy business.
17	Midal Cable Marketing Ltd. Nigeria	Nigeria	100	Marketing the products of Midal in Africa.
18	Midal Cable Marketing Ltd. South Korea	South Korea	100	Marketing the products of Midal in Asia.
19	Leader Makina San. Ve Tic. A.S.	Turkey	100	Manufacture and distribution of drums, machine (trailer/silobas), container and construction.





## **XECA International Information Technology**

The Company currently owns 25% of XECA. XECA was engaged in the supporting of Information Systems and Network Services to many companies within and outside the Group, including SCC. In 2016, a decision was made to discontinue XECA'S operations and as of 31 December 2017, XECA is under the process of liquidation.

## **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 03 September 2014:



Name of the Member	Member Classification	Academic Qualifications	Membership of other Public Joint Stock Companies
Khalid A. Alireza Chairman (Up to 31/7/2017)	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>	<ol style="list-style-type: none"> <li>1. Chairman of Hidada Company.</li> <li>2. Board member of the National Company for the petrochemical industry.</li> <li>3. CEO of Xenel Industries Co. Ltd.</li> <li>4. Chairman of Safra Co. Ltd.</li> </ol>
Shaukat Aziz	Independent	<ul style="list-style-type: none"> <li>- Master's degree in Business Administration</li> </ul>	-
Abdullah H. Masri	Non-Executive	<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>	Coca-Cola Bottling Company of Saudi Arabia (CCBCSA) for soft drink.
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>	-
Dionysius A. Metzemaekers	Executive	<ul style="list-style-type: none"> <li>- Master degree in Mathematical Physics from Eindhoven University of Technology, Netherlands</li> </ul>	<ol style="list-style-type: none"> <li>1. CEO of TELE-FONIKA Kable.</li> <li>2. Chairman of Romcap.</li> <li>3. Vice President of TELE-FONIKA Kable.</li> <li>4. CEO of NKT Cables Group.</li> </ol>
Eng. Abdullah M. Rehaimi	Independent (up to 31/07/2017)	<ul style="list-style-type: none"> <li>- Bachelor's degree in Mechanical Engineering - King Fahd University of Petroleum and Minerals, Saudi Arabia.</li> </ul>	<ol style="list-style-type: none"> <li>1. Alujain Corporation.</li> <li>2. Savola Group.</li> </ol>
Meyassar A. Nowailati Chairman (From 31/7/2017)	Non Executive (from 31/07/2017)	<ul style="list-style-type: none"> <li>- Bachelor's degree in Science-Finance - King Fahd University of Petroleum and Minerals, Saudi Arabia.</li> <li>- Training courses (Banking-Analysis-Management).</li> </ul>	<ol style="list-style-type: none"> <li>1. Mazar International Real-estate &amp; Development Co.</li> <li>2. Al-Fursan Industrial Co.</li> </ol>



## 11C - DIRECTORS' OWNERSHIP OF COMPANY SHARES

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

A description of any interest of returning to the board members and their spouses and their minor children in the shares of the company or any of its subsidiaries					
Name of the Member	No. of shares at the beginning of 2017	No. of shares at the end of 2017	Net change in the No. of shares during the year	Percent Change	Ownership of first degree relatives & changes therein
Khalid A. Alireza	650,524	359,191	(291,333)	(44.7)	Included
Shaukat Aziz	1,000	531	(469)	(46.9)	None
Abdullah H. Masri	2,559	1,360	(1,199)	(46.8)	None
Adnan A. Maimani	1,000	531	(469)	(46.9)	None
Yousuf A. Alireza	1,000	531	(469)	(46.9)	None
Eng. Abdullah M. Rehaimi	5,000	2,658	(2,342)	(46.8)	None

## 11D - SENIOR EXECUTIVES' OWNERSHIP OF COMPANY SHARES

Name of the Member	No. of shares at the beginning of 2017	No. of shares at the end of 2017	Net change in the No. of shares during the year	Percent Change	Ownership of first degree relatives & changes therein
Hesham Abdul Rahman Essam Ismail	6,285	3,341	(2,944)	(46.8)	None

## 11E - BOD MEETINGS & IMPORTANT RESOLUTIONS

Attended by	2017 Meeting Details					
	No. 161 28/01/2017	No. 162 02/03/2017	No. 163 18/04/2017	No. 164 15/10/2017	No. 165 27/11/2017	No. 166 13/12/2017
Khalid A. Alireza	✓	✓	✓	✓	Over Conference Call	Proxy
Shaukat Aziz	✓	✓	Proxy	✓	Over Conference Call	✓
Abdullah H. Masri	✓	✓	✓	✓	✓	✓
Adnan A. Maimani	✓	✓	✓	✓	✓	✓
Yousuf A. Alireza	✓	Proxy	Proxy	✓	✓	✓
Abdullah M. Rehaimi (Until July 2017)	✓	✓	✓	Resigned	---	---
Dionysius Metzemaekers	✓	✓	✓	✓	Over Conference Call	✓
Meyassar A. Nowailati (From July 2017)	---	---	---	✓	✓	✓



The following important resolutions were passed in the year 2017:

1. **Board** Approval & Recommendation to EGA to Reduce the Capital of the Company. (BOD Res No. BOD-2/163 dated 18-04-2017).
2. **Appointment** of new Audit Committee member. (BOD Res No. BOD-2/164 dated 15-10-2017).
3. **Board** Approval & Recommendation to EGA #23 to change the Capital in Company's Bylaws. (BOD Res No. BOD-3/164 dated 10-02-2016).
4. **Closure** of Telecom Plant and its Operation. (BOD Res. No. BOD-1/165 dated 27-11-2017).
5. **Disposal** of Finished Cables as Scrap. (BOD Res. No. BOD-2/165 dated 27-11-2017).
6. **Formation** of the Emergency Committee with the Approval of Board. (BOD Res. No. BOD-3/165 dated 27-11-2017).
7. **Board** Approval & Recommendation to EGA by Circular Resolution to Reduce the Capital of the Company. (BOD Circular Res No. 2/2017 dated 01-05-2017).
8. **Board** Approval & Recommendation to EGA for the amendment of Company's Bylaws to comply with the Corporate Governance (BOD Circular Res No. 3/2017 dated 29-05-2017).
9. **Opening** of new SCC branches and Close of SCC's unnecessary Branches. (BOD Circular Res No. 6/2017 dated 30-05-2017).
10. **Board** Recommendation to EGA to appoint the External Auditor for the year 2017. (BOD Circular Res No. 7/2017 dated 13-07-2017).
11. **Board** Approval & Recommendation to EGA for the Resignation of a Board Director and the appointment of a new Board Director. (BOD Circular Res No. 8/2017 dated 31-07-2017).
12. **Resignation** of the Chairman and Appointment of the New Board Chairman and to present the Resolution to upcoming EGA. (BOD Circular Res No. 9/2017 dated 31-07-2017).
13. **Intention** to sell SCC's 50% Shareholding in Midal and present the Resolution in upcoming EGA. (BOD Circular Res No. 10/2017 dated 10-10-2017).
14. **Appointment** of Company's Representative to the CMA. (BOD Circular Res No. 11/2017 dated 02-11-2017).
15. **Board** Recommendation to EGA for the Formation of Audit Committee. (BOD Circular Res. No. 13/2017 dated 10-12-2017).
16. **Board** Recommendation to EGA for the adoption of the approved BOD policies, standards and procedures. (BOD Circular Res. No. 14/2017 dated 12-12-2017).



## 11F- DETAILS OF REMUNERATION TO EXECUTIVES, NON-EXECUTIVE BOD MEMBERS AND SENIOR EXECUTIVES

	In SR'000			
	2017	2016	Five Highest paid senior executives including President & CFO	
	Non-Executive (7 Persons)		2017	2016
Salaries and Allowances	-	-	4,574	6,503
Fees	392	63	-	-
Bonus	-	-	411	3,887
<b>Total</b>	<b>392</b>	<b>63</b>	<b>4,985</b>	<b>10,390</b>

## 11G - BOARD COMMITTEES

### A. Audit Committee

In compliance to Resolution No. 903 dated 13/08/1414 issued by the Ministry of Commerce, the Audit Committee in Saudi Cable Company was constituted in 1414H with the approval of the Open General Assembly (OGA) on 30/12/1414. The revised Charter of the Committee has been approved by the shareholders in the Extraordinary General Assembly (EGA) of shareholders held on 14.01.2018.

#### **Mandate:**

The main objectives of the Committee includes, but are not limited to, ensuring adequacy of policies, procedures and soundness of the internal control appropriateness of financial accounting and reporting, as well as ensuring the effectiveness of the internal and external audit functions on an ongoing basis. The committee also reviews the company's periodical and annual financial statements and annual budgets and recommends to the Board of its approval. The Committee also recommends to the shareholders of the selection of external auditors to be chosen and approved by the shareholders.

The Audit Committee oversees the work of the internal audit in the Company periodically to ensure the adequacy and effectiveness of the internal control system in general and with respect to the fairness of the financial statements in particular. It also provides ongoing evaluation of the internal control system and its effectiveness, and deals with any serious observation, in context of the goals of the Board of Directors to obtain a resolution assurance about the soundness of the design and effectiveness of the same.

In this context the Committee has discussed during the fiscal year 2017 the periodic reports prepared by the internal auditor and reported to the Board of Directors on actions and recommendations as it deemed appropriate, and met with external

auditors and executive management to discuss matters related to the work of the Company.

### **Membership**

The following were the members of the Audit & Risk Committee (As of 31.12.2017):

Members	BOD Member	Non-Executive	Shareholder	Position
Adnan A. Maimani	✓	✓	✓	Chairman
Mohammed Ashraf Tumbi	-	✓	✓	Member
Meyassar A. Nowailati (Up to 31 July 2017)	-	✓	-	Member
Ziad Saad Tayara (*)	-	✓	-	Member

\* Appointed by the BOD on 15 October 2017, which was ratified by EGA on 14 January 2018.

All the Audit Committee Members were not Employees of the Group.

### **SCC – Audit Committee Meetings and Results**

The committee held 3 meetings in 2017:

S.No	Meeting#	Meeting Date	Attended By
1	121	18/01/2017	Adnan A. Maimani Ashraf A. Tumbi Meyassar A. Nowailati
2	122	16/05/2017	Adnan A. Maimani Meyassar A. Nowailati
3	123	11/07/2017	Adnan A. Maimani Ashraf A. Tumbi Meyassar A. Nowailati

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

### **Results and Findings of the Audit Committee:**

1. The current audit manual containing audit scope, functions of the Internal Audit Department, procedures, code of ethics of the Department and Audit Plan was reviewed and found adequate and satisfactory.
2. A review of the company's financial and operational policies/procedures and internal control system shows that policies/procedures and internal control system are satisfactory. The audit of the effectiveness of internal control for the year 2017 showed no substantial or material weakness in the company.
3. The Committee conducted several meetings to review the financial and operational statements, internal control system, management's reports and



reports of the internal auditor. The result of internal audit showed that the internal control system/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 significant procedural violations.

4. The Annual review of the effectiveness of the Internal Control System has not shown any intrinsic weakness in the company.
5. The Audit Committee and Board of Directors have confirmed the effectiveness of the internal control procedures that the company's objectives have been achieved, and the published financial statements have been prepared in reliable and dependable manner in accordance with the accounting standards and related regulations and laws.

#### **B. Nominations & Remunerations Committee:**

The main objectives of the Nominations & Remunerations Committee 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 reconstituted vide BOD Resolution No. BOD 142/2 dated 4 Muharram 1434H corresponding to 18 November 2012G and BOD Resolution 144/3 dated 25/02/2013 as follows:

<b>No.</b>	<b>Members</b>	<b>Position</b>
1	Dr. Abdullah H. Masri.	Chairman of the Committee
2	Yousuf A. Y. Zainal Alireza.	Member
3	Dr. Ahmed Saad Gabbani.	Expert Member

The newly elected Board, which commenced on 03 September 2014, has confirmed the continuity of existing Members of the Nomination & Remuneration Committee in their current positions, until further notice.

#### **Meetings:**

The Nominations & Remunerations Committee had three meetings during the year 2017 as per the following attendance:





No	Meeting Date	Meeting No	Attended By
1	15 June 2017	(14)	<ul style="list-style-type: none"> <li>• Dr. Abdullah Masri</li> <li>• Yousuf A. Y. Alireza</li> <li>• Dr. Ahmed Gabbani</li> </ul>
2	30 July 2017	(15)	<ul style="list-style-type: none"> <li>• Dr. Abdullah Masri</li> <li>• Yousuf A. Y. Alireza</li> <li>• Dr. Ahmed Gabbani</li> </ul>
3	05 October 2017	(16)	<ul style="list-style-type: none"> <li>• Dr. Abdullah Masri</li> <li>• Yousuf A. Y. Alireza</li> <li>• Dr. Ahmed Gabbani</li> </ul>

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

(As of 31 December 2017)

S. No	CMA Article No. /Description	No. of Applicable clauses	Implemented	Partial Implementation	In Process of Implementation.	Not Applicable	REMARKS
1	Article 4: Fair Treatment of Shareholders	3	3				
2	Article 5: Rights Related to Shares	1	1				
3	Article 6: Shareholder access to information	3	3				
4	Article 7: Communicating with Shareholders	3	3				
5	Article 8: Electing the Board Members	3	3				
6	Article 9: Distribution of Dividends	3	3				
7	Article 10: Rights Related to the Meeting of the General Assembly	1	1				
8	Article 11: Competencies of the Extraordinary General Assembly	1	1				
9	Article 12: Competencies of the Ordinary General Assembly	1	1				
10	Article 13: Shareholders' Assembly	8	8				
11	Article 14: The Agenda of the General Assembly	4	4				
12	Article 15: Management of the Shareholders' Assembly	5	5				
13	Article 16: Composition of the Board	1	1				
14	Article 17: Appointment of the Board members	4	4				
15	Article 18: Conditions for the membership of the Board* 1						*Guiding Article
16	Article 19: Termination of a Board Membership	3	3				
17	Article 20: Issues Affecting Independence	3	3				
18	Article 21: Responsibility of the Board	2	2				
19	Article 22: Main Functions of the Board* 2						*Guiding Article
20	Article 23: Distribution of Competencies and Duties	1	1				
21	Article 24: Separation of Positions	4	4				



S. No	CMA Article No. /Description	No. of Applicable clauses	Implemented	Partial Implementation	In Process of Implementation.	Not Applicable	REMARKS
22	Article 25: Oversight over the Executive Management	1	1				
23	Article 26: Competencies and Duties of the Executive Management	1	1				
24	Article 27: Competencies and Duties of the Chairman of the Board	1	1				
25	Article 28: Appointing CEO after end of his/her services as Chairman of the Board	1	1				
26	Article 29: Principles of truthfulness, honesty and loyalty	1	1				
27	Article 30: Tasks and Duties of the Board Members	1	1				
28	Article 31: Duties of the Independent Director	1	1				
29	Article 32: The Board Meetings* 3	3	3				*Guiding Article 32.b only
30	Article 33: Remarks of the Board Members	2	2				
31	Article 34: Organising the Attendance of the Board Meetings.	2	2				
32	Article 35: The Agenda of Board Meetings	2	2				
33	Article 36: Exercising the Competencies of the Board	4	4				
34	Article 37: The Secretary of the Board	2	2				
35	Article 38: Qualifications of the Secretary* 4						*Guiding Article
36	Article 39: Training* 5						*Guiding Article
37	Article 40: Providing Members with Information	1	1				
38	Article 41: The Assessment* 6						Guiding Article
39	Article 42: Dealing with Conflicts of Interest and Related Parties Transactions	1	1				
40	Article 43: Conflicts of Interest Policy	1	1				
41	Article 44: Avoiding Conflicts of Interest	2	2				
42	Article 45: Disclosure of Conflicts of Interest by the Nominee	1	1				
43	Article 46: Competing with the Company	1	1				
44	Article 47: Concept of the Competing Businesses	1	1				



S. No	CMA Article No. /Description	No. of Applicable clauses	Implemented	Partial Implementation	In Process of Implementation.	Not Applicable	REMARKS
45	Article 48: Rejecting the Renewal of Authorisation	1	1				
46	Article 49: Accepting Gifts	1	1				
47	Article 50: Forming the Committees	1	1				
48	Article 51: Committees Membership	3	3				
49	Article 52: Studying Subjects	2	2				
50	Article 53: Committees Meetings	3	3				
51	Article 54: Audit Committee Formation	4	4				
52	Article 55: Competencies, powers and responsibilities of the Audit Committee	4	4				
53	Article 56: Conflict between the Audit Committee and the Board	1	1				
54	Article 57: Audit Committee Meetings	3	3				
55	Article 58: Arrangements for Providing Remarks	1			1		
56	Article 59: Powers of the Audit Committee	1	1				
57	Article 60: Composition of the Remuneration Committee	2	2				
58	Article 61: Competencies of the Remuneration Committee	1	1				
59	Article 62: Remuneration Policy	1	1				
60	Article 63: Meetings of the Remuneration Committee	1	1				
61	Article 64: Composition of the Nomination Committee	2	2				
62	Article 65: Competences of the Nomination Committee	1	1				
63	Article 66: the Nomination Procedures* 8	2	2				*Guiding Article 66.b
64	Article 67: Meetings of the Nomination Committee	1	1				
65	Article 68: Publishing the Nomination Announcement	1	1				
66	Article 69: Nomination Rights of Shareholders	1	1				
67	Article 70: Composition of the Risk Management Committee* 9						*Guiding Article
68	Article 71: Competencies of the Risk Management Committee * 10						*Guiding Article



S. No	CMA Article No. /Description	No. of Applicable clauses	Implemented	Partial Implementation	In Process of Implementation.	Not Applicable	REMARKS
69	Article 72: Meetings of the Risk Management Committee * 11						*Guiding Article
70	Article 73: Internal Control System	1	1				
71	Article 74: Establishing Independent Units or Departments within the Company	1	1				
72	Article 75: Duties of the Internal Audit Unit or Department	1	1				
73	Article 76: Composing an Internal Audit Unit or Department * 12						*Guiding Article
74	Article 77: Internal Audit Plan* 13						*Guiding Article
75	Article 78: Internal Audit Report* 14						*Guiding Article
76	Article 79: Maintaining Internal Audit Reports	1	1				
77	Article 80: Assigning the Audit Function	1	1				
78	Article 81: Appointment of the External Auditor	1	1				
79	Article 82: Duties of the External Auditor	1				1	
80	Article 83: Regulating the Relationship with Stakeholders *15						*Guiding Article
81	Article 84: Reporting Non-Compliant Practices	1			1		
82	Article 85: Employee Incentives *16						*Guiding Article
83	Article 86: Professional Conduct Policy	1	1				
84	Article 87: Social Responsibility *17						*Guiding Article
85	Article 88: Social Initiatives *18						*Guiding Article
86	Article 89: Policies and Procedure of Disclosure* 19						*Guiding Article 89.3
87	Article 90: The Board's Report	1	1				
88	Article 91: The Audit Committee's Report	2	2				
89	Article 92: Disclosure by the Board	1	1				
90	Article 93: Disclosure of Remunerations	2	2				
91	Article 94: Implementation of Effective Governance	1	1				
92	Article 95: Formation of a Corporate Governance Committee *20						*Guiding Article
93	Article 96: Retaining of Documents	1	1				
	Total Applicable Clauses	134	131		2	1	
	Percentage of Implementation	100%	97.76%		1.50%	0.74%	



### **Company's Announcements Published on CMA website (Tadawul)**

1. Supplementary Announcement on the Company's inability to publish financial results for the third quarter of 2017 on time, dated 24/12/2017.
2. The Company announces for the non-convening of its 23<sup>rd</sup> Extraordinary General Assembly Meeting (First and Second Meeting), dated 19/12/2017.
3. Corrective announcement on the Company's invitation for its Shareholders to attend the 23<sup>rd</sup> Extraordinary General Assembly Meeting (First Meeting), dated 10/12/2017.
4. Supplementary Announcement on the Company's inability to publish financial results for the second quarter of 2017 on time, dated 07/12/2017.
5. Supplementary Announcement on the Company's inability to publish financial results for the first quarter of 2017 on time, dated 03/12/2017.
6. Corrective announcement on the Company's invitation for its Shareholders to attend the 23<sup>rd</sup> Extraordinary General Assembly Meeting (First Meeting), dated 26/11/2017.
7. The Company invites its Shareholders to attend the 23<sup>rd</sup> Extraordinary General Assembly Meeting (First Meeting) dated 23/11/2017.
8. Supplementary Announcement on the annual financial results for the year ended 31/12/2016 (12 months), dated 16/11/2017.
9. The Company announces for the annual financial results for the year ended 31/12/2016 (12 months), dated 15/11/2017.
10. Supplementary Announcement on the Company's inability to publish the annual financial results for the year ended 31/12/2016 on time, dated 09/11/2017.
11. The Company announces for its inability to publish financial results for the third quarter of 2017 on time, dated 08/11/2017.



12. Supplementary Announcement on the Company's inability to publish financial results for the second quarter of 2017 on time, dated 10/10/2017.
13. Supplementary Announcement on the Company's inability to publish financial results for the first quarter of 2017 on time, dated 04/10/2017.
14. Supplementary Announcement on the Company's inability to publish the annual financial results for the year ended 31/12/2016 on time, dated 28/09/2017.
15. Supplementary Announcement on the Company's inability to publish financial results for the first quarter of 2017 on time, dated 24/08/2017.
16. Supplementary Announcement on the Company's inability to publish the annual financial results for the year ended 31/12/2016 on time, dated 24/08/2017.
17. Supplementary Announcement on reduction in accumulated losses to (35.89%) of its Paid-up Capital, dated 22/08/2017.
18. Corrective Announcement on reduction in accumulated losses to (29.94%) of its Paid-up Capital, dated 21/08/2017.
19. Corrective Announcement on the Resignation and Assigning of the Chairman of the Board of Directors, dated 21/08/2017.
20. The Company announces for the Resignation and Assigning of the Chairman of the Board of Directors, dated 20/08/2017.
21. The Company announces for reduction in accumulated losses to (29.94%) of its Paid-up Capital, dated 20/08/2017.
22. The Company announces for the Resignation and Appointment of a Board member, dated 20/08/2017.
23. The Company announces for its inability to publish financial results for the second quarter of 2017 on time, dated 17/08/2017.
24. The Company announces for opening nomination for the Board of Directors' membership of the next term, dated 24/07/2017.



25. The Company announces for the interim financial results for the year ended 31/12/2016 (12 months), dated 02/07/2017.
26. Corrective announcement on the results of the 22<sup>nd</sup> Extraordinary General Assembly Meeting in respect of the Capital reduction (Second Meeting), dated 19/06/2017.
27. Supplementary Announcement on the Company's inability to publish financial results for the first quarter of 2017 on time, dated 18/06/2017.
28. The Company announces for its inability to publish the annual financial results for the year ended 31/12/2016 on time, dated 18/06/2017.
29. The Company announces for the results of the 22<sup>nd</sup> Extraordinary General Assembly Meeting in respect of the Capital reduction (Second Meeting), dated 05/06/2017.
30. The Company announces for the starting of electronic voting of the Extraordinary General Assembly Meeting (First Meeting), dated 30/05/2017.
31. The Company invites its shareholders to attend the 22<sup>nd</sup> Extraordinary General Assembly Meeting in respect of the Capital reduction (First Meeting), (Reminder Announcement), dated 28/05/2017.
32. The Company invites its shareholders to attend the 22<sup>nd</sup> Extraordinary General Assembly Meeting in respect of the Capital reduction (First Meeting), dated 10/05/2017.
33. The Company announces for the administrative financial results for the period ended 30/04/2017 (4 months), dated 09/05/2017.
34. The Company announces for its inability to publish financial results for the first quarter of 2017 on time, dated 09/05/2017.
35. The Company announces for the latest updates related to the resubmission of the Capital reduction request file to the Capital Market Authority (CMA), dated 04/05/2017.





36. Supplementary Announcement on the Company's Board recommendation to reduce the Company's Capital, dated 02/05/2017.
37. The Company announces for its inability to publish the annual financial results for the year ended 31/12/2016 on time, dated 23/04/2017.
38. Supplementary Announcement on the Company's inability to publish financial results for the fourth quarter of 2016 on time, dated 23/04/2017.
39. The Company announces that its accumulated losses have reached (67.83%) of its Paid-up Capital, dated 20/04/2017.
40. The Company announces for the submission of the Capital reduction request file to the Capital Market Authority (CMA), dated 20/04/2017.
41. The Company announces for the appointment of a financial advisor for the Capital reduction, dated 20/04/2017.
42. The Company announces for signing of debt reduction agreement with one of the lenders, dated 19/04/2017.
43. The Company announces for the Company's Board recommendation to reduce the Company's Capital, dated 19/04/2017.
44. The Company announces for setting a plan to adjust the Company's current conditions, dated 17/04/2017.
45. The Company announces for the administrative financial results for the period ended 31/03/2017 (3 months), dated 09/04/2017.
46. The Company announces for the administrative financial results for the period ended 28/02/2017 (2 months), dated 09/03/2017.
47. The Company announces for its inability to publish the annual financial results for the year ended 31/12/2016 on time, dated 06/03/2017.
48. Supplementary Announcement on the Company's inability to publish financial results for the fourth quarter of 2016 on time, dated 01/03/2017.
49. The Company announces for the administrative financial results for the period ended 31/01/2017 (1 month), dated 09/02/2017.



50. The Company announces for the phases of the transition plan for implementation of International Financial Reporting Standards (IFRS), (phase 3), dated 30/01/2017.
51. The Company announces that its accumulated losses have reached (64.3%) of its Paid-up Capital, dated 19/01/2017.
52. The Company announces for its inability to publish financial results for the fourth quarter of 2016 on time, dated 19/01/2017.

### **CMA's Announcements Published on their website**

1. CMA's approval on the Company's request for the reduction of its Capital, dated 08/05/2017.
2. CMA's announcement regarding suspension of trading of Company shares, dated 19/01/2017.

## **13 - PENALTIES IMPOSED BY CAPITAL MARKET AUTHORITY (CMA)**

- 1- Financial fine of SR (10,000) Ten thousand Saudi Riyals on the Company due to the Company's violation for articles (101) and (224) of the Companies' Law, for non-compliance to form Audit Committee from the non-executive Board members.

## **14 - 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, was 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, to support the company's urgent working capital requirements an incremental amount of SR 5 million (interest free) was advanced to SCC during the year 2013, in addition to the SR 25 million (interest free) loan provided during 2012, which is still unpaid and continues to be interest free.

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



Related party	Nature of transaction	(SR'000)	
		2017	2016
Midal Cables W.L.L. – 50% Owned by SCC: In total the BOD has 6 members, of which 3 are nominated from SCC's management.	Purchases of Aluminum Rod	9,010	29,472
	Dividends income	21,341	41,202
	Directors remuneration	1,875	1,875
	Finance costs & others	1,141	1,159
Xenel Industries Limited Private company. The BOD of which includes 2 members from SCC BOD: Khalid A. Alireza & Yousuf A. Alireza	Expenses of Travel, Consultancy, Training, Legal etc. charged to the Group, advances and Loans.	2,686	2,821
XECA International Information Technology 25% owned by SCC and 25% owned by Xenel Industries	IT Outsourcing services paid/Advances	250	5,292
Hidada Limited	Sales of goods	7	143
<b>Related party balances comprised of the following as at 31 December:</b>		<b>2017</b>	<b>2016</b>
<b>Due from related parties</b>			
Hidada Limited		187	309
<b>TOTAL</b>		<b>187</b>	<b>309</b>
<b>Due to related parties</b>			
Xenel Industries Limited		44,102	41,417
Midal Cables W.L.L.		15,876	22,288
Chem Global Limited		664	664
XECA International Information Technology		2,469	2,969
Hidada Limited		1,452	1,452
<b>TOTAL</b>		<b>64,563</b>	<b>68,790</b>

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

## 15 - 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), credit risk and liquidity risk.

The Group's overall risk management program focuses on the unpredictability of markets and seeks to minimize potential adverse effects on the Group's financial performance. A risk matrix is plotted based on impact (severity) and likelihood (probability). Risks that have a medium to high score in terms of impact and likelihood are as follows:



1. Credit risk (withdrawal of credit line received / non-compliance of credit provided)
2. Zakat exposure risk
3. Political risk

The Group has established controls on counter-party risks and uses derivative instruments to hedge its major risk exposures. Property risks, Business Interruption, Public/Product Liability etc. are covered through appropriate insurance policies.

Risk management is carried out by senior management under policies approved by the Board of Directors. The most important types of risks are credit risks, currency risk and fair value and cash flow interest rate risks.

## 16 - 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 12/11/2006G.

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 / 7-6-2011G.

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 43, 44 and 45 of the company's Bylaws cover the policy on distribution of annual profits as follows:



#### Article 43 – Distribution of Profits:

1. A sum of (10%) of the net profits shall be set aside to form the Company's Statutory Reserve. The Ordinary General Assembly may stop such setting aside when the said reserve equals (30%) thirty per cent of the Company's paid-up Capital.
2. The Ordinary General Assembly upon recommendation of the Board of Directors, may set aside a share of the net profits to form an agreed reserve that shall be allocated for a certain purpose(s).
3. The Ordinary General Assembly may decide to form other reserves, to the extent that shall realize the Company's interest or guarantees distribution of fixed profits as much as possible, for the shareholders.
4. Then from the remainder, an amount of (5%) of the Company's paid-up Capital, shall be distributed to the shareholders.
5. Subject to the provisions set in article (19) of these Bylaws and article (Seventy six) of the Companies' law, after the aforesaid, no more than (10%) of the remainder shall be allocated as remuneration for the Board of Directors, and the entitlement for this remuneration shall in accordance with the applicable regulations in this respect.

#### Article 44 – Entitlement for Dividends:

The shareholder shall be entitled for dividend pursuant to a resolution by the General Assembly issued in this respect. The resolution shall show the date of entitlement and the date of distribution. The priority for dividends shall be for the shareholders registered in the shareholders' register at the end of the day prescribed for entitlement.

#### Article 45 – Distribution of Preferred Shares' Profits:

1. If no profits have been distributed for any financial year, the profits for the following years may not be distributed unless after the payment of the rate prescribed as per article (One hundred fourteen) of the Companies' Law, to the owners of preferred shares for this year.
2. Upon failure of the Company to pay the rate prescribed as per the provision of article (One hundred fourteen) of the Companies' Law from the profits for three successive years, the Private Assembly for the owners of these shares convened in accordance with the provisions of article (eighty nine) of the Companies' Law, may decide either their attendance at the meetings of the Company's General Assembly and participation in voting, or to appoint representatives for them in the Board of Directors in proportion with the value of their shares in the Capital till the Company can pay all the priority rights profits allocated for the owners of these shares for the previous years.



**Cumulative Voting:** The company had included a resolution on approval of cumulative voting in the agenda of the Extraordinary General assembly No.23 on 27/4/1439H corresponding to 14/1/2018G; under the fourth item, voting on the amendment of the Company's Bylaws in accordance with the Saudi Companies' Law which has included the cumulative voting method under article (31) thereof, and the assembly has approved the Bylaws in that meeting.

**Share Capital of the Company:** The Company has a fully paid up capital of SR 404,114,336 divided into 40,411,434 equal shares of SR 10 each.

## 17 - 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 2018. The actual meeting dates may vary upon BOD Members' availability.

Meeting		Day and Date
1	Board of Directors Meeting	Tuesday, 08-08-1439 H – 24-04-2018
2	<b>OGA / EGA</b>	Sunday, 13-08-1439 H – 29-04-2018
3	Board of Directors Meeting	Wednesday, 12-11-1439 H – 25-07-2018
4	Board of Directors Meeting	Thursday, 23-02-1440 H – 01-11-2018

## 18 - 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 a qualified opinion on the financial statements.

## **19 - SHAREHOLDERS' REGISTER:**

The Company requested the Shareholders' Register from EIDAH company for 5 times during 2017 on 1/1/2017, 22/1/2017, 4/6/2017, 18/6/2017 and 18/12/2017.

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

1. Approval of the Board of the Directors' Report for 2017.
2. Approval of the 2017 year-end financial statements and external auditors' report.
3. Absolving the Board of Directors of their responsibilities for the year 2017.
4. Approval of the appointment of external auditors for the year 2018.
5. Approval of the Business and Agreements made by and between the company and related parties.

The Chairman and the Board of Directors duly expresses appreciation and gratitude to the Custodian of the two Holy Mosques King Salman Bin Abdul-Aziz Al-Saud; HRH Crown Prince Mohammad Bin Salman Bin Abdul-Aziz Al-Saud - Deputy Prime Minister & Minister of Defense, and the Government, for their continued cooperation and support.

Thanks are extended to the Shareholders for their continued support and Executive Management and company's staff for their great efforts which helped to achieve company's goals in 2017.

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