



Under One Roof







## Current Sores

25  
Stores



## SACO Stores

### Riyadh

Head Office:  
King Fahad Road - AIG Bldg - Riyadh

Al Alaliah Store :  
Al Alaliah Plaza - Alia Mall Plaza Tumama ST.

Badiea Store:  
Al Madinah Al Monawarah Street

AdDiriyah Store:  
Prince Saud Bin Mohammed Road

Al Qasr Mall:  
Al Qasr Mall - Al Sowaidi

Takhassusi Store:  
Takhassusi St - Al Mathar Ash Shamali

SACO World Riyadh:  
Exit 5 - Al-Ghadeer area - North ring road

Al Woroud Store:  
King Abdul Aziz Branch Rd - Al Woroud

Al Rimal Store:  
Exit 16 Eastern Ring Road

Al Hamra Store:  
Khaled bin Al Waleed Road

Rawdah Store:  
Khurais Road

### Jeddah

Andalus Store:  
Alhamra District - Alandalus street

Sawary Store:  
Jeddah - zahra District - Sawari mall

Al Tahlia Store:  
Jeddah - Althalia street crossing Road 70

SACO World Jeddah:  
Alamir Sultan Street - Aya Mall

### Dammam

Dammam Store:  
Ibn Khaldoun Street

### Tel.

011 - 4636677

011 - 2143485

011 - 4305500

011 - 8125192

011 - 4515590

011 - 4829230

011 - 2753322

011 - 4606700

011 - 2148370

011 - 2485899  
011 - 2789532

011 - 2332463

### Tel.

012 - 660914

012 - 6921333

012 - 6199967

012 - 2157070

### Tel

013 - 8462722

### Al Khobar

Jawhara Store:  
Dhahran street, Khobar

### Dhahran

SACO World Dhahran:  
Mall of Dhahran - Doha Al Janubiyah

### Buraidah

Buraidah Store:  
King Khaled Road

### Jubail

Jubail Store:  
Al Wajh Road

### Medinah

Medinah Store:  
Guba'a North Street - Aliya Al-Medina

### Al Hassa

Al Hassa Store:  
Prince Talal Bin Abdul Aziz Road

### Tabuk

Tabouk Store:  
Al Madinah Road - Near Astra Supermarket

### Khamis Mushat

Khamis Mushayt Store:  
Main Road Khamis Mushayt street

### Yanbu

Yanbu Store:  
King Fahd Road - Dana mall

### Jazan

Jizan Store:  
Prince Abdullah Al-Faisal street - Khayala Mall - Northern Beach

### Tel

013 - 8986565

### Tel

013 - 8687755

### Tel

016 - 3255538

### Tel

013 - 3474471

### Tel

014 - 8491889

### Tel

013 - 5821811

### Tel

014 - 4232489

### Tel

017 - 2212020

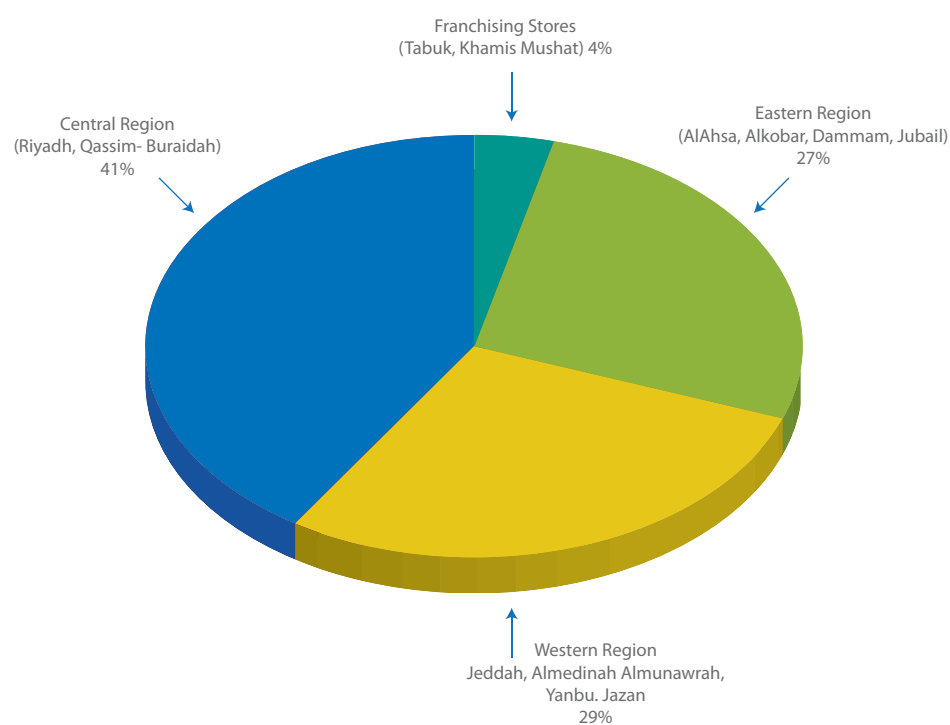
### Tel

014 - 3926261

### Tel

017 - 3180775

## The percentages of Stores spaces by region as of 31/12/2015



## The Table Shows Distribution of SACO Stores

City	Riyadh	Jeddah	Dammam	Alkobar	Dhahran	Buraidah
No. of Stores	10	4	1	1	1	1

City	Aljubail	Almedinah	Alahsa	Tabuk	Khamis Mushat	Yanbu	Jazan
No. of Stores	1	1	1	1	1	1	1



Custodian of the Two Holy Mosques  
**King Salman Bin Abdulaziz AL – Saud**





His Royal Highness  
**Prince Mohammed Bin Naif**  
Crown Prince, First Deputy Prime  
Minister and Minister of Interior



His Royal Highness  
**Prince Mohammed Bin Salman**  
Deputy Crown Prince, Second Deputy Prime Minister  
and Minister of Defense



ساکو  
SACO







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## An Overview of the Company's History and Capital



Saudi Company for Hardware-SACO is a Saudi Joint Stock company, established pursuant to HE Minister of Commerce and Industry Resolution No. (178/Q) dated on 26/5/1432H, corresponding to 30/4/2011, under commercial registration No. 1010056595, dated on 26/2/1405H, corresponding to 19/11/1984. Originally, the company was incorporated as a limited liability company, registered in Riyadh city with a capital of (10,000,000) Ten million Saudi Riyals. in 1990 the capital was raised to (16,000,000) Sixteen million Saudi Riyals. on 26/5/1432H corresponding to 30/4/2011, The company was transferred to a closed Joint Stock Company. on 27/5/1432H corresponding to 26/5/2014, the company capital was raised from (16,000,000) Sixteen million Saudi Riyals to (240,000,000) Two Hundred and Forty million Saudi Riyals, through the capitalization of retained earnings. The Capital Market Authority approved on 25/3/2015 to list 30% of the company's shares for public subscription and as a result the company was listed on The Saudi Stock Market (Tadawul) on 12/5/2015. The company capital amounts to (240,000,000) Two Hundred and Forty million Saudi Riyals, divided into (24,000,000) Twenty Four million Saudi Riyals ordinary shares and paid in full at a nominal value per share equal to (10) Ten Saudi Riyals.



## The Company Activity:

SACO is one of the largest companies that offer household improvement products in the Kingdom. The company owns 25 Stores in 13 cities, including 3 large SACO World stores and the area of the stores range between (11.300 - 24.000) sqm. These stores offer 45.000 different products.

The company aims to become the first destination in the retail sector in the Kingdom of Saudi Arabia by providing all customers needs and namely hardware, tools, products and household improvement solutions, in competitive prices and suitable shopping environment for the customers. The Company also aims to:

- Understand the customer's needs, and to provide products and appropriate household solutions.
- Provide an appropriate shopping environment for customers through the provision of wide range of products under one roof and at competitive prices.
- Enhance customers trust by providing them with appropriate services.
- SACO Company stores group aim to become a regional leader in the field of household improvement products through expanding its presence in the Gulf States and other Arab States.

## Facts about the Company:

- The company was established in 1985 and became a leading company in retail trade of hardware and tools and the largest specialized shopping center in household improvement solutions in the Kingdom of Saudi Arabia.
- Stores: 25 stores in 2015 and (135,356) sqm. in area.
- Market Coverage: Located in 13 main cities in the Kingdom of Saudi Arabia.
- Products Range: More than 45,000 products under one roof.
- Warehouses: Two warehouses in vital and strategic areas in Central and Western region.
- Maintenance Centers: Three maintenance centers in central, Eastern, and Western regions.
- Operation System: Advanced SAP system for resources planning.



## Departments



Lightings



Automotive



Bed & Bath



Toys



Plumbing  
Supplies



Indoor  
furniture



Housewares



Storage and  
Organization



Outdoor Living



Paint &  
Sundries



Hardware



Sports  
Equipment



Lawn & Garden



Electrical  
Appliances



Building  
Materials







## Vision:

The Company aims to become the “first destination” in the retail sector in the KSA, by securing all of its customers needs for hardware tools, products and home improvement solutions at competitive prices and in a convenient shopping environment.

## Mission:

- Understanding customer’s needs, and provide them with products and home solutions appropriate to them.
- Provide a suitable shopping environment for customers by offering a wide variety of products in one location at competitive prices.
- Enhance customer confidence by providing appropriate services.
- For SACO to become the regional leader in the field of home improvement products by expanding in the Gulf and other Arab States.

## Solutions:

SACO offers a group of home solutions:



Paints



Floor and Wall



Bathroom Accessories



Power



Keep your garden beautiful



Electrical Device holder



Washing and Ironing



Cars Travel



Storage



Dust



Water



Moving





## Board of Directors Members:

Abdel Rahman Amin Jawa	Chairman
Khalid Mohammed Al Hamidi	CAO
Sameer Mohammed Al Hamidi	CEO
Haytham Mohammed Al Hamidi	COO
Diawn Sadeq Fadl	Member
Abdalmohsen Ibrahim AL Touq	Member
Bandar Khalid AL Turki	Member
Ahmad Mohammed AL Sari	Member
Talal Mohammed Bakhsh	Member



## Chairman's Message

In the name of Allah the Merciful

To: The Distinguished Shareholders.

I am honored on behalf of the company Council of the Board of Directors and on my own to introduce to you the operation results of the Saudi Hardware Company SACO for the financial year 2015. It is to be noted that this is the first Ordinary General Assembly to be held after offering 30% of the company's shares for public subscription in May 2015. The subscription was very successful and saw an excellent turnout "Thanks to God", which reflected SACO long history that extended to more than three decades in serving the retail sector, in the field of hardware, tools and household improvement solutions, to become a well known commercial name at local, regional as well as at the international level, given the growing confidence between the company and its international dealers.

SACO has always been keen on development at constant level and all signs indicate that this target will be achievable through hard work by the company's top management, the whole team and the geographical coverage of the company stores, where it operates 25 stores in 13 cities in the Kingdom.

The Board of Directors and the company management are always looking forward to continue in accordance to a detailed strategic plan , that meet the market requirements as well as increasing the efficiency, productivity and controlling expenses to be in line with the progress of the strategic plan.

The financial results of the year 2015 will constitute a solid base that enables the Board of Directors and the company management to achieve the aspirations of the shareholders.

And despite the fact that the global economy is running through a period that can be classified as an indication to global recession, but the company has enough confidence on the potential of the Saudi market, Hence, the company will work to strengthen its position in the market through the interaction with the market requirements as well as maintaining excellence in services and product diversity.

With thoughtful optimism, the company will continue its future job according to the current potentialities related to a strong financial position, and with the spirit of team work, we look forward with the help and guidance of Allah, your company will achieve your desired goals.

Finally , I would like to take this opportunity to thank all those who contributed in the company public subscription process ( IPO process) and especially , I would like to thank the Capital Market Authority and to all those who participated in this effort.

Please accept the thanks and appreciation of myself and the Board of Directors.

**Chairman of the Board of Directors**  
**Abdel Rahman Amin Jawa**



## Chief Executive Officer Message

In the name of Allah the Merciful,

To: The Distinguished Shareholders,

It is my pleasure to introduce to you the company's Annual Report for fiscal year 2015, which is the first report after trading of the company's shares in the Saudi Stock Exchange.

For thirty years SACO was in a leading position in hardware retail sector in the Kingdom of Saudi Arabia. We Acquired this position, thanks to the efforts and conscious planning and to the abilities that grew over time. Standing in such an outstanding position necessitates the preservation of this position to be our common goal.

We have achieved our goals in this year that represented in growth and net profit, in addition to the admission of the company in the Saudi Stock Exchange as well as covering the planned expansions concerning products, branches and customers offers.

Since its establishment in 1985, SACO offers high quality products at reasonable prices and comprehensive services. The company aims to be one of the largest providers of integrated household solutions, through securing client's hardware household needs, in high quality and at competitive prices and in suitable shopping environment.

To secure the continuity of quality, the company applies test procedures for all products before being displayed to our customers. The quality tests are carried in accordance to the standards of the Saudi Standards, Metrology and Quality Organization. Such tests are done by international laboratories, to check the sizes and the approved standards. No products will be imported unless they comply with quality conditions that qualify them to be the option offer to SACO showrooms clients.

Our purchasing team travels the world markets to choose products from well known international markets to ensure the choice of the best and newest products to our customers, that reflect our slogan "We Shop the world for you".

The preliminary approved company plan for the coming three years will focus on SACO showrooms expansion in some cities where SACO owns some showrooms as well as entering new cities in the Kingdom. This new showrooms expansion will be 10 in number and in space area of 52.000 sqm. This expansion will be carried out before the expected expansion in Arab Gulf States. The company signed a memorandum of understanding to acquire "Medscan Terminal company", which specializes in goods transportation, logistics and storage. The acquisition procedures are expected to be finalized during the first half of 2016. Work is underway on the E- commerce project that provides selling, payment, and delivery through the company's website, allowing all users to browse the displayed products and checking the product stock in any branch in the Kingdom. This facility will be activated during 2016.

SACO has set a key goal, which is to continue success; therefore we are confident that continued success is the result of customers and shareholders satisfaction and trust.

Every Year, you are in well-being.

**Chief Executive Office**  
**Sameer Mohammed Al Hamidi**







# The Board of Directors Annual Report

## The most Important Achievement During 2015

### Offering of the Company's shares for public subscription:

In 2015, the company completed the procedures needed to offer 30% of the company's shares for public subscription. The company has obtained the approval of the Capital Market Authority on 25/03/2015, and was floated in the Saudi Stock Market (Tadawl) on 12/05/2015.

The following is a summary of the offering:

The company	Saudi Company for Hardware "SACO" is a Saudi joint stock company established pursuant to HE Minister of Commerce and Industry Resolution No. 178/Q dated 26/05/1432H (corresponding to 30/04/2011G) under Commercial Registration No. 1010056595 dated 26/02/1405H (corresponding to 19/11/1984G).
Activities of the Company	The Company was formed to pursue the following objectives: import and export, wholesale and retail sale of products, including home, office and sporting equipment and supplies, tools and hardware, lubricants, home cleaning and polishing products, automotive care accessories, furnishings, waste water treatment systems, finishings and products relating to the restoration and decoration of buildings.
The Offer Period	Commenced on Wednesday, 03/07/1436H (corresponding to 22/4/2015G) and ended on Tuesday, 09/07/1436H (corresponding to 28/04/2015G).



The following table shows the major shareholders and their equity ownership ratio:

	Selling Shareholders	Pre-Offer			Post-Offer		
		No. of shares	Percentage	Share Capital (SAR)	Numbers of shares	Percentage	Share Capital (SAR)
Selling Shareholders	Al Hamidi Contracting Est.	11,400,000	47.5%	114,000,000	7,980,000	33.25%	79,800,000
	Abrar International Holding Co.	6,120,000	25.5%	61,200,000	4,284,000	17.85%	42,840,000
	Abdel Rahman Hassan Abbas Sharbatly	6,120,000	25.5%	61,200,000	4,284,000	17.85%	42,840,000
	Sameer Mohammed Al Hamidi	120,000	0.5%	1,200,000	84,000	0.35%	840,000
	Sameer Mohammed Al Hamidi	120,000	0.5%	1,200,000	84,000	0.35%	840,000
	Haytham Mohammed Al Hamidi	120,000	0.5%	1,200,000	84,000	0.35%	840,000
	Public	-	-	-	72,200,000	30%	72,000,000
	<b>Total share</b>	<b>24,000,000</b>	<b>100%</b>	<b>240,000,000</b>	<b>24,000,000</b>	<b>100%</b>	<b>240,000,000</b>
The company's share capital	(240,000,000) Two hundred and forty million Saudi Riyals.						
Major shareholders	Al Hamidi Contracting Establishment, Abrar International Holding Company and Abdel Rahman Hassan Abbas Sharbatly. The above table shows the number and percentage of Shares held before and after the Offer.						
Total number of Company Shares	(24,000,000) Twenty four million Saudi Riyals ordinary paid up shares.						
Nominal value per Share	(10) Ten Saudi Riyals per share.						
Offer	(7,200,000) Seven million, two hundred thousand Saudi Riyals ordinary paid up shares.						
Percentage of Offer Shares	30% of the issued share capital of the Company						
Offer Price	(70) Seventy Saudi Riyals per share.						



### Opening of new Stores:

The company opened, during 2015, three stores in both Riyadh and Jazan, according to what was published in the Prospectus.

	Name of store	City	Store space	Opening date
1	SACO ALaliah	Riyadh- Al Rabiea District	4,241 m <sup>2</sup>	15/02/2015
2	SACO AdDiriyah	Riyadh- Hittin District	4,838 m <sup>2</sup>	14/06/2015
3	SACO Jazan	Jazan	4,388 m <sup>2</sup>	13/07/2015



### Acquisition of Medscan Terminal Logistics Co.:

The company has signed a memorandum of understanding (MoU) with the owners of Medscan Terminal Co., to acquire its transportation and logistics subsidiary, Medscan Terminal Co (a Saudi limited liability company), based in the Eastern Region.

The company has appointed advisers for this purpose to carry out studies of legal and financial due diligence to be on the light to determine the purchase price. It is expected to complete the due diligence, determine the price and the signing of the final sale agreement during the first half of 2016. It is to be noted that there are two of the board members (Smowal Bakhsh and Diwan Sadiq) have a relationship with Medscan Terminal through Abrar International Holding Co (one of major shareholder of SACO), as Ritaj Investment Co (one of the owner of Medscan Terminal Co) owned by same owners of Abrar International Holding Co. There are no preferential terms in this MoU, and all progress regarding this MoU will be disclosed to the shareholders and regulatory and legal approvals will be obtained from the relevant competent bodies, and any other necessary approvals from the General Assembly of shareholders.



### E-commerce project:

This project aims to modernize and develop the company's website and to provide the website visitors with the ability to make purchase, payment and delivery online, in addition to other features that will allow users to browse items displayed in the company's stores, as well as to check the availability of a product in the company's stores throughout the Kingdom. The company worked in 2015 to prepare for this project. The ability to make purchase and payment online will be available in 2016.

### The Company's Strategy:

The Company's strategy for the next three years aims to:

- Expand the store network by opening new stores in new cities.
- Increase the number of stores in the main cities from (25) stores by the end of 2015 to be (35) stores by the end of 2018, at an increase of (10) stores. This involves increasing stores area which is now 135,356 m<sup>2</sup> to be 188,347 m<sup>2</sup> by the end of 2018.
- The company intends during 2016 to launch e-commerce.
- This expansion plan will be financed by self – financing and bank facilities that comply with Islamic Sharia.

### Saudization, Human Resources and Training:

As of 31 December 2015, the Company had 2,481 employees at its different branches throughout the Kingdom, 864 of them were Saudi nationals(34.20% Saudization). The Company is classified under the "high green" Nitaqat band, which demonstrates that the Company has achieved a high level of Saudization from the total manpower.

The training process of new Saudi employees consist of two phases: the first one implemented by specialized training companies to train and qualify the new employees by raising their level of cognition to work environment and improve their English language skills and other needed skills. The second phase is implemented by SACO through special training program that lasts for 5 months.

The non-Saudi workers employed by external employment bureau. Human Resources conduct interviews before they join the company to make sure that they meet all the right conditions. Their skills will be tested in specialized testing facilities to ensure they have the required skills.

Moreover, the current management of the company set up a motivation plan that depends mainly on training management personnel and to stabilize the company's values and vision so as to qualify young leaders and to ensure continuity and future growth.

## Corporate Social Responsibility:

On the basis of the company's interest to achieve its social goals, and on the basis of its firm belief that the growth and development of the company do not depend only on its financial position, but also on its ability to contribute to social causes and to be an active player in the vicinity of the community in which it operates. The company continued to support social and charity institutions in the Kingdom through providing support to orphan care associations, Association of Children with Special Needs and associations that deal with Alzheimer's patients.

In addition to the above, the company is keen also to support innovative ideas of Saudi youth and to develop it with cooperation with Badir Program for Technology Incubators under the supervision of King Abdul-Aziz City for Science and Technology. This support took different forms which resulted in products sold at SACO stores like the Saudi product "Gwen".

## Applying International Accounting Standards:

The company is currently working to apply International Accounting Standards (IFRS) as of 01/01/2017. The Company has set a preliminary plan to apply International Accounting Standards as shown in the following table:

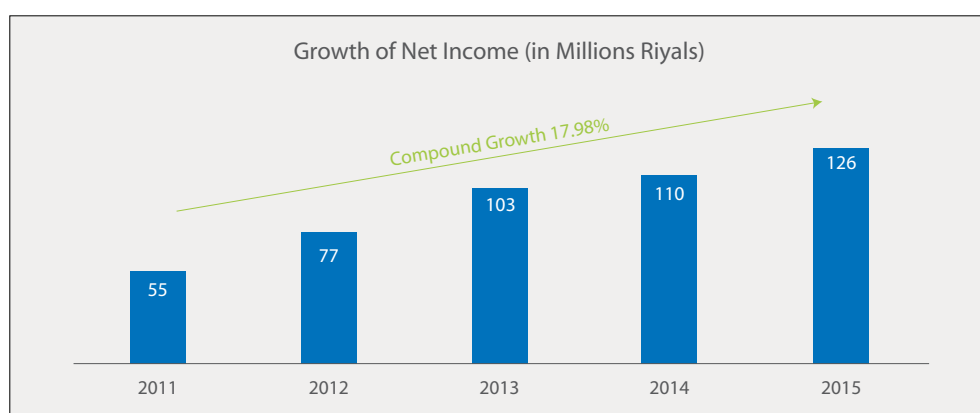
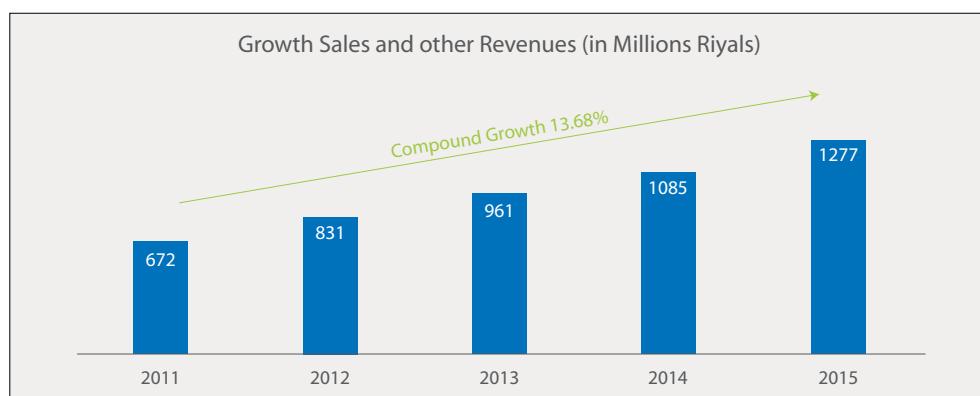
Stages of implementing the plan	Estimated time limit
Conduct studies to designate differences between current financial policies (SCOPA) and international Standards (IFRS) and finalize stages of transformation.	From 01/02/2015 to 15/03/2016
Choosing the appropriate accounting policies, updating accounting policies directory and get the approval of the Audit Committee.	From 15/03/2016 to 15/04/2016
Studying the impact of applying IFRS on information technology systems and make appropriate amendments.	From 01/05/2016 to 31/05/2016
Preparing the opening balance sheet and the transitional disclosures.	From 15/04/2016 to 27/04/2016
Preparing the comparative financial statements for the year ended on 31/12/ 2016	From 01/03/2017 to 30/03/2017
Preparing quarterly data for comparative periods for the first, second, third and fourth quarters of 2016.	During 2016
Training the company's employees on the new international standards.	During 2016

## Financial Performance:

The following is a summary of results of operations:

Results of Operations and Net Profit (millions Riyals)					
Statement	year ended 31/12/2015		year ended 31/12/2014		% of change
	The amount	% of sales	The amount	% of sales	
Sales	1,276,91		1,084,85		17.70%
Gross profit	287,48	22.51%	251,49	23.18%	14.31%
Operating profits	131,95	10.33%	120,12	11.07%	9.85%
Net profit before Zakat	134,54	10.54%	117,60	10.84%	14.40%
Net profit	126,11	9.88%	110,01	10.14%	14.64%

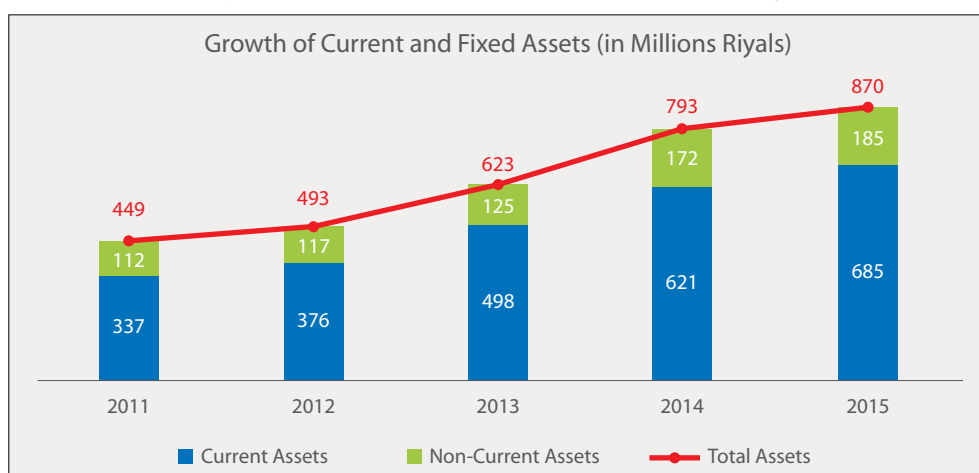
the Company's sales increased at a growth rate of 17.9% in 2015 compared to 2014. This increase in sales is due to opening of three new stores in 2015, as well as the stability of sales growth in other stores.



The company maintained a compound growth in sales for the last five years at rate of 13.68%, while the rate of the compound growth of net profit for the same period was 17.97%.

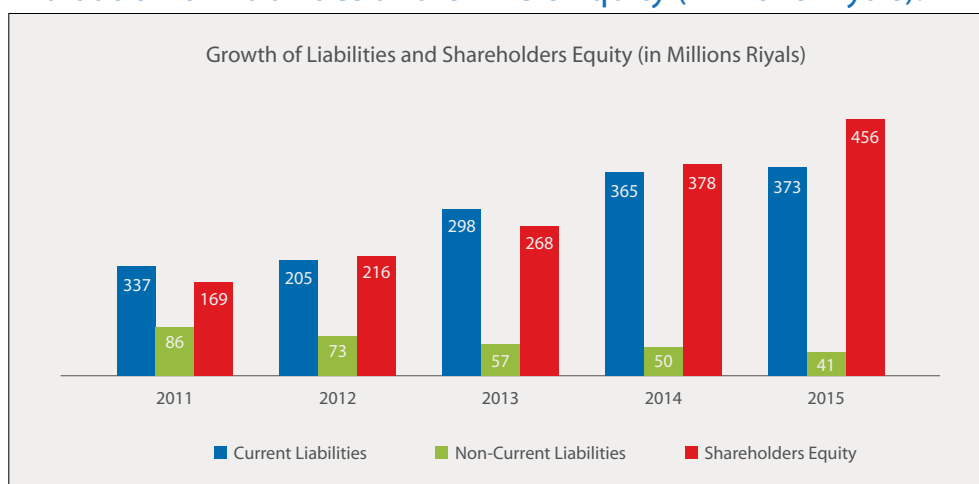
## Display of the Elements of Income Statements and Budgets:

Evaluation of the growth of current and fixed assets (millions Riyals):



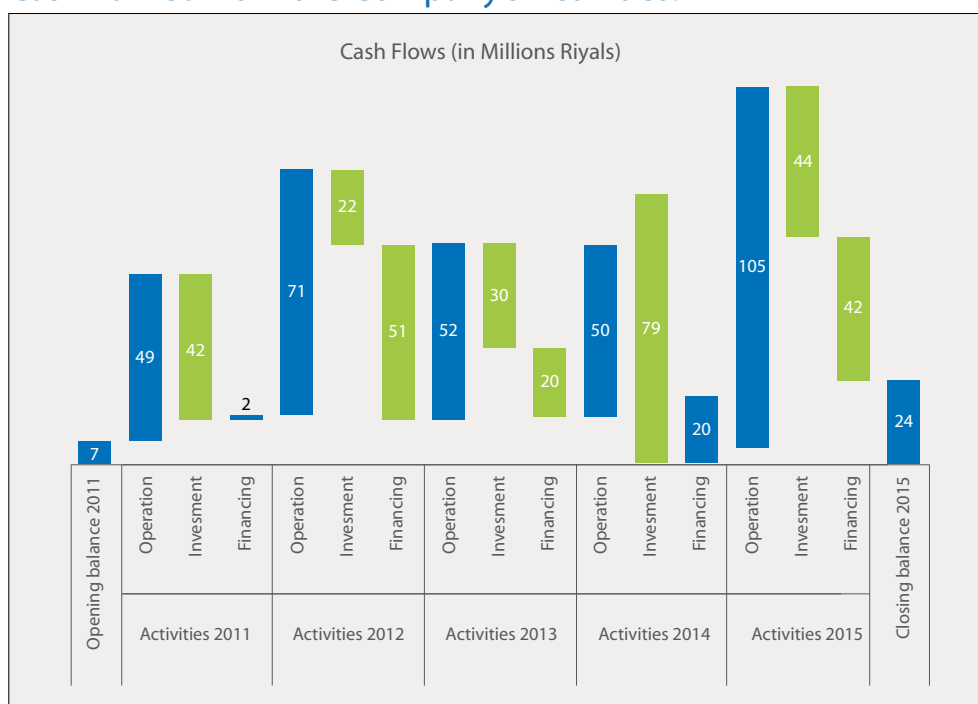
The growth of the company's assets increased over the past five years from 449 million Riyals in 2011 to 870 million Riyals in 2015.

## Evaluation of Liabilities and Owners Equity (millions Riyals):



The growth of the company's owner's equity increased over the past five years from 169 million Riyals in 2011 to 456 million Riyals in 2015.

## Cash Earned from the Company's Activities:



The growth in cash flows from the company's operations increased from 49 million Riyals in 2011 to 105 million Riyals in 2015, which allowed the company to finance its expansion, as well as paying dividend for shareholders, reflecting the efficiency of the company in managing its working capital.

## Geographical Analysis of the Company's Activity:

Up to 31/12/2015, the company has no any activity outside the Kingdom of Saudi Arabia. The table below shows sales and net profit of the company's activity in the Kingdom of Saudi Arabia (millions Riyals):

Geographical area	2015		2014	
	Sales	Net profit	Sales	Net profit
Kingdom of Saudi Arabia	1,267,91	126,11	1,084.85	110,01
Other areas	-	-	-	-



## Borrowing:

The following table shows the loans balance as at 31/12/2015 (millions Riyals):

Bank Name	Type of facilities	Purpose	Opening balance	Additions	Payment	Final balance	Mode of payment
The Saudi British Bank	Islamic Tawarruq-medium - term	To finance expansion	50,95	48,00	27,95	71,00	Quarterly payments till 2018
Banque Saudi Fransi	Islamic Tawarruq-medium - term	To finance expansion	-	5,60	-	5,60	Quarterly payments till 2020

The aim of the loans is to finance the company's expansion plans and to complete the construction of the company's headquarter building in Riyadh city. It is worth noting that the company has utilized the facilities offered by local banks: The Saudi British Bank, Banque Saudi Fransi and Saudi Investment Bank, to obtain short-term Murabaha loans to finance working capital. The outstanding balance of these loans was (120) million Riyals at the end of 2015 compared to (127) million Riyals at the end of 2014, whereas the company has made use of (274) million Riyals in 2015 and has paid (281) million Riyals.

## Zakat and Due Regular Payments:

The following table shows amount payable to the government authorities as at 31/12/2015:

statement	2015	2014
Department of Zakat and Income Tax	9,481,187	7,857,660
General Organization for Social Insurance	821,775	635,256

### Potential Risks:

The company's results might be affected by potential risks which can be classified into two categories: risks related to the company's operation and risks related to market and the sector, as follows:

#### a) Risks related to the company's operation:

1. Unsuccessful expansion strategy.
2. More modern products being provided by competitors.
3. Competition from online shopping.
4. Failure of products to comply with specifications and regulations.
5. Poor inventory management.
6. Termination of or failure to renew leasees contracts or the lack of suitable properties for lease.
7. Obstacles arising from franchise agreements and noncompliance with the provisions thereof.
8. Reliance on supply and support system and informatics solutions and risks of breakdown.
9. Operational risks and unexpected downtime of operations.
10. Inadequacy of insurance coverage.
11. Non-availability of additional financing in the future.
12. Expiration or non-renewal of the Company's licenses.
13. Increase in operational expenses.
14. Reliance on trademarks and intellectual property rights laws.
15. Accidents and injuries resulting from the Company's operations.
16. Risks associated with non-compliance with laws and regulations.

#### b) Market and sector-related risks:

1. The competitive environment.
2. Political and economic risks.
3. Risks relating to import and export regulations and future changes thereto.
4. Risks related to exchanges in currency exchange rates.

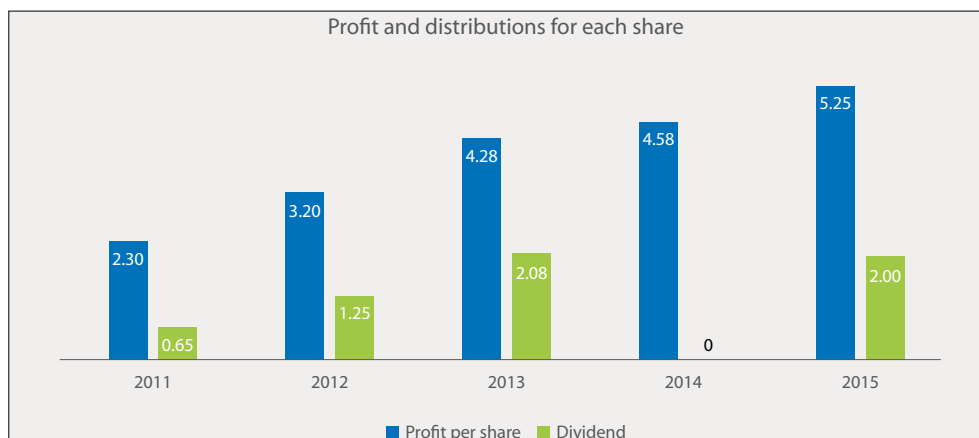
### Dividend Distribution Policy:

Under Article (108) of Companies Law, the shareholder is confirmed to have all the rights related to the shares, and in particular the right to receive a portion of the profits determined to be distributed. The Board of Directors recommends declaring and paying profits before it is approved by the shareholders at the meeting of the General Assembly. Any recommendation to distribute profits to shareholders is based on a number of factors, including: the profits made by the company previously, projected profits, cash flows, capital requirements, market data, and economic factors in general and Zakat, as well as legal, regulatory and other considerations and factors.

The distribution of dividends is subject to certain limitations contained in the Company's By-Laws. After deducting all general expenses and other costs, the Company's annual net profits, if any, shall be allocated (in Saudi Riyals) as follows:

- Ten percent (10%) of net profit shall be set aside to form a statutory reserves, and the Ordinary General Assembly may discontinue said deductions when the statutory reserves amounts to half of the company's share capital.
- The Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated towards one or more specific purposes.
- The balance shall be distributed as a first payment in the amount of at least five percent (5%) of paid-up capital to the Shareholders.
- Out of the balance, the Board of Directors shall be remunerated not more than 5%.
- The balance shall be distributed among Shareholders as an additional share of the dividends.

The following summary shows the dividend and earnings per share from 2011 to 2015:



\* There was no dividend distribution in 2014, due to the increase in the company's share capital from sixteen million Saudi riyals (SAR 16,000,000) to two hundred and forty million Saudi Riyals (SAR 240,000,000) through the capitalization of retained earnings of the Company.

In its meeting held on 02/01/1437 H, corresponding to 15/10/2015, the Board of Directors of Saudi Company for Hardware SACO recommended to cash dividend its shareholders for the fiscal year ended 31/12/2014 as follows:

- The total amount distributed: SAR 48,000,000
- Value paid per share: (SAR 2) two Riyals.
- % of distribution of nominal value per share: 20%.

On 22/11/2015, the Board of Directors amended its recommendation regarding dividend distribution to shareholders to be for the first quarter of 2015 instead of 2014 as follows:

The total amount distributed	SAR 48,000,000
Value paid per share	(SAR 2) Two Riyals
% of distribution of nominal value per share	20%
Date of maturity	The eligibility of the profits attributable to shareholders of the company who registered in the Securities Depository Center (Tadawul) by the end of Tadawul day of 26/11/2015
Distribution date	10/12/2015

The above mentioned profits have been distributed on 10/12/2015 as published.

Consequently, a separated item will be included on the agenda of the General Assembly states that : " consent to authorize the Board of Directors to distribute dividend to shareholders, and identify date of eligibility and distribution , taking into account the regulations of the Ministry of Commerce and Industry and its guidance in this regard."

## The Company's Management:

### a. Membership of the Board of Directors:

The Board of Directors of the company consists of (9) members appointed by the General Assembly held on 23/09/1435 H, corresponding to 20/07/2014.

On 21/11/2015, the member of the Board of Directors, Mr. Samauel Abdullah Bakhsh (non-executive) resigned for personal reasons, and the Board of Directors approved the resignation on 22/11/2015. The Board of Directors agreed in its meeting held on 22/11/2015, to appoint Mr. Talal Mohammed Bakhsh (non-executive) in place of the resigning member starting on Sunday, November 22, 2015 to the end of the current session of the Board, provided that this appointment shall be submitted to the General Assembly in its first meeting for approval and ratification. It is to be noted that Mr. Talal Mohammed Bakhsh holds a bachelor's and a master's degree in engineering and business administration since 1990, and has experience in the banking sector for more than twenty years.

Name	Position	class
Abdel Rahman Amin Jawa	Chairman	non-executive/ independent
Khalid Mohammed Al Hamidi	CAO	Executive
Sameer Mohammed Al Hamidi	CEO	Executive
Haytham Mohammed Al Hamidi	COO	Executive
Diawn Sadeq Fadl	Member	non-executive
Abdulmohsen Ibrahim AL Touq	Member	non-executive
Bandar Khalid AL Turki	Member	non-executive
Ahmad Mohammed AL Sari	Member	non-executive/ independent
Talal Mohammed Bakhsh	Member	non-executive/ independent

### Membership of the Board of Directors in other Joint Stock Companies:

Name	Membership
Sameer Mohammed Al Hamidi	<ul style="list-style-type: none"> <li>Member of Deutsche Securities Saudi Arabia</li> <li>Member of Astra Industrial Group</li> </ul>
Haytham Mohammed Al Hamidi	<ul style="list-style-type: none"> <li>Member of The National Petrochemical Company "Petrochem"</li> <li>Member of Rana Investment Company</li> </ul>
Bandar Khalid AL Turki	<ul style="list-style-type: none"> <li>Member of Jeddah Holding Company for Urban Development</li> </ul>
Ahmad Mohammed AL Sari	<ul style="list-style-type: none"> <li>Member of Al Khaleej Training and Education Company</li> <li>Member of Al Enaya for Science and Medical services.</li> <li>Chairman of the Board of Directors of AL Malaz Capital Company</li> </ul>
Abdulmohsen Ibrahim AL Touq	<ul style="list-style-type: none"> <li>Member of Dar Altamleek Company</li> <li>Amrican Internationa Group Company and ANB Cooperative Insurance Company</li> </ul>

### b. The Board of Director's Meetings :

The Board of Directors held four (4) meetings during 2015. The attendance of the members was as follows:

Name	Date of Meetings During 2015				total
	03/02/2015	09/09/2015	15/10/2015	22/11/2015	
Abdel Rahman Amin Jawa	✓	✓	✓	✓	4/4
Khalid Mohammed Al Hamidi	✓	✓	✓	✓	4/4
Sameer Mohammed Al Hamidi	✓	✓	✓	✓	4/4
Haytham Mohammed Al Hamidi	✓	✓	✓	✓	4/4
Samauel Abdullah Baksh	×	×	×	×	0/4
Bandar Khalid AL Turki	✓	✓	✓	✓	4/4
Diawn Sadeq Fadl	✓	✓	✓	✓	4/4
Ahmad Mohammed AL Sari	✓	×	✓	✓	3/4
Abdulmohsen Ibrahim AL Touq	✓	✓	✓	✓	4/4



## Fees and Remuneration paid to the Board of Directors Members and Senior Executives:

The members of the Board of Directors of the Saudi Company for Hardware (SACO) did not receive any remunerations, salaries, or allowances during 2015, with the exception of functional salaries and allowances paid to members: Samir ,Haytham and Khaled Al Hamidi, in their capacity as executives of the company.

The following table shows the total amounts paid to Board Members and five Senior Executives, including Chief Executive Officer and Chief Financial Officer during the year ended 31/12/2015:

statement	Executive Board Members	Non-executive and independent Board Member	Five Senior Executives, including CEO and CFO
Salaries and compensations	1,752,000	-	2,599,284
Allowances	1,240,000	-	1,798,632
Periodical an annual Compensations	-	-	709,000
Any compensations or other benefits in kind, paid monthly or annually	282,841	-	282,841
Total	3,274,841	-	5,389,757



### C. Equity Ownership Ratio and the Change in it During the fiscal year 2015:

#### 1. Equity ownership ratios and changes during the fiscal year 2015 for the members of the Board of Directors and Senior executives:

The table below shows the shareholding and ownership of the Board of Directors, Senior Executive, their spouses, and their dependent children in the company shares and changes in ownership during 2015:

	Name	Position	Nationality	Class	No. of shares at the beginning of 2015 pre-offering	No. of shares at the end of 2015 post-offering	% of change	Ownership of spouses and dependent children	% change	Debt Instruments	Date of membership
1.	Abdel Rahman Amin Jawa	Chairman	Saudi	Non-executive/independent	0	**1.000	100%	-	-	-	20/07/2014
2.	Khalid Mohammed Al Hamidi	CAO	Saudi	Executive	2,812,908	***1,969,036	-30%	-	-	-	20/07/2014
3.	Sameer Mohammed Al Hamidi	CEO	Saudi	Executive	2,811,312	***1,967,918	-30%	1665	100%	-	20/07/2014
4.	Haytham Mohammed Al Hamidi	COO	Saudi	Executive	2,811.312	***1,967,918	-30%	-	-	-	20/07/2014
5.	Talal Mohammed Bakhsh	member	Saudi	Non-executive	0	*0	*0	-	-	-	22/11/2015
6.	Bandar Khalid AL Turki	member	Saudi	Non- Non-executive	0	**1.000	100%	-	-	-	20/07/2014
7.	Diawn Sadeq Fadl	member	Canadian	Non- Non-executive	0	**1.000	100%	-	-	-	20/07/2014
8	Ahmad Mohammed AL Sari	member	Saudi	Non-executive/independent	0	**1.000	100%	-	-	-	20/07/2014
9.	Abdulmohsen Ibrahim AL Touq	member	Saudi	Non-executive/independent t	0	**1.000	100%	-	-	-	20/07/2014

\*Mr. Talal Baksh has been appointed as member of the Board of Directors on 22/11/2015, and his qualifying shares allocation is underway.

\*\* The allocation of qualifying shares is to ensure that the intended Board Member will be responsible.

\*\*\*The shares of Khalid, Sameer and Haytham Al Hamidi represent direct and indirect ownership of the company's shares through their direct ownership in SACO shares and their ownership in both Al Hamidi Contracting Co and Mohammed Abdulaziz Al Hamidi Sons Holding Company, as shown below:

## Ownership Structure of Al Hamidi Establishment Contracting Company:

Name of the shareholder	%
Mohammed Abdulaziz Al Hamidi Sons Holding Company	70%
Khalid Mohammed Al Hamidi	10%
Sameer Mohammed Al Hamidi	10%
Haytham Mohammed Al Hamidi	10%
Total	100%

## Ownership Structure of Al Hamidi Holding Company:

Name of the shareholder	%
Khalid Mohammed Al Hamidi	19.46%
Sameer Mohammed Al Hamidi	19.44%
Haytham Mohammed Al Hamidi	19.44%
Other shareholders	41.66%
Total	100%





### Change in Equity Ownership for the Major shareholders during fiscal year 2015:

The table below shows the equity ownership ratio and changes during fiscal year 2015, for the major shareholders who own 5% of the company's capital.

Shareholders who own 5% or more of the company's capital	At the beginning of 2015 pre-offering			At the end of 2015 post-offering			% change
	Number of shares	%	Capital (Saudi Riyals)	Number of shares	%	Capital (Saudi Riyals)	
Al Hamidi Contracting Co	11,400,000	47.5%	114,000,000	7,980,000	33.25%	79,800,000	-30%
Abrar International Holding Co	6,120,000	25.5%	61,200,000	4,284,000	17.85%	42,840,000	-30%
Abdel Rahman Hassan Abbas Sharbatly	6,120,000	25.5%	61,200,000	4,284,000	17.85%	42,840,000	-30%

## Board of Directors Committees:

### 1- Audit Committee:

The Audit Committee undertakes the following responsibilities:

- Supervising the management of the Company's internal audit in order to verify its effectiveness in the implementation of works and tasks assigned by the Board of Directors;
- Studying the internal control system and making observations and recommendations in this regard to the Board of Directors;
- Reviewing the internal audit plan and procedures including the views and recommendations of the Committee in this regard;
- Reviewing the reports of internal audit and following-up the corrective actions of weaknesses that are noted therein;
- Making recommendations to the Board on the appointment or dismissal of Chartered Accountants and determination of their fees, taking into account their independence while providing such recommendations;
- Following the Chartered Accountants works and approving any activities outside the scope of the audit work assigned to them during their audit;
- Reviewing the audit plan with the auditor and making comments thereon;
- Reviewing notes given by the auditor on the financial statements and following-up the procedures taken in this regard;
- Reviewing interim and annual financial statements before submission to the Board of Directors and making observations and recommendations on these statements to the Board of Directors;
- Studying accounting policies adopted by the Company and submitting its recommendations thereon to the Board of Directors.

The General Assembly meeting held on 23/09/1435 H, corresponding to 20/07/2014 approved the rules of selecting the Audit Committee members and their term of office and the method of the committee work.

The Board of Directors formed the Audit Committee in the meeting of the Board held on 23/09/1435 H, corresponding to 20/07/2014.

The Audit Committee consists of three (3) members appointed by the Board of Directors for a period of three (3) years.

The below mentioned members were appointed in the Audit Committee during the meeting of the Board of Directors held on 23/09/1435 H, corresponding to 20/07/2014. The Committee held one (1) meeting during 2014, on 19/11/2014.



### Members of Audit Committee:

	Name	Position
1.	Abdel Rahman Amin Jawa	Chairman
2.	Abdulmohsen Ibrahim AL Touq	Member
3.	Ahmad Mohammed AL Sari	Member

On 15/10/2015 the Board of Directors has decided to restructure the Audit Committee to be as follows:

	Name	Position
1.	Ahmad Mohammed AL Sari	Chairman
2.	Abdel Rahman Amin Jawa	Member
3.	Abdulmohsen Ibrahim AL Touq	Member



On 14/12/2015 the Board of Directors has decided to appoint Mr. Lutfi Gasim Ahmad Shahada a non – board member, a member of the Audit Committee as of 14/12/2015. Therefore, the Audit Committee became as follows:

	Name	Position
1.	Ahmad Mohammed AL Sari	Chairman
2.	Abdel Rahman Amin Jawa	Member
3.	Abdalmohsen Ibrahim AL Touq	Member
4.	Lutfi Gasim Ahmad Shahada	Member

During 2015 the Committee held four (4) meetings. The table below shows the names of the members and the record of attendance:

	Name	Meeting date				Total of attendance
		18/02/2015	20/05/2015	12/07/2015	14/10/2015	
1.	Ahmad Mohammed AL Sari	✓	✓	✓	✓	4/4
2.	Abdel Rahman Amin Jawa	✓	✓	✓	✓	4/4
3.	Abdalmohsen Ibrahim AL Touq	✓	✓	✓	✓	4/4

In the light of the works that done by the Audit Committee in 2015, the Audit Committee believes that there is no significant deficiencies, a substantial change, material breach or disruption in the internal control systems, and this system is effective to prevent and detect errors.

## 2. Nomination & Remuneration Committee:

Rules of Nomination and Remuneration Committee's members selection, their term of office and the method of work and responsibilities were approved in the general assembly meeting held on 23/09/1435H (corresponding to 20/07/2014).

The Board of Directors formed the Nomination and Remuneration Committee in its meeting held on 14/04/1436H (Corresponding to 03/02/2015G).

The Nominations and Remuneration Committee undertakes the following responsibilities:

1. Identifying and nominating nominees to fill SACO's Board of Directors vacancies if any or when new members' alternatives become available in the Board of Directors. The Committee shall make recommendation to the Shareholders General Assembly with respect to determining the qualified nominees for membership provided that any person convicted of crimes involving dishonesty or trust are not to be nominated.
2. Developing clear policies regarding the indemnities and remunerations of the Directors, Board committees' members and senior executives; in accordance with the Company's By-laws by following the standards related to performance;
3. Ensuring the preparation of an annual report containing detailed indemnities and remunerations paid to the Board members and senior executives in order to be included in the Company's annual report;
4. Supervising and advising the Board with respect to preparation of the policies and plans regulating the Company's remunerations programs;
5. Reviewing the structure of the Board and making recommendations regarding the possible changes to the Board, and determining the points of strength and weakness in the Board of Directors and recommending remedies that are compatible with the Company's interest;
6. Reviewing the required skills, capabilities and work experiences on an annual basis in order to enhance the Board's qualifications and submitting recommendations thereon to the Board, and ensuring, on an annual basis the independence of the independent members and the presence or absence of any conflict of interests in case a Board member also acts as a member of the Board of Directors of another company;
7. Recommending to the Board regarding different committee's nominees of the Board;
8. Preparing an annual report on the remunerations paid to senior executives in order to be included in the Company's annual report in accordance with the applicable rules and regulations, pursuant to Article (9) of Corporate Governance Regulations promulgated by the Capital Market Authority (CMA).

The following table shows the member of the Nomination & Remuneration committee that has been formed during a meeting held on 23/09/1435 H, corresponding to 20/07/2014:

	Name	Position
1.	Khalid Mohammed Al Hamidi	Chairman
2.	Ahmad Mohammed AL Sari	Member
3.	Haytham Mohammed Al Hamidi	Member

And then, the Board of Directors decided to accept the resignation of Mr. Haytham Mohammed Al Hamidi from the membership of the Nomination & Remuneration Committee and appointed Mr. Abdulmohsen Ibrahim AL Touq as a member of this committee on 03/02/2015. Thus, the structure of this committee became as follows:

**Membership of Nomination & Remuneration Committee:**

	Name	Position
1.	Khalid Mohammed Al Hamidi	Chairman
2.	Ahmad Mohammed AL Sari	Member
3.	Abdulmohsen Ibrahim AL Touq	Member

During 2015, the Committee held two (2) meetings. The table below shows the names of members and the attendance record:

	Name	Meeting date		
		26/04/2015	01/11/2015	Total of attendance
1.	Khalid Mohammed Al Hamidi	✓	✓	2/2
2.	Ahmad Mohammed AL Sari	✓	✓	2/2
3.	Abdulmohsen Ibrahim AL Touq	✓	✓	2/2

### 3. Executive Committee:

The regulations of this committee was approved previously and has been suspended during 2015.

### Transactions with related parties:

The Company has concluded two lease contracts with the heirs of Abdullah Taha Bakhsh, owners of Abrar International Holdings Company (a major shareholder) and an agreement for purchasing some products from SAMACO, which is owned by the shareholder Abdel Rahman Hassan Abbas Sharbatly (a major shareholder). The above mentioned are related parties, as described in the table below.

The contracts and transactions were disclosed in the table below and agreed on in the General Assembly meeting held on 23/07/1435H (corresponding to 20/07/2014). It is worth mentioning that all the transactions between the Company and the related parties will be presented for approval on annual basis in the ordinary general assembly in accordance with the requirements of paragraph (A) of Article (18) of Corporate Governance Regulations corresponding to Article (69) of Companies Regulations.

The table below shows details of arrangements made between the Company and the related parties:

No.	First party	Second party	subject	Services and products offered under the conventions	Date of conventions	Duration	Value (SAR)
1.	Heirs of Abdullah Taha Bakhsh presented by Samoal Abdullah Taha Bakhsh	SACO Company	Rent agreement	SACO company rent a store from the first party in Jeddah	03/03/1430H (corresponding to 28/02/2009)	5 years and renewed in 27/02/2015 to 26/02/2020	2,250,000 annually
2.	Heirs of Abdullah Taha Bakhsh presented by Samoal Abdullah Taha Bakhsh	SACO Company	Rent agreement	SACO company rent a store from the first party in Jeddah	17/04/1433H (corresponding to 10/03/2012)	3 years and approved to extended By a letter from the owner on 09/04/2015 for a period of two years ended on 08/04/2017	1,803,575 annually
3.	SAMACO presented by Shereen Nasif	SACO Company	Purchase-se and supply	Swimming pools and its accessories and outside Games	During 2015	Fiscal year 2015	10,746,569 annually

\*SAMACO Company supplies some products (swimming pools and its accessories, and outside games) for SACO Company to be sold in SACO company stores.



**The company has signed also a memorandum of understanding with a related party, according to the following:**

The company has signed a memorandum of understanding (MoU) with the owners of Medscan Terminal Co., to acquire its transportation and logistics subsidiary, Medscan Terminal Co (a Saudi limited liability company), based in the Eastern Region.

The company has appointed advisers for this purpose to carry out studies of legal and financial due diligence to determine the purchase price. It is expected to complete the due diligence, determine the price and signing the final sale agreement during the first half of 2016. It is to be noted that there are two of the Board Members (Samauel Bakhsh and Diawn Sadeq) have a relationship with Medscan Terminal through Abrar Global Holding Co (a major shareholder of SACO), as Ritaj Investment Co (one of the owner of Medscan Terminal Co) owned by same owners of Abrar Global Holding Co. There are no preferential terms in this MoU, and all progress regarding this MoU will be disclosed to the shareholders and regulatory and legal approvals will be obtained from the relevant competent bodies, and any other necessary approvals from the General Assembly of shareholders.

## Obligation to Corporate governance Regulations:

Based on the guiding regulations listed in the Corporate Governance Regulations issued by the Capital Market Authority, The Company approved, in 2015, the Board of Directors Directory, and then the General Assembly adopted the amended regulations of the Audit Committee on 26/04/2015:

No.	Regulations	Approved by the Board	Approved by the General Assembly	Approval date
1.	Risk Management structure	✓		20/07/2014
2.	conflict of interest policy	✓		20/07/2014
3.	Disclosure and transparency policy	✓		20/07/2014
4.	Policy of trade with related parties	✓		20/07/2014
5.	Shareholders' directory	✓		20/07/2014
6.	Internal Audit Manual	✓		20/07/2014
7.	Internal Audit Charter	✓		20/07/2014
8.	Board of Directors directory	✓		03/02/2015
9.	Executive committee regulation	✓		20/07/2014
10.	Powers matrix	✓		20/07/2014
11.	Standards and policies for the membership of the Board of Directors		✓	20/07/2014
12.	Rules to choose the members of the audit committee and the term of office and the style of work		✓	26/04/2015
13.	Adoption of rules to choose the members of the Nomination & Remuneration Committee and the term of office and the style of work		✓	20/07/2014

The Company has reviewed and amended the Board of Directors Directory and then adopted under the Board of Directors decision dated 03/02/2015. The company has also reviewed and amended rules of Audit Committee's members selection, their term of office, method of work under the Board of Directors decision 16/03/2015, and then approved by the Shareholders' General Assembly on 16/03/2015.

The following table details the extent of the company's commitment to Corporate Governance Regulations issued by the Capital Market Authority:

No.	No. of Article according to Corporate Governance Regulations	Full commitment	Partial commitment	No commitment	Explanation
1.	(Third): General Rights of Shareholders	✓			
2.	(Fourth): Facilitation of Shareholders Exercise of Rights and Access to Information	✓			
3.	(Fifth): Shareholders Rights related to the General Assembly	✓			
4.	(Sixth): Voting Rights	✓			
5.	(Seventh): Dividends Rights of Shareholders	✓			
6.	(Eighth): Policies and Procedure related to Disclosure	✓			
7.	(Ninth): Disclosure in the Board of Directors' Report	✓			
8.	(Tenth): Main Functions of the Board of Directors	✓			
9.	(Eleventh): Responsibilities of the Board	✓			
10.	(Twelfth): Formation of the Board	✓			
11.	(Thirteen): Committees of the Board	✓			
12.	(Fourteen): Audit Committee	✓			
13.	(Fifteen): Nomination and Remuneration Committee	✓			
14.	(Sixteen): Meetings of the Board	✓			
15.	(Seventeen): Remuneration and Indemnification of Board Members	✓			
16.	(Eighteen): Conflict of Interest within the Board	✓			

## The Board of Directors Declarations:

### The Board of Directors declares that:

- The accounting records are properly prepared.
- The internal control system is well established and executed effectively.
- There is no any doubt on the company's ability to continue its activity.
- There is no penalty or a fine or restrictions imposed on the company by the Capital Market Authority or any other supervisory, regulatory or judicial authority.

Finally, the Board of Directors would like to extend their gratitude to the Government of the Custodian of the Two Holy Mosques, for the continuous support of the retail sector. we would like also to thank the shareholders for their constant support.

Allah grants success

The Board of Directors



