

Annual Report

2016





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
Crown Prince, Second Deputy Prime
Minister and Minister of Defense

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



Annual Report 2016
Report of Board of Directors of Saudi Company for Hardware (SACO)
For the fiscal year ended 31/12/2016

Table of Contents:

Chairman's Message/ Chief Executive Officer Message/ Board of Directors Members

An Overview of the Company's History and Capital

The Company Activity

Subsidiaries

Facts about SACO / Vision and Mission

Company Departments / Household Solutions

The most Important Achievements During 2016

Opening of New Stores / The acquisition of Medscan Co. / E-commerce project

SACO Strategy

Saudization, Human resources, and Training

Continuous Development of Information Technology in the Company

Social Responsibility

Implementation of International Accounting Standards (IFRS)

Financial Performance

Geographical Analysis of the Company's Activity

Loans and Zakat

Potential Risks

Dividend Distribution Policy

The Company's Management / Board of Directors Committees

Transactions with Related Parties

Corporate Governance / Board of Directors Declarations

Audited Financial Statements for the Fiscal Year ended 31/12/2016



Chairman's Message

In the name of Allah the Most Merciful, the Ever Merciful

Dear Shareholders,

I am honored, on behalf of the Company's Board of Directors, to introduce to you the operation results of the Saudi Company for Hardware (SACO) for the fiscal year 2016.

SACO has a long history that extended to more than three decades in serving the retail sector, in the field of hardware, tools and household improvement solutions. SACO has become a well-known commercial name at local and regional level. In addition, confidence in the Company is growing, and volume of transactions is increasing.

SACO has always been keen on development through hard work by the company's top management, the whole team and the geographical coverage of the stores, which reached, during 2016, 26 stores covering 14 cities in the Kingdom of Saudi Arabia.

The Board of Directors and the Company Management are always looking forward to continue with a plan that meet the market requirements as well as increasing the efficiency, productivity and controlling expenses. We believe that financial results for 2016 represent a solid and satisfying base that enables Board of Directors and the Company Management to achieve aspirations of the distinguished shareholders.

Despite the fact that the global economy is running through a period of a global recession, but the company has enough confidence on the capabilities of the Saudi market. Hence, the company will work to strengthen its position in the market through the interaction with the market requirements, maintaining excellence in services and product diversity, as well as the spirit of teamwork.

Allah grants success!

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

Abdel Rahman Amin Jawa

Chairman of the Board of Directors



Chief Executive Officer's Message

In the name of Allah, the Most Merciful, the Ever Merciful

Dear Shareholders,

It is my pleasure to introduce to you the company's Annual Report for fiscal year 2016. A year that was full of challenges and achievements, in which, the KSA's vision has been established, a new and great vision led by our wise leadership, the Vision of Kingdom of Saudi Arabia 2030.

Along 2016, SACO has continued its efforts working on achieving a comprehensive development in the Company's performance, associated with dedication of constructive efforts in order to realize the Company's vision and to achieve satisfactory results for the Shareholders.

We are proud that the most important source of power is our Staff who have had a great impact in approaching your Company's achievement during 2016; and we expect that they will have the same great effect during the coming years by achieving the expansion plan which were announced during 2016.

Thanks to Allah, two new Stores have been opened during 2016; one in Onaizah city, with an area of (8190 m²), and the other in Hail city, with an area of (5275 m²), which had a positive impact on the results of the Company's business. During 2016, your Company's sales reached an amount of (1,324.09 millions) comparing to (1,276.91 millions) during 2015 with an increase of 3,69 %. The net profits reached (126.18 millions) comparing to (126.11 millions) during 2015 with an increase of 0.06 %. This in addition to the acquisition of Medscan Terminal Company Ltd., which is specializing in transporting goods, logistics, and warehousing, located in Eastern Area. We expect that this acquisition will contribute in facilitating the Company's operations and reducing expenses. Moreover, SACO has soft launched the e-Commerce service through the Company's website.

During 2017, SACO will go ahead with its expansion plan, announced during 2016, by opening new stores that will be announced in due course.

SACO focuses on ensuring the availability of best products, with best competitive prices along the year, in addition to providing the optimum way of product display, as well as great customer service, taking into account the best ways of delivery and maintenance.

Ensuring continuity of providing new products, variety options, and smart household solutions are our top priorities. This requires efforts from our purchasing team who travels the world to bring everything that is new to place it between the hands of our customers whom we seek their satisfaction, which returns positive impact on the Company's results, and in turn achieve the optimal returns for the Company's Shareholders.

Our customers will remain our primary concern; we work for them, and seek to serve them. We affirm again that 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.

Best Regards,

Sameer Mohammed Al-Hamidi

Chief Executive Officer and Managing Director



Board of Directors Members

Name	Position	Classification
Mr. Abdel Rahman Amin Jawa	Chairman	Independent
Mr. Khalid Al-Hamidi	CAO / Member	Executive
Mr. Sameer Al-Hamidi	CEO / Managing Director	Executive
Mr. Haytham Al-Hamidi	COO / Member	Executive
Mr. Talal Mohammed Bakhsh	Member	Non-executive
Mr. Bandar Khalid AL Turki	Member	Non-executive
Mr. Diawn Sadeq Fadl	Member	Non-executive
Ahmed Mohammed Al Sari	Member	Independent
Abdul Mohsen Ibrahim Al Touq	Member	Independent

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, SACO 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 27/7/1432H 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 26 Stores in 14 cities, including 3 large SACO World stores and the area of the stores range between 2.000 up to more than 24.500 m². These stores offer 45.000 different products in each store.

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 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 aims to become a regional leader in the field of household improvement products through expanding its presence in the Gulf States and other Arab States.



Subsidiaries

Medscan Terminal Company: a Saudi Limited Liability Company specializing in transporting goods, logistics, and warehousing, located in Eastern Area, and has been acquired in 23/11/2016.

Name of Subsidiary	Establishment and Activity Location	Capital	Activity Type	Percentage of Property
Medscan Terminal Company Ltd.	Kingdom of Saudi Arabia	5,500,000	Transporting Goods, Logistics, and Warehousing	99 %

Facts about SACO:

The company was established in 1985 and became a leading company in retail trade of hardware and tools and the one of the largest specialized shopping center in household improvement solutions in the Kingdom of Saudi Arabia.

Stores: 26 stores with an area range from 2000 and 24500 m², as on 31/12/2016

Market Coverage: Located in 14 main cities in the Kingdom of Saudi Arabia, as on 31/12/2016

Products Range: More than 45,000 products under one roof.

Warehouses: warehouse the strategic central region.

Maintenance Centers: Three maintenance centers in central, Eastern, and Western regions.

Operation System: Advanced SAP system for resources planning.

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.
- To become the regional leader in the field of home improvement products.



Departments



Hardware



Do it yourself Solutions



Electrical & Power Supplies



Sports Equipment



Toys



Paint & Sundries



Building Materials



Plumbing Supplies



Automotive Supplies



Storage



Housewares



Electrical Appliances



Indoor Furniture



Lawn & Garden



Outdoor Living



Lightings



Bed & Bath



Solutions:



Washing & Ironing Solutions



Paint Solutions



Car Travel Solutions



Floor & Wall Solutions



Storage Solutions



Bathroom Accessory Solutions



Dust Solutions



Power Solutions



Water Solutions



Keep-your-Garden-Beautiful Solutions



Moving Solutions



Electrical Device Holder Solutions



The most Important Achievements During 2016



Opening of new Stores:

During 2016, SACO opened two Stores, one in Hail and the other in Onaizah, according to what was published on Tadawul website.

	Store Name	City	Area	Opening Date
1	SACO Onaizah	Onaizah	8,190 m ²	21/04/2016
2	SACO Hail	Hail	5,275 m ²	05/05/2016

Al-Khobar store, with an area of (3668sqm), has been closed, and the Company is looking for an alternative location in Al-Khobar City. This closure came after the cancellation of the Contract with landlord, according to what was published on Tadawul website on 05/10/2016 bringing the total number of SACO stores to 26 stores as at 31/12/2016.





Acquisition of Medscan Terminal Logistics Co.:

On 23/11/2016, SACO announced the completion of the acquisition process of Medscan Terminal Company Ltd., for an amount of (SR 37 Million) fully paid. Financing of this acquisition was through self-financing and Islamic bank facilities. General Assembly of Shareholders had approved the acquisition of Medscan Terminal Company on 20/04/2016 for an amount of (SR 37 Million). Medscan Terminal Company Ltd. is a Saudi limited liability company specializing in transporting goods, logistics, and warehousing located in Eastern Area. SACO expects that this acquisition will contribute in facilitating the operations and reduce expenses. It is worth mentioning that the acquisition is completed for all shares of Medscan Terminal Company Ltd. for an amount of (SR 37 million), divided as (99%) for SACO and (1%) for Mr. Sameer Mohammed Abdulaziz Al-Hamidi (CEO, BOD member and one of the major shareholders of SACO in order to maintain the legal status of Medscan. SACO will transfer the (1%) which is ceded By Mr. Sameer Mohammed Abdulaziz Al-Hamidi when the Ministry of Commerce regulations permit this. Considering that there are related parties transactions in this acquisition. Mr. Samaual Taha Baksh (former BOD member), his membership ended on 22/11/2015, and Mr. Diwan Sadeq Abdul Bassir Fadl (BOD member), and Mr. Talal Mohammed Baksh (BOD member) are representatives of Abrar International Holding Co. which is one of the major shareholders of SACO. Furthermore, Abrar International Holding Co. is related to this acquisition transaction, as Retaaj Al Moutamiza Investment Company Ltd., one of Medscan's owners, is owned by the same shareholders who own Abrar International Holding Co. There are no preferential terms in this acquisition.

E-commerce project:

During 2016, SACO has launched the pilot version of E-commerce project, to provide the ability to buy and pay using the company website (www.saco-ksa.com). This project aims to modernize and develop the Company's website and to provide the website visitors with the ability to purchase online, in addition to other features that 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 is working on developing this project, and increasing number of products displayed on the website during 2017.

The Company's Strategy:

In Implementation of SACO's expansion plan for the next three years, which was published on Tadawul website on 13/01/2016 for opening new stores in Saudi Arabia to cover the untapped cities by SACO aiming to increase the number of stores by adding additional 10 stores from 25 stores at the end of 2015 to 35 stores by the end of 2018 translated to increase in the retail space from (135,356 m²) to (188,347 m²) by the end of 2018.

Two new stores were opened during 2016 in Onaizah and Hail, with a total area of (13,465sqm). The company is working on opening of new stores according to the initial plan. The openings will be announced in a timely manner. It is worth mentioning that Al-Khobar store, with an area of (3,668sqm) has been closed and the Company is looking for a new location now in Al-Khobar city. This closure come after cancelling of the Contract with landlord, according to what was published on Tadawul website on 05/10/2016, bringing the total number of SACO stores to 26 stores by the end of 31/12/2016.

This expansion is being financed by self – financing and bank facilities that comply with Islamic Sharia.

Saudization, Human Resources and Training:

As of 31 December 2016, the Company had 2,354 employees at its different branches throughout the Kingdom, 783 out of them are Saudi nationals. The Company is classified within the "moderate green" Nitaqat band, which demonstrates that the Company has achieved 31% Saudization ratio 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 at specialized testing facilities to ensure they have the required skills. The company always gives priority to Saudi nationals when hiring.

Moreover, the current management of the company has 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.

Continuous Development of Information Technology in the Company:

In light of the keenness of the Company Management to continuously develop IT systems in the company, which helps in developing of the Company's businesses and transactions:

1. During 2016, the company improved and developed the supporting systems of (SAP), and provided the Company's departments with modern developed devices in order to deliver a better customer services.
2. The IT department of the Company has developed a new SAP solution to control procurement and inventory of goods; the IT department developed also a detailed analytical reporting techniques for the company's divisions. New experienced staff have joined to improve and develop operations managed by the IT Department.
3. During 2016, the Company also developed Mobile Points of Sale, in order to support customer's services, and to improve customer's experience during shopping at SACO stores.



Corporate Social Responsibility:

During 2016, SACO implemented some non-traditional initiatives. The company carried out a campaign to clean the beaches of Jeddah and extended it to include marine territory and coral reefs with a specialized team of divers. SACO also sponsored projects which aim to achieve professional stability for the wives and widows of our brave soldiers through organizing markets and exhibitions to sell their products. We also supported some awareness campaigns against diseases such as cancer.



Applying International Accounting Standards:

In preparation of the company to apply International Accounting Standards (IFRS) as of 01/01/2017, the company completed the following, during 2016:

1. A transition plan has been prepared for applying the International Accounting Standards (IAS), and adopting of the final accounting policies on 20/10/2016.
2. The Company did not appoint an external consultant where the transition process is carried out by the qualified team of the company. The results are to be presented to the Independent External Auditor as a part of the Quarterly and Annual Review Plan for review.
3. A qualified internal work team has been appointed to carry out the transition process under the leadership of the Accounting Manager and, the supervision of the Chief Financial Officer.
4. The company did not face any difficulties in the transition process towards the application of IFRS during 2016.
5. The Company announced that the target date for preparing of the first financial statements in accordance with International Accounting Standards is 31/10/2016, and it will be for the year ended on 31/12/2015.
6. The Audit Committee held a meeting on 13/10/2016, and recommended the approval of the accounting policies complying with IFRS to the BOD. On 16/10/2016, BOD approved the accounting policies submitted by the Finance Department as recommended by Audit Committee.
7. The first unaudited Financial Statements have been prepared according to IFRS on 01/01/2016 for the year ended on 31/12/2015, it is worthy to mention that the IFRS financial statement are internally prepared for management purpose and not yet audited by external auditors.
8. The Company announced that there are no major impacts on applying the IFRS.



Financial Performance:

Key Business Sectors

شركة مدسكان ترمينال
MEDSCAN TERMINAL COMPANY

Transport and logistics sector

سأكو
SACO

Retail and operating sector

*Statement	Direct Income		Direct Costs		Total Income		Income Margin	
	2016	2015	2016	2015	2016	2015	2016	2015
Retail Sector	1,322.18	1,276.91	1,196.01	1,150.81	126.17	126.11	100 %	100 %
Transport Sector	2.22	-	2.04	-	0.18	-	0.14%	-
Settlements	(0.31)	-	0.13	-	(0.18)	-	(0.14%)	-
Total	1,324.09	1,276.91	1,197.91	1,150.81	126.17	126.11	100%	100%

* All amounts are in millions.

- Settlements have been made for overlapping financial transactions between subsidiaries.
- Acquisition of Medscan Terminal Company Ltd. existed on 23/11/2016.



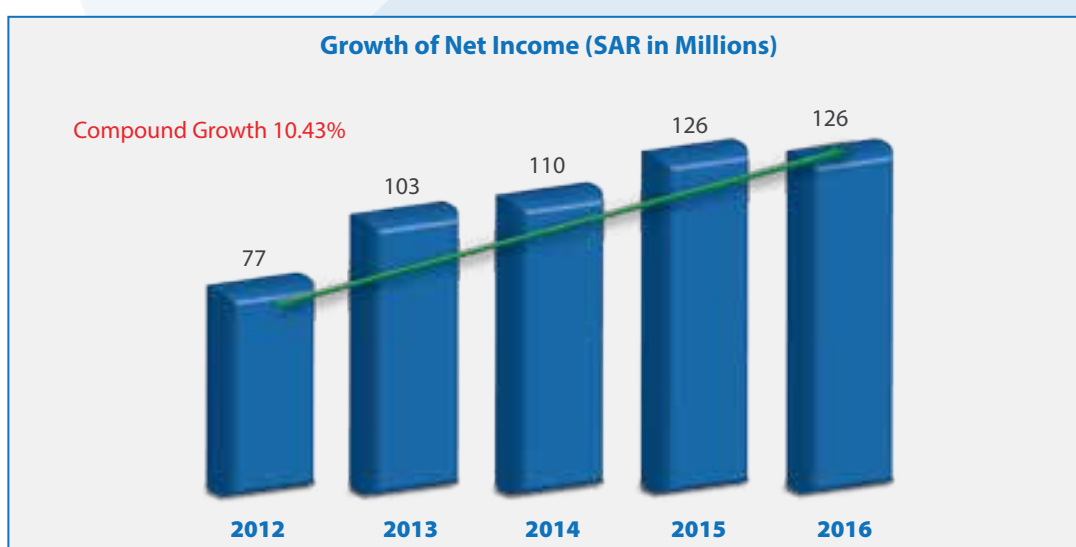
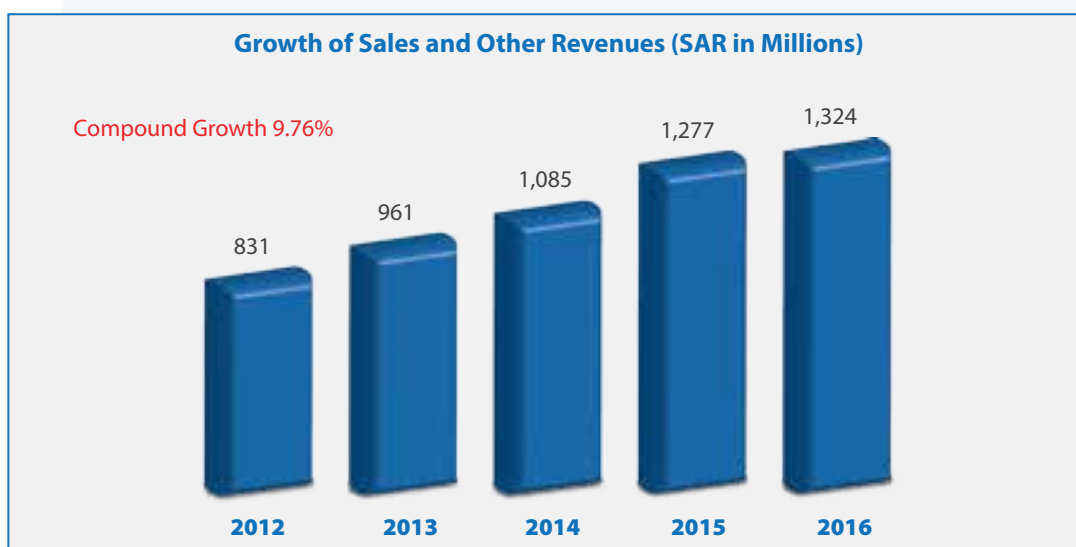
Results of Operations and Net Profit (millions Riyals)					
	2016	% of sales	2015	% of sales	% of change
Sales	1,324.09		1,276.91		3.69%
Cost of sales and Occupancy	(1,066.27)	80.52%	1,017.39	79.68%	4.80%
Gross Profit	257.82	19.47%	259.52	20.32%	0.65% -
Operating Expenses	(118.72)	8.97%	(127.57)	9.99%	6.93% -
Operating Profits	139.10	10.51%	131.95	10.33%	5.42%
Net Profit before Zakat	136.37	10.30%	134.54	10.54%	1.36%
Net Profit	126.18	9.53%	126.11	9.88%	0.05%

During 2016, the company achieved a sales growth of 3.96% compared to year 2015. The increase in sales is attributed to increasing sales of most departments due to the opening of two new store Onaizah and Hail, as well as the closure of Al-Khobar store and the acquisition of Medscan Co.

SACO completed the acquisition of Medscan on 23/11/2016. Medscan's sales for the period from the date of acquisition until the end of the year amounted to SR 1.9 million (after settlements of the overlapping financial transactions between Saco and Medscan). Net profit for the same period amounted to SR 181 thousand.

Medscan Co. working in the field of transportation, storage and logistics. Through this acquisition, SACO aims to diversify sources of income and reduce expenses by using Medscan instead of existing service providers.

Statement	2016	2015	2014	2013	2012
Income (in millions)	Saudi Riyals	Saudi Riyals	Saudi Riyals	Saudi Riyals	Saudi Riyals
Revenues	1,324.09	1,276.91	1,084.85	961.28	831.08
Cost of Sales and Occupancy	(1,066.27)	(1,017.39)	(858.10)	(753.37)	(660.76)
Gross Profit	257.82	259.52	226.75	207.91	170.32
General and Administrative Expenses	(123.80)	(131.13)	(112.82)	(103.85)	(90.42)
Other Revenues	2.35	6.14	3.68	2.86	2.40
Zakat	(10.20)	(8.43)	(7.59)	(4.18)	(5.49)
Net Profit	126.18	126.11	110.01	102.74	76.81

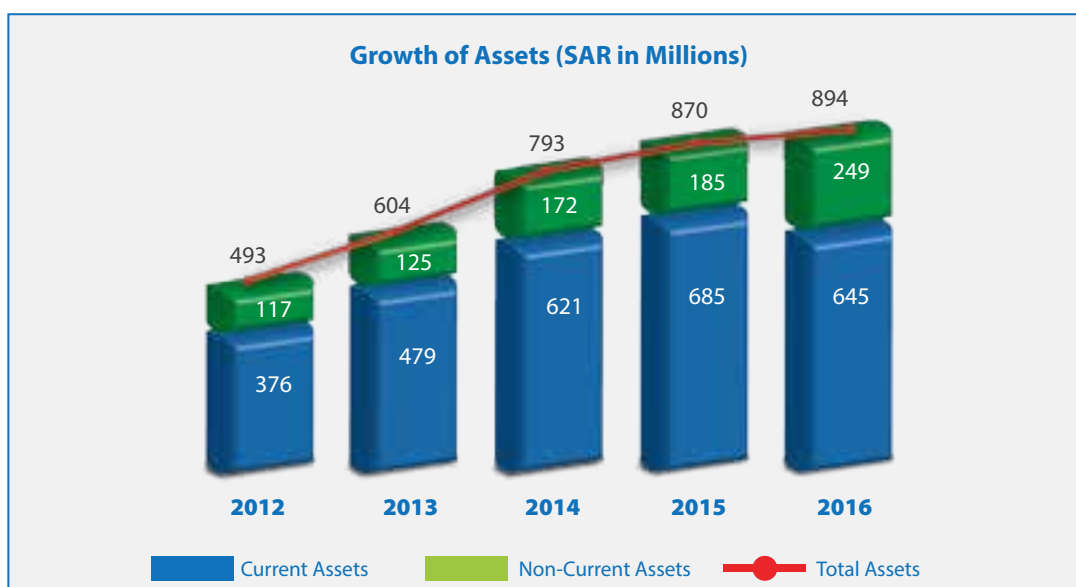


The company maintained a compound growth in sales for the last five years at rate of 9.76%, while the rate of the compound growth of net profit for the same period was 10.43%.

Display of the Elements of Income Statements and Budgets:

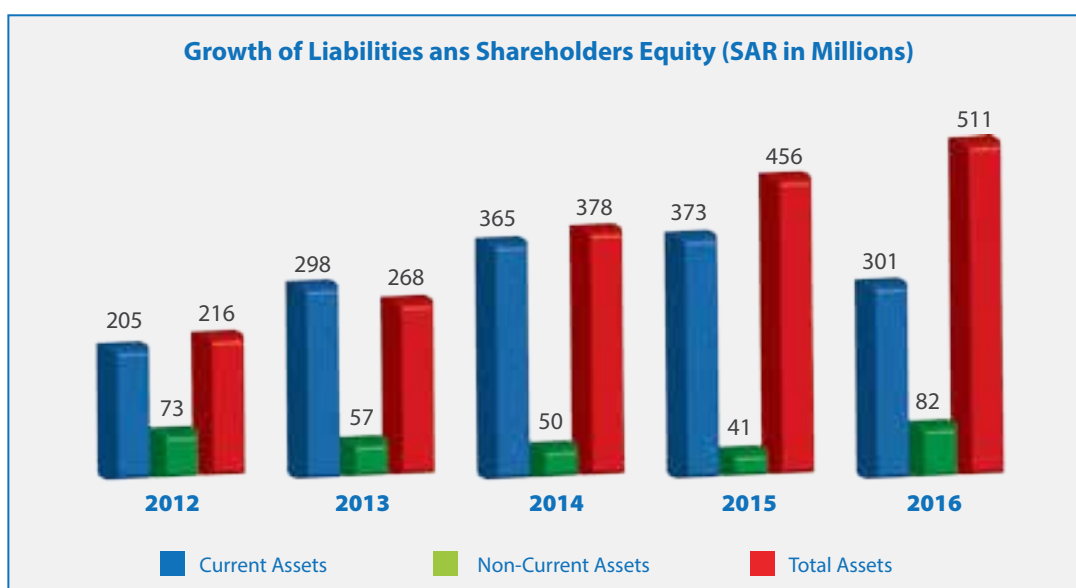
Growth of current and fixed assets (in millions):

Statement	2016	2015	2014	2013	2012
Financial Position (in millions)	Saudi Riyals	Saudi Riyals	Saudi Riyals	Saudi Riyals	Saudi Riyals
Current Assets	644.59	684.93	621.03	478.83	376.47
Non- Current Assets	249.16	185.31	171.60	124.75	116.88
Total Assets	893.75	870.23	792.64	603.58	493.35
Current Liabilities	300.86	372.79	364.62	278.21	205.17
Long-Term Loans	82.28	41.01	49.69	57.06	72.61
Shareholders' Equity	510.61	456.43	378.33	268.31	215.57
Total Liabilities and Shareholders' Equity	893.75	870.23	792.64	603.58	493.35



The growth of the Company's assets has increased over the past five years from 493 million Riyals in 2012 to 894 million Riyals in 2016.

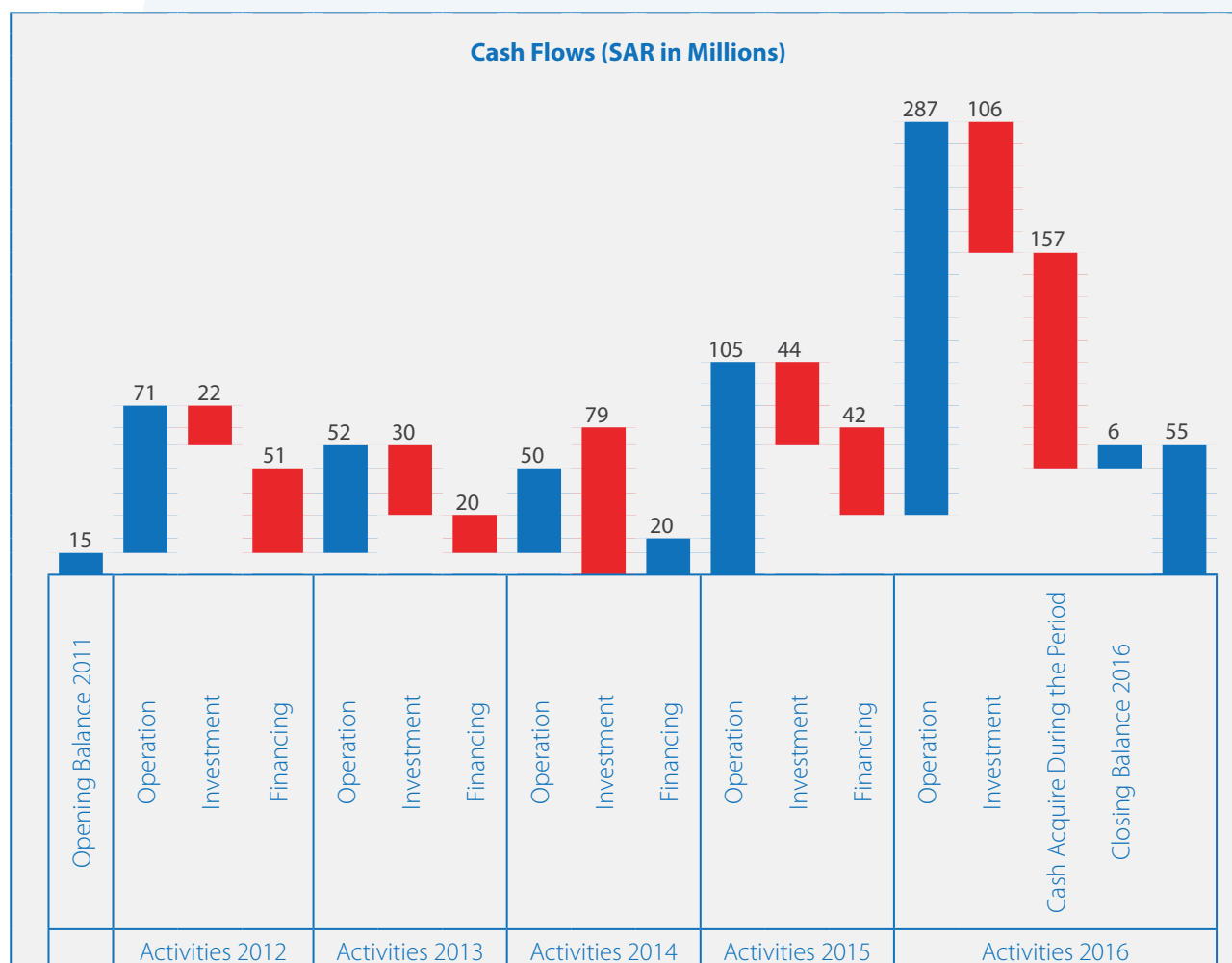
Evaluation of Liabilities and Owners' Equity (in millions):



The growth of the Company's assets has increased over the past five years from 493 million Riyals in 2012 to 894 million Riyals in 2016.



Cash Earned from the Company's Activities:



The growth in cash flows from the company's operations increased from 71 million Riyals in 2012 to 287 million Riyals in 2016, 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 31/12/2016, 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	2016		2015	
	Sales	Net Profit	Sales	Net Profit
Kingdom of Saudi Arabia	1,324.09	126.18	1,276.91	126.11
Other Areas	-	-	-	-



Borrowing:

The following table shows the loans balance as at 31/12/2016 (millions Riyals):

Medium-term Loans (in Millions)							
Bank Name	Type of Facilities	Purpose	Opening Balance	Additions	Payment	Final Balance	Mode of Payment
The Saudi British Bank	Islamic Murabaha / Tawarruq	To finance expansion	71.00	24.48	54.87	40.61	Quarterly payments till 2020
Banque Saudi Fransi	Islamic Murabaha / Tawarruq	To finance expansion	5.60	19.40	-	25.00	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 and Acquisition of Medscan Company. It is worth noting that the company has utilized the facilities offered by local banks: The Saudi British Bank, Banque Saudi Fransi, Saudi Investment Bank and Arab Bank to obtain short-term Murabaha loans to finance working capital. The outstanding balance of these loans was (10) million Riyals at the end of 2016 compared to (120) million Riyals at the end of 2015, whereas the company has made use of (143) million Riyals in 2016 and has paid (253) million Riyals.

Furthermore, the Company acknowledges that there are no loans or debt instruments on its subsidiaries until 31/12/2016.

Zakat and Government Payments:

The following table shows amount payable to the government authorities as at 31/12/2016 in Riyals:

Amounts Payable to Department of Zakat and General Organization for Social Insurance (in Riyals)		
Statement	2016	2015
Department of Zakat and Income Tax	10,956,342	9,481,187
General Organization for Social Insurance	731,509	821,775



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 leases 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:

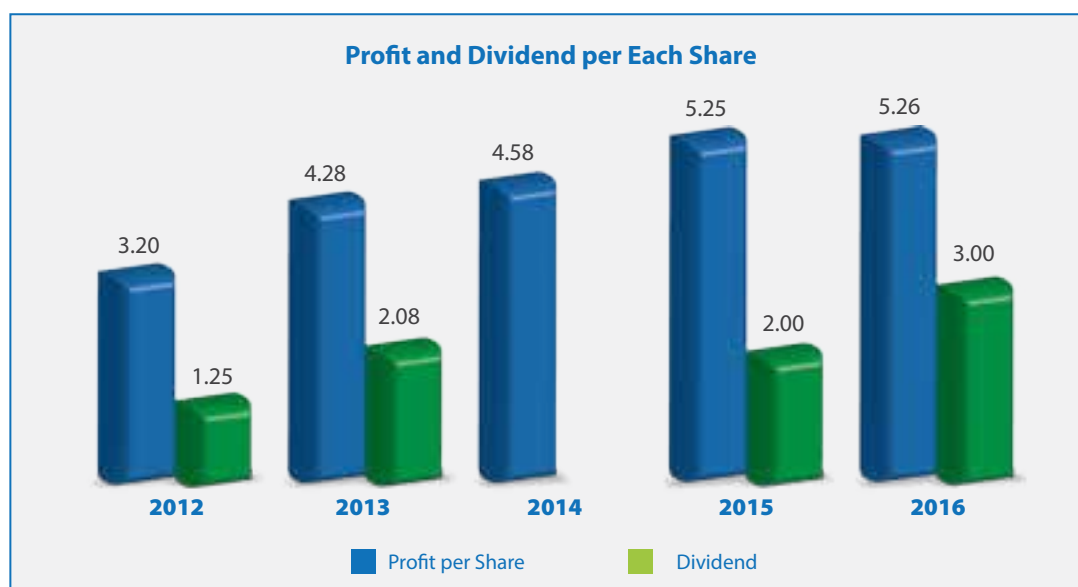
The Board of Directors shall recommend declaring and payment of any profits before getting the approval by the shareholders at the meeting of the General Assembly. The company distributes interim dividends to its shareholders in order to enhance the value of their investments. Any recommendation to distribute 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 and the New Companies Act. After deducting all general expenses and other costs, the Company's annual net profits, if any, shall be allocated (in Saudi Riyals) as follows:

1. Ten percent (10%) of net profit shall be set aside to form a statutory reserves.
2. 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.
3. 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.
4. Out of the balance, the Board of Directors shall be remunerated not more than 5%.
5. The balance shall be distributed among Shareholders as an additional share of the dividends.

On 20/04/2016, General Assembly of Shareholders approved to authorize the Board of Directors to distribute interim dividends to shareholders, specifying the date of eligibility and distribution, taking into consideration the regulations and guidelines of the Ministry of Commerce in this regard.

The following summary shows the dividends and profits per share from 2012 to 2016:



In its meeting held on 12/07/1437 H, corresponding to 19/04/2016, the Board of Directors of Saudi Company for Hardware SACO recommended to cash dividend its shareholders for the first half of 2016 as follows:

Total Distributed Amount	SAR 36,000,000
Value paid per share	(SAR 1.5) One and half Riyal
% of Distribution of Nominal Value per Share	15 %
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 05/05/2016
Distribution Date	19/05/2016

Furthermore, in its meeting held on 15/01/1438 H, corresponding to 16/10/2016, the Board of Directors of Saudi Company for Hardware SACO recommended to cash dividend its shareholders for the second half of 2016 as follows:

Total Distributed Amount	SAR 36,000,000
Value paid per share	(SAR 1.5) One and half Riyal
% of Distribution of Nominal Value per Share	15 %
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 05/05/2016
Distribution Date	19/05/2017

The above mentioned profits have been distributed as published.

The Board of Directors' action will be presented to the General Assembly for approval. Moreover, approval to delegate BoD to distribute Interim dividends to shareholders, specifying the date of eligibility and distribution, will be presented to the General Assembly for approval, taking into account the regulations and guidelines set by Ministry of Commerce 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, eight of them were elected by the General Assembly held on 23/09/1435 H, corresponding to 20/07/2014. On 20/04/2016, the General Assembly approved the appointment of Mr. Talal Mohammed Baksh as non-executive board member, according to the decision made by Board of Directors on 22/11/2015, instead of resigned non-executive member Mr. Samaual Taha Baksh.

Therefore, SACO' Board of Directors Members during 2016 are as follows:

Name	Position	Classification
Mr. Abdel Rahman Amin Jawa	Chairman	Independent
Mr. Khalid Mohammed Al-Hamidi	CAO / Member	Executive
Mr. Sameer Mohammed Al-Hamidi	CEO / Managing Director	Executive
Mr. Haytham Mohammed Al-Hamidi	COO / Member	Executive
Mr. Talal Mohammed Bakhsh	Member	Non-executive
Mr. Bandar Khalid AL Turki	Member	Non-executive
Mr. Diawn Sadeq Fadl	Member	Non-executive
Mr. Ahmed Mohammed Al Sari	Member	Independent
Mr. Abdul Mohsen Ibrahim Al Touq	Member	Independent

Membership of Board of Directors in other Joint Stock Companies:

Name	Membership
Mr. Abdel Rahman Amin Jawa	• Member of BoD of Al-Riyadh Bank
Mr. Sameer Mohammed Al-Hamidi	• Member of BoD of Deutsche Securities Saudi Arabia
Mr. Haytham Mohammed Al-Hamidi	• Member of BoD of The National Petrochemical Company "Petrochem" • Member of BoD of Rana Investment Company
Mr. Bandar Khalid Al Turki	• Member of BoD of Jeddah Holding Company for Urban Development
Mr. Ahmed Mohammed Al Sari	• Member of BoD of Al Khaleej Training and Education Company • Member of BoD of Al Enaya for Science and Medical services. • Chairman of the Board of Directors of AL Malaz Capital Company
Mr. Abdul Mohsen Ibrahim Al Touq	• Member of BoD of Dar Altamleek Company • Member of BoD of American International Group Company and ANB • Cooperative Insurance Company



B. Board of Director's Meetings:

The Board of Directors held four (4) meetings during 2016. The attendance of the members was as follows:

Name	Date of Meetings During 2016				Total
	22/02/2016	20/04/2016	25/07/2016	16/10/2016	
Abdel Rahman Amin Jawa	✓	✓	✓	✓	4/4
Khalid Mohammed Al-Hamidi	✓	✓	✓	✓	4/4
Sameer Mohammed Al-Hamidi	✓	✓	✓	✓	4/4
Haytham Mohammed Al-Hamidi	✓	✓	✓	✓	4/4
Bandar Khalid Al Turki	✓	✓	✓	✓	4/4
Ahmed Mohammed Al Sari	✓	✓	✓	✓	4/4
Abdul Mohsen Ibrahim Al Touq	✗	✓	✓	✓	3/4
Talal Mohammed Bakhsh	✓	✓	✓	✓	4/4
Diawn Sadeq Fadl	✗	✓	✓	✓	3/4

Fees and Remuneration paid to the Board of Directors Members and Senior Executives during 2016:

Upon approval of the General Assembly of Shareholders on its meeting held on 20/04/2016, eight members of the Board of Directors of Saudi Company for Hardware (SACO) received annual remuneration amounted (SR 800,000), (SR 100,000) per member, for the fiscal year ended on 31/12/2015, in addition to allowances of attending the meetings of the Audit Committee and the Nominations and Remuneration Committee.

The following table shows the total amounts paid to Board Members and five Senior Executives, during the year ended 31/12/2016 in Saudi Riyals; whereas the following Board Members, Mr. Sameer, Mr. Haytham and Mr. Khalid Al-Hamidi receive salaries and allowances as executives in the company:

Statement	Executive Board Members	Non-executive and Independent Board Member	Five Senior Executives, including CEO and CFO *
Salaries and compensations	1,885,200	-	2,626,249
Allowances	1,576,250	-	2,004,694
Periodical an annual Compensations	309,000	587,000	567,250
Any compensations or other benefits in kind, paid monthly or annually	305,752	-	305,752
Total	4,076,202	587,000	5,503,945

* CFO joined the company on 04/08/2016.

There are no amounts or financial/in kind benefits, against any administrative, technical or administrative work or positions, paid to BoD members other than the above mentioned Schedule.

BoD recommended, upon recommendation of the Nominations and Remuneration Committee, to pay off the remuneration of BoD Members for 2016 with an amount of (SR 200,000) per member.

In this regard, SACO confirms that:

1. There is no arrangement or agreement whereby a Board Member or a Senior Executive waives any salary or compensation.
2. There is no arrangement or agreement whereby a SACO Shareholder waives any rights related to profits.



3. There are no other investments or reserves created for the Company's employees.

C. Equity Ownership Ratio and the Change in it during the fiscal year 2016:

1. Equity ownership ratios, debt instruments, and changes during the fiscal year 2016 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, changes in ownership, and debt instruments during 2016:

No.	Name	Position	Nationality	Class	No. of shares at the beginning of 2016	No. of shares at the end of 2016	% of change	Ownership of spouses and dependent children	% of change	Debt Instruments	Date of membership
1	Abdel Rahman Amin Jawa	Chairman	Saudi	Independent	1.000 **	1.000	0%	-	-	-	20/07/2014
2	Khalid Mohammed Al-Hamidi ***	CAO / Member	Saudi	Executive	84.000 ***	1,945,221 ***	7.75%	-	-	-	20/07/2014
3	Sameer Mohammed Al-Hamidi ***	CEO / Managing Director	Saudi	Executive	84.000 ***	1,943,575 ***	7.74%	1665	0%	-	20/07/2014
4	Haytham Mohammed Al-Hamidi ***	COO / Member	Saudi	Executive	84.000 ***	84.000	0%	-	-	-	20/07/2014
5	Talal Mohammed Bakhsh *	Member	Saudi	Non-Executive	0	1.000	100%	-	-	-	22/11/2015
6	Bandar Khalid AL Turki	Member	Saudi	Non-Executive	1.000 **	1.000	0%	-	-	-	20/07/2014
7	Diawn Sadeq Fadl	Member	Canadian	Non-Executive	1.000 **	1.000	0%	-	-	-	20/07/2014
8	Ahmad Mohammed AL Sari	Member	Saudi	Independent	1.000 **	1.000	0%	-	-	-	20/07/2014
9	Abdulmohsen Ibrahim AL Touq	Member	Saudi	Independent	1.000 **	1.000	0%	-	-	-	20/07/2014

* Mr. Talal Baksh has been appointed as member of the Board of Directors on 22/11/2015, his qualifying shares allocated for him, General Assembly approved resolutions taken by BoD in this regard on 20/04/2016.

** 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 ownership of the company's shares in addition to ownership of their spouses and dependent children. Khalid, Sameer and Haytham Al-Hamidi, each of them, has indirect ownership in SACO shares through their ownership in both Al-Hamidi Contracting Co and Mohammed Abdulaziz Al-Hamidi Sons Holding Company, as shown below. During 2016, shares were transferred from Al-Hamidi Contracting Company to Khalid and Sameer Al-Hamidi.



Ownership Structure of Al-Hamidi Establishment Contracting Company:

Name of the shareholder	%
Mohammed Abdulaziz Al-Hamidi Sons Holding Company (Al-Hamidi Holding Co.)*	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 2016:

The table below shows the equity ownership ratio and changes during fiscal year 2016, 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 2016		At the end of 2016		% change
	Number of shares	%	Number of shares	%	
Al-Hamidi Contracting Co.	7,980,000	33.25%	4,259,204	17.74%	15.5033% -
Abrar International Holding Co.	4,284,000	17.85%	4,284,000	17.85%	0%
Abdel Rahman Hassan Sharbatly	4,284,000	17.85%	4,284,000	17.85%	0%
Sameer Mohammed Al-Hamidi	84,000	0.35%	1,943,575	8.09%	7.74%
Khalid Mohammed Al-Hamidi	84,000	0.35%	1,945,221	8.10%	7.75%

- Except as stated, there are no interests, securities, contractual or subscription rights attributable to Board of Directors' members or senior executives or their relatives in the shares or debt instruments of the Company or its subsidiaries.

- There are no shares or debt instruments issued for the subsidiaries.

- There are no convertible debt instruments, contractual securities, rights warrants, or similar rights issued or granted by the Company during the fiscal year 2016. There is no compensation received by SACO in exchange for that.

- There are no rights to transfer or subscribe under convertible debt instruments, contractual securities, rights warrants, or similar rights issued or granted by the Company during 2016.

- There is no redemption, purchase or cancellation by the Company or its subsidiary of any redeemable debt instruments made during 2016.



Board of Directors Committees:

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.

The members of the Audit Committee were appointed at the Company on 14/12/2015. The Audit Committee was formed as of 01/01/2016 as follows:

Audit Committee Members as of 01/01/2016:

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



On 23/02/2016 the Board of Directors has decided to restructure the Audit Committee to be as follows:

Audit Committee Members as of 23/02/2016:

	Name	Position
1	Ahmad Mohammed Al Sari	Chairman
2	Abdulmohsen Ibrahim Al Touq	Member
3	Lutfi Gasim Shahada	Member

On 27/04/2016 the Board of Directors has decided to restructure the Audit Committee to be as follows:

Audit Committee Members as of 28/04/2016 and till 31/12/2016:

	Name	Position
1	Ahmad Mohammed Al Sari	Chairman
2	Talal Mohammed Bakhsh	Member
3	Lutfi Gasim Shahada	Member

During 2016 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
		17/01/2016	19/04/2016	25/07/2016	13/10/2016	
1	Ahmad Mohammed Al Sari	✓	✓	✓	✓	4/4
2	Abdel Rahman Amin Jawa	✓	-*	-	-	1/1
3	Abdulmohsen Ibrahim Al Touq	✗	✓	-	-	1/2
4	Talal Mohammed Bakhsh	-	-	✓	✓	2/2
5	Lutfi Gasim Shahada	✓	✓	✓	✓	4/4

* This field means that on the indicated date, the member was not a member of the Audit Committee

Offers were made from audit offices to audit the accounts of SACO during the fiscal year 2017; the recommendation of the Audit Committee in regard to selection of SACO Auditor for the year 2017 will be presented to the General Assembly of Shareholders.

The members of the Audit Committee will be selected by the next General Assembly in line with the new Companies Act.

In light of the works done by the Audit Committee on 2016, the Audit Committee believes that there are 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; and that there has been no material breach or breach of internal control regulations during 2016.



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 03/02/2015).

The Nominations and Remuneration Committee undertakes the following responsibilities:

- 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.
- 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.
- 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.
- Supervising and advising the Board with respect to preparation of the policies and plans regulating the Company's remunerations programs.
- Reviewing the structure of the Board and making recommendations regarding the possible changes to the Board.
- Determining the points of strength and weakness in the Board of Directors and recommending remedies that are compatible with the Company's interest.
- 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.
- 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.
- 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).

Remuneration Policies and Identification Mechanism

The Committee shall take into account Terms of Reference, duties, and responsibilities of members, in addition to the results achieved, as well as the activity of the company. Accordingly, the recommendation to pay remuneration to Board of Directors members is based on performance, knowing that the proposal of the remuneration of independent members should not, directly or indirectly, be based on profitability of the company.

Members of Nomination & Remuneration Committee:

	Name	Position
1	Khalid Mohammed Al-Hamidi	Chairman
2	Ahmad Mohammed Al Sari	Member
3	Abdalmohsen Ibrahim Al Touq	Member

During 2016, the Committee held one (1) meeting. The table below shows the names of members and the attendance record:

	Name	Meeting Date	Total of Attendance
		16/10/2016	
1	Khalid Mohammed Al-Hamidi	✓	1/1
2	Ahmad Mohammed Al Sari	✓	1/1
3	Abdalmohsen Ibrahim Al Touq	✓	1/1



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.

On 02/08/2016, the Company signed of a service contract with Medscan Terminal Company (LLC) specializing in transportation and logistics. The contract duration is one year starting from 02/08/2016. This contract involves a relationship with related parties; whereas Mr. Diwan Sadeq Fadl, and Mr. Talal Mohammed Baksh (BOD members) are representatives of Abrar International Holding Co. which is one of the major shareholders of SACO. Furthermore, Abrar International Holding Co. is related to this contract, as Retaaj Al Moutamiza Investment Company Ltd., one of Medscan's owners, is owned by the same shareholders who own Abrar International Holding Co.

This contract will be presented to General Assembly for approval; knowing that, during 2016, SACO was processing acquisition procedures of Medscan Terminal Company Ltd.

SACO also announced completion of the acquisition procedures of all shares of Medscan Terminal Company Ltd. by 23/11/2016, for an amount of SR 37 Million divided as (99%) for SACO and (1%) for Mr. Sameer Mohammed Abdulaziz Al-Hamidi in order to maintain the legal status of Medscan, considering that SACO shall acquire all shares of Medscan (100%) when the Ministry of Commerce regulations permit this, considering that there are related parties in this acquisition. Considering also that Mr. Samaual Taha Baksh (BOD members), whose membership ended on 22/11/2015, and the Mr. Diwan Sadeq Abdul Bassir Fadl (BOD members), and Mr. Talal Mohammed Baksh (BOD members) are representatives of Abrar International Holding Co. which is one of the major shareholders of SACO. Furthermore, the Abrar International Holding Co. is related to this acquisition transaction, as Retaaj Al Moutamiza Investment Company Ltd., one of Medscan's owners, is owned by the same shareholders who own Abrar International Holding Co., and there are no preferential terms in this acquisition.

Conventions and transactions listed in the table below, items from 1 to 4, were presented to and approved by the General Assembly held on 20/04/2016. It is worthy to mention that all transactions between the Company and the related parties have been presented to the General Assembly for approval, in accordance to clause (a), Article 18, of Corporate Governance Regulations. As for Item 5, it will be presented to the next General Assembly for approval.



The below table shows the details of conventions made between the Company and the related parties during 2016.

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	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	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	Purchases and Supply	Swimming pools and its accessories and outside Games	During 2016	Fiscal year 2016	9,548,369 value of goods purchased by SACO during 2016
4	Retaaj Al Moutamiza Investment Company Ltd.	SACO	Acquisition	Acquisition of Medscan Company by SACO	23/11/2016	During 2016	37,000,000
5	Medscan Company	SACO	Services Contract	Transportation and Logistics Services	02/08/2016	On year	201,145

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

Obligation to Corporate governance Regulations:

Based on the guiding regulations listed in the Corporate Governance Regulations issued by the Capital Market Authority on 12/11/2016, the Company approved the governance regulations as in the below table:

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



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	✓	✓		The General Assembly of Shareholders authorized the Board of Directors to distribute dividends *
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 Company complied with all Articles of Corporate Governance Regulations issued by the Capital Market Authority, except clause (b) of Article 7 of the Regulations issued by the Authority, which states that the General Assembly shall approve the proposed dividend distribution and distribution date; whereas, on 20/04/2016, the General Assembly has authorized SACO's Board of Directors to distribute quarterly dividends for the shareholders and to determine maturity date, and distribution date.



The Board of Directors Declarations:

The Board of Directors declares that:

- The accounting records are properly prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants and with no differences.
- 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.
- There is no undisclosed conflict of interests.
- The Company did not receive a request from the Auditor to call the General Assembly to be held during 2016.
- The Company has not received from shareholders holding 5% of the capital or more any request to call the General Assembly to be held during 2016.
- There are no material events affecting the integrity of the Company's financial position beyond the end of 2016 that require disclosure, except as available and announced.
- The Company has not provided loans or credit facilities to any member of the Board of Directors.

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**

