

Towards New Horizons

Saudi Airlines Catering Company (SACC) outlook remains confident in relation to a prosperous future and the ongoing development of its core and emerging sectors of In Flight, Retail and Support Services. The focus of remaining competitive through improving efficiencies is central to driving our standards and subsequently providing our clients with high quality, best value solutions. Furthermore SACC's diversification strategy continues to evolve identifying new business opportunities based on our core competencies assimilated to fast growing, emerging markets in Saudi Arabia. Continuous improvement and innovation provide outstanding levels of hospitality maintained through its long distinguished rich traditions, culture and values. In this connection, SACC has remained committed to its role and responsibility in the delivery of world class services to its clients, who together with our company continue to meet the new challenges and rewards existing in Saudi Arabia. Our shared value philosophy creates added value to clients and provides long term relationships built through envisioning mutually beneficial contractual arrangements.





Message of the Chairman

It is with great honor, that I hold the responsibility of the SACC Board, I have monitored, with pride and appreciation, SACC's outstanding achievements in performance and service provision, and the notable increase in business volume and returns. This could not have been achieved without the ambitious strategic plans adopted to turn the dream of a success into reality, emphasizing the leading position that SACC has attained and the strong confidence that clients have built with SACC. Such success has placed great responsibility on us to be committed to upgrade our performance and practice in order to ensure a higher level of service.

Statistically speaking and more specifically, the company has witnessed an ongoing improvement in performance and productivity indicators, where the company returns have increased since its inception in 2008 till 2014 at the rate of (242.2%). Net income has also increased from SR 270,014,712 in 2008 to SR 653,932,832 in 2014.

These good indicators show, undoubtedly, that our company leads the journey of success in providing better services to Saudi Airlines flights and also to international operators as well as to private aviation and operations of Al Fursan lounges. We are moving ahead with the activities and services to serve new sectors such as business companies, education institutions, companies operating in remote areas, commercial laundries and other enterprises which all contribute to increase our company's share in the market. This is driven by its experience built over years in the field of food production and services.

It is my great pleasure to briefly address the achievements of the company in the Annual Report of 2014, expressing my profound thanks to our partners who have trusted and supported our services all the way. I also extend my warm thanks to the dear members of the Board and all staff of different levels and positions for their accomplishments; and looking forward to improving rates of performance in the years to come, God willing.

Eng. Saleh Bin Naser Al -Jaser
Chairman of the Board of Directors

CEO Message

Undoubtedly, we all have good reason to be proud of our success but we do realize at the same time that maintaining success and moving forward is the biggest challenge that requires team work. This can be achieved through shared commitment to our values and quality standards in thoughts, deeds and practice, always front of mind is that business competition leaves no room for profligacy or inertia. Our heritage gives us good cause to be confident and to draw on our considerable expertise, but we must be bold in challenging ourselves and be prepared for increased competition and the desire to deliver more for our stakeholders. Our future opportunities will arrive if we deliver more innovation and efficiencies so that our clients, prospects can be achieved by adopting the best practices, gaining their trust, confidence and appreciation for our performance and services.

Hence, we at SACC, have endeavored to adopt ambitious plans to develop our business and expand our services to include additional sectors other than air transport. The market opportunities for this business are expanding by different ventures whose selection is based on sound economic evaluation; and as such SACC has proven its competency in diversification as new projects have been added to our proposition. Further confidence was gained by partners and stakeholders in the company's performance, services and in its clear vision. Our strategy has led to increasing capital efficiency through our expertise in catering production, service development and increased productivity. Any success relies on a crucial factor, namely the dedication of the company's staff to excellence, quality, and a deep knowledge and understanding of work and client's needs. We are all committed to working harder to ensure a bright future for this great organization which we are all proud of.

Gerhard Marschitz
CEO of SACC





The Annual Report 2014

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SAUDI ARABIAN السعودية

SAUDI AIRLINES
CATERING



Introduction

- History
- Our Mission
- Office Location
- Awards and Certificates



More than
 30 years of
 experience
 in catering

History

The inception of SACC's business begins in 1981 when Saudi Arabian Airlines established a special catering unit in King Abdul Aziz International Airport in Jeddah, providing catering services along with supplementary services for Saudi Arabian Airlines as well as additional airline companies operating flights from the airport. Over the coming years, new catering units were established by Saudi Arabian Airlines at King Khalid International Airport, King Fahad International Airport, Prince Mohammed Bin Abdul Aziz Airport and Cairo International Airport. In 1985, the business took over the management of Skysales on board Saudi Arabian Airlines. In 2006 and 2007, the In Flight team subsequently received the responsibility for the management of Al Fursan lounges. The catering unit whilst retained by Saudi Arabian Airlines was consequently operated as a separate business entity. The process of privatization

Stakeholder returns remain consistently strong

led to Saudi Arabian Airlines establishing Saudi Airlines Catering Company (SACC) as a limited liability company on 20th Muharram 1429 Hijra, 29th January 2008.

The company was registered with the Commercial Registration holding No. 4030175741 and capital of SR 100,767,000 was divided into 1,007, 670 shares, with a value of SR100 per share. As a result to privatization Saudi Arabian Airlines transferred all assets, staff and the majority of contracts relating to the catering unit to the new company. The company was converted from a limited liability company to a joint stock company under the decision of the Ministry of Commerce and Industry No. 68 Q dated 22/2/1432 Hijra (26th January 2011).

Under the resolution of the Extraordinary General Assembly dated 14th Rabi II 1432 (19th March 2011), the capital of the company was increased from SR 100,767,000 to SR 820,000,000 divided into 82,000,000 common shares with a value of SR 10 per share through the capitalization of:

- (i) an amount of SR 658,791,392 of the company's retained earnings
- (ii) an amount of SR 13,718,428 from the company's general reserve
- (iii) an amount of SR 46,723,180 from the statutory reserve of the company

The company was converted into a joint stock company under a decision issued by the Capital Market Authority (CMA) dated 6/7/1433 Hijra (27th May 2012).

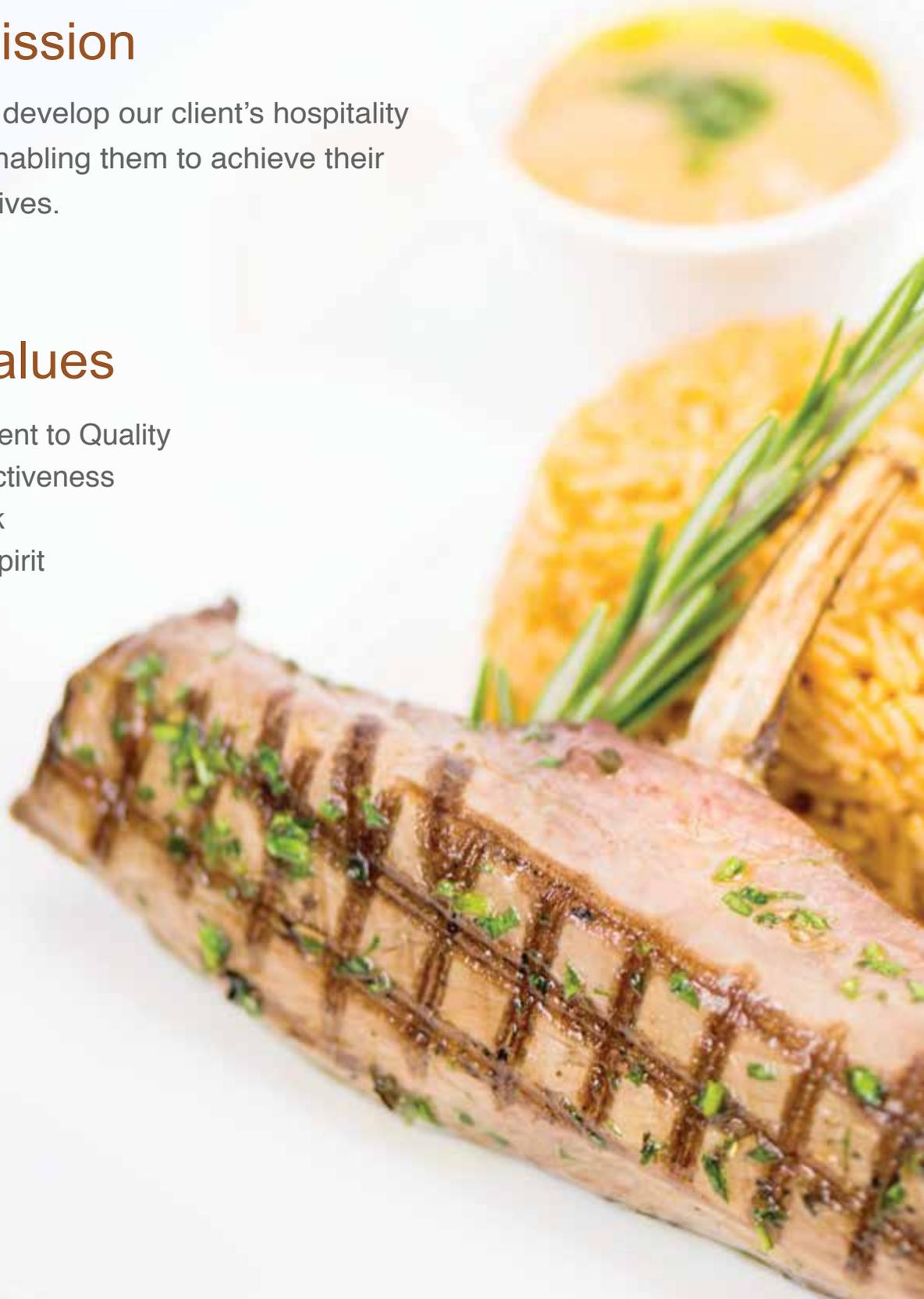


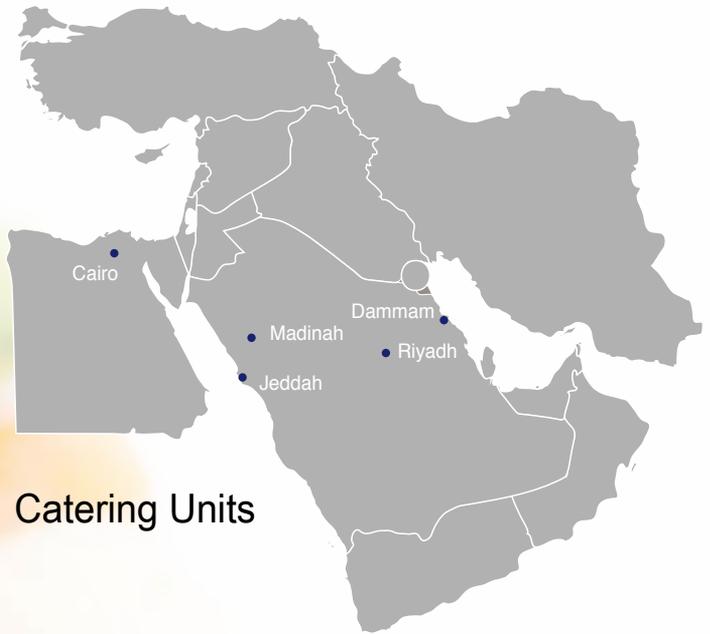
Our Mission

To actively develop our client's hospitality concept, enabling them to achieve their own objectives.

Our Values

- Commitment to Quality
- Cost Effectiveness
- Teamwork
- Service Spirit







Our awards represent consistency, quality, service and innovation



Awards and Certification

The company operates in accordance with international quality standards that align to our vision and goals. We envisage catering as a comprehensive and integrated set of values and processes that incorporate quality, health and safety in food production, distribution and delivery as efficiently as possible. We have built up precise and rigorous systems for our employees comprising of development and training programs to a globally benchmarked standard. Additionally, we respond directly to our client's requirements by adopting effective administrative systems.

Our team is composed of professionals in food preparation, catering, sales, quality control, training, control of health & safety standards and operations. The spirit of team work and co-operation always prevails as we seek to gain the trust, satisfaction and loyalty of clients. Giving priority to quality has been recognized through our receiving of international awards, for instance, in 2011 the company was awarded the Platinum Award of Excellence having also been awarded a further five Golden Awards for the years 2009, 2010, 2011, 2012 and 2013 from MADINA, an organization specialized in auditing airline catering companies worldwide to ensure the integrity of procedures relating to food preparation provided by companies supplying onboard hospitality.





The Company was awarded Platinum Award of Excellence in Catering Quality for the year 2011 and five golden awards in 2009, 2010, 2011, 2012 and 2013





SAUDI AIRLINES
CATERING



الخطوط السعودية
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In Flight Sector

- In Flight Catering
- Al Fursan Lounges

طالة الفرسان
ALFURSAN LOUNGE


Lounge Cafe
الوجع كالمقاهة



Our clients' needs are continuously reviewed

In Flight Catering

The experience of planning is realized through supervising specific menus, reviewing and evaluating recipes that lead to effective processes, for the purpose of supporting and improving the quality of meals and other services. This is all intended to:

- Meet the clients' needs with respect to the concept and quality of the meals served to passengers during their flights.
- Ensure quality based cost-effectiveness to all varieties of meals served.
- Examine and create recipes, evaluating raw materials.
- Present cuisine trials to create and develop new recipes.
- Translate, print and deliver menus to clients.
- Reconsider costs and prices offered to our clients to be in accordance with the already agreed upon schedules.

The international team of chefs includes experts in cooking local, regional and international cuisines such as Arabian, European, American and Asian inspired dishes. Additionally, the company provides catering equipment such as cutlery, serving carts of food, plates, restroom supplies and passengers' travel comfort bags.





Al Fursan Lounges

In all Al Fursan lounges within the Kingdom, SACC hosts first class and business class passengers of Saudi Arabian Airlines. The lounges serve a full buffet selection comprising meals, snacks and desserts. Additionally, SACC provides internet access, magazines, newspapers and Skysales products.

Riyadh Airport - Lounge Cafe

The TR-3 Lounge Cafe developed and owned by SACC opened in JKIA Domestic Airport on the 24th November 2014. The lounge provides a world class environment for up to 250 passengers, who can relax, refresh and enjoy comfort through the integrated design.

KKIA & GACA have subsequently endorsed the new facility acknowledging that its design and service had enhanced the overall image of the airport.



SKYS
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Retail Sector

- Skysales
- La Boutique Shops



Retail Sector

Skysales

In 1984 Saudi Arabian Airlines transferred on board retail, branded as Skysales to its In Flight team. In 2007, Saudi Arabian Airlines and SACC signed the Skysales agreement providing the company the full and exclusive right to sell Skysales products, operating onboard international and domestic flights under the umbrella of Saudi Arabian Airlines. Strong growth has been experienced in both international and domestic flights during subsequent years. The company was engaged in the activities of Skysales primarily on board but also through the new online shopping channel www.skysalesonline.com. This new channel was launched on the 9th February 2014, and was fully operational effective 1st March 2014. Additional to Saudi Arabian Airlines, SACC extended their management of Skysales on board FlyNas aircraft.

The team manages the product range to ensure that customers have the variety of products they are looking for; from best sellers to exclusive products sourced only for Skysales we regularly evaluate our product range. The product catalogue issued by the company and offered to passengers is updated three times a year. To demonstrate the understanding of consumer shopper habits the team has developed onboard promotional activity involving additional incentives for the cabin crew to drive strong sales performances. The development of the online channel was the outcome from understanding how to provide the full service experience the modern traveler demands. Skysales products include:

- Perfumes and Cosmetics
- Watches and Jewelry
- Pens, Sunglasses and Electronics
- Branded products of Saudi Arabian Airlines
- Kids Toys and other Gifts





Skysales La Boutique shops

Starting in November 2014 La Boutique shops located in Jeddah, Riyadh and Dammam previously managed by Al Hokair Group, are now managed by SACC Skysales. All La Boutique shops will be gradually renovated and an improved variety of branded products will be offered for sale. The retail principles applied to product range, promotional activity and understanding shopper behavior will be applied to improve the entire shopper experience.



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Support Services Sector

- Remote Site
- Rail
- Business and Industry
- Saudi Laundry Services
- Hajj and Umrah Catering Services

Support services
 have witnessed
 substantial growth
 with an increase
 of 67% in 2014



Remote Site

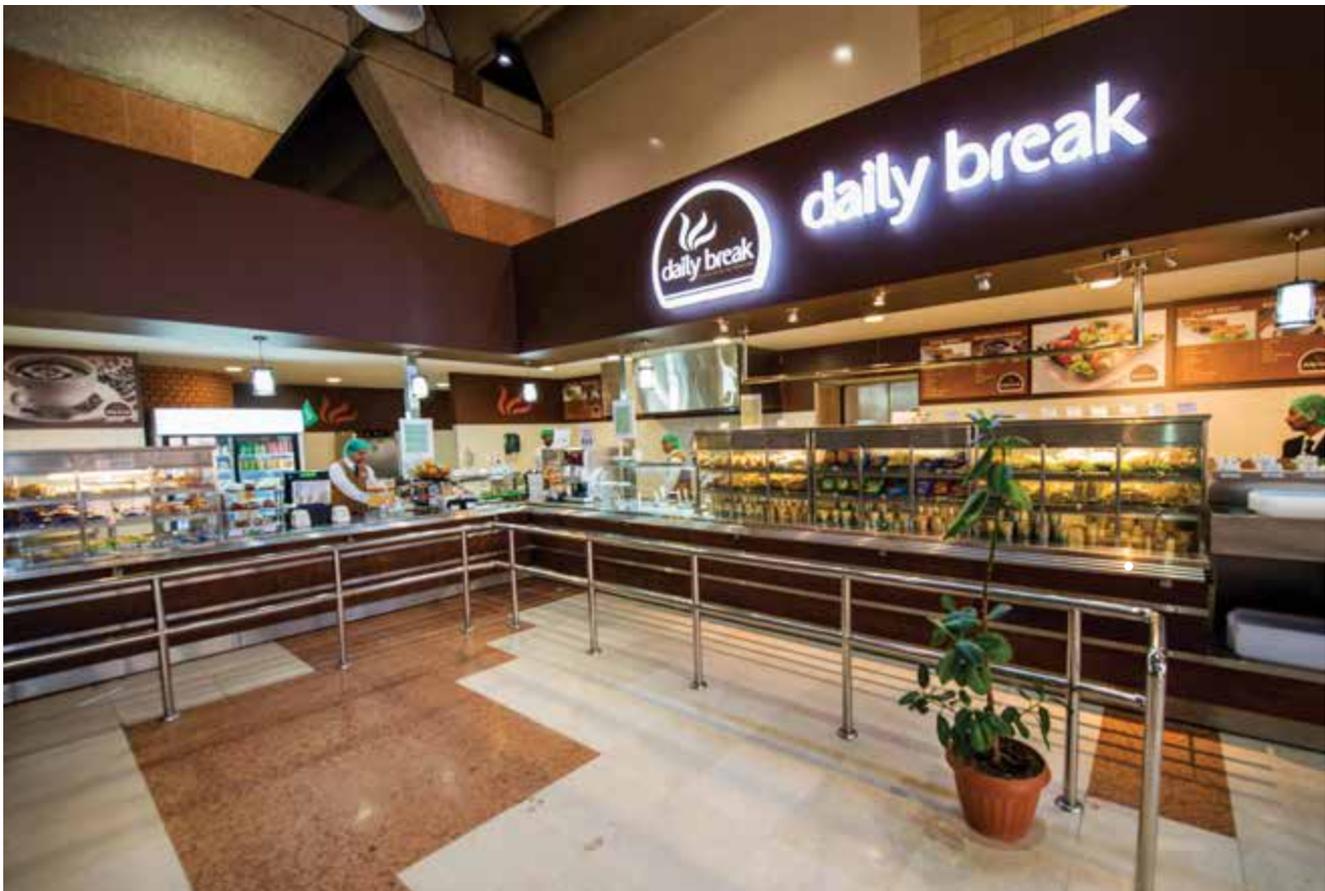
In 2014, the Newrest Saudia brand was launched. Newrest Saudia offers various support services and catering for companies operating in remote areas, where it controls and adjusts services based on the number of staff and aligned to clients requirements. Services include catering, accommodation management, cleaning and laundry in addition to maintenance, management of waste and grounds maintenance when required. Newrest Saudia was launched to support accelerating the offering of support services and instilling a recognized global brand with local management in the Kingdom. Newrest Group offers a framework of global best practice to ensure we add value and provide integrated solutions for clients operating in harsh environments. We remain confident that Newrest Saudia represents the trust and firm foundations representative of SACC with the added global expertise from the world's leading remote sector operator, Newrest.





Rail Sector

In 2014 Newrest Saudia secured their first rail contract for services operating the on platform food service in Dammam, Hofuf and Riyadh as well as onboard catering services. The development of the Daily Break brand allowed passengers to the terminals to experience a contemporary café with a full menu offer designed for today's traveler. The additional VIP services are also managed by the team and we remain confident that working with clients to deliver first class hospitality to all rail passengers continues as our ongoing goal.





Business and Industry (B&I)



The company prepares and serves main meals, snacks, beverages and desserts to client employees in the sector of business and industry through its facilities located in clients' premises and offices.

Our services span different companies, offices, government organizations and manufacturing.



The Lunch

The Lunch provides a concept for B&I catering realized through a fresh daily food selection with the ability to choose individual preferences to your meal, all run by a professional well trained and specialized team. Our focus in preparing and serving meals including healthy options, a café with hot and cold drinks and a grab and go offer, a great solution for busy employees.



Premier commercial laundry solutions

Based in Riyadh (King Fahd Medical Centre), our commercial laundry operation serves clients. Due to the exemplary standards and processes utilized by SLS in KFMC the business was officially granted the Quality Certification Mark for Professional Textiles Services RAL-GZ992 /1 by Hohenstein labs in Germany, we are proud to be the first to receive this quality award in the Kingdom.

A further commercial laundry unit will be established in King Abdullah Industrial City in 2015 serving Jeddah, KAEC and Makkah.

The laundry business has been established in the context of the company's strategy towards diversifying its activities. Putting the company in a leading position in the field of commercial laundry for airlines, hotels, industrial operations and hospitals. To show innovation and a real understanding of client needs, the business has developed a Laundry Rental option that supports clients drive for efficiencies.





Hajj & Umrah Catering

As a B2B catering provider to Hajj & Umrah companies and businesses located in the Two Holy Cities, this emerging business for SACC is committed to enhancing its services and products that are realised through the utilization of the outstanding Riyadh CPU facility and a dedicated team of managers. It is their tireless work to fulfill the mission and values of the company exemplified in providing high quality Halal certified food. Our unique proposition is aimed at meeting the highest food safety requirements, as set out by the Ministry of Hajj. This is all achieved in line with the requirements of clients, visitors, guests and pilgrims during their stay in the Kingdom of Saudi Arabia. To further support local clients, the company has inaugurated its new office in Makkah to help coordinate its operations there.







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Responsibilities and Obligations

- Quality Standards
- Production
- Catering Units



An integrated concept of catering and high quality standard meals

Quality Standards

The company operates in compliance with international standards in terms of quality and its vision aligned to fulfilling its goals. Our concept of catering comprises of a comprehensive set of values including quality, health and safety in the field of food production, distribution and delivery to clients as efficiently as possible.

The company has set up systems of detailed accurate methodology covering all staff in maintaining a high level of globally benchmarked quality training programs. As a direct response to clients' requirements we adopt effective administrative systems that all combine to create synergy between our business and our clients. Our goal is to build the trust, satisfaction and loyalty that comes through a shared vision and the setting of the highest quality standards.

Giving top priority to quality has been the major reason for our business receiving international certificates such as IATA (Golden Award) for two consecutive years (2009-2010). In addition, the company was awarded ISO (9001:2008), ISO (22000:2005), HACCP and OHSAS (18001:2007) making the company one of the few companies in the Middle East that has achieved outstanding levels in quality standards and professionalism.

The company puts health & safety and hygiene first, therefore, it has been rigorous in its application of quality control standards of raw materials, production processes, health status for staff, temperature control and maintaining a hygiene environment. The regular laboratory tests that the company performs ensure high quality, safe meals for all clients, noting that, all the food that the company prepares is consistent with Islamic Sharia Law.

The company emphasizes a health & safety and hygiene first mindset; therefore, it has been rigorous in its application of quality control standards of raw materials, production processes, health status for staff, temperature control and maintaining a hygienic environment. The regular laboratory tests that the company performs ensure high quality, safe meals for all clients.



Production

Production is carried out in King Abdul Aziz Airport, King Khalid Airport, King Fahad Airport, King Mohammad Airport and Cairo International Airport. The company has already established catering units in dedicated areas specially selected for delivery of goods and utilizes specialist warehousing for temperature control and dry storage. Our facilities consisting of kitchens, bakeries, laundry facilities along with a unit for processing and transport to ensure timely delivery of meals.

The transport and delivery of meals are managed by a dedicated unit, noting that, checking and controlling of food temperature is being monitored in real time by different administrative and executive departments from the starting process of preparation right up to its delivery. This is designed to guarantee quality and safety through all the stages of food production. The company works effectively to enable its clients, across a full spectrum of airline companies, to depart on time.





Regional Catering Units

The company's production entities (Catering Units) have facilities in King Abdul-Aziz International Airport Jeddah, King Khalid International Airport Riyadh, King Fahd International Airport Dammam, Prince Mohammad Bin Abul Aziz International Airport in Madina and Cairo International Airport. Each unit consists of loading terminals, dry and cold storage, segregated kitchens for preparing cold and hot meals, a bakery, dish washer and a logistics department; the latter being the largest section in each catering unit with responsibility for delivering on time meals for daily flights.



King Abdul Aziz International Airport Catering Unit – Jeddah

The origins of this unit go back to 31st May 1981 with a production area of 16,699 square meters. On average the Catering Unit produces 38,567 meals each day.



King Khalid International Airport Catering Unit – Riyadh

The origins of the unit goes back to 5th December 1983 with a production area of 16,314 square meters. On average the Catering Unit produces 35,670 meals each day.



King Fahd International Airport Catering Unit – Dammam

The origins of this unit go back to 28th November 1999 with a production area of 5,294 square meters. On average the Catering Unit produces 8,583 meals each day.



Prince Mohammad Bin Abdul Aziz International Airport Catering Unit – Madina

The origins of this unit go back to 6th March 2004 with a production area of 2,950 square meters. On average the Catering Unit produces 4,721 meals each day.



Cairo International Airport Catering Unit

The origins of this unit go back to 1st July 1984 with a production area of 3,798 square meters. On average the Catering Unit produces 2,827 meals each day.



Central Production Unit – Riyadh

This unit has commenced operation in July 2011 in Riyadh in King Khalid International Airport covering 7,410 square meters with 18 million meals yearly production. This unit produces frozen meals in accordance with the most advanced technology utilizing liquid Nitrogen (temperature -18c). The unit applies high quality standards and controls that govern the quality of raw materials, production processes, health status for staff, temperature control and safeguarding the environment. In 2014 the unit was formally recognized through the Halal Authority Board (HAB) and is subsequently certified that SACC's products, processes and systems are in compliant with HAB's Worldwide Standards for Halal Certification and the requirements of Islamic Shariah Law in accordance with all schools of Islamic Jurisprudence.





Samy K. Palan
Sous Chef

الخطوط الجوية
القطرية
QATAR
AIRLINES
RING



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Operational Performance

- The Annual Report 2014
- Financial Statements

Main Activities

The company is engaged in many activities that are represented by three major sectors that provide services to airlines, our retail sector and the support services sector.

The In Flight sector is responsible for:

- Providing catering and supplementary services to Saudi Arabian Airlines. These services are also provided to the majority of airline companies that operate flights from the main airports across the Kingdom
- The management of airline equipment – onboard
- Menu planning services for airlines
- Management of Regional Catering Units and the new CPU in Riyadh
- Provision of Royal, Private and VIP Aviation hospitality
- Operating Al Fursan Lounges on behalf of Saudi Arabian Airlines
- Providing B2B catering to Hajj & Umrah businesses in the Two Holy Cities.

In Flight Catering

SAAC pays special attention to its clients from a broad base of airline companies. This section includes all activities related to the industry of air transport. Before the establishment of retail and support services and during the early days of SAAC’s history, catering services were exclusively provided to airline companies. The In Flight catering sector dedicated to airlines remains the core business of the company providing the majority of revenue, contributing by 92.3%, 92.8%, 90.6%, 76.6% and 75.1% to the company’s revenues in 2010, 2011, 2012, 2013 and 2014 respectively.

In Flight services

This section provides supplementary services to passengers and crews on the board of Saudi Arabian Airlines as well as to the majority of other airline companies operating to and from other airports throughout the Kingdom (in addition to a number of other related services). Moreover, it provides meals and other related services to many private, chartered, VIP and individual flight air operators.



Aircraft Equipment Sales

Through our extensive purchasing and scale we are able to provide food and beverage equipment sales to aircraft travelling to and from the Kingdom. Our expertise in sourcing the right equipment to serve your passengers their meals and beverage served in peak condition is a key part of the total catering solution we offer.





Al Fursan Lounges

Pursuant to two agreements of indefinite term signed between the company and Saudi Arabian Airlines which entered into force on the 29th February 2008, SAAC, acting on the behalf of Saudi Arabia Airlines assumed the management of Al Fursan lounges. The company collects fees from airline companies based on the number of passengers who are eligible Al Fursan lounge services. Passengers who are not eligible to use Al Fursan lounges, such as passengers of for economy class, can pay directly for the use of these lounges. Al Fursan lounges’ revenues amounted to 3%, 2.7%, 3%, 3.6% and 4.2% of the company’s total revenues in 2010, 2011, 2012, 2013 and 2014 respectively. The launch of the new lounges in 2014 has seen the facilities given a significant upgrade and can now be considered as world class in their surroundings, services and quality of food. The new lounges have seen significant uplift following refurbishment and SACC remain committed to developing the concepts further with the introduction of additional branded formats.

Retail Sector

Skysales

Ever since 1984, SAAC has been supervising the service of Skysales being one of the best services on board. The company buys products from suppliers and then, through Skysales magazine, passengers select their preference on board. They can also select Skysales on Flynas and other La Boutique outlets distributed throughout hotels. SAAC trains Saudi Arabian Airlines stewards and stewardesses on promoting Skysales products. By 2010, 500 stewards and stewardesses of Saudi Arabian Airlines had worked in Skysales. To improve the process of monitoring of procurement and increase the efficiency of sales, the company utilized a new administrative system for Skysales in 2009.

Skysales revenues accounted for 9.3%,10%,10.5%,10.1% and 9.8% of the company’s total revenues in 2010, 2011, 2012, 2013 and 2014 respectively.

Support Services Sector (SUP)



In 2008, the company established a new sector for Support Services. This sector has become increasingly important to its diversification and growth strategy. This sector continues to see strong YoY growth and is increasing its contribution to the company’s revenues, with 2.7%, 3.1%, 4.2%, 7.2% and 8.3% for 2010, 2011, 2012, 2013 and 2014 respectively. The company has experienced significant growth in this sector and in 2015 will continue to focus on it’s core operational competencies in high value outsourced opportunities. In 2014 the development of the Newrest Saudia brand (created under SACC’s existing CR) gives added presence to its position in the market and utilizes the knowledge and expertise of Newrest global operations.

Newrest Saudia has a dedicated operational structure including supportive functions to ensure the needs of this sector from HR, procurement, marketing and finance are all engaged in meeting this sector and client needs

The strategy of the company focuses on targeting the following major sectors in the market of support services:

- (1) Remote & Camp Management - companies operating in remote areas of the Kingdom, including oil, gas, construction and utilities.
- (2) Business & Industry - companies, factories and large organizations including manufacturing.
- (3) Rail – organization providing catering and soft services supporting the rail infrastructure (both present and planned) within the Kingdom.

In addition to catering services, Newrest Saudia provides accommodation services, laundry, security, waste collection, pest control, landscaping and technical services.

SACC’s Shareholding Chart

The following table gives a snapshot of share distribution in the company:

Shareholders	Capital (SR)	Shares	Ratio
Saudi Arabian Airlines Company	292,740,000	29,274,000	35.7%
Strategic Catering Co. Ltd.	281,260,000	28,126,000	34.3%
The Public	246,000,000	24,600,000	30.0%
Total	820,000,000	82,000,000	100.0%



SAAC Achievements

In 2014, the company realized the following achievements:

- Embarking on the implementation of the project of housing facilities for the company’s workers. Part of this project will be funded by leasing the housing to workers of the different sectors of Saudi Arabian Airlines.
- Commencing the procedures for operating an industrial laundry in King Abdullah Economic City in Rabegh. The operation will start in 2015.

- Opening of new First and Business class lounges for international flights, one in Riyadh and two in Dammam.
- New arrangements included signing contracts in the field of support services in Carrefour, Presidency of Saudi Arabian Mining Company (Maaden), Prince Sultan Academy, Presidency of General Authority of Civil Aviation, Presidency of Nabors, Mars Arabia, Al Jouf Cement Company, Dalma Energy, Communications and Information Technology Commission, Hael Cement Company and Jeddah Knowledge School.
- New contracts gained in the field of laundry services included Premier Food Industries, Adma Hospital , Saudi Ground Services, Victoria Hospital, Coca Cola Company, Saudi British Hospital and Princess Noura University.
- Opening a café in Lounge 3 (Lounge Café) for domestic flights in King Khalid International Airport Riyadh in November 2014.
- New Saudia contract extending SACC’s services for an additional 5 years signed on 24th February 2014 for the contract period from 1st January 2015 to 31st December 2019.

SAAC Strategy

The company adopts a diversification strategy to ensure that additional revenues and growth markets within the Kingdom are explored to enhance the core catering business. As the KSA leader in airline catering new revenues provide shareholders growth and returns beyond the catering sector demonstrating management ambition to lead across multi sectors. The strategy focuses on:

- Maintaining our leadership position of the company in the sector of catering for airlines in Saudi Arabia through the offering of high quality, value for money services.
- Developing Support Services by targeting new clients such as large companies and organizations, rail sector and companies operating in remote areas of the Kingdom. This is fundamental to mitigating single sector, catering revenue streams in a monopolistic market.
- Participating in supporting the Kingdoms efforts for providing services related to Hajj and Umrah. Currently, the company provides wholesale catering services to the visitors of the Two Holy Mosques based on enquires received from related parties during the season of Hajj and Umrah.
- Continuing on-going support for the Saudization Program within the company with a special focus on recruiting Saudi females, a trend that the Ministry of Labor supports, and providing them with the necessary training.
- Increasing the efficiency of working capital by improving the conditions for dealing with suppliers and collection of receivables from all clients in their due dates.
- Working continuously with Newrest, the company’s strategic partner, and its global network to learn best practice and leverage their insight in the supply of catering and support services, enabling SACC to its products, services and improve its efficiencies.



Future Risks

The company persistently works on avoiding the negative impacts or risks that might influence or hinder its performance or progress. Therefore, the company exerts efforts to maintain its current activities, financial position, operational results, cash flows and future operations. The company works hard to avoid exposure to material negative impacts of any risks.

Such risks include:

- Entry of new competitors to the Saudi market in the sector of airline catering services.
- Increased competition in the sector of Support Services.

Fines and Penalties

The company was subject to a financial fine during 2014 in the amount of SR 320,000 for violating clause (a) Article 34 of the Registration and Listing Rules and also violating instructions contained in Online Disclosures Forms No. (1), (5) and (6) approved under the Decision of the Authority Board No. (1-39-2012) dated 10/2/1434 Hijri (23rd February 2012). The financial fine was imposed for failing to send the online Disclosure Form No.1 and for not updating the Forms Nos.5 and 6. In the same year, the company was subject to another financial fine in the amount of SR 20,000 for violating clause (a) of Article 40 of the Registration and Listing Rules and item (5) of sub-clause (b) of clause (1) of the instructions related to corporate announcements of general assembly meetings of joint stock companies listed in the Saudi Capital Market, for failing to disclose the details on the approval of transactions and contracts that a member of Board of Directors has a direct or indirect interest in the agenda of the ordinary general assembly.

The Board of Directors discussed these violations in its meeting on 22nd May 2014 and 19th December 2014. The Board recommended the setting of necessary mechanisms and procedures to avoid such violations in the future. The Capital Market Authority was informed about these mechanisms and procedures. It is worth mentioning that the company has no penalties, fines or any violations related to precautionary procedures from any supervisory, regulatory or judicial authority.

Human Resources

The Human Resources and Development function provides vital support in sourcing and developing our people, support and processes in relation to food production and services. The future success of the company depends on attracting employees with the right competencies and expertise across a wide range of tasks, operations and functions. The retention, reward and careers opportunities are benchmarked to ensure we are competitive in the marketplace whilst providing personal and professional growth. Developing our future talent is a key strategy in the ongoing diversification, ensuring our personnel are ready for tomorrow opportunities.

The company is committed to the key principles of Saudization and to continually review practices, services and organizational capability to support Saudi nationals across all functions and grades. Our approach in developing opportunities for female colleagues exists across many seniority levels and business units to provide multiple options for work and career progression.

As an employer who offers positions and support to colleagues with disabilities we remain committed to providing a safe working environment and working together to ensure our colleagues can fully contribute to the business and provide personal achievement in their roles.

Geographical analysis of income

The following table highlights the income achieved in 2014

Region	Value	Percentage
Jeddah	263,564,247	40.3
Riyadh	310,674,188	47.5
Dammam	30,499,267	4.7
Madinah Al Munawarah	32,632,130	5.0
Cairo - Egypt	48,186,518	7.4
Makkah	-1,315,423	-0.2
HQ	-30,308,096	-4.6
Total	653,932,832	100.0

Company Financial Results

Statements of Income for the years 2010, 2011, 2012, 2013 and 2014

Account	2010	2011	2012	2013	2014
Total Revenues	1,193,161,075	1,465,271,088	1,687,392,692	1,867,498,165	2,135,940,070
Revenue cost	(647,746,580)	(906,809,548)	(1,059,393,454)	(1,175,583,438)	(1,361,365,704)
Administrative and general expenses	(131,426,197)	(139,823,782)	(121,217,226)	(146,104,228)	(141,249,564)
Other revenues	3,101,384	1,924,001	(19,730,787)	23,541,413	20,608,030
Zakat donations	(34,680,474)	(38,219,602)	(45,355,099)	(46,217,365)	(46,201,746)
Net income before Zakat & Income Tax	417,089,682	420,561,759	487,051,225	569,351,912	653,932,832
Profit (Loss) per share in Saudi Riyal before Zakat & Income Tax	5.09	5.13	5.94	6.94	7.97

Cash Flow Statements for the years 2010, 2011, 2012, 2013 and 2014

ACCOUNT	2010	2011	2012	2013	2014
Net Cash From Operations	682,293,224	214,255,491	775,999,073	500,360,200	487,083,128
Net Cash Used In Investment Operations	(13,092,710)	(58,728,299)	(20,196,793)	(162,455,737)	(108,937,564)
Net Cash Used In Financing	(23,990,345)	(261,298,301)	(398,916,751)	(467,027,158)	(584,052,717)
Net Change In Cash And Equivalent	645,210,169	(105,771,109)	356,885,529	(129,122,695)	(205,907,153)
Cash And Equivalent As On January 1 ST	115,613,858	760,824,027	655,052,918	1,011,938,447	882,815,752
Cash And Equivalent As On December 31 ST	760,824,027	655,052,918	1,011,938,447	882,815,752	676,908,599

Assets and liabilities of the company

Lists of total assets and total liabilities for the years 2010, 2011, 2012, 2013 and 2014

Account	2010	2011	2012	2013	2014
Total assets	1,208,139,617	1,424,463,312	1,556,772,463	1,695,405,084	1,809,313,494
Total liabilities	384,479,297	443,460,835	495,073,860	536,776,072	583,606,574

Due payments

Lists of accrued expenses for the years 2010, 2011, 2012, 2013 and 2014

Account	2010	2011	2012	2013	2014
Employees, accruals	27,454,687	20,722,956	23,308,516	25,950,014	29,831,466
Accrued expenses and other liabilities	128,298,039	156,260,966	153,091,217	185,656,449	197,527,942
Provision for restructuring	28,082,899	28,035,806	25,937,949	19,120,725	13,747,775
Zakat and income tax	26,311,949	28,233,250	34,982,592	38,273,402	40,295,776
Total	210,147,574	233,253,008	237,320,274	269,000,590	281,402,959

Company investments

	investments	Kind of investment	Date of investment	Account	Date of Maturity
1	(SAMBA) - Sunbula Company	Short-range	25/07/2013	200,000,000	Open
2	The Saudi Binladin Group Sukuk	Long-range	07/04/2013	100,000,000	07/10/2015
3	The Saudi British Bank (SABB) Sukuk	Long-range	17/12/2013	40,000,000	18/02/2020

Banking Debts

The company has no outstanding loans as of 31st December, 2014.

Zakat and Statutory Payments

The company pays Zakat in line with the Department of Zakat and Income following their verification.

Related Party Transactions

Saudi Arabian Airlines (SAA) is the largest shareholder in the company. A large portion of the company's business is conducted with Saudi Arabian Airlines. The company provides meals to passengers and crews on board all SAA flights. Additionally, the company provides extra services such as menu development. The company also provides ground services, which mainly include meals for the employees of this section.

All contracts signed with related parties were approved during the meeting of the company's General Assembly authorized for 2014. These related parties include Saudi Arabian Airlines, Newrest Group Holding S.L. Saudi Airline Cargo, Saudi Ground Services, Real Estate Development Company.

Income and expenses from related parties as at 31st December 2014

The related party	The value
Saudi Arabian Airlines Corporation	1,427,655,000
Saudi Ground Services Company	44,796,000
Saudi Airlines Cargo Company	18,827,000
Saudi Real Estate Development Company	3,840,000
*The management agreement between the Company and Newrest Group Holding S.L.	16,213,000
Al Hokair Group	1,472,000

Accounts receivable from related parties as at 31st December 2014

The related party	Relationship	The value
Saudi Arabian Airlines Corporation	Partner	444,546,756
Saudi Ground Services Company	Affiliate company	11,397,810
Saudi Airlines Cargo Company	Affiliate company	8,435,915
Al Hokair Group	One of the end partners	367,949

* During its meeting held on 16th Safar 1435 Hijri (19th December 2014), SACC Board approved the draft agreement with its strategic partner to provide consultations and technical services (Technical Services Agreement). The agreement was directly signed between SAAC and Newrest Holding S.L. (SAAC's strategic partner). The agreement adopts the principle of development and growth of revenues and profits for the Company in general and for every section of business it runs in particular. The agreement will adopt specific objectives and outcomes for these sections. Additionally, it will focus on financial and quality results, the best utilization of assets and development of human resources. The agreement, moreover, adopts the principle of gaining technical support for future potential business including railway catering, noting that Newrest Holding S.L. is one of the leading companies in Europe specialized in catering services on trains. The agreement runs for three years starting from 1st January 2014.

Organizational Chart

The company retains the services of experienced specialists relating to key operational and supportive function activities. The company maintains a high standard of knowledge and skills required to manage the company's operations through three administrations all of which are coordinated by the CEO.

Board of Directors (BOD)

A. Members of the Board of Directors

The Board of Directors is an elite group of highly qualified experts with good reputation in world business.

BOD Members as of 31st December 2014

Name	Nationality	Position	Status	Independency	Additional Board duties in Saudi companies
Saleh Bin Nasser Al- Jasser	Saudi	Chairman	Non-executive	Dependent	Eithad Etisalat Company (Mobily), (Saudi Arabian Airlines, Civil Aviation Holding Company, Saudi Research and Marketing, Saudi Postal Company*)
Sami Abdulmohsen Al Hokair	Saudi	Member	Non-executive	Dependent	Al Hokair Group
Shawgi Mohammed Mushtag	Saudi	Member	Non-executive	Dependent	None
Basel Mohammed Algadhib	Saudi	Member	Non-executive	Dependent	United Electronic Co (Extra), Bawan Company, (The First Real Estate Holding Company, Al Fozan Holding Company, Al Faisaliah Group, Abdulatif Alissa Group Holding Company*)
Jonathan Stent-Torriani	Swiss	Member	Non-executive	Dependent	None
Yousef Abdul Sattar El Maimani	Saudi	Member	Non-executive	Independent	The National Commercial Bank
Abdul Aziz Saif Al-Saif (Retired Major General)	Saudi	Member	Non-executive	Independent	None
Fahad Absdulmohsen Al Rasheed	Saudi	Member	Non-executive	Independent	Emaar The Economic City
Hasan Shakib Al Jabri	Saudi	Member	Non-executive	Independent	(Dar Al Tamleek-Ebdaa Bank, Saudi Foras Investment Company, Ahmad Muhammad Salem Bashen & Co, Arab Roots Group, SEDCO Capital, SEDCO International Fund, SEDCO Capital Luxembourg*)

* (Not listed company).

* (After the resignation of the Chairman of the Board Eng. Khalid bin Abdullah Al-Melhem on the 14th August 2014 which was adopted by the Council, Saleh bin Nasser Al-Jasser was appointed to succeed him as Chairman of the Board.)

B. BOD's Meetings

The Board of Directors held five meetings in 2014 as shown in the table below:

Date of Meeting	24/2/2014	21/4/2014	22/7/2014	21/10/2014	15/12/2015
Saleh Bin Nasser Al- Jasser Chairman	X	X	X	✓	✓
Sami Abdulmohsen Al Hokair Member	✓	✓	✓	✓	✓
Basel Mohammed Algadhib Member	✓	X	✓	✓	✓
Jonathan Stent-Torriani Member	✓	X	✓	✓	✓
Yousef Abdul Sattar El Maimani Member	✓	✓	✓	✓	✓
Shawgi Mohammed Mushtag Member	✓	✓	✓	✓	✓
Abdul Aziz Saif Al-Saif (Retired Major General) Member	X	X	✓	✓	X
Fahad Abdulmohsen Al Rasheed Member	✓	✓	✓	✓	✓
Hasan Shakib Al Jabri Member	✓	✓	✓	✓	✓

C. BOD's Benefits

• Description of shares owned by BOD's members or by their spouses and minors

Member's Name	Owned shares	Shared owned by first degree relatives (if any)	Difference from 31/12/2013 to 31/12/2014
Saleh Bin Nasser Al- Jasser	1,000	Nil	0
Sami Abdulmohsen Al Hokair	1,000	Nil	0
Shawgi Mohammed Mushtag	1,000	Nil	0
Basel Mohammed Algadhib	1,000	Nil	0
Yousef Abdul Sattar El Maimani	1,000	Nil	0
Jonathan Stent-Torriani	1,000	Nil	0
Abdul Aziz Saif Al-Saif (Retired Major General)	1,000	Nil	0
Fahad Abdulmohsen Al Rasheed	1,000	Nil	0
Hasan Shakib Al Jabri	1,000	Nil	0

• Description of shares owned by senior executives or by their spouses or minors

Member's Name	Owned shares	Shared owned by first degree relatives (if any)	Difference from 31/12/2013 to 31/12/2014
Gerhard Marschitz CEO	Nil	Nil	0
Wajdy Mohamed Al-Ghabban Deputy Chief Executive Officer	Nil	Nil	0
Amr Mohammed Sager Chief Corporate Affaires Executive & Secretary General	Nil	Nil	0
Tarek Mohamed Tharwat Chief Audit Executive	Nil	Nil	0
Matti Kivekas CFO	Nil	Nil	0
Abdelwahab Ahmed Saati Chief Commercial Officer	Nil	Nil	0
Fahad Ali Khayat GM ICPI & Performance Improvement	Nil	Nil	0
Mohamed Huzayfa Hasan Chueb Head of Procurement & Supply Chain	Nil	Nil	0
Saleh Seferji Chief HR & D, Human Resources	Nil	Nil	0
Justin Phillips Chief Marketing & Communications	Nil	Nil	0
Bruno Heriche COO Support Services	Nil	Nil	0



BOD's Committees

In observance of corporate governance, the Board of Directors has two main committees: Audit Committee and the Nomination and Remuneration Committee.

• Audit Committee

The Audit Committee is composed of three members, including two non-executive members of the Board of Directors and the third is a non-board member competent in financial and accounting affairs. The duties and responsibilities of this committee includes the study of the internal control system and supervision of the Internal Audit Department to verify how efficient it is in the implementation of work and tasks determined by the Board of Directors. It also studies the internal audit reports and follows up on the corrective actions in connection with the reported observations. The committee also makes recommendations to the Board of Directors with regard to the appointment and removal of certified auditors; determination of their remunerations; verification of their independence; follow-up of their duties and studying the audit plan with the auditors. The committee studies the auditor's notes to the company's financial statements and follows up on actions taken in their regard. In addition, it examines the initial and annual financial statements prior to presenting them to the board, expresses opinion thereon and makes recommendations to the Board of Directors in their regard. The committee further studies the accounting policies of the company, expresses opinion thereon and makes recommendations to the Board of Directors in their regard; and assesses the company's estimation of material risks and the procedures taken by the company's management to control and address such risks.

Audit committee members:

Name	Position
Hasan Shakib Al Jabri	Chairman
Shawgi Mohammed Mushtag	Member
Matthieu Jeandel	Member

Schedule of Audit Committee's meetings

Date of Meeting	16/1/2014	13/2/2014	17/4/2014	16/7/2014	23/10/2014
Hasan Shakib Al Jabri Chairman	✓	✓	✓	✓	✓
Shawgi Mohammed Mushtag Member	✓	✓	✓	✓	✓
Matthieu Jeandel Member	✓	✓	✓	X	✓

• The Nomination and Remuneration Committee

The Nomination and Remuneration Committee was launched in October 2011. The committee is composed of four non-executive members of the Board of Directors. The duties and responsibilities of the committee include: making recommendations to the Board of Directors with regard to nominations to the membership of the board in accordance with the approved policies and standards, provided that no person may be nominated if previously convicted in a felony involving moral turpitude; undertaking the annual review of the skill requirements for the Board of Directors; and preparing the description of skills and qualifications required for the board membership including determination of the time that the board member should dedicate to the business of the board. The committee also reviews the structure and formation of the board, makes recommendations concerning changes that can be made and identifies the weaknesses and strengths of the board with recommendations on how to address them to serve the interests of the company. On an annual basis, the committee ensures the independence of the independent members and that there are no conflicts of interest if the member holds membership in the board of directors of another company. It develops clear policies for the compensation and remuneration of the board members and senior executives, taking into consideration performance-related standards. Lastly, the committee prepares periodic and annual reports on the committee's activities and the annual disclosure report according to the Articles of Association. These reports are to be presented to the Board of Directors.

Members of the Nomination and Remuneration Committee

Name	Position
Yousef Abdul Sattar El Maimani	Chairman
Basel Mohammed Algadhib	Member
Fahad Abdulmohsen Al Rasheed	Member
Jonathan Stent-Torriani	Member

Schedule of Nomination and Remuneration Committee's meetings

Date of Meeting	24/2/2014	21/4/2014	22/7/2014
Yousef Abdul Sattar El Maimani Chairman	✓	✓	✓
Basel Mohammed Algadhib Member	✓	X	✓
Fahad Abdulmohsen Al Rasheed Member	✓	✓	✓
Jonathan Stent-Torriani Member	✓	X	✓

Corporate Governance

To achieve the principle of transparency and enhance performance in its various activities with a view to providing a proper climate for investment in the market and increase customer confidence, the company decided during the General Assembly of 30/05/1435 H. corresponding to 31th March 2014 to implement governance principles and rules and to select the best practices to best serve the interests of its shareholders and to safeguard the rights of stakeholders.

The company is committed to maintain the best standards of quality and performance in all its activities. This commitment extends to include the rules provided for in the Corporate Governance. The company is fully committed to applying the best rules included in the Corporate Governance in all its operations. The company has a comprehensive policy on the implementation of Corporate Governance rules through the development of regulations and bylaws to be adhered to by managers and employees in order to protect the interests of the company and other relevant parties. The Board of Directors, with help from its subcommittees such as the audit and risk committees, provides continuous support to promote compliance with Corporate Governance rules while ensuring continuous review and control of the effective implementation thereof.

The following table highlights the governance items that have been implemented and extent of implementation versus the unimplemented items and the reasons for that:

Article number according to Corporate Governance Regulations	Full Compliance	Partial Compliance	Non-compliance	Explanation
III: General rights of shareholders	✓			
IV: To facilitate the exercise by shareholders of their rights and access to information	✓			
V: Equity concerning the General Assembly meeting	✓			
VI: Voting Rights	✓			
VII: Shareholders Rights in Dividends	✓			
VIII: Policies and Procedures Relating to Disclosure	✓			
IX: Disclosure in the Report of the Board of Directors	✓			
X: Basic Functions of the Board of Directors	✓			
XI: Responsibilities of the Board of Directors	✓			
XII: Formation of the Board of Directors	✓			
XIII: Committees of the Board and their Independence	✓			
XIV: Audit Committee	✓			
XV: Nominations and Remuneration Committee	✓			
XVI: Board Meetings and Agenda	✓			
XVII: Remuneration and Compensations of Board Members	✓			
XVIII: Conflict of Interest in the Board of Directors	✓			



Internal Audit (I.A.)

The I.A. department regularly reviews the internal control system of various departments of the company. This audit is based on the annual plans approved by the Audit Committee to ensure the effectiveness of this system and its ability to protect the company's assets, ensure the efficiency and integrity of the financial and non-financial procedures and processes, compliance by the company's employees with the regulations issued by various relevant government bodies and regulators, as well as compliance with the policies and internal systems approved by the company. The Audit Committee continuously supervises the work of the I.A. Committee and reviews its reports on regular basis.

The scope of work of the I.A. Department includes the following:

- Develop the annual strategic plan for the work of the I.A. Committee.

- Conduct the audit and routine testing for all administrative and operational departments and inform their heads on the results.

- Assess the procedures and solutions provided by the departments to ensure the appropriateness and effectiveness of the proposed measures.

- Provide reports and recommendations on audit findings as well as the subsequent follow-up of these results to ensure their implementation by the relevant departments.

Additionally, as part of their responsibility for reviewing the company's annual report, the external auditor of the company makes a comprehensive review of the company's internal audit system and its electronic and computing systems to ensure the separation of functions, monitoring systems and strict control on the company's operations.

I.A. shall have full power without restriction to have access to all records of the company and its fixed assets and to meet those in charge of their management subject to strict confidentiality.

To ensure the independence of the I.A., the Executive Officer of I.A. technically and professionally reports to the Audit Committee and reports administratively to the CEO of



SACC. No manager of the company may interfere with any internal affairs of the I.A. Furthermore, I.A. has no direct operational responsibility in any areas or activities that are reviewed. The Executive Officer of the I.A. shall annually confirm the independence of the I.A. to the Board of Directors.

The scope of the I.A. also includes the examination and evaluation of the validity and efficiency of the governance systems, risk management and internal procedures of the company in addition to checking the quality of performance of responsibilities assigned to managers in order to achieve the company's goals.

The I.A. Committee has not discovered any irregularities or any obvious weaknesses in the internal control system of the company or in any of its various operations in 2014. There were no substantial findings of the annual review of the effectiveness of internal control procedures of the company.

Dividends Policy

The Board of Directors makes recommendations to announce and pay any dividends prior to the approval of shareholders in the General Assembly meeting. Any dividends payable are approved in the General Assembly with no preset minimum limit. Any decision to do so will depend on the previous and expected profits, the cash flow in the company, financing and capital requirements, the market, the general economic conditions and the Zakat status of the company. In addition to the legal and statutory considerations, the distribution of dividends is subject to certain restrictions set forth in the company's statute. In the event of announcing dividends, they will be distributed in Saudi Riyals.

The Board of Directors intends to adopt a policy for dividend distribution that provides for the distribution of about 60% - 80% of the company's net annual profits taking into account the company's objectives, the aforementioned commercial, legal and organizational considerations in addition to the Company's financial position and level of income at present.

The net profits of the business are allocated with the below guidance:

- Setting aside of 10% of the net profit to form the statutory reserve. The Ordinary General Assembly may discontinue the reserve deduction once the statutory reserve reaches an amount equal to half the capital.
- The Ordinary General Assembly, based on recommendations by the Board of Directors, may set aside a certain proportion of the net profits to create a consensual reserve for one or more specific purposes.
- Thereafter, the balance is distributed to the shareholders provided it is no less than 5% of the paid-up capital.
- The distribution of dividends is subject to certain restrictions as set forth in the Articles of Association. In the event of announcing dividends, they will be distributed in Saudi Riyals.





General Assembly Meeting

A successful meeting of SACC General Assembly was held during 2014 in the official offices located in King Abdu Aziz International Airport Jeddah, as shown below. The company announced the scheduled dates for this General Assembly meeting on Tadawul website, the company's website, the Official Gazette and local newspapers at least 25 days prior to the scheduled date for the meeting. The announcements highlighted the meeting's time, place and agenda. In addition, the company allowed the shareholders to effectively participate and vote on topics listed on the agenda and informed them on the meeting's rules and voting procedures through the invitation for the General Assembly meeting. It also distributed well-prepared files containing relevant information to help the shareholders take their decisions. The company also informed Capital Market Authority on the results of its meeting immediately after the conclusion of the meeting. The shareholders were allowed access to the meeting's minutes inside the company's offices or through its website.

The Ordinary General Assembly Meeting

Having met the required quorum, the results of the ordinary general assembly meeting on 3rd Jumadi II 1435 Hijri (31st March 2014) were as follows:

- Approval of the content of the report of the Board for the fiscal year ended on 31st December 2013.
- Approval of the company's financial statements for the year ended 31st December 2013 and approval of the auditor report.
- Approval to discharge the Board members from liability for their work during the year 2013 until the date of the General Assembly.
- Approving the disbursement of cash dividends for the fourth quarter of 2013 in the amount of SR 1.75 per share; thus, the gross distributed dividends for the fourth quarter of 2013 amounted to SR 143,500,000 representing 17.5% of the nominal value of the share. The total distributions for the year 2013 were SR 451,000,000 at 55% of the nominal value of the share. Shareholders registered with the Securities Depository Center (Tadawul) were eligible for such dividends by the end of trading session of 31st March 2014. Profits were to be distributed starting from 13th April 2014.
- Approval to appoint the chartered accountant Deloitte & Touche Bakr Abulkhair & Partners nominated by the Audit Committee, to audit the company's accounts for the year 2014 and quarterly financial statements and approving their fees.
- Approval and endorsement of transactions with related parties during 2013 and authorizing such transactions for 2014 with following related parties:
 - Saudi Arabian Airlines, a major partner represented by Eng. Khalid bin Abdullah Al Mulhim, a member of the Board. The catering transactions services for SAA flights totaled a gross amount of SR 1,285,149,000 in 2013. The contract was for five calendar years renewable on a yearly basis. There were no preferential conditions compared to those offered in the local market.



- Saudi Ground Services (SGS), an affiliate company, represented by Eng. Khalid bin Abdullah Al Mulhim, a member of the Board. The catering transactions services to SGS for a gross amount of SR 22,116,000 in 2013. The contract was for one calendar year renewable on a yearly basis. There were no preferential conditions compared to those offered in the local market.
- Saudi Airline Cargo (SAC), an affiliate company, represented by Eng. Khalid bin Abdullah Al Mulhim, a member of the Board. The catering services transactions with SAC were for a gross amount of SR 26,948,000 in 2013. The contract was for one calendar year renewable on a yearly basis. There were no preferential conditions compared to those offered in the local market.
- Real Estate Development Company, an affiliate company, represented by Eng. Khalid bin Abdullah Al Mulhim, a member of the Board. The transactions were the lease of SACC headquarters premises for a total rent of SR 3,840,000 in 2013. The Lease is for one calendar year renewable on a yearly basis. There were no preferential conditions compared to those offered in the local market.
- Newrest Holding S.L., an end partner represented by Mr. Jonathan Stent Torriani, Board member. The transactions were related to administrative fees in the amount of SR 12,000,000 in 2013. The contract is for three calendar years renewable on a yearly basis. There were no preferential conditions compared to those offered in the local market.
- Approval and endorsement of transactions during 2013 and authorizing such transactions for 2014 with following related parties:
 - Al Hokair Group, an end partner represented by Mr. Sami bin Abdel-Muhsen Al Hokair, Board member. The contract was for retail sales for a term of one calendar year renewable on a yearly basis. There were no preferential conditions compared to those offered in the local market. No contract value was stated.
 - Approval of the updated Governance Bylaws as prepared by the company's management.
 - Approval of the clear policies, standards and procedures for membership of Board as developed by the company management and contained in the company's Governance Bylaws.
 - Approval to authorize the board to recommend the distribution of profits to shareholders on periodical basis.

The Extra Ordinary General Assembly Meeting

Having met the required quorum, the results of the extra ordinary general assembly meeting held on 3rd Jumadi II 1435 (31st March 2014) were as follows:

- Approval to use accumulative voting in electing the Board of Directors' members.

Remunerations of BOD Members & five senior executives

Remunerations of BOD’s members and five senior executives

Details	Non-executive members of the Board	The five executives who received the highest bonuses and compensations
Salaries and remunerations	2,374,000	3,564,980
Allowances	Nil	1,625,001
Annual periodical remunerations	Nil	3,920,458
Incentives	Nil	55,000
Any other compensations or in-kind privileges paid out monthly or annually	Nil	Nil
Total	2,374,000	9,165,439

The CEO and CFO are senior executive according to the Company’s Organizational Structure and they were listed among the five executives receiving the highest remunerations and bonuses.

Board of Directors’ Declaration

The Board of Directors approved the following:

- The accounting records were properly and correctly prepared.
- The internal control system was properly designed and effectively implemented.
- There was no doubt about the issuer’s ability to continue the business.
- Consolidated financial statements were prepared in accordance with accounting systems and standards issued by the Saudi Organization for Certified Public Accountants, and in accordance with the company’s bylaws and Articles of Association with respect to the preparation and publishing of financial statements.
- There were no redemptions, purchases or cancellations by the company of any of recoverable debt instruments.
- The company did not issue or grant any debt instruments convertible to shares, option rights, subscription right notes or similar rights.
- Apart from the disclosures in the section related to related parties transactions, there were no contracts in which neither the company was a party nor there was any material interest for any board member, executive director, vice president for the financial division or any other related person.
- There were no arrangements or agreements through which any Board member or any executive to waive any salary or compensation.
- There are no arrangements or agreements through which any of company’s shareholders to waive the rights to profits.

Communication with Shareholders

SAAC maintains regular communications with the shareholders. The company has taken a group of measure to ensure their rights of access to information through Tadawul website and SAAC website, www.saudiacatering.com. SAAC provides full and comprehensive information about its activities and businessmen through its Annual Report, periodic financial statements and dividends procedures. The company also endeavors to maintain links with its shareholders, answer their queries and provides them with the required information on timely basis.



Saudi Airlines Catering Company
(Saudi Joint Stock Company)

Financial Statements and Auditors' Report
Year Ended December 31st 2014

SAUDI AIRLINES
CATERING



الخطوط السعودية
للتجهيز

AUDITORS' REPORT

Deloitte.

Deloitte & Touche
Bakr Abulkhair & Co.
Public Accountants
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Jeddah 21411
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License No. 96
Head Office: Riyadh

AUDITORS' REPORT

To the stockholders
Saudi Airlines Catering Company
Jeddah, Saudi Arabia

Scope of Audit

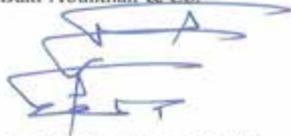
We have audited the balance sheet of SAUDI AIRLINES CATERING COMPANY (a Saudi Joint Stock Company) (the "Company") as of December 31, 2014, and the related statements of income, stockholders' equity and cash flows for the year then ended, and notes 1 to 24 which form an integral part of these financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the Kingdom of Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Unqualified Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia and appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the Company's bylaws as these relate to the preparation and presentation of these financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.



Al-Mutahhar Y. Hamiduddin
License No. 296

26 Rabi'II, 1436
February 15, 2015

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

BALANCE SHEET
AS OF DECEMBER 31, 2014
(Expressed in Saudi Riyals)

	Note	2014	2013
ASSETS			
Current assets			
Cash and cash equivalents	3	676,908,599	882,815,752
Accounts receivable - trade	4	84,964,825	56,664,429
Due from related parties	11	464,748,430	362,407,478
Inventories	5	86,753,572	76,629,751
Prepaid expenses and other receivables		154,273,566	68,598,971
Total current assets		1,467,648,992	1,447,116,381
Non-current assets			
Held to maturity investments	6	140,000,000	140,000,000
Property, plant and equipment	8	191,497,391	98,119,655
Margins on letters of guarantee	7	10,167,111	10,169,048
Total non-current assets		341,664,502	248,288,703
TOTAL ASSETS		1,809,313,494	1,695,405,084
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable - trade		162,419,473	140,465,039
Due to related parties	11	12,435,552	12,110,858
Dividends payable	14	3,572,374	2,792,541
Accrued expenses and other liabilities	9	241,107,183	230,727,188
Zakat and income tax payable	12	40,295,776	38,273,402
Total current liabilities		459,830,358	424,369,028
Non-current liabilities			
End-of-service indemnities	10	116,920,570	112,407,044
Accrued bonus - long-term		6,855,646	-
Total non-current liabilities		123,776,216	112,407,044
Stockholders' equity			
Share capital	1	820,000,000	820,000,000
Statutory reserve	13	216,750,092	151,356,809
Retained earnings		188,956,828	187,272,203
Total stockholders' equity		1,225,706,920	1,158,629,012
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		1,809,313,494	1,695,405,084
			
Chief Financial Officer	Chief Executive Officer	Authorized Board of Directors' Member	

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 2014
(Expressed in Saudi Riyals)

	Note	2014	2013
Revenues:			
In-flight catering revenue		1,603,413,854	1,429,682,965
Sky sales revenue		209,392,758	188,967,459
Business lounge revenue		90,590,132	66,779,931
Non-airlines revenue		176,399,615	135,169,526
Other operating revenues	18	56,143,711	46,898,284
Total revenues	11, 21	2,135,940,070	1,867,498,165
Cost of revenues			
Cost of materials and goods		(915,440,274)	(776,330,745)
Personnel costs		(188,760,041)	(181,053,375)
Rent and maintenance of production units		(84,787,122)	(82,549,635)
Depreciation		(15,291,999)	(12,841,142)
Other operating costs	19	(157,086,268)	(122,808,541)
Total cost of revenues		(1,361,365,704)	(1,175,583,438)
Gross profit		774,574,366	691,914,727
General and administrative expenses	15	(141,249,564)	(146,104,228)
Operating income		633,324,802	545,810,499
Other revenues and expenses, net		20,608,030	23,541,413
NET INCOME	17,21	653,932,832	569,351,912
Earnings per share from net income	17	7.97	6.94
  			
Chief Financial Officer		Chief Executive Officer	
		Authorized Board of Directors' Member	

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2014
(Expressed in Saudi Riyals)

	Note	Share capital	Statutory reserve	Retained earnings	Total
January 1, 2013	1	820,000,000	94,421,618	147,276,985	1,061,698,603
Net income for the year		-	-	569,351,912	569,351,912
Transfer to statutory reserve	13	-	56,935,191	(56,935,191)	-
Zakat and income tax	12	-	-	(46,217,365)	(46,217,365)
Dividends	14	-	-	(426,204,138)	(426,204,138)
December 31, 2013		820,000,000	151,356,809	187,272,203	1,158,629,012
Net income for the year		-	-	653,932,832	653,932,832
Transfer to statutory reserve	13	-	65,393,283	(65,393,283)	-
Zakat and income tax	12	-	-	(46,201,746)	(46,201,746)
Dividends	14	-	-	(540,653,178)	(540,653,178)
December 31, 2014		820,000,000	216,750,092	188,956,828	1,225,706,920



Chief Financial Officer



Chief Executive Officer

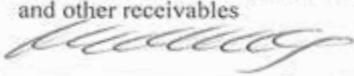
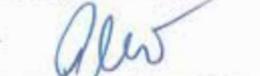
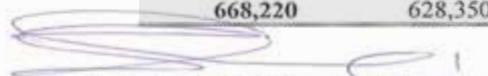


Authorized Board of Directors' Member

The accompanying notes form an integral part of these financial statements

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014
(Expressed in Saudi Riyals)

	2014	2013
OPERATING ACTIVITIES		
Net income	653,932,832	569,351,912
Adjustments for:		
Depreciation	18,499,911	15,494,238
Reversal of allowance for doubtful debts	(31,076,031)	(5,290,157)
Allowance for/(reversal of) slow moving inventories	2,083,149	(1,283,061)
Loss from sale of property, plant and equipment	81,079	247,443
Provision for end-of-service indemnities	14,186,326	20,237,372
Accrued bonus - long-term	6,855,646	-
Investment income	(3,689,382)	(1,987,472)
Changes in operating assets and liabilities:		
Accounts receivable - trade	1,928,754	4,068,418
Due from related parties	(101,494,071)	(107,911,109)
Inventories	(12,206,970)	(2,066,560)
Prepaid expenses and other receivables	(85,006,375)	(6,411,319)
Margins on letters of guarantee	1,937	(160,000)
Accounts payable - trade	21,954,434	(11,166,351)
Due to related parties	324,694	12,110,858
Accrued expenses and other liabilities	10,379,995	28,389,506
Cash generated from operations	496,755,928	513,623,718
End-of-service indemnities paid	(9,672,800)	(13,263,518)
Net cash from operating activities	487,083,128	500,360,200
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(112,035,726)	(24,137,851)
Proceeds from sale of property, plant and equipment	77,000	322,992
Held to maturity investments	-	(140,000,000)
Investment income received	3,021,162	1,359,122
Net cash used in investing activities	(108,937,564)	(162,455,737)
FINANCING ACTIVITIES		
Zakat and income tax paid	(44,179,372)	(42,926,555)
Dividends paid	(539,873,345)	(424,100,603)
Net cash used in financing activities	(584,052,717)	(467,027,158)
Net change in cash and cash equivalents	(205,907,153)	(129,122,695)
Cash and cash equivalents, January 1	882,815,752	1,011,938,447
CASH AND CASH EQUIVALENTS, DECEMBER 31	676,908,599	882,815,752
Additional disclosure for non-cash transactions		
Bad debts written-off	5,271	29,175
Inventories written-off	439,185	230,331
Unpaid dividends declared	3,572,374	2,792,541
Zakat and income tax charges charged to retained earnings	46,201,746	46,217,365
Accrued investment income debited to prepaid expenses and other receivables	668,220	628,350
		
Chief Financial Officer	Chief Executive Officer	Authorized Board of Directors' Member

The accompanying notes form an integral part of these financial statements

I. ORGANIZATION AND ACTIVITIES

Saudi Airlines Catering Company (the "Company") was registered as a Saudi limited liability company on 20 Muharram 1429 (January 29, 2008) under commercial registration number 4030175741. The share capital of the Company, amounting to SR 100,767,000, was divided into 1,007,670 shares of SR 100 each. The Company was established as a wholly owned subsidiary of Saudi Arabian Airlines Corporation ("Saudia") whose contribution to the share capital was made up of SR 500,000 cash and SR 100,267,000 of net assets of its catering division transferred effective on January 1, 2008.

On April 22, 2008, Saudia sold 493,758 shares representing 49% of the total share capital of the Company to the Strategic Catering Company Limited. The formalities of the transaction were completed on 19 Rajab, 1429 (July 22, 2008).

On December 26, 2010 the shareholders resolved to amend the Articles of Association to reflect the sale of 3% of Saudia's shares in the Company to Saudi Airlines Company Limited, Saudia Private Aviation Company Limited and Saudia Real Estate and Development Company Limited which are wholly owned subsidiaries of Saudia. Furthermore, the shareholders decided to convert the Company from a limited liability company to a closed joint stock company and divide the capital of the Company which amounted to SR 100,767,000 into 10,076,700 ordinary shares of SR 10 each instead of 1,007,670 shares of SR 100 each. The Company obtained the approval of the Minister of Commerce and Industry for the above sale and conversion on 29/1/1432 (January 4, 2011) and obtained the amended Commercial Registration on 10/3/1432 (February 13, 2011).

On March 19, 2011 the shareholders resolved to increase the share capital by SR 719,233,000 by transferring SR 658,791,392 from the retained earnings, SR 13,718,428 from general reserve and SR 46,723,180 from statutory reserve. The Company finalized the related formalities and obtained the amended commercial registration on 26 Jamad'I, 1432 (April 30, 2011).

During the period from 28 Rajab, 1433 (June 18, 2012) to 4 Shaban, 1433 (June 24, 2012), the Company sold 24.6 million shares through an initial public offering representing 30% of the Company's share capital at SR 54 per share including the nominal value amounting to SR 10 per share and an issue premium of SR 44 per share. Thus, the Company converted into a public joint stock company and commenced trading on the Tadawul in the Kingdom of Saudi Arabia on July 9, 2012. Following the sale of stock, the Company is owned as follows:

	Stock	Value
Saudi Arabian Airlines Corporation	29,274,000	292,740,000
Strategic Catering Company Limited	28,126,000	281,260,000
Public shareholders	24,600,000	246,000,000
	<u>82,000,000</u>	<u>820,000,000</u>

The Company has obtained the amended commercial registration and the amended by-laws reflecting the public offering.

The main objectives of the Company are provision of cooked and non-cooked food to private and public sectors, provision of sky sales, operation and management of duty free zones in Saudi Arabian airports and ownership, operation and management of restaurants and groceries at airports and other places, ownership, operation and management of central laundries.

The Company mainly provides catering services to Saudi Arabian Airlines and other foreign airlines in the airports of Jeddah, Riyadh, Dammam and Madinah in Saudi Arabia and to Saudia's flights operating from Cairo International Airport.

On August 2, 2012, the board of directors resolved to establish a limited liability company with a share capital of SR 30 million to be mainly owned and controlled by the Company. The new established company which has still not been incorporated will be under the name of Saudi Airlines Catering Services ("SAC Services") and will include "business and industry" catering activity which is currently part of the Company's operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia.

The following is a summary of significant accounting policies applied by the Company:

Use of estimates

The preparation of financial statements in conformity with accounting standards generally accepted in the Kingdom of Saudi Arabia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Revenue recognition

Revenues are recognized when goods are delivered and services are rendered to customers and are stated net of discounts.

Expenses

General and administrative expenses include direct and indirect costs not specifically part of cost of revenues as required under accounting standards generally accepted in the Kingdom of Saudi Arabia. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a weighted average cost basis. An allowance is also established for items deemed to be slow moving or obsolete.

Financial assets and financial liabilities

The Company's financial assets comprise cash and cash equivalents, held to maturity investments, accounts receivable-trade, amounts due from related parties and margins on letters of guarantee. Except for investments, financial assets are stated at their nominal values as reduced by an appropriate allowance for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities include accounts payable-trade, amounts due to a related party and dividends payable and are stated at their nominal values.

The held to maturity investments are measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the relevant period.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

Certain categories of financial assets, such as accounts receivable-trade, that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced through the use of an allowance account with a corresponding charge to the statement of income. When a financial asset is not considered recoverable, it is written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the statement of income.

Held to maturity investments

Investments which have fixed or determined payments that the Company has the positive intention and ability to hold to maturity are subsequently measured at amortized cost, less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition. Realized gain or loss or interest income on such investments is recognized in the statement of income.

Property, plant and equipment

Land is recorded at cost.

Property, plant and equipment other than land are stated at cost less accumulated depreciation. Expenditure on maintenance and repairs is expensed, while expenditure for betterment is capitalized. Depreciation is provided over the estimated useful lives of the applicable assets using the straight line method. The estimated useful lives of the principal classes of assets are as follows:

Leasehold improvements	5-20 years
Equipment	3-7 years
Motor vehicles	7-10 years

The carrying amount of all property, plant and equipment is reduced to recognize other than temporary diminution in value.

Capital work-in-progress represents all costs relating directly to the on-going projects in progress and will be capitalized as property, plant and equipment when the project is completed.

Impairment of non-current assets

At each balance sheet date, the Company assesses whether there are any indications, whether internal or external, of impairment in the value of non-current assets. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

A non-current asset is considered impaired if its carrying amount is higher than its recoverable amount. To determine impairment, the Company compares the non-current asset's carrying amount with the undiscounted estimated cash flow from the asset's use. If the carrying amount exceeds the undiscounted cash flow from the asset, the Company estimates the present value of the estimated future cash flows from the asset. The excess of the carrying amount over the present value of the estimated future cash flows from the assets is considered an impairment loss.

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Expressed in Saudi Riyals)

An impairment loss is recognized immediately in the statement of income. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in the prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

Foreign currency transactions

Foreign currency transactions are translated into Saudi Riyals at the rates of exchange prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Gains and losses from settlement and translation of foreign currency transactions are included in the statement of income.

End-of-service indemnities

End-of-service indemnities, required by Saudi Arabian Labor Law, are provided in the interim financial statements based on the employees' length of service.

Zakat and income tax

The Company is subject to the Regulations of the Directorate of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis. The zakat charge is computed on the zakat base. Income tax is computed on adjusted net income. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating lease are charged to income on a straight-line basis over the term of the operating lease.

Dividends

Final dividends are recognized as liability at the time of their approval by the general assembly.

Interim dividends are recorded when approved by the Board of Directors.

Segmental analysis

An operating segment is a component of the Company that is engaged in business activities from which it earns revenues and incurs expenses and about which discrete financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. For management purposes, the Company is organized into business units based on their products and services and has two reportable operating segments as follows:

- Catering, which includes business lounges, non-airlines and others;
- Sky sales.

Segment performance is evaluated based on profit or loss which, in certain respects, is measured differently from profit or loss in the accompanying financial statements.



Critical accounting judgments and key sources of estimation uncertainty

Critical judgments in applying the Company's accounting policies

In the process of applying the Company's accounting policies, which are described above, management has made the following judgments that have the most significant effect on the amounts recognized in the financial statements (apart from those involving estimations), which are dealt with below:

Accruals for services provided by Saudia and its affiliates

Accruals are made by the Company for services rendered by Saudia and its affiliates based on contractual terms and in certain cases on a valid expectation. Those amounts are provided for to the extent that the Company has a present obligation (legal or constructive) arising as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation which can be reliably estimated. This requires the exercise of judgment by management based on prior experience, application of contract terms and relationships with Saudia and its affiliates.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are discussed below.

Allowance for slow-moving and obsolete inventories

Inventories are stated at the lower of cost or net realizable value. Adjustments to reduce the cost of inventory to its realizable value, if required are made at the product level for estimated excess, obsolescence or impaired balances. Factors influencing these adjustments include changes in demand, physical deterioration and quality issues.

Allowance for doubtful debts

Allowance for doubtful debts is determined based upon a combination of factors to ensure that the contract receivables are not overstated due to uncollectability. The allowance for doubtful debts for all customers is based on a variety of factors, including the overall quality and aging of the receivables and continuing credit evaluation of the customers' financial conditions, but in relation to related party receivables, management believes those are generally fully recoverable because of the relationship with Saudia. Also, specific allowances for individual accounts are recorded when the Company becomes aware of the customer's inability to meet its financial obligations such as in the case of deterioration in the customer's operating results or financial position.

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Expressed in Saudi Riyals)

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and demand deposits with original maturities of three months or less.

	2014	2013
Cash on hand	2,105,945	1,307,593
Bank balances	674,802,654	881,508,159
	676,908,599	882,815,752

4. ACCOUNTS RECEIVABLE - TRADE

	2014	2013
Trade receivables	138,161,654	140,090,408
Less: Allowance for doubtful debts	(53,196,829)	(83,425,979)
	84,964,825	56,664,429

Balances from 5 customers represent 57% (2013: 63%) of total trade receivables.

5. INVENTORIES

	2014	2013
Catering (food, beverages and other items)	28,166,890	25,910,242
Sky sales items	50,917,038	43,530,961
Packing and other materials	10,051,610	7,904,549
Spare parts	3,787,097	3,809,098
Allowance for slow moving and obsolete inventories	(6,169,063)	(4,525,099)
	86,753,572	76,629,751

6. HELD TO MATURITY INVESTMENTS

The held to maturity investments consist of investment in:

- The Saudi Binladin Group Sukuk Limited with a return of SIBOR plus a margin of 1.7 per cent is calculated quarterly and it shall be liquidated on October 7, 2015 but Saudi Binladin Group Sukuk Limited has the ability to redeem the Sukuk periodically after April 7, 2015 by serving a call option notice. The Company has purchased the investment for an amount of SR 100,000,000.
- The Saudi British Bank (SABB) Sukuk ("Sukuk II") with a return of SIBOR plus a margin of 1.4 per cent is calculated semi-annually. The Sukuk II shall be liquidated in 2020 but SABB has the ability to redeem the Sukuk in 2018 by serving a call option notice. The Company has purchased the investment in Sukuk II for an amount of SR 40,000,000.

7. MARGINS ON LETTERS OF GUARANTEE

The margins on letters of guarantee represent 100% of the letters of guarantee value and these letters of guarantee will expire after December 31, 2015.

8. PROPERTY, PLANT AND EQUIPMENT

	January 1	Additions	Disposals	Transfers	December 31
Cost:					
Land	33,786,058	-	-	-	33,786,058
Leasehold improvements	23,199,535	3,071,856	(265,370)	2,317,858	28,323,879
Equipment	58,626,457	17,794,717	(2,104,750)	2,926,669	77,243,093
Motor vehicles	36,331,352	11,253,679	(575,558)	11,038,928	58,048,401
Capital work-in-progress	7,087,239	79,915,474	-	(16,283,455)	70,719,258
Total Cost	159,030,641	112,035,726	(2,945,678)	-	268,120,689
Accumulated Depreciation:					
Leasehold improvements	12,234,011	2,752,812	(265,370)	-	14,721,453
Equipment	30,645,380	10,743,712	(1,995,480)	-	39,393,612
Motor vehicles	18,031,595	5,003,387	(526,749)	-	22,508,233
Total Depreciation	60,910,986	18,499,911	(2,787,599)	-	76,623,298
Net Book Value at January 1	98,119,655				
Net Book Value at December 31					191,497,391

The major capital work-in-progress represents construction works on the new buildings in Madinah, Dammam camp which are constructing on leased land, laundry project and cost of high-loader vehicles purchased by the Company and still under customs clearance.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	2014	2013
Employees' accruals	29,831,466	25,950,014
Accrued expenses and other liabilities	197,527,942	185,656,449
Provision for restructuring	13,747,775	19,120,725
	241,107,183	230,727,188

Accrued expenses and other liabilities include services provided by Saudia but not invoiced amounting to SR 67,125,124 (2013: SR 96,433,384).

10. END-OF-SERVICE INDEMNITIES

	2014	2013
January 1	112,407,044	105,433,190
Provision for the year	14,186,326	20,237,372
Payment during the year	(9,672,800)	(13,263,518)
December 31	116,920,570	112,407,044

SAUDI AIRLINES CATERING COMPANY
(SAUDI JOINT STOCK COMPANY)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Expressed in Saudi Riyals)

II. RELATED PARTY TRANSACTIONS

During the year, the Company transacted with the following related parties:

Name	Relationship
Saudi Arabian Airlines Corporation ("Saudia")	Stockholder
Newrest Group Holding S.L.	One of the ultimate stockholders
Saudi Airlines Cargo Company	Affiliate
Alhokair Group Joint Stock Company	One of the ultimate stockholders
Saudia Airlines Real Estate Development Company	Affiliate
Saudi Ground Services Company	Affiliate
Board of directors	Connected persons

The significant transactions and the related approximate amounts for the year ended December 31 are as follows:

	2014	2013
Catering and other services rendered to Saudia	1,427,655,000	1,285,149,000
Services and other expenses charged by Saudia	11,322,000	4,430,000
Net services rendered to/charged by Saudi Ground Services Company	44,796,000	22,116,000
Net services rendered to/charged by Saudi Airlines Cargo Company	18,827,000	26,948,000
Net services rendered to/charged by Newrest Group Holding S.L.	1,213,000	1,431,000
Net services rendered to Alhokair Group Joint Stock Company	1,472,000	2,820,000
Re-allocation of leasing charges	3,840,000	3,840,000
Management fees	15,000,000	12,000,000
Board of directors' fees and expenses	2,374,000	1,983,000

Due from related parties as of December 31 are comprised of the following:

	2014	2013
Saudi Arabian Airlines Corporation - trade accounts ("Saudia") (net of allowance for doubtful debts of SR 10,740,925 in 2014 and SR 11,593,077 in 2013)	444,546,756	335,292,621
Saudi Ground Services Company	11,397,810	15,408,492
Saudi Airlines Cargo Company	8,435,915	11,287,662
Alhokair Group Joint Stock Company	367,949	418,703
	464,748,430	362,407,478

The Company's revenue and receivables are concentrated with Saudia which is a stockholder and Governmental Party.

SAUDI AIRLINES CATERING COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Expressed in Saudi Riyals)



Due to related parties as of December 31 are comprised of the following:

	2014	2013
Saudia Airlines Real Estate Development Company	6,557,631	6,542,931
Newrest Group Holding S.L.	5,877,921	5,567,927
	12,435,552	12,110,858

The details of these transactions and balances are as follows:

	2014	2013
Revenue from Saudia	1,427,655,000	1,285,149,000
Percentage of revenue from Saudia	67%	69%
Saudia's receivable	444,546,756	335,292,621
Percentage of Saudia's receivables to the total receivables	81%	80%

12. ZAKAT AND INCOME TAX

The zakat base is comprised of the following:

	2014	2013
Non-current assets	341,664,502	248,288,703
Non-current liabilities	123,776,216	112,407,044
Shareholders' equity	1,158,629,012	1,061,698,603
Net income	653,932,832	569,351,912

Some of these amounts have been adjusted in arriving at the zakat charge for the year.

The movement in zakat provision is as follows:

	2014	2013
January 1	35,898,500	32,462,965
Payments during the year	(33,190,582)	(32,309,505)
Over provision for the previous years	-	(448,067)
Provision for the year	33,590,911	36,193,107
December 31	36,298,829	35,898,500

The movement in income tax provision is as follows:

	2014	2013
January 1	2,374,902	2,519,627
Payments during the year	(10,988,790)	(10,617,050)
Over provision for the previous years	-	(783,100)
Provision for the year	12,610,835	11,255,425
December 31	3,996,947	2,374,902

The Company has finalized its zakat and income tax position for the year 2008.

The Company has submitted its zakat and income tax declarations for the years from 2009 to 2013. The Company has paid the amounts due according to the declarations which are currently under review by the DZIT.

13. STATUTORY RESERVE

In accordance with the Regulations for Companies in Saudi Arabia and the Company's By-laws, the Company has established a statutory reserve by the appropriation of 10% of net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

14. DIVIDENDS

In their ordinary general meeting assembly on April 8, 2013, the stockholders approved the distribution of dividends of SR 118 million which is equivalent to SR 1.44 per share from the Company's retained earnings as of December 31, 2012 which was paid during the year ended December 31, 2013. The stockholders also approved at the meeting, the additional distribution of SR 103 million which is equivalent to SR 1.26 per share, from the Company's interim profit which was paid during 2013.

On July 17, 2013, the Board of Directors resolved to distribute interim dividends during the period amounting to SR 102.5 million, which is equivalent to SR 1.25 per share, from the Company's interim profit.

On September 24, 2013, the Board of Directors resolved to distribute interim dividends amounting to SR 102.5 million, which is equivalent to SR 1.25 per share, from the Company's interim profit.

In their ordinary general meeting assembly on March 31, 2014, the stockholders approved the distribution of dividends from the Company's retained earnings as of December 31, 2013 of SR 136.8 million which is equivalent to SR 1.75 per share before income tax deduction.

On April 21, 2014, the Board of Directors resolved to distribute interim dividends amounting to SR 121.2 million, which is equivalent to SR 1.50 per share before income tax deduction, from the Company's interim profit.

On July 22, 2014, the Board of Directors resolved to distribute interim dividends amounting to SR 141.2 million, which is equivalent to SR 1.75 per share before income tax deduction, from the Company's interim profit.

On October 21, 2014, the Board of Directors resolved to distribute interim dividends amounting to SR 141.4 million, which is equivalent to SR 1.75 per share before income tax deduction, from the Company's interim profit.



15. GENERAL AND ADMINISTRATIVE EXPENSES

	2014	2013
Salaries and other benefits	101,144,486	73,729,975
Depreciation	3,207,911	2,653,096
Allowance for doubtful debts	(31,076,031)	(5,290,157)
Professional and technical fees	(4,438,537)	8,939,767
Rents	13,249,049	12,426,209
Marketing and promotional expenses	12,977,024	12,114,584
Utilities	3,696,559	7,071,439
Stationery and printing	479,741	485,617
Repair and maintenance	252,616	273,500
Travel expenses	5,767,891	3,768,944
Management fees	15,000,000	12,000,000
Board of directors' fees and expenses	2,374,000	1,983,000
Service agreement fees	10,109,127	7,905,588
Insurance	1,823,309	2,271,774
Others	6,682,419	5,770,892
	141,249,564	146,104,228

16. OPERATING LEASE ARRANGEMENTS

	2014	2013
Payments under operating leases recognized as an expense during the year	71,585,346	66,851,929

Operating lease payments represent rentals payable by the Company for the premises of the business units, offices and residential properties which are mainly leased from Saudia and the General Authority of Civil Aviation and are renewable on an annual basis.

During 2010, the Company leased a central kitchen in Riyadh from the General Authority of Civil Aviation for a period of 10 years which started from January 1, 2010 for an annual amount of SR 17,407,657.

At the expiry of its term, the lease is renewable upon agreement between the Company and the lessor. As per the lease agreement the lessor is entitled to 8% of the lessee's annual sales that exceeds SR 290,000,000 to be paid in the first month of the following year.

During 2012, the Company renewed the Dammam lease agreement with the General Authority of Civil Aviation for a period of 10 years which started from May 3, 2012 for an annual rental amount of SR 5,000,000.

During the year, the Company renewed the Jeddah lease agreement with the General Authority of Civil Aviation for a period of 2 years which started from March 31, 2015 for an annual rental amount of SR 24,500,000.

During the year, the Company leased a land in Madinah for a period of 30 years for an annual rental amount of SR 3,800,000.

SAUDI AIRLINES CATERING COMPANY
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NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014
(Expressed in Saudi Riyals)

The minimum lease payments under non-cancelable operating leases are as follows:

	2014	2013
Not later than one year	40,045,365	36,245,364
Later than one year and less than five years	217,981,454	181,226,818
Later than five years	96,200,000	10,000,000
	<u>354,226,819</u>	<u>227,472,182</u>

The Company re-allocates certain leasing charges to Saudia Airlines Real Estate Development Company for an annual amount of SR 3,840,000 (2013: SR 3,840,000).

17. EARNINGS PER SHARE

	2014	2013
<i>EPS from net income</i>		
Net income	653,932,832	569,351,912
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	7.97	6.94
<i>EPS from continuing operations</i>		
Operating income	633,324,802	545,810,499
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	7.72	6.65
<i>EPS from non-operating operations</i>		
Non-operating income	20,608,030	23,541,413
Weighted average number of shares	82,000,000	82,000,000
Earnings per share	0.25	0.29

18. OTHER OPERATING REVENUES

	2014	2013
Camp facilities sales (staff feeding & accommodation)	61,667	139,167
Exclusivity purchase income & services to suppliers	25,324,848	21,764,641
Transfer of airline equipment charges	30,757,196	24,994,476
	<u>56,143,711</u>	<u>46,898,284</u>

19. OTHER OPERATING COSTS

	2014	2013
Communications and utilities	9,253,044	12,519,336
Supplies and expandable items	33,116,185	28,920,034
Service agreement	73,143,048	55,517,321
Other operational costs	41,573,991	25,851,850
	<u>157,086,268</u>	<u>122,808,541</u>



20. COMMITMENTS AND CONTINGENCIES

As of December 31, the Company had the following commitments and contingencies:

	2014	2013
Madinah unit building constructions	79,503,986	-
Dammam camp constructions	55,900,000	-
Laundry project constructions	34,385,119	-
Share capital of SAC Services Company (note 1)	30,000,000	30,000,000
Other commitments for future capital expenditure	28,379,144	22,024,069
Total commitments for future capital expenditure	228,168,249	52,024,069

21. SEGMENTAL INFORMATION

Segment information is related to the activities of the Company as a basis for the preparation of its own financial information.

The assets, liabilities and the results of operations of the segments include items related directly to a certain segment and items which could be allocated to the segments on a consistent basis. The Company's activities consist of the following business segments:

1. Catering including business lounges, non-airlines and others
2. Sky sales

The Company's assets, liabilities and results of operations as of and for the years ended December 31, 2014 and 2013 by business segments are detailed below:

	Catering	Sky sales	Total
2014			
Assets	1,720,612,197	88,701,297	1,809,313,494
Liabilities	547,132,114	36,474,460	583,606,574
Revenues	1,926,547,312	209,392,758	2,135,940,070
Net income	584,793,353	69,139,479	653,932,832
2013			
Assets	1,626,888,284	68,516,800	1,695,405,084
Liabilities	483,318,155	53,457,917	536,776,072
Revenues	1,678,530,706	188,967,459	1,867,498,165
Net income	509,250,869	60,101,043	569,351,912

22. RISK MANAGEMENT

a) Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. This risk is managed by the Company by monitoring the maturity profile of its financial assets and liabilities to ensure that adequate liquidity is maintained or made available, as necessary to the Company.

The Company's financial liabilities primarily consist of accounts payable and other liabilities. The majority of the financial liabilities are expected to be settled within 12 months from the balance sheet date and the Company expects to have adequate liquid funds to do so and ensuring that Saudia as its major customer, which is also a related party, settles its balance on a timely basis.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's principal financial assets are cash, accounts receivable, held to maturity investments and amounts due from related parties.

Credit risk arises from the possibility of asset impairment occurring because counter parties cannot meet their obligations in transactions involving financial instruments. Concentration of credit risk indicates the relative sensitivity of the Company's performance to developments affecting a particular segment of customers. The Company's credit risk is primarily attributable to its accounts receivable. The Company has established procedures to manage credit exposure by including credit approvals and credit limits and guarantees, where necessary. These procedures are mainly due to the Company's internal guidelines. An allowance for potential doubtful receivables is maintained at a level which, in the judgment of management, is adequate to provide for losses on delinquent receivables. Amounts due from related parties are principally due from Saudia, a majority shareholder and consequently management believes that its exposure to credit risk is limited on this amount.

The amounts presented in the balance sheet are net of allowance for doubtful receivables, estimated by the Company's management based on prior experience and their assessment of the current economic environment.

23. FAIR VALUES

Except for its held to maturity investments, the fair value of the Company's financial assets and liabilities approximates their carrying amounts.

24. COMPARATIVE FIGURES

Certain figures for 2013 have been reclassified to conform to the presentation in the current year.



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