

SAUDI AIRLINES  
CATERING



الخطوط السعودية  
للتحسين



ANNUAL REPORT 2017

NEW PERSPECTIVES  
CREATE ATTRACTIVE  
OPPORTUNITIES



## **CONTENTS**

- 1 About Saudi Airlines Catering Company
- 2 Financial and Operational Highlights
- 4 Chairman's Statement
- 6 Board of Directors
- 8 CEO's Review
- 10 Senior Management

### **STRATEGIC REVIEW**

- 14 Strategy and Business Model
- 16 Our Markets

### **Business Review**

- 18 In-Flight Catering
- 22 Retail
- 26 Catering & Facilities
- 30 Hajj & Umrah

### **Corporate Review**

- 34 Quality
- 36 People
- 38 Technology
- 40 Procurement and  
Supply Chain Management
- 41 Risk Management

### **44 CORPORATE GOVERNANCE REPORT**

### **FINANCIAL REPORT**

- 88 Financial Review
- 89 Independent Auditors' Report
- 92 Statement of Financial Position
- 93 Statement of Profit or Loss and  
Other Comprehensive Income
- 94 Statement of Changes in Equity
- 95 Statement of Cash Flows
- 96 Notes to the Financial Statements



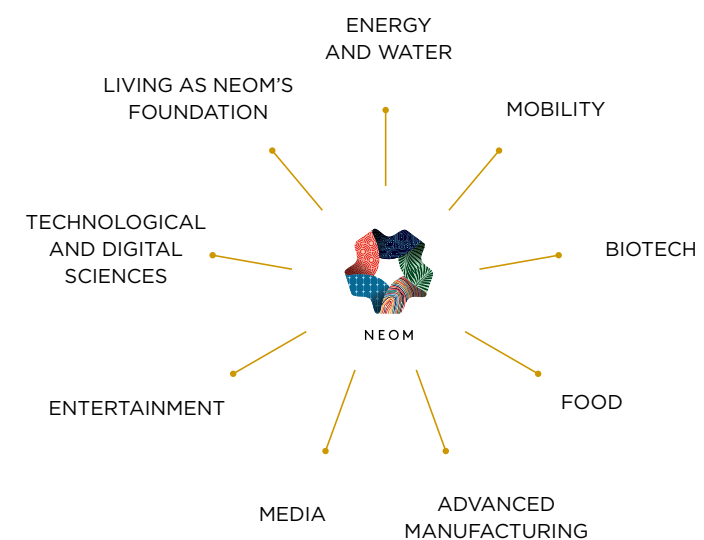
# NATIONAL VISION

Pursuing Saudization ensures we fulfil a key role in the development of the national economy, contributing to the growth and development of Saudi men, women, and youth.

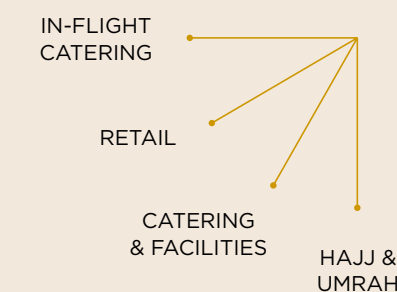
Vital strategic elements that underpin our operations – human resources, procurement, and technology – have direct links with the Kingdom’s Vision 2030. A heightened focus on selective diversification will align Saudi Airlines Catering Company with the Kingdom’s Vision 2030, and in areas with emerging demographic and economic trends.

# TOWARDS A NEW ECONOMY

We are naturally inspired by the concept of Neom – the planned 26,500 km<sup>2</sup> economic zone. Our own technology ambitions are aligned with those of the iconic futuristic city.



# AT THE HEART OF TRANSFORMATION



All our operational divisions performed well in 2017, contributing to impressive financial results. Continued diversification was distinguished by significant advances in many areas, notably railways, retail, automation and female employment. Innovation in pilgrim catering has consolidated the Company’s leadership in this sector.

### ABOUT SAUDI AIRLINES CATERING COMPANY

Established in 1981 to provide catering services to the Kingdom’s flag carrier Saudia, Saudi Airlines Catering Company (SACC) has blossomed into a broad and diversified enterprise offering a full suite of food and beverage, retail, hospitality, and support services to local and international clients.

### MISSION

To excel as a market leader through continual process improvement, innovation, and timely response, in our customers’ best interests.



# DELIVERING GROWTH

**New technology and automation** is creating major savings. Making systems and manuals available on tablets and SACC's intranet portal has saved about SR1 million.

**New in-flight catering contracts** have been signed with Flynas, Malindo Air, Himalaya Airlines, and Turkey's Freebird Airlines and Onur Air. The new Saudi airline Flyadeal appointed SACC as its in-flight services partner.

**First international Saudia Al Fursan lounge** opened in Cairo's International Airport, in addition to an expanded Wellcome lounge in Medina. New lounge service agreements were concluded with Air France, Flynas, Philippine Airlines, Sri Lankan Air, and Royal Air Maroc.

**Retail Division** has expanded to manage in-flight shopping for three more airlines, as well as opening 13 new shops. New brands include Retail Trax and Lounge Café in the railways segment, and the first Le Cadeau shop at King Abdulaziz University.

**Duty-free** is being opened up through the Company's joint-venture with Lagardère, the French multinational conglomerate.

**Catering & Facilities Division** improved client retention to 97 percent and won several new contracts to serve remote sites. New growth areas include healthcare, winning contracts with a pharmaceutical manufacturer and nine Kingdom-wide hemodialysis clinics.

**Lost baggage** - the contract to manage Saudia's lost baggage service and warehousing marks another area of diversification.

**SACC became number one** in the pre-prepared meals concept in catering for Hajj and Umrah pilgrims.

More than 10,000 food samples tested, the minimum rating was 98 percent. Water samples all scored 100 percent.

## LOUNGE GUESTS

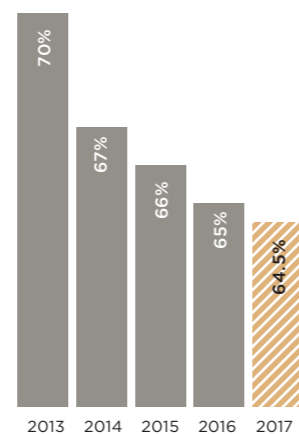
2,684,000

↑ 19%

	2015	2016	2017
RIYADH	947,000	1,142,000	1,144,000
JEDDAH	797,000	876,000	1,156,000
DAMMAM	208,000	231,000	257,000
MEDINA	2,000	9,000	67,000
CAIRO	-	-	60,000



## DEPENDENCY ON REVENUES FROM SAUDIA



↓ 0.5%

## REVENUE (SR)

2.2bn

## NET PROFIT (SR)

481.7m

## NET PROFIT MARGIN

21%

## EARNINGS PER SHARE (SR)

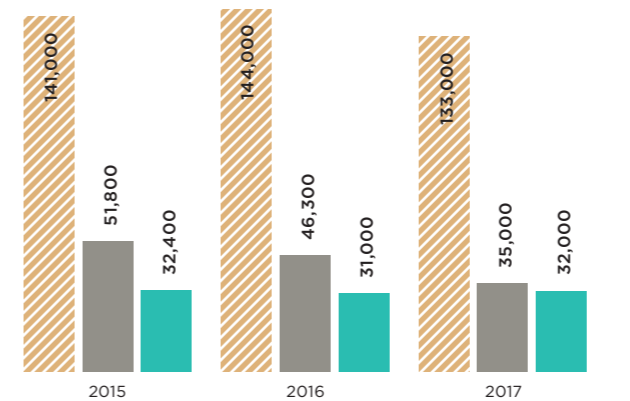
5.72

## PROPOSED DIVIDEND PAYOUT

97.2%

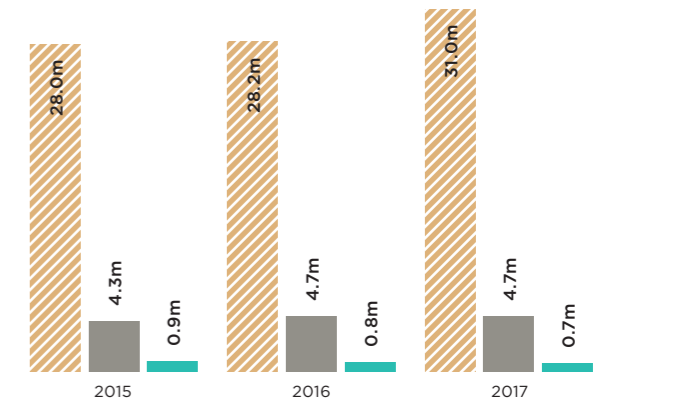
## FLIGHTS CATERED

200,000



## MEALS DELIVERED

36.4m



SHAREHOLDERS' EQUITY

↑1.64%

PROPOSED TOTAL DIVIDEND (SR)

5.55 per share

“Since 2011, SACC has **achieved 3.71 percent** compound annual profit growth, underlining its consistency in generating **value for shareholders.**”



## CHAIRMAN'S STATEMENT

# CREATING A DIVERSE ECONOMY

**On behalf of the Board of Directors, it is my pleasure and privilege to introduce the Saudi Arabian Catering Company's annual report for the year ending December 31, 2017, the 10th anniversary of SACC's privatization.**

In many respects, 2017 was a challenging year for SACC, but the Company returned an impressive set of results. Despite the global economic environment and the continued impact of low oil prices on the domestic front, the Company was able to maintain a healthy profit ratio. Although revenues and profit declined slightly, our performance in trying circumstances is testimony to the benefits generated by continued focus on efficiency, quality, and cost control.

Specifically, SACC achieved a net profit of SR 481.74 million, 7.2 percent lower than the previous year, equating to earnings per share of SR 5.72. Shareholders' equity rose by 1.64 percent to SR SR 1,282.9 million. The Board has recommended a total dividend of SR 5.55 per share, subject to ratification by the General Assembly.

Since 2011, SACC has achieved 3.71 percent compound annual profit growth, underlining its consistency in generating value for shareholders. Strategic and operational decisions and actions taken in 2017 are designed to sustain this trend. The Company continues to diversify and reduce its dependence on airline business as the principal source of revenue.

These measures are being implemented in alignment with national objectives as defined in the Vision 2030 plan. The Company is fully supportive of goals such as Saudization, increased economic participation by Saudi women, and serving the needs of the growing number of Hajj and Umrah pilgrims. Our response to these objectives is fully detailed in this report, along with the many other initiatives that were undertaken in 2017.

I express my deepest thanks to all the partners and stakeholders who are supporting SACC in these efforts, as well as to my fellow members of the Board, and to management and employees at all levels for their hard work and dedication. Insha'Allah, the years to come will uphold the Company's impressive record of achievement.

**Yahya Al-yahya**  
Chairman

BOARD OF DIRECTORS

YAHYA AL-YAHYA

Chairman  
Executive Committee  
Chairman



RAED AL-MUDAIHEEM

Vice Chairman  
Audit Committee  
Chairman  
Executive Committee  
Member



AYMAN AL-TAYYAR

Board Member  
Audit Committee  
Member



ABDULMOHSEN AL-YAHYA

Board Member  
Executive Committee  
Member



SAMI AL-HOKAIR

Board Member



FAHD AL-RASHEED

Board Member  
Nomination and  
Remuneration  
Committee Chairman  
Executive Committee  
Member



JONATHAN STENT-TORRIANI

Board Member  
Nomination and  
Remuneration  
Committee Member  
Executive Committee  
Member



ABDULLAH TAIBAH

Board Member  
Nomination and  
Remuneration  
Committee Member



SHAWGI MUSHTAG

Board Member  
Nomination and  
Remuneration  
Committee Member



# DRIVING EXCELLENCE

**Continued diversification was a principal theme for SACC during 2017, a year in which we made significant progress across all our business areas. Each of our operational divisions performed well, and in a year of many highlights I would single out four areas of particular significance.**

**Technology** – handling about one billion transactions every year, business efficiency is a top priority for SACC. By automating our processes, we can generate significant benefits for our company, clients, and suppliers. This initiative began to bear fruit in 2017, not least in the vast reduction in the volume of paper-based documentation.

**Railways** – a relatively new segment for us, but one that holds great potential. Having been awarded catering and retail contracts for the Dammam-Riyadh and North-South lines, we continued to expand operations, launching additional on-board and catering services, and cafés and retail outlets at stations. We now have similar opportunities with the Haramain high speed line, where on-board catering trials will begin in the first quarter of 2018.

**Retail** – an area of rapid growth, both in-flight and on the ground, at airports and city high-streets, where we opened 13 new shops in 2017. Retail now manages in-flight sales for four airlines and is well-advanced with diversification into duty-free through a joint-venture with Lagardère, the French multinational.

**Female employment** – Saudization, particularly the recruitment and advancement of Saudi women, is an important priority. I am pleased to report that we have made excellent progress and that Saudi women account for very nearly 100 percent of our total female workforce.

**Hajj and Umrah business** is crucial in the context of our national culture, welcoming religious guests and economic growth. SACC has an important responsibility in serving the needs of the millions who make the pilgrimages every year. This is also a valuable market, and in introducing the heat-and-eat pre-prepared meals concept so successfully, SACC is now well-positioned to consolidate our leadership in this category.

Looking ahead, our company has earned a great reputation in Saudi Arabia and we continue to diversify our portfolio to capture new opportunities and reduce dependence on the airline industry. The impact of these initiatives was already visible in 2017 and will be even more so in the coming years.

I thank all our stakeholders for their contributions to our achievements in 2017. I have every confidence that our people, our strategies, and our business execution will enable SACC's continued progress, from strength to strength.

**Wajdy Al-ghabban**  
Chief Executive Officer

NET PROFIT (SR)

**481.7m**

REVENUE (SR)

**2.2bn**

“By automating our processes, we can generate **significant benefits** for our company, clients, and suppliers.”



SENIOR MANAGEMENT

WAJDY AL-GHABBAN

Chief Executive Officer  
Executive Committee  
Member



MATTI KIVEKAS

Chief Financial Officer



SULTAN AL-BOOQ

General Counsel &  
VP Corporate Affairs



JACOB ROEST

Chief Operating Officer,  
In-Flight Catering



ABDULWAHAB SAATI

Chief Operating Officer,  
Retail



MARTIAL VÉRINE

Chief Operating Officer,  
Catering & Facilities



TAREK THARWAT

Chief Audit Executive



FAHAD KHAYAT

General Manager, Internal  
Control & Performance  
Improvement





# STRATEGIC REVIEW

14 Strategy and Business Model  
16 Our Markets

## Business Review

18 In-Flight Catering  
22 Retail  
26 Catering & Facilities  
30 Hajj & Umrah

## Corporate Review

34 Quality  
36 People  
38 Technology  
40 Procurement and  
Supply Chain Management  
41 Risk Management



Our new **strategic vision** is driving our transformation from a dedicated in-flight caterer into a **multi-functional, multi-service enterprise**.

# LEADING THROUGH INNOVATION

Our strategic vision is driving our transformation from a dedicated in-flight caterer into a multi-functional, multi-service enterprise. This diversification reduces our dependency on the airline industry and is driven by two objectives:

- ▶ Expand existing operations
- ▶ Enter markets naturally connected to our core expertise

Our strategy has direct links to the three pillars of Saudi Arabia's Vision 2030: reduce dependence on oil, diversify the economy, and develop public service sectors.

## IN-FLIGHT CATERING



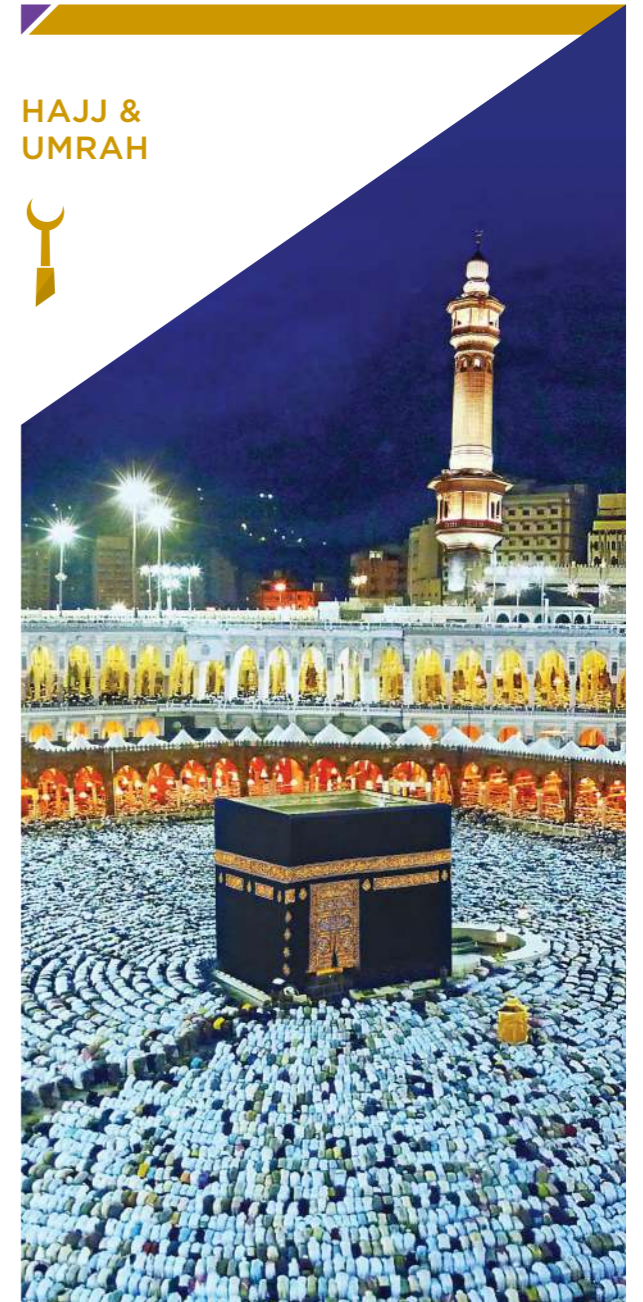
## RETAIL



## CATERING & FACILITIES



## HAJJ & UMRAH



# OUR MARKETS

Saudi Airlines Catering Company (SACC) is now a broad and diversified enterprise offering a full suite of food and beverage, retail, hospitality, and support services to local and international clients.

## JEDDAH

**45,000** meals/day

↑ 14%

King Abdul Aziz International Airport Catering Unit: Established 1981; produces an average of 45,000 meals per day.

BUSINESS LOUNGES	11
RETAIL UNITS	13
CATERING UNITS	18

## CAIRO

**3,500** meals/day

↓ 4%

Cairo International Airport Catering Unit: Established 1984; produces an average of 3,500 meals per day.

BUSINESS LOUNGE	1
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## MEDINA

**7,100** meals/day

↑ 7.6%

Prince Mohammad Bin Abdulaziz International Airport Catering Unit: Established 2004; produces an average of 7,100 meals per day.

BUSINESS LOUNGE	2
RETAIL UNITS	1

## RIYADH

**37,000** meals/day

↑ 1%

King Khalid International Airport Catering Unit: Established 1983; produces an average of 37,000 meals per day.

BUSINESS LOUNGES	6
RETAIL UNITS	8
RAILWAY UNITS	8
CATERING UNITS	14

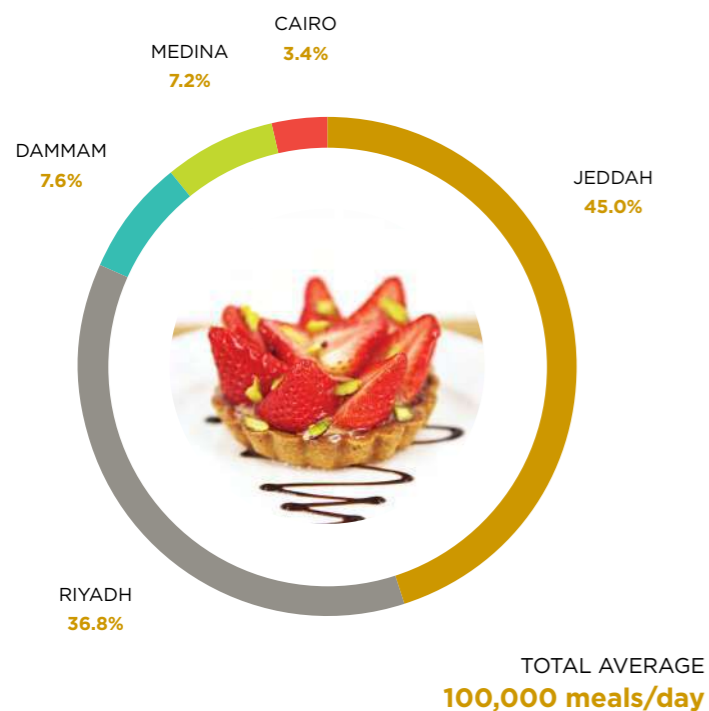
## DAMMAM

**8,000** meals/day

↑ 6%

King Fahd International Airport Catering Unit: Established 1999; produces an average of 8,000 meals per day.

BUSINESS LOUNGES	2
RETAIL UNITS	6
RAILWAY UNITS	2
CATERING UNITS	14



# IN-FLIGHT CATERING

IN-FLIGHT DIVISION TOTAL  
NUMBER OF FEMALE EMPLOYEES

85

Core in-flight business is based on **scale, quality, and consistency** – working to **world-class standards** of health and safety in food production.

IN-FLIGHT DIVISION SAUDIZATION

24%

**OVERVIEW**

In-Flight Catering Division generates approximately 70 percent of the Company's revenues, operating six food production units. Of these, five are located in Saudi Arabia, at the international airports in Jeddah, Riyadh, Dammam and Medina, and the Central Production Unit in Riyadh. The sixth is at Cairo International Airport in Egypt.

SACC's operational growth throughout Saudi Arabia parallels the expansion of the airline travel market and infrastructural development of airports, along with expansion into new sectors and services. Its core in-flight business is based on scale, quality, and consistency – working to world-class standards of health and safety in food production.

During 2017, the Jeddah unit hit a new record for daily meal production and the number of flights served. On 7 September, it produced a total of 122,056 meals, followed two days later by handling 302 flights.

**SALES AND BUSINESS DEVELOPMENT**

In-Flight had much cause for satisfaction during 2017. Among the highlights were winning back previous customers and signing new contracts.

After signing a new and expanded contract, Flynas returned as a customer in November. With very short notice, SACC began providing food and services to more than 100 daily Flynas departures from five airports and opened a new base in Abha, the capital of Asir province in Saudi Arabia. Expansion in new services to Flynas will continue during 2018-19.

In September, Flyadeal, the new low-cost airline owned by Saudia, began operations with flights to domestic destinations, signing a contract with SACC as its in-flight services partner. Although Flyadeal is still at an early stage of its growth strategy, the contract is an important strategic development in the Company's portfolio. As Flyadeal becomes a force in the Kingdom's airline sector, SACC has a unique opportunity to share in this growth.

Other new in-flight catering contracts were with Malindo Air of Malaysia, Himalaya Airlines, and Turkey's Freebird Airlines and Onur Air. Service renewals were signed with Air France and Czech Airlines.

IN-FLIGHT MEALS/DAY  
GROWTH TRENDS

19%

TOTAL

2.68m

RIYADH	1%
JEDDAH	14%
DAMMAM	6%
MEDINA	34%
CAIRO	4%





JACOB ROEST  
Chief Operating Officer, In-Flight Catering

**STRATEGY - IN-FLIGHT CATERING**

Our goals connected to our strategic foundations:

IMPROVING SERVICE QUALITY AND EFFICIENCY TO CAPTURE THE POTENTIAL OF CONTINUED AIRLINE FLEET AND PASSENGER GROWTH; SECURING OUR CONTRACT WITH CORE CLIENT SAUDIA BEYOND 2020; MARKETING AND ALIGNING RESOURCES TO BUILD RELATIONSHIPS WITH NEW CARRIERS AND PRIVATE AVIATION CLIENTS.



Left to right:  
KHALID AL-REDIAN  
Central and Eastern Regions  
General Manager, In-Flight Catering

SALAH AL-UMAR  
Western and Southern Regions  
General Manager, In-Flight Catering

**MENU AND PRODUCTION DEVELOPMENT**

This department is responsible for developing meals and associate products for all airline and non-airline customers. An international team of chefs, including seven Saudis, are experts in local, regional, and international cuisines, from traditional Arabian dishes to meals inspired by European, American, and Asian styles.

**AIRLINE EQUIPMENT SALES AND LOGISTICS**

In this important segment, SACC applies its expertise in sourcing the right equipment to optimize in-flight food and beverage operations for airlines serving Saudi Arabia. Providing safe and premium-quality food and beverage services to passengers is essential for all airlines, and SACC meets this responsibility through its policy of providing a total equipment solution to client needs.

In 2017, SACC was able to close new contracts for Flyadeal and Flynas. The Company now serves the equipment and logistics requirements of five airlines: Saudia, Flynas, Flyadeal, SaudiGulf Airlines, and Alatheer Aviation.

Innovative cost-saving concepts have been implemented for warehousing and transportation of major equipment for client airlines, covering their in-Kingdom needs and at 30 international stations.

Training programs have been established for all levels of employees.



**FIRST AND BUSINESS CLASS LOUNGES, HOSPITALITY**

Dedicated lounges give loyal and high-value passengers an environment in which to relax during their time at airports and to remain connected for business and personal matters. New facilities and continuing development of the hospitality concept include pre-boarding and post-boarding services, with the emphasis always on enhancing the customer experience through sustained quality and innovation.

Hospitality resources and services grew significantly during 2017. Cairo Airport's first international Saudia Al Fursan lounge was opened, along with an expanded new Wellcome lounge at the Prince Mohammad Bin Abdul Aziz International Airport domestic terminal in Medina, Saudi Arabia.

New Wellcome lounge service agreements were concluded with Air France, Flynas, Philippine Airlines, Sri Lankan Air, and Royal Air Maroc, while delayed flight services continued with clients such as Air Blu, Air India, Emirates, Jet Airways, Oman Air, Royal Jordanian, and Pakistan International Airlines.

New partnership and access agreements for Wellcome lounges have been signed with Global Travel Club, Mazaya, Mahara Travel, and the Saudi Industrial Property Authority (MODON). And the In-Flight division continues reaching out to travel agencies and organizations that are potential clients for Wellcome lounge services.

SACC's unwavering adherence to the highest standards of quality and service give prospective partners the assurance of boosting their status with their own customers, as premium providers of airport hospitality.



**'BE GREAT' EMPLOYEE TRAINING**

**200** people

**'BE GREAT'**

During the second half of 2017, In-Flight undertook several initiatives designed to further improve operational excellence. Under the theme 'Be Great', various projects were completed at the Jeddah catering unit, focusing on employee engagement, efficient operational processes, improving quality, and enhancing IT systems and data creation. The experience gained in Jeddah is now being used to launch similar projects in other regions.

A large part of the effort is concentrated on SACC's people. Training programs have been established for all levels of employees. The goal is to dramatically improve employee engagement and give them the opportunity to positively contribute to the 'Be Great' journey. Several have already emerged as 'superstars' who have become proud owners of specific projects. The benefits are also already evident in better use of available personnel and in material consumption, especially in the Company's In-Flight division and overall airline business.

# RETAIL

SACC Retail has expanded to managing in-flight shopping for **three more airlines**, opening outlets at airports, railway stations, hotels, and universities, as well as **online**.

## SKYSALES

**50** outlets

### OVERVIEW

Skysales was originally Saudia's in-flight shopping service and has been run by SACC since 1984. Now, SACC Retail has expanded to managing in-flight shopping for three more airlines, opening outlets at airports, railway stations, hotels, and universities as well as online ordering for delivery to homes and offices across the Kingdom. The Company also owns and manages the Skysales La Boutique chain of retail outlets, located in five-star hotels throughout Saudi Arabia.

### SKYSALES - ON-BOARD, AIRPORT OUTLETS, HIGH-STREET SHOPS, ONLINE

From having one client - Saudia's Skysales brand - SACC Retail now also manages in-flight shopping for Saudia AlBayraq, Flynas, and Flyadeal. Saudia AlBayraq's brand is the Blackline Collection; Flynas has Flynas Mall; and Flyadeal has Eat and Shop by Flyadeal. Operations range from offering a highly exclusive private service to airlines with first-class cabins, to meeting the equally specialized needs of budget airlines.

Trends are dynamic and with the increase in the number of clients, SACC Retail has developed its product selection to suit different passenger profiles. For Saudia AlBayraq, the Blackline Collection meets the needs of clientele who are looking for high-end brands and categories. For low-cost carriers, the Flynas Mall and Eat and Shop by Flyadeal offerings are geared towards in-flight bargains and budget brands. The budget airline range is also designed for the millennial generation, featuring more colorful branding and the latest gadgetry.

## EMPLOYEE AND CUSTOMER TRAINING PROGRAMS

**36** courses  
**501** attendees





ABDULWAHAB SAATI  
Chief Operating Officer, Retail

**STRATEGY - RETAIL**

Our goals connected to our strategic foundations:

DEVELOPING OUR DUTY-PAID BUSINESS BOTH GROUND AND AIRSIDE AT KEY AIRPORTS; LEVERAGING OUR NEW JOINT-VENTURE FOR DUTY-FREE WITH LAGARDÈRE TRAVEL RETAIL TO IMPROVE THE CUSTOMER EXPERIENCE AND QUALITY OF PRODUCTS AND SERVICES THROUGHOUT THE WHOLE RETAIL DIVISION; DEVELOPING OUR MOBILE AND E-COMMERCE PLATFORMS TO REACH A DIGITALLY NATIVE GENERATION OF CONSUMERS; EXPANDING OUR NETWORK OF NON-FOOD AND FOOD OUTLETS.

SACC Retail began its ground shop operations in 2015 with one Skysales-branded outlet at Jeddah's domestic airport terminal. Now, more than 50 ground outlets operate under a variety of brands, covering regional airports, railways, and high-street premises.

Major expansion in 2017 saw the opening of 13 new shops, despite the economic issues that led to the closure of several well-known high-street store brands. New sites included Retail Trax railway outlets in Riyadh, Qassim, and Al Majmah, as well as on-board; high-street shops in Qassim, Hail, Tabuk, and Al Baha; and the first Le Cadeau shop at King Abdulaziz University in Jeddah, spearheading a drive into the academic segment.

By stepping out of its product comfort zone, SACC Retail has countered the trend by expanding its range of products and brands, while strengthening relations with suppliers to become a preferred outlet for the release of new products. As a result, Retail has gained a positive reputation with customers as the 'go to' location for the latest products.

Being responsible for sourcing the retail product range for in-flight and ground operations, SACC's investment in stock management ensures that the right products are available at the right prices. Passengers can browse product ranges in airlines' in-flight magazines, while the development of the skysalesonline.com website has helped generate continuing growth in consumer demand. Social media is an important tool in boosting traffic and brand awareness.

To increase turnover, particular attention is given to evaluating and sourcing newly-launched brands and products. A full calendar of promotional activities has also contributed to the increase of turnover. In cooperation with airports around the Kingdom, SACC Retail arranges special celebrations for national days, school holidays, Eid, and Ramadan - thus building stronger relationships with customers and the General Authority of Civil Aviation.

Duty-free - a new business area for SACC Retail - is being opened up through the joint-venture with Lagardère, the French multinational conglomerate that operates in about 40 countries. The Lagardère Travel Retail division specializes in store retail, largely in airports and railway stations.



**SKYSALES LA BOUTIQUE**

**6 shops**

The new stores to be opened with SACC Retail will trade under Lagardère's Aelia Duty Free brand, an international hallmark for quality duty-free retailing. Aelia Duty Free combines global brand partnerships with innovative, interactive retail environments, and an ISO-accredited approach to customer service.

Although highly skilled in retail business, SACC has not previously operated in duty-free so the partnership with Lagardère creates an opportunity to enhance skillsets with one of the finest companies in this domain. At the same time, SACC's retail expertise is close to matching that of Lagardère, creating a fruitful partnership for both parties.

SACC Retail has signed contracts with selected suppliers to provide exclusive products to Aelia Duty-free shops in Jeddah, Riyadh, and Dammam.

Further expansion under consideration is a full-scale warehouse to support Skysales' online presence. Online growth has been hampered by limited warehousing resources, currently restricted to roughly 200 product lines available to flying passengers. Once warehouse expansion is finalized, SACC Retail will be able to offer all items carried in ground shops, allowing online customers to browse more than 10,000 products.

The planned warehouse hub will serve Retail's ground shops, as well as online and in-flight sales, creating cost savings, better stock rotation, and quick promotions on slow-moving items.

**LA BOUTIQUE**

Skysales La Boutique outlets give guests in up-market hotels the opportunity to make savings on conventional retail prices, buying products that are exclusively 'travel retail' and not otherwise available in local markets.

The strategy has been to extend the pleasure of the in-flight experience, continuously improvising and innovating the product mix and providing quality service to customers at very competitive prices, whether on-board, on-ground, or online. The product mix is updated every four months to keep pace with current market trends and popular appeal.

By the end of 2017, six Skysales La Boutique shops were operational in international hotel chains within the Kingdom, with significant expansion planned over the next few years.

**OUTLOOK**

Compared to similar businesses, SACC Retail's operations and performance are in line or ahead of most regional airports outside the Kingdom, other than matching the scale of those that benefit from having three times the volume of traffic. Typically, these airports have mostly European transiting passengers with long layover times and looking for bargains, and derive a substantial portion of their gross revenue from the sale of products that are culturally unacceptable in Saudi Arabia.

Looking ahead, 2018 promises to be another challenging year, with consumer spending in malls and high-street shops maintaining a downward trend. However, stabilization and some improvement is expected through the summer and the school holidays, with fewer residents travelling abroad for vacations.

Further expansion of retail shops is also in the pipeline, with new outlets due to open in major locations around the Kingdom.

In terms of Saudization, most of SACC Retail's shops are staffed by Saudi nationals and the Company continues to hire local talent, constantly providing training and development programs to enhance their skills. As part of direct support for the Kingdom's Vision 2030, SACC is proud to have mainly Saudi retail teams in all operational areas, with shops in major cities having close to 95 percent Saudi sales staff, and 100 percent in regional locations.

From opening the first retail outlet in 2015, hiring female staff has been a priority. This policy has since been maintained and accelerated, to such an extent that Saudi females now comprise 17.3 percent of total SACC Retail employees.

# CATERING & FACILITIES

CATERING & FACILITIES TOTAL MEALS SERVED

**4.70m**

Client retention improved to 97 percent – this was combined with an **aggressive business development effort** that focused on opportunities with existing clients and creating capabilities to **enter new segments**.

## OVERVIEW

From being primarily a conventional in-flight caterer, SACC has broadened into a multi-functional and multi-service organization. The Company's Catering & Facilities Division now provides a diverse range of services, from railway, remote site, and industrial catering, to manned security at airports. This has largely stemmed from the 2008 launch of a strategic partnership with Newrest Group, the French catering specialist. SACC's expertise now offers scale and opportunity to further increase revenue contributions, particularly in the remote sector.

Business achievements in 2017 came in the context of a challenging economic environment that affected the entire industry. Personnel costs rose, due to restructuring remote site employees' grading systems, re-evaluation of end-of-service awards, inter-divisional overheads, and recruitment difficulties.

SACC Catering & Facilities' main priority during the year was to retain current clients and to penetrate new sectors. Client retention improved to 97 percent – this was combined with an aggressive business development effort that focused on opportunities with existing clients and creating capabilities to enter new segments. The second half of the year was particularly successful, and several new contracts were awarded.

## RAILWAYS CATERING

Since securing the contract to provide catering to the Saudi Railways Organization service that links Dammam, Hofuf, and Riyadh, the Lounge Café brand has been launched, offering a full menu for passengers at rail terminals and onboard trains, as well as business class lounges. In March, 2017, a similar contract was awarded by the Saudi Railway Company (SR) which operates the Riyadh-Qurayyat Line that begins at Riyadh's King Khaled International Airport and runs northwest toward Al Qurayyat, near the Jordanian border.

2017 CLIENT RETENTION

**97%**

BUSINESS & INDUSTRY AND REMOTE SITE CUSTOMERS

WESTERN REGION	21
CENTRAL REGION	15
EASTERN REGION	16







MARTIAL VÉRINE  
Chief Operating Officer, Catering & Facilities

**STRATEGY - CATERING & FACILITIES**

Our goals connected to our strategic foundations:

BUILDING ON OUR EXPERTISE IN SERVICING BUSINESSES AND INDUSTRIES WITH REMOTE AND COMPLEX OPERATIONS, SUCH AS PETROCHEMICAL AND MINING; EXPANDING THE PROVISION OF OUR SERVICES TO THE EMPLOYEES OF COMPANIES IN THE MILITARY FIELD; REALIZING THE BUY-ON-BOARD OPPORTUNITIES OF FOOD AND RETAIL ITEMS TO SUPPORT THE EXPANSION OF THE NATIONAL RAIL NETWORK.

In March 2018, Catering & Facilities will begin test services for Saudi Railways Organization's Haramain High-Speed rail project, the 453-kilometre inter-city rail transport system that links the Holy Cities of Medina and Makkah via King Abdullah Economic City and Jeddah's King Abdulaziz International Airport. The Jeddah station will also link the line to the rest of Saudi Arabia's rail network.

The high-speed service is expected to carry three million passengers a year, including many Hajj and Umrah pilgrims, whisking them to their destinations at 320 km/h - matching the speed of Japan's famous Bullet Train.

With rail infrastructure a key government priority as part of the Saudi Railway Master Plan 2010-2040, SACC is optimistic about further growth in this segment, covering the full range of catering services.

**REMOTE SITES CATERING**

Providing catering at the many onshore oil exploration sites located in remote parts of Saudi Arabia represents a large segment of Catering & Facilities' business. The Company's strategic collaboration with Newrest Group leverages the partner's global expertise in offering a complete range of catering and support services to clients operating in distant and often extremely harsh areas.

A major remote project in Turaif with an existing client began mid-year, with expectations of rapid growth over the coming years. Other new contracts include the provision of catering, housekeeping, and laundry services for an existing client at its bauxite mine at Al-Baitha, meeting the needs of 50,000 man-days annually. A new oil and gas client operating in the Eastern Region has contracted for the same services for three water-drilling and three oil rigs - with each site serving an average of 15,000 man-days a year. An existing oil and gas client in the Eastern Region also contracted for these services at two onshore oil rigs, averaging 30,000 man-days a year, per site.

**BUSINESS AND INDUSTRY CATERING**

In the business and industries segment, SACC prepares and serves meals, snacks, and beverages at client premises. The concept enables clients to offer fresh and healthy meal options to employees, without their having to travel or disrupt a busy work day. Clients include private sector companies and government offices, with new growth areas such as hospitals and clinics being developed.

Success in new segment expansion was marked by winning two clients in the healthcare sector - a pharmaceutical manufacturer in Jeddah and nine Kingdom-wide hemodialysis clinics. Further growth came from signing a global contract with a military aeronautics manufacturer to run its expatriate employees' compound restaurants and diners in Riyadh, with Dammam to follow in 2018.



LAUNDRIES - AVERAGE DAILY THROUGHPUT

**28 tons**

**LAUNDRY SERVICES**

Saudi Laundry Service is a national leader, handling outsourced contracts from a wide range of sectors including hospitality, healthcare, airlines, industry, and commerce. It began operations at the beginning of 2013 in Riyadh, and opened a state-of-the-art industrial laundry plant in King Abdullah Economic City (KAEC) in 2016 to serve the Western region.

Saudi Laundry Service is the first and only Saudi company to receive the quality mark of the German Certification Association for Professional Textile Services.

The Riyadh facility, at King Fahad Medical City, processes 16 tons of laundry every day, mostly for hospitals. The KAEC operation's main sector is hotels, with daily output currently running at an average of 12 tons and growing rapidly. Three-phase expansion plans will progressively take its capacity to 40, 50, and 70 tons.

**SECURITY SERVICES**

Safegate, a new business which was recently launched to handle security contracts within Saudi Arabia, provides manned security of premises at airports throughout the Kingdom. Having had standards and operations approved by the General Authority of Civil Aviation, Safegate is well-positioned to successfully market its high-quality and cost-effective services to industrial operators at the airports.

**LOST BAGGAGE SERVICES**

During 2017, SACC entered into a new contract with Saudia to manage its lost luggage and warehouse servicing. This becomes effective from January, 2018. SACC has already launched its new brand 'Trace & Track Logistics' to carry out this business and the central baggage store is due to open in February, 2018.



REMOTE CATERING - MAN-DAYS PER YEAR

**1.01m**

**OUTLOOK**

Towards the end of 2017, several more new contracts were successfully negotiated, due to begin in 2018. These included the management and operation of cafeterias for a large Saudi Arabian bank at its future head office and support buildings, which will be occupied by 3,000 employees, and operating cafeterias for a prominent FMCG manufacturer at its HQ buildings in Riyadh.

Looking ahead, the local and regional economic environment will continue to be challenging in the coming years.

Meantime, the government's Vision 2030 commitment to diversify the economy and reduce dependence on oil revenues will create more value and more opportunities. SACC is already engaged in its own diversification to reduce dependence on in-flight income and this will continue. New business secured by SACC Catering & Facilities in 2017 is an encouraging indicator of diversification growth and potential development in 2018 and beyond.

Further alignment with Vision 2030 is primarily related to using materials and services that are locally sourced and/or manufactured in Saudi Arabia, wherever possible. By following the In-Kingdom Total Value Add (IKTVA) program, initiated by Aramco, to baseline, measure, and support increased levels of localization, SACC also contributes to creating value in every aspect of its business, maximizing long-term economic growth and diversification.

Overall, Saudi Arabia has ample potential for large-scale services that will reinforce SACC Catering & Facilities' role as a key market player. SACC has gained experience and recognition within a mature market - no longer known for in-flight catering only, but well-recognized as a provider of diversified services.

# HAJJ & UMRAH

Pre-prepared meals are expected to grow to **50 percent market share** over the next few years, while on-site food preparation is projected to decline.

## MOBILE SERVING TRUCK CAPACITY

**1,200** meals/hour

Each truck can provide 1,200 meals per hour for 16 hours, but the feeding requirements for Hajj pilgrims alone - close to 2.5 million people every year - total more than 35 million meals over five days.



With the market for Hajj and Umrah catering estimated at a huge amount annually, SACC is well-placed to capitalize on the opportunity, having positioned itself as a key strategic partner for the new pre-prepared meals concept.

SACC introduced and set up the pre-prepared meals concept in 2016 as a business-to-business service, cooperating with selected service providers. From accounting for less than one percent of Hajj and Umrah catering in 2015, pre-prepared meals are expected to grow to 50 percent market share over the next few years, while on-site food preparation is projected to decline.

Following its investment in two mobile serving trucks, SACC committed to providing food service solutions to businesses in Makkah and Medina to improve food quality and safety for pilgrims to the Two Holy Cities. Each truck can provide 1,200 meals per hour for 16 hours, but the feeding requirements for Hajj pilgrims alone - close to 2.5 million people every year - total more than 35 million meals over five days.



35m



**STRATEGY - HAJJ & UMRAH**

Our goals connected to our strategic foundations:

ACTING AS A STRATEGIC PARTNER TO LOCAL AUTHORITIES AND SERVICE PROVIDERS TO LEAD THE SHIFT TOWARDS THE PROVISION OF SAFE, HYGIENIC PRE-PREPARED MEALS TO HAJJ AND UMRAH PILGRIMS; DEVELOPING STATE-OF-THE ART SERVICES AND RETAIL CONCEPTS THAT WILL BENEFIT FROM GROWTH IN THE COUNTRY'S ENTIRE TOURISM SECTOR.

Building on its experience to become the leading supplier of meals to Hajj and Umrah pilgrims, SACC acts as a gatekeeper by providing electronic Hajj services for everyone involved in the pre-prepared meals supply chain - from production to transportation and serving.

Acting as a strategic partner with local authorities and service providers to lead the shift towards the provision of safe and hygienic pre-prepared meals, SACC is developing state-of-the-art services and retail concepts that will also provide valuable benefits in parallel with the growth in Saudi Arabia's entire tourism sector.

World-class processes and facilities, fully compliant with Ministry of Hajj and Umrah requirements, ensure the production of high-quality, cost-managed, bulk catering.

SACC's digital platform is making the whole process simpler, transparent, and more effective, using technology to monitor the procurement process and control quality standards, manage inventory and storage facilities, and reduce wastage through accurate estimates of production requirements.

These initiatives are aligned with the objectives set in the Kingdom's Vision 2030 to enrich the Hajj and Umrah experience by improving the quality of services provided to pilgrims. The Kingdom's Vision 2030 makes provision for the annual number of Hajj and Umrah pilgrims to grow to 30 million. This figure underlines the inherent business potential that Hajj and Umrah catering holds, as year-round Umrah pilgrims outnumber Hajj visitors by almost three to one. Currently, the Company's service caters to Hajj pilgrims only, as Umrah is not yet covered by the Ministry's online systems that have been so effective in streamlining catering, transport, and accommodation for Hajj.

Once the same systems are in place for Umrah, SACC will be able to replicate and extend its operations that have proved so successful. As Umrah needs are quantified by the Ministry, the Company will provide more mobile trucks as demand grows and could quickly have as many as ten or more in operation in Makkah and Medina by 2020.



## QUALITY

Internal Control & Performance Improvement (IC&PI) Division is tasked with implementing continual improvement processes throughout the SACC organization, while maintaining a world-class quality system based on globally recognized standards.

The division has six departments: Quality Management (QMS); Hygiene & Food Safety (FSMS); Safety (OHSAS). Quality, Health, Safety & Environment (QHSE); and Central Security. All departments work towards a common mission: 'To excel as a Central Laboratory; to be a market leader through continual process improvement, innovation, and timely response to our customers' best interest.'

### AIRLINE

The scale of IC&PI's responsibilities is immense. More than 100 food products in a range of combinations go on board each flight catered by SACC - from hot and cold meals to confectionery, bakery, and dairy products, beverages, fresh juices, commissary items, and many more. Multiplied by 45 airlines and more than 300 daily flights, record production in a day was 122,056 meals by the Jeddah unit in September 2017.

The potential for error is equally great, yet SACC consistently achieves high levels of customer satisfaction. Apart from IC&PI's own controls, some airlines conduct unannounced validation audits and bacteriological food analysis focusing on food safety and meal quality. Irrespective of the airlines and testing frequency, the results produce the highest ratings.

These re-confirm testing by IC&PI's central laboratory. Of more than 10,000 food samples drawn from five regional production units, the minimum rating was 98 percent. Water samples all scored 100 percent.

But food safety is not limited to health and hygiene concerns. Security is equally important with in-flight catering, protecting against contamination between the point of production and the point of consumption, and the possibility of food containers being used to smuggle contraband and dangerous items on board a flight. Counter-measures are equivalent to those handling cash-in-transit, using tamper-proof seals that can only be opened when containers are safely on board.



Of more than 10,000 food samples drawn from five regional production units, the minimum rating was 98 percent.

IC&PI's skills and expertise have now put SACC in line to be the first to qualify for certification under the GACA 151 rules issued in 2016, which set out detailed requirements for ground service providers. A GACA certification manual is already developed, a crucial part of GACA 151 compliance.

### NON-AIRLINE

IC&PI's responsibilities extend far beyond in-flight catering, although the same principles apply to management of food production for non-airline clients such as remote sites and bulk ready-to-eat meals for Hajj and Umrah pilgrims.

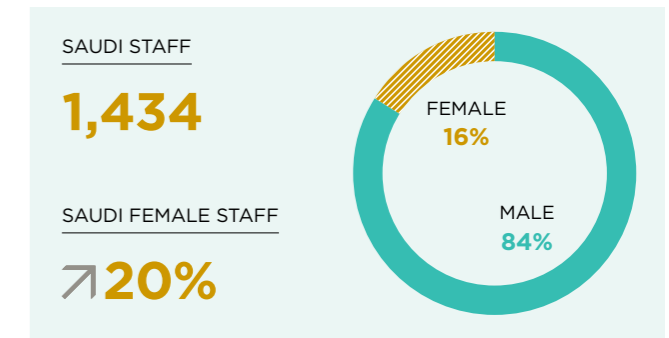
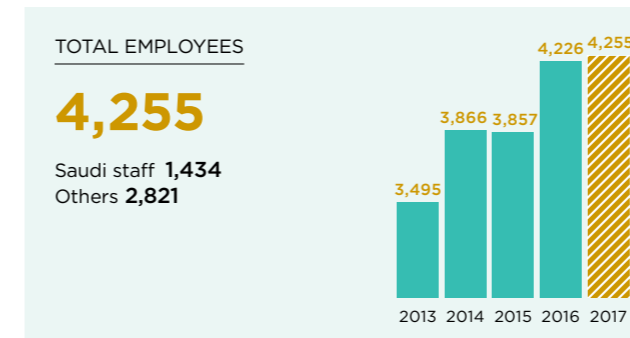
The division is also in charge of SACC's overall requirements for health and safety systems - from specialist training to emergency site evacuation drills. IC&PI conducts emergency evacuation drills in all the regions to assure maximum safety of employees and in line with the Kingdom's regulations. Training is also of vital importance, especially in areas such as materials handling.

During 2017, IC&PI worked with Hospitality on developing procedures and systems for new businesses such as lounges, suites, railway sites and others, and with Legal Division on developing the manual for the introduction of a complete legal framework within the SACC organization. An employee safety handbook was also developed and distributed to all staff.

Making all IC&PI systems and manuals available on the SACC intranet portal has reduced costs.

Continued adherence to food safety is the foundation for IC&PI's contribution to achieving SACC's objectives and vision in 2018-19, maintaining consistently high-quality production for clients and regional communities. Priorities include developing a wider base of local suppliers for fresh produce.

Ongoing contributions to the Kingdom's Vision 2030 and Saudization include initiatives to promote healthy food choices, reducing operational costs through mass production of food at the Central Production Unit, and joining the national Qaderoon network that enables people with disabilities to be effective members of the workforce.



## PEOPLE

### STRATEGY - PEOPLE

Our goals connected to our strategic foundations:

PROVIDING THE OPPORTUNITIES AND CONDITIONS NEEDED TO ATTRACT TOP-TIER TALENT; CREATING A SUPPORTIVE WORKING ENVIRONMENT FOR WOMEN AND THE DISABLED; DEVELOPING A FORMAL STRUCTURE TO MEASURE AND REWARD PERFORMANCE.

SAUDIZATION - DEVELOPING LINKS WITH LOCAL EDUCATIONAL INSTITUTIONS TO CREATE A PIPELINE OF YOUNG LOCAL TALENT; EQUIPPING SAUDI EXECUTIVES WITH THE SKILLS AND EXPERIENCE NEEDED TO TRANSITION INTO KEY LEADERSHIP ROLES.

Along with talent acquisition, retention and development, Saudization is a core responsibility of SACC's Human Resources department. Pursuing a policy of Saudization ensures that the Company plays its part in the development of the national economy and contributes to the well-being of Saudi men, women and youth, maintaining alignment with the Kingdom's Vision 2030.

Saudi employees	<b>1,434</b>	<b>33.07%</b>
Female employees	<b>232</b>	<b>5.45%</b>
Saudi female employees	<b>230</b>	<b>5.41%</b>
<b>Total employees</b>	<b>4,255</b>	

The Company's approach to empowering female colleagues exists across all seniority levels and business units.



### SAUDIZATION

In 2017, SACC raised its Saudization ratio to 33.07 percent, up from 29.5 percent a year earlier and significantly higher than targets, qualifying for Platinum status in the government's rating system.

The turnover in expatriate employees has helped to accelerate Saudization, with vacancies being filled by nationals recruited from outside the Company or promoted in-house. This applies at all levels and is reaching record numbers within senior management. From 2018, management succession planning - from the CEO downwards - will focus particularly on Saudization, in line with Vision 2030.

Most of SACC's retail shops are staffed by Saudi nationals and the Company continues to hire local talent, constantly providing programs to enhance their skills.

### EMPOWERING FEMALE EMPLOYEES

SACC has formed a committee to specifically address issues related to women. It comprises representatives from all key functions - such as training, recruiting, and marketing - and female staff members from each department.

The committee ensures that women have a voice within SACC and acts to improve conditions by providing training for managers on creating a female-friendly environment and fostering development opportunities. The Company's approach to empowering female colleagues exists across all seniority levels and business units, providing multiple options for their career progression.

SACC is also forging partnerships with local institutes and civic groups involved in women's causes to solicit their expertise and complement its own efforts.

### TRAINING AND DEVELOPMENT

Saudization features prominently in training plans and aligning top management skills and resources, with 75 percent of the budget directed to Saudi nationals. Training budgets are being increased substantially and set to double in 2018. Senior management is a primary focus, particularly in the Retail Division, and more mini-MBA courses are being provided to selected employees in the Finance Department.

Overall, the goal is to upgrade management competencies and qualifications, and to develop skills at all levels of the organization. To this end, the Company is developing links with local educational institutions to create a pipeline of young local talent and equip potential Saudi executives with the skills and experience needed to transition into leadership roles.

Other core principles in SACC's commitment to human capital development are providing the opportunities and conditions needed to attract top-tier talent, creating a supportive working environment for disabled people, and developing a formal structure to measure and reward performance. Progress was made under each of these headings during 2017, not least in joining the national Qaderoon network that enables people with disabilities to be effective members of the Company's workforce.

## TECHNOLOGY

### STRATEGY - TECHNOLOGY

Our goals connected to our strategic foundations:

EXPLORING THE POTENTIAL OF TECHNOLOGY TO ENHANCE OUR BUSINESS PROCESSES, THE DELIVERY OF SERVICES, AND INTERACTION WITH CLIENTS ACROSS ALL OUR BUSINESS LINES.

Technology and automation have been constant priorities for SACC, led by the Application Department, which is responsible for upgrading capabilities in the Company's drive for excellence in business systems. SACC's complex operational environment has demanded a more responsive infrastructure that could move quickly to support the business.

Rapid progress has been achieved with the adoption and implementation of high-tech solutions. In recent years, the Company has embraced the latest cloud technology, modernizing its data center with the introduction of web-based apps, and transitioning a number of support functions, such as business intelligence, to the cloud.

This process began with the development of a human resources and finance Oracle Fusion platform that is available from a cloud environment as a web service across SACC's divisions. SACC has also moved its email platform to the cloud, while rolling out the cloud productivity suite to about 900 devices. It also hosts its website and carries out real-time data backups on the cloud.

The step-by-step approach - partnering with Microsoft and Oracle for technology and expertise - is producing results that exceed expectations. The benefits are already evident in easier collaboration, operational efficiencies, reduced costs, and a unified communications infrastructure.

Enhancing IT systems that govern processes such as purchasing and materials receiving applies three-way matching with supplier invoices and posts them electronically to finance for checking and linking directly to supplier accounts.

Improvements to technology help reduce redundant inventory and equipment, streamlining the number of products on offer and moving SACC to a leaner production model.



Rapid progress has been achieved with the adoption and implementation of high-tech solutions.

This covers about 6,000 invoices every month and makes payment processes more transparent and measurable, saving rework and manual entries. Improvements to technology also help reduce redundant inventory and equipment, streamlining the number of products on offer and moving SACC to a leaner production model.

The results of this initiative began to bear fruit in 2017, particularly in key production facilities. The Company is determined to do more to harness the potential of technology, and in 2017 moved towards a centralized point of sale system that enables better tracking of stock, meal inventory, and other critical information at the regional level.

Online pre-ordering of meals is being implemented in certain sectors such as in-flight catering, rail, and lounges. This ultimately benefits the entire production and operation process, making the delivery of products more efficient and improving responsiveness to customer demands.

Further achievements include the integration of SACC's ERP system with Saudia's AirVison. Implementation now covers 95 percent of reconciled AirVison invoices, totaling about 235,000 in 2017.

Implementing VAT across all applications was achieved smoothly, following a series of workshops and training sessions for all concerned departments. This resulted in consolidating VAT data in 35 sub-systems and VAT return reports being delivered accurately and promptly.

New systems going live include maintenance management at Jeddah and Medina units for equipment and spare parts stores, as well as archive and contract management systems that help enable the paperless strategy. Development of an Oracle-based business intelligence portal supports decision-making by top management and operational processes that reinforce the transformation plan.

Managing the Microsoft Dynamics project concentrated on fulfilling business requirements and reviewing business analysis with key users. Extensive training programs were conducted, at the same time applying MS Retail in 55 point-of-sale locations, managing on-board Skysales business requirements, and training crew to use the system.

SACC has acquired the DiliTrust Corporate Governance IT solution to enhance the management of legal transactions. The platform also simplifies legal management through dashboards, reports and statistics and track key indicators, and analyze and control the corporate and the subsidiaries' legal activities.

SACC has attracted experienced IT and systems staff to meet the growing demand for development and transformation of SACC strategy. In keeping with the government's objective of being at the forefront of technological advancement, SACC is committed to being part of that transformation - as the Company showed in 2017 and will reinforce in the years to come.

## PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

### STRATEGY - PROCUREMENT

Our goals connected to our strategic foundations:

EXPANDING OUR NETWORK OF QUALITY LOCAL SUPPLIERS; APPLYING TECHNOLOGY TO MAXIMIZE THE TRANSPARENCY AND COST EFFICIENCIES OF THE COMPANY'S SUPPLY CHAINS.

SACC's total annual purchasing amounts to more than SR 1 billion and covers a vast number of products and services that are essential to its highly diversified operations – from food to electronic goods, perfume to cutlery, washing-powder to canvas tents. To manage the immense scale and complexity that this entails, a transformation program has been initiated to make the process more cost-effective and dynamic.

Working with specialist consultants – AT Kearney on procurement and Kuehne + Nagel on supply chain – gap analysis has been completed and the transformation program will be launched from April, 2018. Fully-automated processes will be implemented for transactions, procurement, and logistics. This has achieved dramatic results in eliminating manual work.

The functionality and user-friendliness of the e-bidding system for suppliers has been continuously upgraded since its launch in 2015. In addition to flexibility and an improved user interface, system enhancements give more accurate reports and better benchmarking capabilities. Data generated by the system enables easy evaluation and comparison of bids according to established indicators, facilitating highly informed and transparent decision-making.

Most importantly, by giving accessibility to a broader range of suppliers, technology has also helped to forge new supplier relationships and heightened competition in bidding, driving an overall reduction in raw material costs. E-bidding is steadily expanding into non-food supplies such as disposables, stationery, uniforms, and hardware, contributing to impressive cost savings.

Fully-automated processes have been implemented for transactions, procurement, and logistics.



The next phase centers on increasing the volume of local Saudi Arabian content in procurement contracts, supporting national food producers, goods manufacturers, and service providers. This would help stimulate the domestic economy while boosting employment and job creation, in line with the Kingdom's Vision 2030.

Technology has also played a major role in the centralization of procurement, contributing to increased efficiency in the production process and consistency in product quality. And by embedding technology in supply chains, working with strategic logistics vendors to track shipments of important materials online in real time, potential delays are flagged early, helping to consolidate freight costs and minimize losses.

SACC will continue to invest in technology, conscious of the central role of procurement in realizing the Company's cost control goals and upholding its standards, while aligning with the government's vision for the nation as a leader in adopting and applying the most advanced high-tech resources.

## RISK MANAGEMENT

SACC is exposed to various risks through the normal course of its activities. Every business has to accept a certain level of risk, and any expected gains from business activities must be assessed against the relevant risks.

The purpose of risk management is to ensure the Company can effectively execute its strategies and achieve its targets, in the short term and beyond. The key is to identify the risks that could prevent the Company from reaching its goals, and then to determine an acceptable level for those risks. Risks identified need to be avoided, mitigated, transferred, or monitored.

SACC's management processes use a set of reactive, proactive, protective, and preventive tools to protect it against threats, and to turn some of the risks into opportunities.

To be managed, risks need to be identified and understood in advance. Risk treatment and mitigation plans must be established, and continuous follow-up must be in place for the related controls. Consequently, risk management is an essential part of SACC's strategic and operational management.

### STRATEGIC RISK FACTORS

Strategic risk assessment is part of the Company's strategic planning process. A risk is defined as strategic if it could have a long-term impact on the business. The Company defines the areas of strategic risk as:

#### Business environment risk

Business cycles in the economy, and in customer industries, influence the demand for SACC's products, as well as its financial condition and operating results. Some sectors of the business could be affected by adverse changes in economic conditions and employment levels.

The Company's diversification strategy provides a degree of stability in cyclical markets.

#### Market and customer risk

SACC's business relies on securing and retaining a diverse range of clients in various industry segments. Despite this diversification, SACC's business still relies largely on its relationship with Saudia, so any adverse development affecting the airline could have a negative impact on SACC.

The Company has strategies in place to strengthen long-term relationships with clients and consumers based on quality, value, and innovation. The diversification strategy ensures that SACC does not rely on a particular sector, geography, or group of clients.

#### Global political risk

The airline industry is global and therefore dependent on political and economic developments in Saudi Arabia and worldwide. SACC's businesses largely depend on the airline industry and may be negatively affected by global events and trends.

The Company tries to anticipate and contribute to important changes in public policy whenever possible.

#### Competition

SACC operates in various businesses, some of which are highly competitive. The levels of concentration vary by segment. Some markets are relatively concentrated with one to three key players. Others are fragmented, offering opportunities for consolidation. Aggressive pricing by competitors could impact SACC's revenues and margins.

The Company aims to minimize this by promoting differentiated propositions and focusing on its points of strength, such as flexibility in the cost base, innovation, and the quality of its services.

**PEOPLE RISK FACTORS**

**Recruitment**

Failure to attract and recruit people with the right skills at all levels could limit SACC's success. The Company faces resourcing challenges in some of its businesses due to a lack of industry experience among candidates, finding appropriately qualified people, and the seasonal nature of some of its businesses.

The Company aims to mitigate this risk using efficient, time-critical resource management, mobilizing existing experienced employees, and providing appropriate training and development programs.

**Retention and motivation**

At all levels of the organization, retaining and motivating the best people with the right skills is vital to SACC's long-term success. The Company has established training, development, performance management, and reward programs to retain, develop, and motivate its people. Effective communication channels help the senior management team to monitor, understand, and respond appropriately to employees' needs.

**OPERATIONAL RISK FACTORS**

**Hazard risks**

The Company's occupational health and safety systems, travel safety instructions, and crisis management guidelines are designed to protect employees. Appropriate insurance is in place for all personnel.

SACC operates at five airports in industrial-size catering units, two laundry plants, and numerous other smaller premises, including catering outlets, retail shops, lounges, industrial sites, and on-shore oil-rigs. SACC leases most of its sites. While operating, SACC is exposed to risks in areas such as occupational health, employee safety, environment, fire, natural events, and site security.

The Company manages these risks with established management procedures and loss prevention programs. Risks that cannot be directly influenced are transferred, where feasible, to insurance companies. SACC uses appropriate insurance policies to cover indemnity risks related to personnel, assets, and business interruptions, as well as third-party and product liability. All insurance policies are subject to terms and conditions.

SACC has established training, development, performance management, and reward programs to retain, develop, and motivate its people.



**Service delivery and contractual compliance**

SACC has a large number of contracts with many clients. Failing to comply with contractual terms and conditions could lead to loss of business.

The Company has processes in place to ensure that it meets the required standards, and that it complies with the contractual terms and conditions.

**FINANCIAL RISK FACTORS**

SACC's activities expose it to a variety of financial risks: market risk (cash flow and interest rate risk), credit risk, and liquidity risk.

The Board has put in place appropriate structures to ensure risk governance and monitoring across the Company. SACC's overall financial risk management focuses on the unpredictability of financial markets and clients' payment behavior, seeking to minimize potentially adverse effects on the Company's financial performance. Financial risk is managed at the headquarters and group level, identifying, evaluating, and acting on financial risks where appropriate.

The principles of overall financial risk management are formally documented, as are policies covering specific areas such as credit risk and the investment of excess liquidity.

**Cash flow and interest rate risk**

As SACC has no significant interest-bearing assets, the Company's income and associated operating cash inflows are substantially independent of changes in market interest rates. SACC has no interest-bearing liabilities.

**Credit risk**

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to SACC. The credit risk arising from cash and cash equivalents, and from deposits with banks and financial institutions, is limited because the counterparties are banks and financial institutions which, in general, have an investment-grade rating assigned by international credit-rating agencies.

The Company's policy is to provide 100 percent of all receivables that are more than 90 days overdue. This policy excludes Saudia and other governmental clients. Due to its proper monitoring and appropriate provisioning, management does not expect any additional losses due to client non-performance.

**Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and available funding from an adequate amount of committed credit facilities.

The Company ensures flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. SACC does not have any credit facilities in place. The management team monitors the risk of a shortage of funds by continuously reviewing short-term cash forecasts, and by using mid-term cash forecasts throughout the year.

**INFORMATION TECHNOLOGY AND CYBER SECURITY**

Information technology and cyber-security risks related to SACC's internal operations are constantly identified and mitigated using network security, endpoint protection, access risk management, and vulnerability management. The IT department monitors internal threat exposure levels with vulnerability-scanning capabilities, and coordinates a response to identified cyber-security incidents. The management team also closely monitors SACC's information security capabilities.

The Company relies on a variety of IT systems to manage and deliver services and communicate with clients, consumers, suppliers, and employees. The management team focuses on maximizing the effectiveness of information systems and technology as a business enabler, and to reduce resulting cost and exposure.

SACC actively identifies and responds to cyber-security risks. Cyber-security strategy work and implementation will continue during the coming years.



# CORPORATE GOVERNANCE REPORT

- 46 General Counsel's Overview
- 46 Compliance with Laws and Regulations
- 50 The Company's Main Activities
- 50 Affiliates Main Activities
- 51 Company's Plans, Main Decisions and Future Expectations
- 52 The Company's Business Results, Assets, and Liabilities
- 52 Assets and Liabilities Comparison (5-years)
- 52 Business Comparison (5-years)
- 52 Geographic Analysis of Revenue
- 52 Affiliate's Geographic Analysis of Revenue
- 53 Significant Differences in Operational Results, Compared to Previous Expectations
- 53 Subsidiaries' Details
- 53 Board of Directors
- 62 Board Committees
- 66 Executive Management
- 71 Related Party Transactions
- 72 Summary of Related Party Transactions
- 75 Related Party Matters
- 76 Summary of Payments Made to the Government
- 76 Due Payments
- 76 Company Investments
- 76 Organizational Chart
- 76 Internal Audit (I.A.) & Internal Control Effectiveness Annual Review Results
- 77 Shareholders' Capital (SR) Shares Ratio
- 78 Shareholders' Capital Distribution
- 78 Dividend Policy
- 79 General Assembly Meeting
- 81 Role of Shareholders
- 82 Investor Relations
- 82 Requests to Obtain Shareholder Records
- 82 Communication with Shareholders
- 82 Initiatives Planned to Improve Transparency or Communications with Investors in 2017
- 83 Risk Management Policy
- 84 Board of Directors' Declaration



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The Company is committed to maintain the **best standards** of **quality** and performance in all its activities.



**SULTAN AL-BOOQ**  
General Counsel & VP Corporate Affairs



**MUHAMMED ALHARBI**  
Legal Affairs and Contracts Manager

## 1. GENERAL COUNSEL'S OVERVIEW

The uniqueness of corporate governance is achieved in a way that it is more than how a corporation polices itself with rules and regulations, but with how it holistically reflects itself, through its employees and environment, with an attitude that merits values and practices it holds dear, promoting optimum corporate transparency and ethical behavior. Without elements of transparency, sound trust would not be reached between a corporation and its investors, which would in turn stagnate and even decrease the quality of investment growth and eventually corporate growth. This simple logic conveys the reality that non-financial performance indeed affects financial performance. To create a healthy environment for the market a corporation is active in, corporate governance is therefore a vital element to be considered and perfected.

Based on this rationale, Saudi Airlines Catering has received a constructive direction from its Board of Directors and Chief Executive Officer, commanding the promotion of the corporate governance culture throughout the Company. This resulted in an internal regulatory and

cultural revolution which observed introductions to diverse codifications such as the comprehensive Code of Conduct, which delivered a new aspect to behavioral standards, and the Authority Matrix which coherently systemized interactions between departments. With the rapid evolution of technology and corporate media in mind, such internal changes were made timeously and with commitment to keep up-to-date with international best practices, eventually resulting in similar, if not better, development externally.

These recent changes have required a great deal of commitment from our corporate governance team, and have encouraged them to work diligently to further promote this area. The team continues to strive to advance corporate governance under the belief that it is more of a journey than a destination. This is reflected through a proactive attitude and the awareness that SACC aspires to maintain a transparent relationship with its current investors, and will always meet new ones with a prepared spirit and an intention to enrich the Company's investment environment. The continuous encouragement and enforcement of corporate governance is therefore key to strengthening the investment culture and investor protection.

Finally, I applaud the corporate governance team for their dedicated and supreme efforts, which are applied every day, both in spirit and action, with a clear intention of embedding this culture more deeply into the Company. With a lot more to come and in large measure, I look forward to the team working hard to add to the corporate governance awards previously received by SACC.

**Sultan Al-booq**  
General Counsel & VP Corporate Affairs

## 2. COMPLIANCE WITH LAWS AND REGULATIONS

The Company is committed to maintaining the best standards of quality and performance in all its activities. This commitment extends to include the rules provided for in the Corporate Governance Regulations, Listing Rules, and any other relevant law and regulation. The Company is fully committed to applying its best efforts towards the rules included in the Corporate Governance Regulations and Listing Rules in all its operations. The Company has a comprehensive policy on the implementation of Corporate Governance Regulations through the update of the Corporate Governance Manual of the Company and its by-laws based on the newly issued Company's Law and Corporate Governance Regulations to be adhered to by stakeholders such as directors, managers and employees in order to protect the interests of the Company and other relevant parties. The Board of Directors, with help from its sub-committees such as the Audit Committee, Nomination and Remuneration Committee, and the Executive Committee, provides continuous support to promote compliance with Corporate Governance Regulations while ensuring continuous review and control their effective implementation.

The following highlights the articles of the Corporate Governance Regulations that have not been implemented, and the reasons:

### Article 5 (9)

All rights related to shares shall be guaranteed to the shareholder, and particularly the following:  
9) to record his/her name in the Company's shareholders register;

#### Reasons

As the Company is publicly listed, shareholders register their shares through Tadawul.

### Article 13 (h)

The Company shall ensure recording the details of the shareholders who desire to attend at the Company's head office prior to the specified time for convening the assembly, unless the Company's bylaw state other means.

#### Reasons

The registration of shareholders takes place in the location of the General Assembly prior to its convening.

### Article 39

The Company shall pay adequate attention to the training and preparation of the Board members and the Executive Management, and shall develop the necessary programmes required for the same, taking the following into account:

- 1) preparing programmes for the recently-appointed Board members and Executive Management to familiarise them with the progress of the Company's business and activities, particularly the following:
  - a. the strategy and objectives of the Company;
  - b. the financial and operational aspects of the Company's activities;
  - c. the obligations of the Board members and their duties, responsibilities and rights;
  - d. the duties and competencies of the committees of the Board.
- 2) developing the necessary mechanisms for Board members and the Executive

Management to continuously enroll in training programmes and courses in order to develop their skills and knowledge in the fields related to the activities of the Company.

#### Reasons

This is an optional article.

### Article 41

- a) The Board shall develop, based on the proposal of the nomination committee, the necessary mechanisms to annually assess the performance of the Board, its members and committees and the Executive Management using key performance indicators linked to the extent to which the strategic objectives of the Company have been achieved, the quality of the risk management and the efficiency of the internal control systems, among others, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.
- b) The procedures of performance assessment shall be in writing and clearly stated and disclosed to the Board members and parties concerned with the assessment.
- c) The performance assessment shall entail an assessment of the skills and experiences of the Board, identification of the weaknesses and strengths of the Board and shall attempt to resolve such weaknesses using the available methods, such as nominating competent professional staff able to improve the performance of the Board. The performance assessment shall also entail the assessment of the mechanisms of the Board's activities in general.
- d) The individual assessment of the Board members shall take into account the extent of effective participation of the member and his/her commitment to performing his/her duties and responsibilities, including attending the Board and its committees meetings and dedicating adequate time thereof.
- e) The Board shall carry out the necessary arrangements to obtain an assessment of its performance from a competent third party every three years.

## 2. COMPLIANCE WITH LAWS AND REGULATIONS (CONTINUED)

### Article 41 (continued)

f) Non-Executive Directors shall carry out a periodic assessment of the performance of the chairman of the Board after getting the opinions of the Executive Directors, without the presence of the chairman of the Board in the discussion on this matter, provided that weaknesses and strengths shall be identified and a solution shall be proposed for the same in the best interests of the Company.

#### Reasons

A policy was established and included in the Corporate Governance Manual of the Company; however, the evaluation did not take place during 2017 as the article is optional.

### Article 45

A person who desires to nominate himself/herself for the membership of the Board shall disclose to the Board or the General Assembly any cases of conflicts of interest, including:

- 1) having direct or indirect interest in the contracts and businesses entered into for the benefit of the Company in which he/she desires to be nominated to the Board.
- 2) engaging in business that may compete with the Company or any of its activities.

#### Reasons

This obligation does not lie with the Company but with the candidate.

### Article 66

- a) When nominating a Board member, the nomination committee shall take into consideration the provisions of these Regulations and the requirements set by the Authorities; and
- b) The number of nominees to the Board whose names are presented to the General Assembly shall be more than the number of available seats to give a chance to the General Assembly to select the Board members among those nominees.

#### Reasons

The Board term is still current and did not expire; hence, the article is not implemented. Upon conducting the new Board term elections, the article will be implemented.

### Article 68

The Company shall publish the nomination announcement on the websites of the Company and the Exchange and through any other medium specified by the Authority; to invite persons wishing to be nominated to the membership of the Board, provided that the nomination period shall remain open for at least a month from the date of the announcement.

#### Reasons

The Board term is still current and did not expire; hence, the article is not implemented. Upon conducting the new Board term elections, the article will be implemented.

### Article 69

None of the provisions of this Chapter shall prejudice the right of any shareholder to nominate him/herself or others to the membership of the Board in accordance with the provisions of the Companies Law and Its Implementing Regulations.

#### Reasons

The Board term is still current and did not expire; hence, the article is not implemented. Upon conducting the new Board term elections, the article will be implemented.

## Chapter 5

### Article 70

The Company's Board shall, by resolution therefrom, form a committee to be named the "risk management committee.". Chairman and majority of its members shall be Non-Executive Directors. The members of that committee shall possess an adequate level of knowledge in risk management and finance.

### Article 71

The competences of the risk management committee shall include the following:

- 1) developing a strategy and comprehensive policies for risk management that are consistent with the nature and volume of the Company's activities, monitoring their implementation, and reviewing and updating them based on the Company's internal and external changing factors;
- 2) determining and maintaining an acceptable level of risk that may be faced by the Company and ensuring that the Company does not go beyond such level;
- 3) Ensuring the feasibility of the Company continuation, the successful continuity of its activities and determining the risks that threaten its existence during the following twelve (12) months;
- 4) overseeing the Company's risk management system and assessing the effectiveness of the systems and mechanisms for determining and monitoring the risks that threaten the Company in order to determine areas of inadequacy therein;
- 5) Regularly reassessing the Company's ability to take risks and be exposed to such risks (through stress tests as an example);
- 6) preparing detailed reports on the exposure to risks and the recommended measures to manage such risks, and presenting them to the Board;
- 7) providing recommendations to the Board on matters related to risk management;
- 8) ensuring the availability of adequate resources and systems for risk management;
- 9) reviewing the organisational structure for risk management and providing recommendations regarding the same before approval by the Board;
- 10) verifying the independence of the risk management employees from activities that may expose the Company to risk;
- 11) ensuring that the risk management employees understand the risks threatening the Company and seeking to raise awareness of the culture of risk; and
- 12) reviewing any issues raised by the audit committee that may affect the Company's risk management.

### Article 72

The risk management committee shall convene periodically at least once every six months, and as may be necessary.

#### Reasons

This chapter is optional

### Article 82

The external auditor shall:

- 1) owe the duties of loyalty and care to the Company;
- 2) notify the Authority if the Board fails to take appropriate actions in respect of suspicious issues it raises; and
- 3) Request the Board to call for a General Assembly meeting if the Board has not facilitated his mission; and shall be liable to compensate the Company, the shareholders or third parties for the damages resulted from errors it commits in the course of its engagement. If an error is attributable to more than one external auditor, they shall be jointly responsible therefor.

#### Reasons

This obligation is with the External Auditor not the Company.

### Article 85

The Company shall establish programmes for developing and encouraging the participation and performance of the Company's employees. The programmes shall particularly include the following:

- 1) forming committees or holding specialised workshops to hear the opinions of the Company's employees and discuss the issues and topics that are subject to important decisions;
- 2) establishing a scheme for granting Company shares or a percentage of the Company profits and pension programmes for employees, and setting up an independent fund for such programme; and
- 3) establishing social organisations for the benefit of the Company's employees.

#### Reasons

This is an optional article.

## 2. COMPLIANCE WITH LAWS AND REGULATIONS (CONTINUED)

### Article 87

The Ordinary General Assembly, based on the Board recommendation, shall establish a policy that guarantees a balance between its objectives and those of the community for purposes of developing the social and economic conditions of the community.

#### Reasons

This is an optional article.

### Article 88

The Board shall establish programmes and determine the necessary methods for proposing social initiatives by the Company, which include:

- 1) establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities;
- 2) disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility;
- 3) disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company's; and
- 4) establishing awareness programmes to the community to familiarise them with the Company's social responsibility.

#### Reasons

This is an optional article.

### Article 95

If the Board forms a corporate governance committee, it shall assign to it the competences stipulated in Article (94) of these Regulations. Such committee shall oversee any matters relating to the implementation of governance, and shall provide the Board with its reports and recommendations at least annually.

#### Reasons

This is an optional article.

## 3. THE COMPANY'S MAIN ACTIVITIES

- In-Flight Catering
- Retail
- Catering and Facilities

	Revenue*	Percentage
In-Flight Catering	1,825,351,632	71%
Retail	261,536,002	10%
Catering and Facilities	123,804,682	5%
Total reportable segments	2,210,692,316	86%
All other segments	346,364,826	14%
<b>Total</b>	<b>2,557,057,142</b>	<b>100%</b>

\*Revenue includes internal income

## 4. AFFILIATES MAIN ACTIVITIES

Operating and managing duty free shops

	Revenue	Percentage
Operating and managing duty free shops	122,133,009	100%
<b>Total</b>	<b>122,133,009</b>	<b>100%</b>

## 5. COMPANY'S PLANS, MAIN DECISIONS AND FUTURE EXPECTATIONS

### Main Decisions

Date	Headline
19/01/2017	Saudi Airlines Catering Company announces the interim financial results for the period ending on 31-12-2016 (twelve months)
26/01/2017	Saudi Airlines Catering Company announces the distribution of dividend for period fourth quarter 2016
31/01/2017	Saudi Airlines Catering Company announces the disclosing of the transition plan for implementing IFRS (3rd phase)
12/02/2017	Saudi Airlines Catering Company announces the embarking on a contract with Saudi Airlines Est. for the purpose of constructing, operating, and managing Alfursan lounge at the Cairo International Airport
02/03/2017	Saudi Airlines Catering Company announces the annual financial results for the period ending on 31/12/2016
07/03/2017	Saudi Airlines Catering Company announces the embarking on a contract with Saudi Airlines Est. for the purpose of allowing Saudia passengers to access the Wellcome Lounge at Prince Mohammed Bin Abdulaziz Int. Airport in Madinah
21/03/2017	Saudi Airlines Catering Company invites its shareholders to attend the Extraordinary general assembly meeting
02/04/2017	Saudi Catering company announces the addition of items to the agenda of the Extraordinary General Assembly
18/04/2017	Saudi Airlines Catering Company announces the results of shareholder Extraordinary general assembly meeting
04/05/2017	Saudi Airlines Catering Company announces the appointment of the Vice Chairman of the Board of Directors for its current term
04/05/2017	Saudi Airlines Catering Company announces the interim financial results for the period ending on 31-03-2017 (three months)
04/05/2017	Saudi Airlines Catering Company announces the distribution of dividend for period first quarter 2017
15/08/2017	Saudi Airlines Catering Company announces the interim financial results for the period ending on 30-06-2017 (six months)
15/08/2017	Saudi Airlines Catering Company announces the distribution of dividend for period second quarter 2017
11/09/2017	Saudi Airlines Catering Company announces the embarking on a contract with Flyadeal, for the purpose of delivering inflight catering services and selling onboard food, beverage, and other supplies.
05/10/2017	Saudi Airlines Catering Company announces the embarking on a contract with Saudi Arabian Airlines Est., for the purpose of providing and operating a central baggage warehouse
05/11/2017	Saudi Airlines Catering Company announces the interim financial results for the period ending on 30-09-2017 (nine months)
05/11/2017	Saudi Airlines Catering Company announces the distribution of dividend for period third quarter 2017
26/11/2017	Saudi Airlines Catering Company announces the embarking on a contract with FlyNas, for the purpose of delivering inflight catering services and selling onboard food, beverage, and other supplies.
07/12/2017	Saudi Airlines Catering Company invites its shareholders to attend the Extraordinary general assembly meeting
17/12/2017	Saudi Airlines Catering Company (SACC) announces to its Shareholders the Starting of the Electronic Voting on the Extra Ordinary General Assembly Meeting Agenda (first meeting)
24/12/2017	Saudi Airlines Catering Company announces the results of shareholder Extraordinary general assembly meeting (first meeting)

For the Company's plans and future expectations, kindly refer to pages 1-43.

**6. THE COMPANY'S BUSINESS RESULTS, ASSETS, AND LIABILITIES**

Saudi Arabian Riyals

Net profit		Total assets		Total Liabilities	
2017	481,737,979	2017	1,882,961,409	2017	600,016,458
2016	519,105,487	2016	1,881,785,352	2016	621,195,805
2015	698,500,954	2015	1,848,220,612	2015	530,060,246
2014	653,932,832	2014	1,809,313,494	2014	583,606,574
2013	569,351,912	2013	1,695,405,084	2013	536,776,072

**7. ASSETS AND LIABILITIES COMPARISON (5-YEARS)**

	2013	2014	2015	2016	2017
Current Assets	1,447,116,381	1,567,648,992	1,335,359,487	1,235,756,877	1,192,668,183
Non-current Assets	248,288,703	241,664,502	512,861,125	646,028,475	690,293,226
Total Assets	1,695,405,084	1,809,313,494	1,848,220,612	1,881,785,352	1,882,961,409
Current Liabilities	424,369,028	459,830,358	384,426,935	457,923,163	431,018,258
Non-current Liabilities	112,407,044	123,776,216	145,633,311	163,272,642	168,998,200
Total Liabilities	536,776,072	583,606,574	530,060,246	621,195,805	600,016,458

**8. BUSINESS COMPARISON (5-YEARS)**

Saudi Arabian Riyals	2013	2014	2015	2016	2017
Revenue	1,867,498,165	2,135,940,070	2,260,800,463	2,256,650,268	2,223,394,348
Revenue expenses	1,175,583,438	1,361,365,704	1,436,259,260	1,490,899,501	1,500,602,393
Zakat and income tax	46,217,365	46,201,746	41,840,694	33,505,845	41,669,319
Gross profit	691,914,727	774,574,366	824,541,201	765,750,767	722,791,955
Net profit	569,351,912	653,932,832	698,500,954	519,105,487	481,737,979

**9. GEOGRAPHIC ANALYSIS OF REVENUE**

	Geographic Analysis of Revenue		
	KSA	Egypt	Total
2017	2,134,844,560	88,549,788	2,223,394,348

**10. AFFILIATE'S GEOGRAPHIC ANALYSIS OF REVENUE**

2017	Geographic Analysis of Revenue	
	KSA	Total
Saudi French Company for Operating and Managing Duty Free Shops	122,133,009	122,133,009

**11. SIGNIFICANT DIFFERENCES IN OPERATIONAL RESULTS, COMPARED TO PREVIOUS EXPECTATIONS**

	2017	2016	Variance (+) or (-)	Variance percentage
Revenue/sales	2,223,394,348	2,256,650,268	(33,255,920)	-1%
Revenue expenses	1,500,602,393	1,490,899,501	9,702,892	1%
Gross profit	722,791,955	765,750,767	(42,958,812)	-6%
Other operating income	7,046,674	5,014,511	2,032,163	41%
Other operating expenses	(2,845,620)	(4,015,996)	1,170,376	29%
Operating income (loss)	535,401,882	550,886,787	(15,484,905)	-3%

**12. SUBSIDIARIES' DETAILS**

Name of Subsidiary	Capital	Ownership Percentage	Main Activity	Main Operating Country	Establishment Country
Saudi French Company for operating and managing duty free shops	76,894,000	40%	Operate and Manage Airport Duty Free Shops	Saudi Arabia	Saudi Arabia

**13. BOARD OF DIRECTORS****A. Members of the Board of Directors**

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

Board members as of December 31, 2017

**Yahya Al-yahya****Experience**

Yahya has more than 40 years of experience in academia, government, and the private sectors. Thus, bringing with him a large and diversified skill set that would aid and serve in accomplishing the strategic goals of the Company. Those skill sets were established and polished through various positions he held both nationally and internationally.

**Qualifications**

- Fellow, Eisenhower Exchange Fellowship
- PhD, Industrial & Operations Engineering, The University of Michigan
- MSE, Industrial & Operations Engineering, The University of Michigan
- BSE, Systems Engineering, King Fahad University of Petroleum and Minerals

**Raed Al-mudaiheem****Experience**

Diversified Engineering & Managerial experience covering more than 28 years in both public and private sectors. In the beginning of his career Raed worked in diversified engineering activities within power and water sectors, then moved to private sector and acquired vast experience in building materials (trading and manufacturing), namely steel, cement, timber, gypsum, pre-cast and electrical transformers manufacturing. He participated in tens of conferences, training courses, seminars, economic forums in Management, Finance, Strategy and Leadership ext. in the Kingdom of Saudi Arabia and in many countries in the world.

**Qualifications**

- Bachelor's in Electrical Engineering, King Saud University
- Masters' Degree in Electrical Engineering, King Saud University

**13. BOARD OF DIRECTORS (CONTINUED)****A. Members of the Board of Directors (continued)****Fahd Al-rasheed****Experience**

Fahd is the Group CEO and Managing Director of Emaar the Economic City, a publicly listed company leading the development of King Abdullah Economic City, the largest private-funded new city development in the world and the fastest growing logistics and manufacturing hub in the region. Al-rasheed is the Founding Chairman of the non-profit Red Sea Foundation, Vice Chairman of the Board of Trustees of Prince Mohamed Bin Salman College of Business and Entrepreneurship.

He serves on the boards of several organizations, including King Abdullah Port, Harvard Kennedy School Dean's Council, Petromin, Saudi Airlines Catering Company, the New Cities Foundation, and the Foundation Board of the Global Shapers of the World Economic Forum.

Prior to joining EEC, Al-rasheed held the post of CFO and Deputy Governor of the Saudi Arabian General Investment Authority (SAGIA). Previous to his work in SAGIA, he led strategic initiatives in investments and corporate finance for Saudi Aramco.

**Qualifications**

- Bachelor's in Business Administration, Washington University
- MBA, The Stanford Business School

**Sami Al-hokair****Experience**

Sami has over 27 years of professional experience in hotel hospitality management in Saudi Arabia. Upon graduating from King Saud University in Riyadh, he joined the Andalusia Group, where he held a number of positions, including General Manager between 1990 and 1994 and Managing Director between 1995 and 2009. In 2009, he established a new hotel brand "MENA Hotels and Resorts" under the Abdulmohsen Abdulaziz Al-Hokair Group. Since 2009, he has been responsible for managing 32 hotels in KSA, and two hotels in Dubai. Sami Al-hokair sits on the board of Abdulmohsen Abdulaziz Al-Hokair Group and is the Managing Director of the Group. In addition, he is the vice chairman of the board of Sahara Kingdom Properties.

**Qualifications**

- Bachelor's of Administrative Science, King Saud University

**Abdullah Taibah****Experience**

Abdullah has over 28 years of experience in strategic and operation management through various posts in the region. Abdullah was holding the position of CEO Qudra Energy, in the way of transforming the Company into an Energy Platform for ACWA Holding Group. In this assignment Abdullah was able to structure an energy group that is composed of Power, Renewable and Natural resources business lines, supported by engineering services platforms to cater for the growth in the Middle East. The renewable business is mainly focused on Solar solutions technology and installations in the CSP and PV technologies, while the Natural resources are focused on tonnage Industrial Gases while the Power business is focusing on winning EPCM projects for Thermal and CC technologies.

**Qualifications**

- B.S. in Electrical Engineering, King Fahad University of Petroleum and Minerals

**Shawgi Mushtag****Experience**

Shawgi Mushtag has more than 30 years of operational and management experience in the airline and catering industries. He joined Saudia in 1975 and has held various senior management positions at Saudia, including General Manager for marketing and training from 1987-1997, General Manager for Sky Sales from 1997-2005 and VP - Catering from 2005-2008. Shawgi Mushtag served as Executive VP - Privatization at Saudia, during the period from 2008 to 2015.

**Qualifications**

- B.S. Marketing and Management, Davis and Elkins College
- Project Management Professional
- Certified Assessor

**Jonathan Stent-Torriani****Experience**

Jonathan Stent-Torriani worked for Gate Gourmet Group ("GGG") from 1991-1997 in various roles, including Managing Director for Operations Management, and Managing Director of GGG's operations in South Africa. He left GGG in 1997 to join Naunce Group as Chief Executive Officer of its operations in Australasia before returning to GGG as President of the European Division from 2000-2004. He was the Chief Executive Officer for the Southern Europe region at Compass Group from 2004-2006. Jonathan Stent-Torriani is the co-founder, co-owner and has been co-chief executive officer of Newrest Group since 2006.

**Qualifications**

- US Diploma, Choate Rosemary Hall
- BA in Economics and History, McGill University
- Ecole Hoteleiere de Lausanne Diploma (eq.BSc)

**Abdulmohsen Al-yahya****Experience**

Abdulmohsen Al-yahya has over 35 years of operational and management professional experience. He started his career as a Projects Manager in the military engineering works at the Ministry of Defense in 1981. In 1988, he established the Kudu Restaurants and stayed as founder and CEO for Kudu until April 2015 when he sold his share. In 2011, he was awarded the best CEO in Retail Business. In 2006 he was appointed a board member of Al-Khaleej Training and Education Company.

**Qualifications**

- Bachelor's in Civil Engineering, King Saud University (Jeddah)

**Ayman Al-tayyar****Experience**

Ayman Al-tayyar has over 22 years of experience in the banking sector, working in management roles from 1996-2001 and later holding the positions of senior manager personal banking (2001-2003) and senior executive manager (2004-2006), SABB Head Office. Due to his continued development and expertise he joined NCB as executive vice president and headed the Islamic branch network in 2006. From 2012 to 2016 he has held the position of executive vice president and head of lease finance division. Currently, he has been tasked to lead the Private Banking Division. Ayman Al-tayyar graduated from the University of Montana, USA, in 1993 with a Bachelor's Degree in business administration major in marketing. As part of his professional development he has attended many banking sector executive management training program at Harvard University, Stanford University, Darden Business School, London Business School and HSBC Executive Management program throughout his career at reputed institutions in the UK and the United States.

In line with the Company's by-laws, SACC's Board is formed of nine Board members who were appointed by the AGM for the current term starting from January 26, 2016, which will end on January 25, 2019.

On January 28, 2016, Yahya Al-yahya was unanimously appointed by the Board as Chairman. In addition, Raed Al-mudaiheem was appointed as the Vice Chairman by the Board for the current Board term under the power of authority granted to them in accordance with Article 23 of the Company's by-laws during their meeting which was held on May 3, 2017.

**Qualifications**

- Bachelor's of Business Administration, Marketing; University of Montana

**13. BOARD OF DIRECTORS (CONTINUED)****B. Board Meetings**

Name	Number of Meetings (5)					Total
	01/03/2017	03/05/2017	03/08/2017	02/11/2017	21/12/2017	
Yahya Al-yahya	⊙	○	○	⊙	⊙	3
Raed Al-mudaiheem	⊙	⊙	⊙	⊙	⊙	5
Fahd Al-rasheed	○	○	⊙	○	⊙	2
Sami Al-hokair	⊙	⊙	⊙	⊙	○	4
Abdullah Taibah	⊙	⊙	○	○	⊙	3
Shawgi Mushtag	⊙	⊙	⊙	⊙	⊙	5
Jonathan Stent-Torriani	⊙	⊙	⊙	⊙	○	4
Abdulmohsen Al-yahya	⊙	⊙	⊙	○	⊙	4
Ayman Al-tayyar	⊙	⊙	⊙	⊙	⊙	5
<b>Date of last annual general assembly 17/04/2017*</b>						<b>35</b>

\* Another general assembly was held on December 21, 2017.

**C. Current and Previous Board Memberships and/or Management Memberships of Board of Directors in Other Joint Stock Companies and Other Types of Companies (Locally and Internationally)****Yahya Al-yahya****Current Board and Management memberships**

Board Director, Gulf International Bank, Bahrain (Ltd.)

World Bank's International Centre for Settlement of Investment Disputes' (ICSID) Panels of Conciliators and of Arbitrators for the Kingdom of Saudi Arabia, KSA (Ltd.)

**Previous Board and Management memberships**

Chairman, Gulf International Bank, UK. (Ltd.)

Chairman of the Emerging Markets Advisory Council of the Institute of International Finance (IIF), Washington DC, USA (Institute)

Co-Chairman of the Emerging Markets Advisory Council of the Institute of International Finance (IIF), Washington DC, USA (Institute)

Board Director, Institute of International Finance, Washington DC, USA (Ltd.)

Chairman, Shuaibah Expansion Project Company, KSA (Ltd.)

Chairman, Shuaibah Water & Electricity Company, KSA (Ltd.)

Chief Executive Officer, Gulf International Bank B.S.C., Bahrain (Ltd.)

Board Director, GIB Capital, KSA (Ltd.)

Steering Committee Member to establish the Saudi Real Estate Refinancing Company (SRERC), KSA (Ltd.)

Member of the Group of Twenty (G20) High Level Panel on Infrastructure Investment (HLP2), KSA (Ltd.)

Member of Strategy Steering Group of Sanabil, Saudi Arabia, KSA (Listed)

Board Director, Oger Telecom, Dubai, UAE (Ltd.)

Board Director, The National Commercial Bank, KSA (Listed)

Board Director & Member of the Audit & Investment Committees, Saudi Re, Riyadh, KSA (Ltd.)

Board Director and Member of the Executive Committee, Gulf Investment Corporation, Kuwait (Ltd.)

KSA Representative on the Steering Group (USA, EU, Japan and KSA) of the International Efforts for the Reconstruction of Afghanistan, KSA (Association)

Executive Director for Saudi Arabia, The World Bank, Washington DC, USA (Organization)

Board Director, Gulf International Bank, Bahrain (Ltd.)

Board Director, Saudi Engineering Committee, Riyadh, KSA (Ltd.)

Member of the Audit Committee, Banque Saudi Fransi (BSF), Riyadh, KSA (Listed)

General Manager, Central Region, EA Juffali & Bros, Riyadh, KSA (Ltd.)

Board Director, Saudi Agricultural Bank, Riyadh, KSA (Ltd.)

Director General, The Institute of Banking, SAMA, Riyadh, KSA (Government Authority)

Assistant Professor, Industrial Engineering, King Saud University, Riyadh, KSA (Government Authority)

Consultant, Ford Motor Company, KSA (Ltd.)

Assistant Professor, Industrial & Systems Engineering, The University of Michigan, USA (Government Authority)

Graduate Assistant, College of Engineering, Riyadh University, KSA (Government Authority)

Project Analyst, Saudi Industrial Development Fund, Riyadh, KSA (Ltd.)

**Raed Al-mudaiheem****Current Board and Management memberships**

CEO of Masdar Building Materials, KSA (JCC)

Board Member, United Mining Industries, KSA (JCC)

Board Member, Northern Region Cement Co., KSA (Listed)

Board Member, Bawan Company, KSA (Listed)

Board Member, Northern Region Cement Co Jordan, Jordan (JST)

Board Member, Al Badia cement Syria, Syria (JST)

Board Member, SUEZ Cement Co, Egypt (JST)

Board Member, Al Yamamah Steel, KSA (Listed)

Board Member, Al Muhaidib Group, KSA (Ltd.)

**Previous Board and Management memberships**

Board Member, Arabian Pipes Co., KSA (Listed)

**Fahd Al-rasheed****Current Board and Management memberships**

CEO, and Managing Director of Emaar The Economic City., KSA (Listed)

Board member, Petromin Co., KSA (Ltd.)

Board member, Ports Development Co., KSA (Ltd.)

**Previous Board and Management memberships**

Deputy Governor and Head of Economic Cities Agency at Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)

Chief Financial Officer (CFO) at the Saudi Arabian General Investment Authority (SAGIA), KSA (Government Authority)

Financial Analyst at Saudi Aramco., KSA (Government Authority)

**Sami Al-hokair****Current Board and Management memberships**

Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA (Listed)

Board Member, Abdulmohsen Al-Hokair Abdulaziz Holding Group, KSA (Listed)

Vice Chairman, Sahara Kingdom Properties, KSA (Ltd.)

**Previous Board and Management memberships**

CEO & Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group., KSA (Listed)

Board Member, Catering & Strategic Co., KSA (Ltd.)

**13. BOARD OF DIRECTORS (CONTINUED)****C. Current and Previous Board Memberships and/or Management Memberships of Board of Directors in Other Joint Stock Companies and Other Types of Companies (Locally and Internationally) (continued)****Abdullah Taibah****Current Board and Management memberships**

Board Member, EMAAR Economic City, KSA (Listed)

Board Member, Alessa Industries Co., KSA (Ltd.)

Board Member, Qudra Energy Co, KSA (Ltd.)

**Previous Board and Management memberships**

Board Member and CEO Arabian Qudra Company, KSA (Ltd.)

**Shawgi Mushtag****Previous Board and Management memberships**

D.G. Privatization Advisor Saudi Arabian Airlines, KSA (Government Est.)

EVP Privatization, Saudi Arabian Airlines, KSA (Government Est.)

VP Catering, Saudi Arabian Airlines, KSA (Government Est.)

G.M. Skysales, Saudi Arabian Airlines, KSA (Government Est.)

G.M. Marketing Training, Saudi Arabian Airlines, KSA (Government Est.)

Manager of Management Development Programs, Saudi Arabian Airlines, KSA (Government Est.)

Manager Sales Training, Saudi Arabian Airlines, KSA (Government Est.)

Manager Field Training, Saudi Arabian Airlines, KSA (Government Est.)

Manager Charter Coordination, Saudi Arabian Airlines, KSA (Government Est.)

Country Manager Baghdad, Saudi Arabian Airlines, KSA (Government Est.)

District Manager Gizan, Saudi Arabian Airlines, KSA (Government Est.)

Staff Manager Gulf and Far East Region, Saudi Arabian Airlines, KSA (Government Est.)

Staff Manager Personnel records, Saudi Arabian Airlines, KSA (Government Est.)

**Jonathan Stent-Torriani****Current Board and Management memberships**

Founding Partner and Co-CEO, Newrest Group Holding S.L, France (S.L.)

Board Member, dnata Newrest Pty. Ltd, South Africa (Pty. Ltd.)

Board Member, Mountainfield Investments Pty. Ltd, South Africa (Pty. Ltd.)

Board Member, Newrest Catering Investment Pty. Ltd, South Africa (Pty. Ltd.)

Board Member, Newrest Ghana Ltd, Ghana (Ltd.)

Board Member, Reacon Duty Free, Nigeria

Board Member, Newrest ASL Catering Ltd, Nigeria (Ltd.)

Board Member Newrest ASL PLC, Nigeria (ASL PLC)

Board Member, Newrest ASL Oil and Gas Logistics Ltd, Nigeria (Ltd.)

Board Member, Newrest Services Tunisie S.A, Tunisia (S.A.)

Board Member, Strategic Catering Company L.L.C, KSA (L.L.C.)

Board Member and CEO, Newrest Holding Canada Inc, Canada (Inc.)

Board Member and CEO, Newrest Montreal Corp., Canada (Corp.)

Board Member and CEO, Newrest Toronto Corp, Canada (Corp.)

Board Member and CEO, Newrest Calgary Corp, Canada (Corp.)

Board Member and CEO, Newrest Vancouver Corp, Canada (Corp.)

Board Member and CEO, Newrest Dorval Catering Corp, Canada (Corp.)

Board Member, Newrest Catering Limited, Cyprus (Limited)

Board Member and CEO, Newrest Group Holding S.A., Spain (S.A.)

Board Member, Newrest France S.A., France (S.A.)

Liquidator, Servirail Italia S.R.L., Italy (S.R.L.)

General Manager, Ojaco S.R.L, Luxembourg (S.R.L)

General Manager, Newreco S.A.R.L., Luxembourg (S.A.R.L.)

Board Member, Societe des Cadres EIS S.A., Luxembourg (EIS S.A.)

General Manager, Restflight Madeira – Servicos de Catering Lda, Portugal (Lda.)

Board Member, Newrest – All Limited, UK (Limited)

Board Member, Airshop Solutions UK Limited, UK (Limited)

Board Member and CEO, Newrest Schweiz SA, Switzerland (SA)

Board Member and CEO, Newrest Inflight SA, Switzerland (SA)

Board Member and CEO, Newrest Restauration SA (Suisse), Switzerland (SA)

Director (Vice Chairman), Newrest Philippines, Philippines

CEO, ANCAPA, Switzerland

Board Member, MLHR GMBH, Switzerland (GMBH)

Board Member, RCM GMBH, Switzerland (GMBH)

Board Member, MLHR SAS, Switzerland (SAS)

Board Member, Marrone Investments Inc, Marshall Islands (Inc.)

Board Member, RIFKIND, British Virgin Islands

Board Member, ROSWELLO, British Virgin Islands

**Previous Board and Management memberships**

Board Member, SAS BEBEBIZ, France

**Abdulmohsen Al-yahya****Current Board and Management memberships**

Board Member, GULF WEST Co., KSA (Ltd.)

Board Member, Awal Al Qoutouf Co., KSA (Ltd.)

Board Member, Alkhaleej Training and Education Co., KSA (Listed)

**Previous Board and Management memberships**

Board Member for Saudi Association for Hearing, KSA (Association)

CEO and owner, Kudu Restaurants, KSA (Ltd.)

**Ayman Al-tayyar****Current Board and Management memberships**

Executive Vice President Head, NCB Private Banking, KSA (Listed)

Board Member, Program of Advisory – Dar Al Hekma University, KSA (Ltd.)

**Previous Board and Management memberships**

Executive Vice President Head Lease Finance, National Commercial Bank, KSA (Listed)

Executive Vice President Head Branch Banking, National Commercial Bank, KSA (Listed)

Senior Executive Manager, Saudi British Bank, KSA (Listed)

**D. Directors' Benefits****Board Members' and their relatives' benefits**

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Yahya Al-yahya	100	0	100	0	0	0	0
Raed Al-mudaiheem	1,000	0	1,000	0	0	0	0
Fahd Al-rasheed	14,000	0	1,000	0	13,000	(92.86)%	0
Sami Al-hokair	1,000	0	1,000	0	0	0	0
Abdullah Taibah	1,000	0	1,000	0	0	0	0
Shawgi Mushtag	1,000	0	1,000	0	0	0	0
Jonathan Stent-Torriani	1,000	0	1,000	0	0	0	0
Abdulmohsen Al-yahya	29,274	0	36,022	0	6,748	18.73%	0
Ayman Al-tayyar	1,165	0	1,165	0	0	0	0



**13. BOARD OF DIRECTORS (CONTINUED)****D. Directors' Benefits (continued)**

Description of benefits, contractual based securities, and subscription entitlements for Board Members or their relatives

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Yahya Al-yahya	0	0	0	0	0	0	0
Shawgi Mushtag	0	0	0	0	0	0	0
Fahd Al-rasheed	0	0	0	0	0	0	0
Sami Al-hokair	0	0	0	0	0	0	0
Abdullah Taibah	0	0	0	0	0	0	0
Raed Al-mudaiheem	0	0	0	0	0	0	0
Jonathan Stent-Torriani	0	0	0	0	0	0	0
Abdalmohsen Al-yahya	0	0	0	0	0	0	0
Ayman Al-tayyar	0	0	0	0	0	0	0

**E. Membership Type**

Board member	Membership type
Yahya Al-yahya	Independent (Chairman)
Raed Al-mudaiheem	Independent (Vice Chairman)
Shawgi Mushtag	Independent
Fahd Al-rasheed	Non-Executive
Sami Al-hokair	Non-Executive
Abdullah Taibah	Non-Executive
Jonathan Stent-Torriani	Non-Executive
Abdalmohsen Al-yahya	Non-Executive
Ayman Al-tayyar	Non-Executive

**F. Remuneration of Board Members**

Pursuant to article 76 of the Company's Law and as per article 22 of the Company's by-laws, the Board of Directors shall be entitled to remunerations in their capacity as members of the Board of Directors pursuant to the terms and conditions determined by the Ordinary General Assembly. The annual periodical remuneration is stated at the amount of SR 200,000 to each Board member, and the attendance allowances are SR 3,000 for each Board meeting attended. The Board of Directors shall be also entitled to other allowances and compensations such as transportation and accommodation fees. However, those fees shall not exceed SR 500,000 annually for each member (excluding other allowances such as transportation and accommodation). As stated in the Compensation Policy of the Board of Directors, the compensation shall be linked fully or partly to performance indicators such as meeting attendance.

Board Member	Fixed Compensation										Varied Compensation						Aggregate Amount	Expenses Allowance		
	Annual Remuneration	Specific amount	Allowance for attending Board meetings	Total Allowance for attending committee meetings	Total Allowance for Attending General Assemblies	Remunerations for technical, managerial and consultative work	Remunerations of the chairman, Managing Director or Secretary, if a member	In-kind benefits	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares (insert the value)	Expenses	Total			End-of-service award	
<b>First: Independent Directors</b>																				
Yahya Al-yahya	300,000	0	9,000	0	6,000	0	0	28,080	343,080	0	0	0	0	0	81,935	81,935	0	425,015	0	
Shawgi Mushtag	264,932	0	15,000	0	6,000	0	0	0	285,932	0	0	0	0	0	9,792	9,792	0	295,724	0	
Raed Al-mudaiheem	400,000	0	15,000	12,000	6,000	0	0	0	433,000	0	0	0	0	0	1,822	1,822	0	434,822	0	
<b>Total</b>	<b>964,932</b>	<b>0</b>	<b>39,000</b>	<b>12,000</b>	<b>18,000</b>	<b>0</b>	<b>0</b>	<b>28,080</b>	<b>1,062,012</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>93,549</b>	<b>93,549</b>	<b>0</b>	<b>1,155,561</b>	<b>0</b>	
<b>Second: Non-Executive Directors</b>																				
Fahd Al-rasheed	400,000	0	6,000	0	3,000	0	0	0	409,000	0	0	0	0	0	36,338	36,338	0	445,338	0	
Sami Al-hokair	200,000	0	12,000	0	0	0	0	0	212,000	0	0	0	0	0	0	0	0	212,000	0	
Abdullah Taibah	300,000	0	9,000	3,000	6,000	0	0	0	318,000	0	0	0	0	0	7,538	7,538	0	325,538	0	
Jonathan Stent-Torriani	400,000	0	12,000	3,000	3,000	0	0	0	418,000	0	0	0	0	0	48,429.34	48,429.34	0	466,429.34	0	
Abdalmohsen Al-yahya	300,000	0	12,000	0	3,000	0	0	0	315,000	0	0	0	0	0	20,279	20,279	0	335,279	0	
Ayman Al-tayyar	300,000	0	15,000	9,000	0	0	0	0	324,000	0	0	0	0	0	9,792	9,792	0	333,792	0	
<b>Total</b>	<b>1,900,000</b>	<b>0</b>	<b>66,000</b>	<b>15,000</b>	<b>15,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,996,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>122,376.34</b>	<b>122,376.34</b>	<b>0</b>	<b>2,118,376.34</b>	<b>0</b>	
<b>Total</b>																			<b>3,273,937.34</b>	

**13. BOARD OF DIRECTORS (CONTINUED)****F. Remuneration of Board Members (continued)****Board of Directors Compensation Policy**

- a. Based on article 76 of the Company's Laws and in accordance with article 22 of the Company's by-laws, a board remuneration may be a specific amount, meeting allowance, or in-kind benefits; and it is permissible to combine two or more of these benefits.
- b. Each member of the Board is entitled to an annual remuneration of SR 200,000, and each member of a Board's sub-committee is entitled to an annual remuneration of SR 100,000 in addition to the annual remuneration allocated for Board memberships. In addition, each member of the Board and sub-committee is entitled to a meeting attendance allowance of SR 3,000 per meeting. In all cases, these remunerations shall not exceed SR 500,000 annually per member.
- c. In the Board's remuneration, indicators relating to performance should be taken into account when determining the remuneration such as relating the whole remuneration or part of it to these indicators that may be meeting attendance.
- d. Executive Board members and employees of the Company are not to be compensated for their service as members of the Board. However, Non-Executive Board members and non-employees are not to be included in any consultation arrangement prior to the approval of the Nomination and Remuneration Committee. In addition, it is not permissible for Audit Committee members, directly or indirectly, to obtain compensation on consultancy, accountancy, legal, investment, or financial services rendered to the Company. Furthermore, the Company shall not contribute to a charity that a member is affiliated with.
- e. Any violation of the policy in determining the compensation shall be deemed void and cancelled.

**Relationship between Compensation and Policy**

- a. Board members have been awarded an annual remuneration based on article (a) of the above-mentioned policy that amounted to SR 200,000, and SR 100,000 if they were members of any sub-committee of the Board.
- b. The remuneration was based on a performance indicator that was meeting attendance, as the meeting attendance amount differed based on the number of meetings they have attended in both the Board and its sub-committees.
- c. The remunerations of all Board members did not exceed the annual limit of SR 500,000.
- d. The remunerations did not include any other service other than the memberships of the Board and sub-committees.

**14. BOARD COMMITTEES**

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

**A. Audit Committee**

The Audit Committee is composed of three non-executive members, one of which is an external party competent in financial and accounting affairs and is chaired by an independent Board member. The duties and responsibilities of this Committee includes the study of the internal control systems, accounting policies, external auditor review and financial statements review, supervision of the Internal Audit Department, compliance, information technology supervision, reporting, and other responsibilities. The supervision on the Internal Audit department is 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 external auditors; determination of their remuneration; verification of their independence; follow-up of their duties; and studying the Audit plan with the Internal Audit Department. The Committee studies the external auditors' notes to the Company's Financial Statements and follows up 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. The Audit Committee also prepares an Annual Report that is presented to the shareholders in the Annual General Assembly.

During 2017, there was no recommendation to appoint an Internal Auditor for the Company, as it already has an Internal Audit Division. In addition, there are no recommendations of the Audit Committee that conflict with the Board's decisions, nor did the Board refuse to take any of the Audit Committee's recommendation into consideration regarding the appointment, dismissal, assessment, or determining the remuneration of the external auditor. Due to the fact that the new Saudi Arabian Companies Law came by virtue of the need for prior approval of the General Assembly regarding the appointment of members of the Audit Committee and the fact that the committee was appointed before the new law came into effect, appointment of the new members of the Committee was approved during the General Assembly meeting on April 17, 2017.

**Members of the Audit Committee****Raed Al-mudaiheem (Chairman)**

For experience, previous positions and qualifications, kindly refer to pages 53 and 57.

**Ayman Al-tayyar**

For experience, previous positions and qualifications, kindly refer to pages 55 and 59.

**Khaled Otain**

- CEO and Managing Partner of International Accountants
- Member of Accounting Standards Committee at the Saudi Organization for Certified Public Accountants (SOCPA)
- Member of the Exam Committee at the Saudi Institute for Internal Auditors

**Experience**

Over the last 20 years, Otain has developed extensive in-depth knowledge and experience in practices involving assurance, taxation, litigation cases, IT and corporate governance. Otain is an approved Arbitrator in financial disputes by the Ministry of Justice in Saudi Arabia.

Before joining International Accountants, served in key positions as an active member of the senior management team with number of international accounting firms and major Oil & Gas company. Also, he has participated as an audit committee member in number of major and listed companies.

Otain has a rich experience in the field of accounting, assurance, tax and related areas gained through working with diversified industries in the MENA region.

**Previous positions**

- Independent Auditor Ernst and Young
- Independent Auditor TAG
- Audit Committee member, Mohammed Abdulaziz AlRajhi Group

**Qualifications**

- BSc in Accounting, King Saud University
- Certified Public Accountant (SOCPA)
- Certified Management Accountant (CMA)
- Certified Fraud Examiner (CFE)
- Certified Financial Consultant (KSA)
- Certified Administrative Consultant (KSA)

**Schedule of Audit Committee's meetings**

Name	Number of meetings (5)					Total
	18/01/2017	22/02/2017	26/04/2017	31/07/2017*	29/10/2017	
Raed Al-mudaiheem (Chairman)	⊙	⊙	⊙	⊙	⊙	5
Ayman Al-tayyar	⊙	○	⊙	⊙	⊙	4
Khaled Otain	⊙	⊙	⊙	⊙	⊙	5

\*The Audit Committee conducted its meeting on July 31, 2017 via telephone conference

**Members of Audit Committee Compensation**

Name	Fixed compensation	Meeting attendance allowance	Total
Raed Al-mudaiheem	100,000	12,000	112,000
Ayman Al-tayyar	100,000	9,000	109,000
Khaled Otain	100,000	12,000	112,000
<b>Total</b>	<b>300,000</b>	<b>33,000</b>	<b>333,000</b>

**14. BOARD COMMITTEES (CONTINUED)****B. Nomination and Remuneration Committee**

The Committee is composed of four non-executive members of the Board of Directors, one of which is an independent Board member. 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, its sub-committees and Executive Management 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; 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; and determination of the compensations and remunerations of Board members, its sub-committees and Executive Management.

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 of 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 by-laws. These reports are presented to the Board of Directors.

**Nomination and Remuneration Committee members****Fahd Al-rasheed (Chairman)**

For experience, previous positions and qualifications, kindly refer to pages 54 and 57.

**Jonathan Stent-Torriani**

For experience, previous positions and qualifications, kindly refer to pages 55 and 58.

**Abdullah Taibah**

For experience, previous positions and qualifications, kindly refer to pages 54 and 58.

**Shawgi Mushtag\***

For experience, previous positions and qualifications, kindly refer to pages 54 and 58.

\* Shawgi Mushtag was appointed by the Board of Directors to the committee on May 3, 2017.

**Schedule of Nomination and Remuneration Committee's meetings**

Name	Number of meetings		Total
	01/03/2017	22/02/2017**	
Fahd Al-rasheed	○	⊙	1
Jonathan Stent-Torriani	⊙	⊙	2
Abdullah Taibah	⊙	⊙	2
Shawgi Mushtag*	○	○	0

\* Shawgi Mushtag was appointed by the Board of Directors to the committee on May 3, 2017.

\*\* The committee conducted its meeting on February 22, 2017 via telephone conference

**Members of Nomination and Compensation Committee Compensation**

Name	Fixed compensation	Meeting attendance allowance	Total
Fahd Al-rasheed	100,000	0	100,000
Jonathan Stent-Torriani	100,000	3,000	103,000
Abdullah Taibah	100,000	3,000	103,000
Shawgi Mushtag*	64,932	0	64,932
<b>Total</b>	<b>364,932</b>	<b>6,000</b>	<b>370,932</b>

\* Shawgi Mushtag was appointed by the Board of Directors to the committee on May 3, 2017.

**C. Executive Committee**

The Committee is composed of three non-executive members of the Board of Directors, two independent members of the Board of Directors, and one member of the executive management who is the CEO (Executive Member). The duties and responsibilities of the Committee include: assisting the Board in conducting responsibilities and duties in determining the Company's mission, vision, and direction of business; assisting the Board in determining the strategic and investment goals of the Company; assist in determining the vision and duties of the Board; determining main and strategic goals to assist the Company in achieving the required results; assisting the Board in the periodic strategic evaluation of the Company's performance; participating in the evaluation and review of the main investment decisions; form and reform partnerships and their budgets; develop Company investments; develop and enhance information technology; manage relationships with main suppliers; responsible for the main commercial transactions, policies, and executive procedures of commercial day-to-day transactions; finding development methods; coordinate between Executive Management and other main functions' managers; supervise the performance of the CEO and Executive Management Members; review the ability of the commercial partner (if any); determine the investment strategy and policies; periodic review of potential investments' feasibility; review and approve measures and indicators to evaluate investments; review Zakat and Tax matters in relation to investment transactions in coordination with the Audit Committee; review and disclose accounting procedures and methods of all investment transactions based on the approved accounting standards; continuous review of investment consultants of the Company and determine if they should continue their service; review and report investment results to the Board; and any other tasks related to investments, company policies, and other matters.

**Executive Committee members****Yahya Al-yahya (Chairman)**

For experience, previous positions and qualifications, kindly refer to pages 53 and 56.

**Abdulmohsen Al-yahya**

For experience, previous positions and qualifications, kindly refer to pages 55 and 59.

**Fahd Al-rasheed**

For experience, previous positions and qualifications, kindly refer to pages 54 and 57.

**Jonathan Stent-Torriani**

For experience, previous positions and qualifications, kindly refer to pages 55 and 58.

**Raed Al-mudaiheem**

For experience, previous positions and qualifications, kindly refer to pages 53 and 57.

**Wajdy Al-ghabban**

For experience, previous positions and qualifications, kindly refer to page 66.

**14. BOARD COMMITTEES (CONTINUED)****C. Executive Committee** (continued)

## Schedule of Executive Committee's meetings

Name	Number of meetings		Total
	31/01/2017*	17/04/2017*	
Yahya Al-yahya	⊙	⊙	2
Abdulmohsen Al-yahya	⊙	⊙	2
Fahd Al-rasheed	⊙	⊙	2
Jonathan Stent-Torriani	⊙	⊙	2
Raed Al-mudaiheem	⊙	⊙	2
Wajdy Al-ghabban	⊙	⊙	2

\* Both meetings were held via telephone conference.

## Members of Executive Committee Compensation

Name	Fixed compensation	Meeting attendance allowance	Total
Yahya Al-yahya	100,000	0	100,000
Abdulmohsen Al-yahya	100,000	0	100,000
Fahd Al-rasheed	100,000	0	100,000
Jonathan Stent-Torriani	100,000	0	100,000
Raed Al-mudaiheem	100,000	0	100,000
Wajdy Al-ghabban	0	0	0
<b>Total</b>	<b>500,000</b>	<b>0</b>	<b>500,000</b>

**15. EXECUTIVE MANAGEMENT****Wajdy Al-ghabban**

Chief Executive Officer

Board Member of the Social Development Bank Executive Committee

Board Member of Faculty tourism advisory board, King Abdulaziz University

**Experience**

29 years' service in Saudi Airlines Catering Co., in which he held various positions within the company. Wajdy displays expertise in the fields of airline & non-airline catering. In addition, his interests include software development for airline catering use, automation of production and ware wash systems, catering unit project design and execution, real estate development (construction/renovation of hotel and labor housing projects), and budgeting and contract negotiation.

**Previous positions**

- Deputy CEO, Saudi Airlines Catering
- Chief Operating Officer, Saudi Airlines Catering
- General Manager – Riyadh Region, Saudi Airlines Catering
- Chief Catering Unit – Cairo Unit, Saudi Airlines Catering

**Qualifications**

- Masters of Business Administration from Robert Kennedy College, University of Wales, Switzerland, APR

**Sultan Al-booq**

General Counsel & VP, Corporate Affairs

**Experience**

Procurement and corporate supply chains; local and international litigation; legal and corporate negotiation; outsourcing of legal cases to internationally renowned legal professional; contract and MoU drafting; government advocacy; intellectual property; handling of liaison between company functions and divisions for discussion with the Board of Directors; corporate market and government regulations; corporate policy and procedure.LLM (Masters' Degree) Comparative Legal Studies (Elisabeth Haub School of Law) New York;

**Previous positions**

- Legal Advisor and Board Secretary at Ma'aden
- Lawyer for Microsoft as a secondment under the Law Firm of Mohammed Aldhabaan & Partners (Eversheds)
- Lawyer & Legal Advisor at United Legal Group Law Firm.

**Qualifications**

- LLM (Masters' Degree) Comparative Legal Studies (Elisabeth Haub School of Law) New York;
- BSc in Law (King Abdulaziz University), Jeddah.

**Matti Kivekas**

Chief Financial Officer

**Experience**

Matti brings 25 years of experiences from various industries: Heavy metal, industrial automation, Pulp and Paper, Electronics and Food Services. He has been involved in all areas of finance from Treasury to Management Accounting. During his career he has participated in many turnaround projects and Mergers & acquisitions. Besides finance responsibilities he has managed strategy, IT, payroll and HR. He is a reserve officer with Finnish Defense Forces. Besides his native country, Finland, he has lived and worked for more than 15 years in Singapore, China, India, Brazil and now in Saudi Arabia

**Previous positions**

- VP Finance and Business Control with Fazer Food Services in Finland.
- Regional CFO and GM Business control in Brazil and India with Salcomp
- CFO with Componenta PLC
- VP Finance & IT with UPM-Kymmene, China and Asia Pacific
- Head of finance and business control with Metso Automation for South America, Asia-Pacific and South Africa.
- Treasurer with Tampella Power

**Qualifications**

- B.Sc.(Economics), University of Tampere
- eMBA (Helsinki School of Economics)

**Tarek Tharwat**

Chief Audit Executive

**Experience**

Tarek Tharwat holds an MBA in International Business from the University of Liverpool and a BSc in Accounting from Alexandria University in Egypt he is and registered as Charter Accountant. Tarek also holds the Certified Internal Auditor (CIA) and the Certification in Risk Management Assurance (CRMA) both from the Institute of Internal Auditors (IIA), the Certified Financial Consultant (CFC) from the Institute of Financial Consultants (IFC) in addition to other audit and internal control professional certificates. Tarek has over 26 years of professional experience in Internal Control, Risk Management Inspection & both operational and financial audit. Worked as external auditors in Deloitte & Touch Egypt then moved to the French chemical group 'Rhodia' in Egypt as a group Chief Accountant then promoted to the Group Credit Manager. In 2003, Tarek joined Abdul Latif Jameel "ALJ"; the dealer of Toyota in KSA; as internal audit supervisor then transferred to Algeria as Internal Audit Manager where he setup the Internal Audit function for North Africa and the overseas network.

Tarek also joined Orascom Construction Industries 'OCI' in Egypt as Corporate Internal Audit Manager responsible of the cement division. Then joined Saudi Binladin Group as Chief Internal Auditor for the Public Buildings and Airports Division 'PBAD'. Currently Tarek is the Chief Audit Executive (CAE) at Saudi Airlines Catering co. 'SACC'.

**15. EXECUTIVE MANAGEMENT (CONTINUED)****Tarek Tharwat** (continued)**Previous positions**

- Chief Internal Auditor at Saudi Binladin Group – Public Buildings and Airports Division ‘PBAD’.
- Corporate Internal Audit Manager at Orascom Construction Industries ‘OCI’ in Egypt, responsible of the cement division in Egypt and the overseas network.
- Internal Audit Manager for North Africa and the overseas network of Abdul Latif Jameel “ALJ”; based in Algeria.
- Internal audit supervisor at Abdul Latif Jameel “ALJ”; the dealer of Toyota in KSA.
- Credit Manager at ‘Rhodia’, French chemical group in Egypt.
- Chief Accountant at ‘Rhodia’, French chemical group in Egypt.
- Supervisor Deloitte & Touch Egypt. (External Audit Firm).

**Qualifications**

- MBA in International Business from the University of Liverpool in UK
- BSc. in accounting from Alexandria University in Egypt
- Charter Accountant.
- Certified Internal Auditor (CIA)
- Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors (IIA) in USA
- Certified Financial Consultant (CFC) from the Institute of Financial Consultants (IFC)

**Jacob Roest****Chief Operating Officer – In-Flight Catering****Experience**

Jacob comes to SACC with over 25 years of experience gained through working in airline catering positions across Europe, Asia, India and New Zealand. His experience also includes working in production and management roles in UK, Portugal and the Netherlands where he served in the national service for 2 years. He joined SACC as COO in January 2016.

**Previous positions**

- Board Member, Thai Airport Ground Services
- Board Member, LSG Sky Chefs (Thailand) Ltd.
- Managing Director LSG Sky Chefs New Zealand and Rarotonga
- Director Operations LSG Sky Chefs Thailand, India, Nepal and Myanmar in
- General Manager LSG Sky Chefs Thailand and Myanmar
- Deputy General Manager LSG Sky Chefs Thailand
- Various middle management roles with Alpha Flight Services in Europe

**Qualifications**

- Bachelor’s in Hotel Management 1984-1988 (Hotelschool) Groningen

**Abdulwahab Saati****Chief Operating Officer – Retail****Board Member, Saudi French Company for Operating and Managing Duty Free Shops****Experience**

Joined SACC in Riyadh during 1991 and since then he has worked in various managerial positions within the organization. Abdulwahab has extensive experience of over 26 years in the field of Aviation, Retail Services, and In-Flight Catering, with a very strong orientation in the field of Marketing & Sales Business Development handling all Saudia, Local & Foreign Airlines and Private Aviation.

Strategic and resourceful executive with proven ability to recognize and capture business opportunities. Possessing excellent communication skills and able to establish sustainable and profitable relationships with customers and suppliers. Strong record of achievement in progressive leadership roles within the aviation industry—repeatedly stepping up to new challenges, launching innovative programs, creating customer loyalty, and building top-performing organizations with excellent revenue and profit performance.

**Previous positions**

- Chief Commercial Officer
- General Manager, Airlines Sales and Business Development
- Manager Marketing Sales and Customer Services
- Manager Sales and Marketing
- Assistant Manager, Foreign Airlines and Private Aviation
- Assistant Manager, Royal VIP and Saudia

**Qualifications**

- Many professional certificates in the field

**Martial Verine****Chief Operating Officer – Catering and Facilities****Experience**

Martial brings around 20 years of experience gained through working in multi-segment catering positions within the hospitality & catering sector.

Prior to his appointment as Regional Director for Catering International & Services (CIS) in 2010 overseeing Central & East Africa, he was appointed as the General Manager for Newrest In-Flight Catering in Tunisia in 2005 followed by Managing Director for Newrest Algeria in 2009.

Martial’s experience also includes working for leading brands such as Eurest and Sodexo to name a few.

**Previous positions**

- Regional Director for Chad & East Africa at Catering International & Services (CIS)
- Managing Director for Chad at Catering International & Services (CIS)
- Managing Director Algeria at Newrest
- General Manager In-Flight Catering in Tunisia at Newrest
- Various Operational Management positions in West Africa for Compass Group (Eurest Support Services) and Sodexo
- Various middle management positions in hotel & catering industry in France

**Qualifications**

- Bachelor’s of Marketing & Hotel Management – ESITEL Montpellier (France) in 1994
- Scientific Baccalaureate Montpellier, 1991

**Fahad Khayat****General Manager, Internal Control and Performance Improvement****Experience**

Dr. Fahad’s department has delivered key ISO/HACCP/OHSAS/Halal (HAB) qualifications for the business. With over 25 years’ experience, he has delivered quality assurance through establishing robust, quality driven processes is key to SACC’s subsequent awards and recognition in the field of food production.

**Previous positions**

- VP Catering (A) and Quality Assurance. Saudia catering.
- G.M. Catering Operations and Quality Assurance. Saudia Catering.
- G.M. Quality Assurance.
- G.M. Total Quality Management. Saudia Catering.
- G.M. Human Resources, Technical Projects, Quality and Food Safety. Saudia Catering.
- G.M. Technical Projects, Quality and Food Safety. Saudia Catering.
- Corporate manager Quality and Food Safety. Saudia Catering.
- Manager Hygiene and Food Safety. Saudia Catering.
- Corporate Manager of food microbiological activities of the six quality control laboratories located at Jeddah, Dhahran, Hallat Am mar, Jazan, and Al Hadetha and Riyadh. Saudi Food Drug Organization (SDA), Ministry of Commerce.

**Qualifications**

- Doctor of Philosophy in Science, Utah State University, Logan, Utah, USA. 1987
- Masters in Science, Utah State University, Logan, Utah, USA. 1986
- Bachelor of Science, Weber State University, Ogden, Utah, USA. 1981

**15. EXECUTIVE MANAGEMENT (CONTINUED)****Compensation of Executive Management**

Item	Top Five Executives who received the largest remunerations and compensations (in SR) *
Salaries and remuneration	4,228,800.00
Allowances	399,000.08
Annual remuneration	1,781,844.76
Incentives	2,795,639.00
Any compensation or benefit that is paid monthly or annually	0
<b>Total</b>	<b>9,205,283.84</b>

\*Including the CEO and CFO.

**Description of shares owned by senior executives or by their relatives**

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-ghabban	0	0	0	0	0	0	0
Sultan Al-booq	0	0	0	0	0	0	0
Tarek Tharwat	0	0	0	0	0	0	0
Matti Kivekas	0	0	0	0	0	0	0
Abdelwahab Saati	0	0	0	0	0	0	0
Fahad Khayyat	0	0	0	0	0	0	0
Martial Verine	0	0	0	0	0	0	0
Jacob Roest	0	0	0	0	0	0	0

**Description of benefits, contractual based securities, and subscription entitlements of Executive Management members or their relatives**

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-ghabban	0	0	0	0	0	0	0
Sultan Al-booq	0	0	0	0	0	0	0
Tarek Tharwat	0	0	0	0	0	0	0
Matti Kivekas	0	0	0	0	0	0	0
Abdelwahab Saati	0	0	0	0	0	0	0
Fahad Khayyat	0	0	0	0	0	0	0
Martial Verine	0	0	0	0	0	0	0
Jacob Roest	0	0	0	0	0	0	0

**Executive Management's Compensation Policy**

- The Board of Directors shall determine the compensation of the Chief Executive Officer in their appointment resolution and shall be stated in the contract with that Chief Executive Officer.
- The Executive Management members' compensation shall be in accordance with the Company's internal policies, and shall be determined based on the employment grade of each member. This shall exclude the Chief Audit Executive who will have his compensation determined by the Board of Directors based on the Audit Committee's recommendation.
- In determining compensations of the Executive Management, the size of the responsibilities, tasks, and duties; and the expertise, qualifications, skills, and performance should be taken into account.
- The Company should immediately stop a compensation of an Executive Management Member, upon its knowledge of any misleading information given by the Executive Management member to misuse his employment status to gain undeserved compensations. The Company reserves its right of claiming all undeserved compensation that was awarded to that member either internally, or externally by the responsible authorities.
- The Nomination and Remuneration Committee should review the compensations of the Executive Management periodically to ensure its reasonable sufficiency to attract and retain members of merit and experience and motivate them to develop the Company on a long-term basis.
- Indicators relating to performance should be taken into account when determining the remuneration of Executive Management members.

**Relationship between Compensation and Policy**

- The Chief Executive Officer's compensation was determined by the Board of Directors and is reflected in his employment contract.
- The Executive Management members' compensations were determined by the Company's internal policies, except for the Chief Audit Executive whose compensation was determined by the Board based on the Audit Committee's recommendation.
- The compensations were based on a performance indicator that Executive Management members are evaluated against annually.

**16. RELATED PARTY TRANSACTIONS**

Saudi Airlines Establishment (Saudia) is the largest Shareholder in the Company. A large portion of the Company's business is conducted with Saudia, such as providing meals to passengers and crew on board Saudia flights, as well as other services such as producing and preparing menus, ground services that are mainly meals for the employees of this sector, and luggage services

During its meeting held on 16th Safar 1435 Hijri (December 19, 2014), the SACC Board approved the agreement with Newrest to provide consultations and technical services (Technical Services Agreement). The agreement was directly signed between SACC and Newrest Holding S.L. where they own shares in Saudi Strategic Catering Company Ltd.

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 specializing in catering services on trains.

The agreement ran for three years starting from January 1, 2014 and was renewed on January 1, 2017 to December 31, 2020. All contracts signed with related parties were approved during the meeting of the Company's General Assembly authorized for 2017. These related parties include Saudi Arabian Airlines Establishment, Newrest Group Holding S.L. Saudi Airlines Cargo, Saudi Airlines Ground Services, Saudi Airlines Real Estate Development Company, Flyadeal, Abdulmohsen Abdulaziz Al-Hokair Group, National Commercial Bank, Gulf West Co., Emaar the Economic City, and Saudi French Company for Operating and Managing Duty Free Shops.

## 17. SUMMARY OF RELATED PARTY TRANSACTIONS

Related party	Relation to company	Type of transaction	Duration	Value
Saudi Arabian Airlines Establishment	One of the Major Shareholders of the Company that owns more than 5% of the Company's capital	In-Flight catering (IFC)	The Contract started as of 01/01/2015 and will end as of 31/12/2019	Provisional based on orders
		IFC service to Al Bayraq Airlines.	The Contract started as of 01/05/2016 and will end as of 30/04/2019	Provisional based on orders
		Skysales agreement with Al Bayraq	The Contract started as of 01/05/2016 and will end as of 30/04/2019	Provisional based on orders
		Service to Saudia Al Fursan lounge terminal 5 at King Khalid International Airport	The Contract started as of 04/10/2016 and will end as of 03/10/2025	Provisional based on orders
		Service to Saudia Cairo International Airport Fursan Lounge	The Contract started as of 16/02/2016 and will end as of 15/02/2022	Provisional based on orders
		Lease agreement with of AM1 Building King Khalid International Airport	The Contract started as of 01/03/2016 and will end as of 28/02/2018	SR 5,205,200
		Catering services to AM1 Building King Khalid International Airport	The Contract started as of 01/03/2016 and will end as of 28/02/2018	Provisional based on orders
		Saudia Passengers access to Wellcome Lounge in Prince Mohammed Bin Abdulaziz International Airport	The Contract started as of 22/02/2017 and will end as of 22/02/2018	Provisional based on orders
		Agreement with Saudia for Operating and managing central baggage store	The Contract started as of 01/10/2017 and will end as of 30/09/2020	SR 27,000,000
		Catering and Hospitality services to Saudia Al Fursan Lounge King Khalid International Airport Terminal 5	The Contract started as of 07/08/2013	Provisional based on orders
		Catering and Hospitality services to Saudia Al Fursan Lounges at King Abdulaziz International Airport - Jeddah, King Khaled International Airport - Riyadh, King Fahad International Airport - Dammam, and Prince Mohammed Bin Abdulaziz International Airport - Medina	The Contract started as of 19/12/2011	Provisional based on orders
		Catering Service Agreement to Saudia IT Building	The Contract started as of 01/01/2016	Provisional based on orders
		Catering Service Agreement to Saudia Reservations Diplomatic Quarter	The Contract started as of 07/04/2016	Provisional based on orders
		Catering Service Agreement to Saudia Reservations Al Murooj	The Contract started as of 17/10/2013	Provisional based on orders

Related party	Relation to company	Type of transaction	Duration	Value
Saudi Airlines Ground Services Company (SGS)	A subsidiary of Saudi Arabian Airlines Establishment	Catering, services to SGS	The Contract started as of 01/01/2015 and will end as of 31/12/2019	Provisional based on orders
		Lease agreement in King Fahad International Airport	The Contract started as of 28/11/2015 and will end as of 27/11/2017	Provisional based on orders
		Transportation agreement King Fahad International Airport	The Contract started as of 28/11/2015 and will end as of 27/11/2017	Provisional based on orders
		Laundry service to SGS Riyadh	The Contract started as of 26/12/2016 and will end as of 25/12/2019	Provisional based on orders
		Laundry service to SGS Jeddah	The Contract started as of 26/12/2016 and will end as of 25/12/2019	Provisional based on orders
Saudi Airlines Cargo Company	A subsidiary of Saudi Arabian Airlines Establishment	Cargo Services	The Contract started as of 08/12/2014 and will end as of 31/12/2018	Provisional based on orders
		Security services agreement	The Contract started as of 01/06/2016 and will end as of 30/05/2018	Provisional based on orders
		In-Flight catering services	The Contract started as of 01/01/2017 and will end as of 31/12/2018	Provisional based on orders
Saudi Airlines Real Estate Development Company	A subsidiary of Saudi Arabian Airlines Establishment	Lease Agreement for Residential Units - Saudia City	The Contract started as of 15/07/2017 and will end as of 15/07/2020	SR 1,845,000
		Lease agreement for 2 shops at Saudia City	The Contract started as of 01/03/2018 and will end as of 28/03/2019	SR 174,000
		Investment agreement for Saudia City Motel	The Contract started as of 01/04/2016 and will end as of 31/03/2023	SR 2,400,000
		Lease agreement for HQ building and central kitchen in Saudia City	The Contract started as of 01/01/2017 and will end as of 31/12/2017	SR 6,104,608
Flyadeal	A subsidiary of Saudi Arabian Airlines Establishment	In-Flight catering and retail sales.	The Contract started as of 05/09/2017 and will end as of 31/12/2018	SR 9,000,000 (provisional)
		lease agreement	The Contract started as of 01/08/2017 and will end as of 01/08/2019	SR 587,500
Saudi French Company for Operating and Managing Duty Free Shops	An affiliate Company of SACC that owns 40% of it and Wajdy Al-Ghabban (SACC's CEO) and Abdulwahab Saati (SACC's COO-Retail) are Board Members at that Company.	Managing and Operating Duty Free Shops in the Airports	The Contract started as of 23/11/2016 and will end after 25 years of the commencement date as the Company's duration is 25 years and the Shareholders agreement stipulates that the services will continue throughout the duration of the Company.	Provisional based on orders

**17. SUMMARY OF RELATED PARTY TRANSACTIONS (CONTINUED)****Income and expenses in SR from related parties during 2017**

Related Party	Income	Expenses
Saudi Arabian Airlines Establishment	1,552,738,896	8,317,109
Abdulmohsen Abdulaziz Al-Hokair Holding Group	11,595	191,325
Newrest Group Holding S.L.	-	11,779,983
Saudi Airlines Cargo Company	17,433,516	-
Saudi French Company for Operating and Managing Duty Free Shops	21,226,426	-
Saudi Airlines Real Estate Development Company	72,022	16,252,858
Saudi Ground Services Company	57,423,404	71,830
Flyadeal	667,924	-
Emaar the Economic City	-	1,445,061
National Commercial Bank*	-	-
Gulf West Co.	-	3,545,045

\* The dealings with National Commercial Bank are only normal banking transactions, and there are minimal figures that relate to the bank's administrative fees such as transfer fees.

**Accounts payable and receivable in SR from related parties during 2017**

Related Party	Receivables	Payables
Saudi Arabian Airlines Establishment	629,963,565	9,766,970
Abdulmohsen Abdulaziz Al-Hokair Holding Group	93,175	307,140
Newrest Group Holding S.L.	-	35,168
Saudi Airlines Cargo Company	29,128,050	7,455,197
Saudi French Company for Operating and Managing Duty Free Shops	16,658,845	-
Saudi Airlines Real Estate Development Company	453,840	21,155,603
Saudi Ground Services Company	25,611,471	215,194
Flyadeal	580,214	-
Emaar the Economic City	-	280,060
National Commercial Bank*	-	-
Gulf West Co.	-	873,931

\* The dealings with National Commercial Bank are only normal banking transactions, and there are minimal figures that relate to the bank's administrative fees such as transfer fees.

**18. RELATED PARTY MATTERS**

Nature of Work or Contract	Value of Work or Contract	Duration of Work or Contract	Conditions of Work or Contract	Name of BM, EM, or Their Related Party
Management and Consultancy Services with Newrest Group Holding S.L.	Provisional as per service	The Contract started as of 01/01/2017 and will end as of 31/12/2019	There are no preferential terms compared with the local market and third parties	Jonathan Stent-Torriani is a board member at SACC and a founding partner and Co-CEO at Newrest Group Holding S.L.
Commercial transactions for retail shops with Abdulmohsen Abdulaziz Al-Hokair Holding Group	10% from total turnover	The Contract started as of 15/08/2014 and will end as of 14/08/2018	There are no preferential terms compared with the local market and third parties	Sami Al-hokair is a board member at SACC and the Managing Director at Abdulmohsen Abdulaziz Al-Hokair Holding Group
Raw material and consumption goods import agreement with Gulf West Co.	Provisional as per the demand	The Contract started as of 22/02/2015 and will end as of 31/12/2018	There are no preferential terms compared with the local market and third parties	Abdulmohsen Al-yahya is a board member at both SACC and Gulf West Co.
Building and residential units commercial transactions with Emaar the Economic City Company	Provisional as per the demand	The Contract started as of 01/01/2017 and will end as of 31/12/2018	There are no preferential terms compared with the local market and third parties	Fahd Al-rasheed is a board member at SACC and the CEO and Managing Director at Emaar Economic City Company In addition, Abdullah Taibah is a mutual board member of SACC and Emaar Economic City Company
Lease Agreement with KAEC - Single Unit - Al Waha - for Saudi Laundry Services Maintenance Manager	SR 66,600	The Contract started as of 05/01/2017 and will end as of 04/01/2018	There are no preferential terms compared with the local market and third parties	Fahd Al-rasheed is a board member at SACC and the CEO and Managing Director at Emaar Economic City Company In addition, Abdullah Taibah is a mutual board member of SACC and Emaar Economic City Company
lease agreement Emaar for Saudi Laundry Services Land	250,876	The Contract started as of 01/02/2012 and will end as of 31/01/2032	There are no preferential terms compared with the local market and third parties	Fahd Al-rasheed is a board member at SACC and the CEO and Managing Director at Emaar Economic City Company In addition, Abdullah Taibah is a mutual board member of SACC and Emaar Economic City Company
Banking and Financial Transactions with National Commercial Bank	Minor amounts that are administrative fees such as transfer fees	The Contract started as of 01/01/2017 and will end as of 31/12/2018	There are no preferential terms compared with the local market and third parties	Ayman Al-tayyar is a board member at SACC and part of the executive management of National Commercial Bank



**19. SUMMARY OF PAYMENTS MADE TO THE GOVERNMENT**

	2017		Summary	Reasons
	Paid	Due by end of fiscal year and not yet paid		
GOSI	27,687,996.83	2,327,434.16	Paid amounts are for the Period Dec2016-Nov. 2017 and Dec. 2017 paid in Jan. 2018	Paid amounts are for the Period Dec2016-Nov.2017 and Dec. 2017 paid in Jan. 2018
Customs	5,380,431.03	0	All Actual payments to Customs in FY2017	All Actual payments to Customs in FY2017
Visas and Passports, and Labor Office Fees	9,220,636.53	0	All Actual payments to Ministry of Labor and Ministry of Interior	All Actual payments to Ministry of Labor and Ministry of Interior
Zakat	30,171,562	29,522,916	Fiscal year 2017 provision	Payable in April 2018
Income Tax	7,408,022	1,667,175	Fiscal year 2017 provision	Payable in April 2018

**20. DUE PAYMENTS**

	2013	2014	2015	2016	2017
Employee payments	25,950,014	29,831,466	30,378,918	38,012,927	32,321,739
Expenses and other liabilities	185,656,449	197,527,942	106,123,165	204,690,235	142,703,795
Restructuring allowance	19,120,725	13,747,775	-	-	-
Zakat and income tax	38,273,402	40,295,776	35,109,943	27,100,352	31,190,091
<b>Total</b>	<b>269,000,590</b>	<b>281,402,959</b>	<b>171,612,026</b>	<b>269,803,514</b>	<b>206,215,625</b>

**21. COMPANY INVESTMENTS**

Investment	Type	Date	Amount	Maturity date
SABB - Sukuk	Long Term	17/12/2013	40,000,000	18/02/2020

**22. 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 several administrations, all of which are coordinated by the CEO.

**23. INTERNAL AUDIT (I.A.) & INTERNAL CONTROL EFFECTIVENESS ANNUAL REVIEW RESULTS**

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Saudi Airlines Catering Company.

The internal audit vision is to act as a catalyst in improving the internal control environment through raising awareness and providing assurance. In addition to developing creative audit approaches in response to change.

On the other hand, the mission of the internal audit activity is to assist in the protection and enhancement of the Company's values and supports the Company's mission and objectives by providing independent objective assurance and consulting services to the Board of Directors and Audit Committee. The scope 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 internal audit activity is established by the Board of Directors and Audit Committee. The internal audit activity's responsibilities are defined by the Board and Audit Committee.

The internal audit activity is governing itself by adherence to 'The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards). The internal audit activity is also adhering to relevant SACC policies and procedures.

The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of SACC's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity is also having free and unrestricted access to the Board and Audit Committee.

The Chief Audit Executive is reporting functionally to the Audit Committee and administratively to the Chief Executive Officer.

The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

The Chief Audit Executive confirms to the board, at least annually, the organizational independence of the internal audit activity.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

On an annual basis, the Chief Audit Executive submits to the Board and Audit Committee the internal audit plan for review and approval.

The internal audit plan is developed based on a prioritization of the audit universe using a risk-based methodology, including input of Senior Management and the board.

A written report will be prepared and issued by the Chief Audit Executive following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board. This report may include management action plan to clear any reported findings. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations.

During 2017, the Chief Audit Executive confirmed to the Audit Committee that SACC management did not impose any scope limitation on the internal audit scope. In addition, the Audit Committee confirmed that there were no substantial findings related to the annual internal control effectiveness review or any material departure to the Company's policies and internal regulations. In addition, the Audit Committee did not discover any irregularities or any obvious weaknesses in the internal control system of the Company or in any of its various operations in 2017.

**24. SHAREHOLDERS' CAPITAL (SR) SHARES RATIO**

Shareholder	Capital as of 31/12/2016	Number of shares	Capital as of 31/12/2017	Number of shares	Percentage	Change in percentage
Saudi Airlines Establishment	292,740,000	29,274,000	292,740,000	29,274,000	35.70%	0.00%
Strategic Catering Company	189,497,140	18,949,714	76,413,790	7,641,379	9.32%	(59.68%)
Abdulmohsen Abdulaziz Al-Hokair Holding Group	0	0	71,112,560	7,111,256	8.67%	100%
Public	337,762,860	33,776,286	379,733,650	37,973,365	46.31%	12.43%
<b>Total</b>	<b>820,000,000</b>	<b>82,000,000</b>	<b>820,000,000</b>	<b>82,000,000</b>	<b>100.00%</b>	<b>0.00%</b>

## 25. SHAREHOLDERS' CAPITAL DISTRIBUTION



## 26. DIVIDEND POLICY

a. The Board of Directors with a delegation of authority from the General Assembly may recommend the distribution of any periodic and annual dividends prior to the approval of shareholders in the General Assembly meeting.

b. Dividends are distributed based on the following:

- 10% of the net profit is to be allocated to the statutory reserve of the Company, and that allocation may be stopped based on the Ordinary General Assembly's approval if the reserve is more than or equal to 30% of the paid-up capital.
- The Ordinary General Assembly, based on the Board's recommendation may allocate a percentage of the net profit to establish a consensual reserve for specific reasons that are determined in the establishment of that reserve's resolution by the General Assembly.
- The Ordinary General Assembly may establish other reserves to the extent that would accomplish the Company's benefit or ensure the distribution of dividends as stable as possible. That mentioned General Assembly may allocate amounts of the net profit to establish social establishments for the benefit of employees or to assist such existing establishments.
- Dividends are then distributed to shareholders with a minimum amount that is equal to 5% of the paid-up capital.
- The Ordinary General Assembly may use reserved earnings and other distributable consensual reserves to pay the remaining amount of the share or part of, if that would not affect the equality between shareholders.

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

SACC distributed SR 348.5 million in the first three quarters of 2017, which equals 66.8% of the net income before Zakat and income tax.

During 2017, company distributed the below dividends (SR):

	Dividend distributions			Suggested end of year distribution	Total
	06/08/2017	10/09/2017	11/12/2017		
Percentage	12.50%	15.00%	15.00%	13.00%	55.50%
Amount	102,500,000	123,000,000	123,000,000	106,600,000	455,100,000

## 27. GENERAL ASSEMBLY MEETING

Two successful meetings of SACC General Assembly were held during 2017 in the Catering Unit in King Abdulaziz International airport in Jeddah, as shown below. The Company announced the scheduled dates for this General Assembly meeting on Tadawul website and other platforms in accordance with the laws and regulations, and within the time frame stipulated in those relevant laws and regulations.

The announcements highlighted the meeting's time, place and agenda as well as the proxy template. 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. In addition, in the second general assembly the Company facilitated for shareholders to vote electronically through the means provided by Tadawul. It also distributed well-prepared files containing relevant information to help the shareholders take their decisions. The Company also informed the relevant authorities 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 upon their request.

### A. First General Assembly Meeting

Having met the required quorum, the resolutions of the ordinary general assembly meeting held on April 17, 2017 corresponding to Rajab 20, 1438H All resolutions of the meeting were as follows:

- Approval for the annual report for the financial year ending December 31, 2016.
- Approval for the financial statements of the Company for the year ending December 31, 2016.
- Approval for the external auditor report for the year ending December 31, 2016.
- Approval for the appointment of the External Auditor KPMG Al Fozan and Partners based on the recommendation by the Audit committee for the Financial Audit of the Company on a quarterly and annually basis for the year 2017 until the first quarter of 2018.
- Approval for the discharge of the Board of Directors from liability for their activities during the year 2016 until the date of this AGM.
- Ratification for the distribution of dividends for the year 2016 with the total amount valued at SR 537,100,000 which represents 65.50% of the share capital after Zakat and before income tax.
- Approval for the authorization of the Board of Directors to distribute the biannual or quarterly dividends for the financial year of 2017.
- Approval for the payment of the Board of Directors' remunerations and compensations which are detailed within the Board of Directors annual report, against their work, from the period of January 1, 2016 until December 31, 2016 with the total amount of SR 2,166,265.
- Approval on for the amendments of the board of directors' internal policy.
- Ratification for the composition of the Audit Committee and determining its responsibilities, framework, and the remunerations for the period beginning from January 26, 2016 until January 25, 2019, based on the following members:
  - Raed Al-mudaiheem
  - Ayman Al-tayyar
  - Khalid Otein
- Approval for amending article four of the Company's bylaw related to the Company's activities by adding new activities and amending other activities.
- Approval for amending article five of the Company's bylaw regarding the corporation of the Company in other companies.
- Approval for amending article six of the Company's bylaw regarding the term of Company.
- Approval for amending article nine of the Company's bylaw regarding the preferred shares.
- Approval for amending article eighteen of the Company's bylaw regarding the composition of the Board of Directors.
- Approval for amending article twenty-one of the Company's bylaw regarding the board of directors' authority.
- Approval for amending article twenty-three of the Company's bylaw regarding the authority of the Chairman of the Board of Directors and the Deputy Chairman of the Board of Directors.

**27. GENERAL ASSEMBLY MEETING (CONTINUED)****A. First General Assembly Meeting (continued)**

- Approval for amending the Company's bylaw, in order to be in line with the new Companies Law, and the Capital Market Authority regulations.
- Approval for the contractual relations with Saudi Arabian Airlines Est., one of the Company's main shareholders and within which SACC's ex-Board of Director Eng. Saleh Al Jasser holds interest, for the performance of in-flight catering services, management and operation of business lounges, Skysales services, laundry services, security services, procurement and equipment storage services with a total amount of SR (1,446,822,000) for the year 2016 and permitting for this transaction for one coming year. The terms of such contractual agreements each differ according to the nature and location of each agreement.
- Approval for the transactions with Saudi Ground Services Co., an affiliate of Saudi Arabian Airlines Est., one of the Company's main shareholders and within which SACC's ex-Board of Directors member Saleh Al-jasser holds interest, for the performance of catering services, accommodation services, and laundry services, with a total amount of SR (48,443,000) for the year 2016 and permitting for this transaction for one coming year. The terms of such contractual agreements each differ according to the nature and location of each agreement.
- Approval for the transactions with Saudi Cargo, an affiliate of Saudi Arabian Airlines Est., one of the Company's main shareholders and within which SACC's ex-Board of Directors member Saleh Al-jasser holds interest, for the performance of in-flight catering services and security services, with a total amount of SR (14,179,000) for the year 2016 and permitting for this transaction for one coming year. The terms of such contractual agreements each differ according to the nature and location of each agreement.
- Approval for the transactions with Saudi Airlines Real Estate Development Co., an affiliate of Saudi Arabian Airlines Est., one of the Company's main shareholders and within which SACC's ex-Board of Directors member Saleh Al-jasser holds interest, for the performance of lease services for several premises, with a total amount of SR (7,659,000) for the year 2016 and permitting for this transaction for one coming year. The terms of such contractual agreements each differ according to the nature and location of each agreement.
- Approval for the transactions with Newrest Group Holding Co., a controlling shareholder of Strategic Catering Co., one of the Company's main shareholders and which SACC's Board of Directors member Jonathan Stent-Torriani, holds interest, for the performance of consultancy and administrative services, with a total amount of SR (17,515,986) for the year 2016 and permitting for this transaction for one coming year. The terms of such contractual agreements each differ according to the nature and location of each agreement, without any preferential conditions compared to the local market.
- Approval for the transactions with Abdulmohsin Al-Hokair Group, a controlling shareholder of Strategic Catering Co., one of the Company's main shareholders and which SACC's Board of Directors member Sami Al-hokair, holds interest, for the performance of several lease agreements of retail stores, and laundry services, with a total amount of SR (144,615) for the year 2016 and permitting for this transaction for one coming year. The terms of such contractual agreements each differ according to the nature and location of each agreement, without any preferential conditions compared to the local market.
- Approval for the transactions with Gulf West Co. Ltd., a company which SACC's Board of Directors member Abdulmohsin Al-yahya, owns controlling shares in, for the performance of supplying raw materials and consumable goods to the Company, with a total amount of SR (986,202) for the year 2016 and permitting for this transaction for one coming year. The terms of such contractual agreements each differ according to the nature and location of each agreement, without any preferential conditions compared to the local market.
- Approval for the transactions with Emaar, The Economic City, and permitting for this transactions for one coming year and which SACC's Board of Directors member Fahd Al-rasheed, holds interest as he is a managing director and chief executive officer of, for the performance of lease agreements for the automatic laundry facility of the Company, and for the residential units of the Company employees, without any preferential conditions compared to the local market.
- Approval for the transactions with Emaar, The Economic City, and permitting for this transactions for one coming year and which SACC's Board of Directors member Abdullah Taibah, holds interest as he is a Board Director, for the performance of lease agreements for the automatic laundry facility of the Company, and for the residential units of the Company employees, without any preferential conditions compared to the local market.
- Approval for the transactions with National Commercial Bank, and permitting for this transactions for one coming year and which SACC's Board of Directors member, Ayman Al-tayyar, holds interest as he is a deputy chief executive officer and banking head of, for the performance of banking services, without any preferential conditions compared to the local market.

**B. Second General Assembly Meeting**

The Company has also held another general assembly meeting during 2017 in its Unit in King Abdulaziz International Airport in Jeddah on December 21, 2017 corresponding to Rabi II 3, 1439H at 18:30. All resolutions of the meeting were as follows:

- Approval on amending article 4 of the Company's bylaws that deals with the Company's activities by amending and adding activities.
- Approval on stopping the allocation of (10%) from the net profit to establish the statutory reserve for it currently exceeds 30% of the paid-up capital, in accordance with article 129 of the Company's Law.
- Approval on the update on the Company's Corporate Governance Manual.
- Approval on the update on the policies, standards, and procedures of the Board of Directors membership.
- Approval on the update on the internal policies of the Board of Directors.
- Approval on the update on the Audit Committee Charter.
- Approval on the update on the Nomination and Remuneration Committee Charter.
- Approval on the update on the Remuneration Policy of members of the Board of Directors, Committees, and Executive Management.

**C. General Assembly Attendance by Board Members, Committee Members, and Executive Management Members**

Name	Membership	Type of membership	General Assembly		Total
			17/04/2017	21/12/2017	
Yahya Al-yahya	Board of Directors (Chairman), and Executive Committee (Chairman)	Independent	⊙	⊙	2
Raed Al-mudaiheem	Board of Directors (Vice Chairman), Executive Committee and Audit Committee (Chairman)	Independent	⊙	⊙	2
Sami Al-hokair	Board of Directors	Non-Executive	○	○	0
Jonathan Stent-Torriani	Board of Directors, Executive Committee, and NRC	Non-Executive	⊙	○	1
Shawgi Mushtag	Board of Directors, and NRC	Independent	⊙	⊙	2
Fahd Al-rasheed	Board of Directors, Executive Committee, and NRC (Chairman)	Non-Executive	⊙	○	1
Abdullah Taibah	Board of Directors, and NRC	Non-Executive	⊙	⊙	2
Ayman Al-tayyar	Board of Directors, and Audit Committee	Non-Executive	○	○	0
Abdulmohsen Al-yahya	Board of Directors, and Executive Committee	Non-Executive	○	⊙	1
Wajdy Al-ghabban	Executive Management and Executive Committee	Executive	⊙	⊙	2
Sultan Al-booq	Executive Management, Board Secretary, Audit Committee Secretary, NRC Secretary, and Executive Committee Secretary	Executive	⊙	⊙	2
Matti Kivekas	Executive Management	Executive	⊙	○	1

**28. ROLE OF SHAREHOLDERS**

Our General Assembly is the platform where shareholders exercise their voting rights. Shareholders' consent is required for key decisions such as the approval of the financial statements, Board of Directors Annual Report, the review and approval of the Board of Directors' recommendation on dividend payments, the election of Board members, amendments to the bylaws, appointment of external auditors and raising registered capital. Each shareholder is entitled to attend the general assembly and it entitled to one vote per share; and may delegate his attendance and voting power to any other person (other than employees of the Company and Board members).

### 29. INVESTOR RELATIONS

At SACC Investor Relations, we strive to be a world-class investor relations team. Our commitment as a key resource to the financial community and SACC leadership is to be a reliable, responsive and transparent source of valuable information. We are dedicated to upholding our core values of integrity and high ethical standards in our relationships with our stakeholders.

Our investor relation program ensures transparency in all communications while complying fully with the continuous and consistent disclosure obligations stipulated by the Kingdom's Capital Market Authority. We also ensure timely flow of information through various channels such as the website, Tadawul announcements and conference attendance. In addition, we offer access to our Investor Relations team by phone and email, and host special events for analysts and investors including an Investor Day and earning calls.

We follow a policy of proactive communication with the market and informing our stakeholders of all key developments that will have an impact on the business. We hold dialogs with the investor community and advise the Company's Senior Management about market perceptions. Our dialogs with shareholders have become increasingly important as our individual and institutional investors are always looking for up-to-date information on Company developments, our business plans, achievements and challenges.

### 30. REQUESTS TO OBTAIN SHAREHOLDER RECORDS

Number	Date of request	Reasons of request
1.	21/12/2017	General Assembly
2.	18/12/2017	Company Procedures
3.	22/11/2017	Dividend Distribution
4.	22/08/2017	Dividend Distribution
5.	23/05/2017	Dividend Distribution
6.	17/04/2017	General Assembly
7.	16/02/2017	Company Procedures
8.	01/01/2017	Company Procedures

### 31. COMMUNICATION WITH SHAREHOLDERS

SACC maintains regular communications with the shareholders. The Company has taken a series of measures to ensure their rights of access to information through Tadawul website and SACC website, www.saudiacatering.com. SACC provides full and comprehensive information about its activities and businesses through its Annual Report, periodic financial statements and dividends procedures.

The Company also endeavors to maintain links with its shareholders, answer their queries and provide them with the required information on a timely basis.

### 32. INITIATIVES PLANNED TO IMPROVE TRANSPARENCY OR COMMUNICATIONS WITH INVESTORS IN 2017

We seek to provide potential and current investors with the maximal notion of knowledge and access to the Company's financial updates. Focusing on accuracy, we would provide investors with a comprehensive yet detailed outline of what they can expect for the upcoming financial year.

We plan to provide an informative FAQs (frequently asked questions) page on our SACC website, which aims to deliver meaningful answers to investors' common inquiries. For those who may need to seek information beyond the FAQs page, a direct email will be provided and dedicated specifically for issues concerning investors. This email will be easy to find on SACC's website and users will be acknowledged with a timeframe of when they will expect to receive an answer from SACC.

To foreign investors, we understand that feeling secure about the Company's processes and benefits on an international scale is important. We therefore seek to provide a page devoted solely to information relevant to foreign investors, including but not limited to rights, and exemptions they may face in the Kingdom of Saudi Arabia. As part of that effort, SACC has participated in establishing its profile in SharesInside and is aiming to provide all relevant information to its international shareholders through that innovative platform.

From a technical perspective, we may decide to design a mobile application which provides investors with essential access to the Company's news and important data.

### 33. RISK MANAGEMENT POLICY

#### Purpose

- The Risk Management Policy is considered an integral part of the Company's internal controls and governance.
- The policy clarifies the definition the Company holds for risks, describes the purpose of risk management, explains the Company's mechanism to manage risks, document the roles and responsibilities of the main stakeholders, describes the role of the Risk Management procedure in the internal control system as a whole, determines the main report procedures, and explains the procedure the Board should undertake to evaluate the internal control procedures.

#### Definitions and purposes of Risk Management

- Risk can be defined as anything that may hinder the Company or prevent it from achieving any of its goals.
- The purpose of this policy is to determine risks as much as possible that may face the Company. This is to enable the Company to take the proper procedures to avoid and mitigate their affect towards the Company's results and achieve its goals and strategy in the required manner.

#### Role of the Board of Directors in Risk Management

- The Board of Directors has the responsibility of overseeing the Risk Management practice in the Company as a whole, and their role is mainly as follows:
  - Determine main risks that the Company may face.
  - Determine the required procedure to prevent facing that risk, or mitigate its affect on the Company.
  - The board has the right to delegate risk related decisions to any of the Company's divisions, for example delegating the Finance Department for financial risks, the Legal Department for legal risks, and that delegation shall not relieve the Board from their responsibility.
  - The Board has other roles that were determined in its chapter in the Corporate Governance Manual of the Company.

#### Role of the Audit Committee in Risk Management

- Analyse and review risk management systems of the Company.

#### Role of the Executive Management in Risk Management

- Implement the Risk Management and Internal Control Policies that were approved by the Board.
- Ensure that minor risks are under control and managed efficiently; and provide sufficient information in the appropriate time frame to the Board and Audit Committee regarding the status of that risk and the level of control over it.
- Provide data and updates to the Board that relate to risks and their management that were determined by the Board.
- Provide data and updates regarding risks that face the Company; yet, were not determined previously.

#### Risk Management procedures

- The Chief Executive Officer upon his knowledge (if the need requires it, based on the followed policies) inform the Board to review the matter based on the followed policies. If the followed policies did not require informing the Board, the Chief Executive Officer should take the necessary actions regarding those risks and inform the Board in its following meeting.
- The procedures of Risk Management should be followed in accordance with the Risk Management procedures of the related responsible authority in the Company such as the Board, committees, divisions, and departments based on the size and type of that risk.
- The board and Audit Committee are responsible for reviewing the effectiveness of the policy and procedure of the Company's Risk Management based on the information provided by the Executive Management, relevant divisions, and external auditor.

**34. BOARD OF DIRECTORS' DECLARATION**

The Board of Directors approved and declares the following, based on the Corporate Governance Regulations and the Listing Rules:

- The accounting records were properly and correctly prepared.
- The internal control system was properly designed and effectively implemented.
- There was no doubt about the Company'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 by-laws 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, contractual based securities, option rights, subscription right notes or similar rights.
- The Company does not have any conversion or subscription rights under any convertible debt instrument, contractually based securities, warrants, or similar rights; both issued or granted.
- The Company did not issue any shares or debt instruments for any of its affiliates.
- There are no differences from the standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), which are the IFRS Standards.
- 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 was there any material interest for any Board member, Executive Management Member, their relatives or any other related person.
- Except what was disclosed earlier in this report, there are no interests, contractually based securities, and subscription rights of the issuer's directors, senior executives, and their relatives in the shares or debt instruments of the issuer or any of its subsidiaries; nor was there any change in those interests or rights during 2017, except what was disclosed earlier in this report.
- 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 the Company's shareholders to waive the rights to profits.
- Except what was disclosed of shares owned by the Board and Executive Management, there are no other interests in the shares of eligibility of voting that are owned by any person (other than the Board, Executive Management, and their relatives) and any other contractual interests and any changes in those interests in line with Article 45 of the Listing Rules.
- There were no comments received by the shareholders regarding the Company and its performance.
- There was no evaluation of the Board of Directors' performance during 2017.
- The external Auditor's Report doesn't contain any reservations on the relevant annual financial statements.
- There are no arrangement or recommendation by the Board to change the Company's external auditor.
- The Company did not receive any fine, penalty, precautionary procedure, or preventive measure from the CMA nor any other regulatory, supervisory, or judicial authority.
- There was no recommendation to appoint an Internal Auditor for the Company, as it already has an Internal Audit Division.
- There are no recommendations of the Audit Committee that conflict with the Board's decisions, nor did the Board refuse to take any of the Audit Committee's recommendation into consideration regarding the appointment, dismissal, assessment, or determining the remuneration of the external auditor.
- The Company did not have any social contributions during 2017.
- The Company does not have any loans as of 31st December 2017.
- The Company does not have any investments for the benefit of its employees.
- The Company has no treasury shares.



# FINANCIAL REPORT

- 88 Financial Review
- 89 Independent Auditors' Report
- 92 Statement of Financial Position
- 93 Statement of Profit or Loss and Other Comprehensive Income
- 94 Statement of Changes in Equity
- 95 Statement of Cash Flows
- 96 Notes to the Financial Statements



MATTI KIVEKAS  
Chief Financial Officer

**2017 was a challenging year for Saudi Airlines Catering Company. Oil prices remained relatively low and the global political situation was volatile. In our business, the greatest impact was seen in the Retail sector.**



MOHAMMED HUSSAIN  
Finance Director

Despite the external challenges, the Company's net sales reached SR 2.2 billion, only 1.5 percent less than 2016. Our net profit after tax was SR 482 million, 7.2 percent less than 2016's SR 519 million, or 21.6 percent of net sales (2016: 23.0 percent). Increases in Zakat and income tax, and the loss from an associated company, explain half the difference. Less than 4.0 percent was due to reduced volumes and sales.

The Company also had a number of success stories. We secured several new clients – Flyadeal and Saudi Gulf Airlines being noteworthy in that both entrusted us with their in-flight catering – while our long-time client Flynas extended its scope of services with us.

In Retail, we entered the duty-free sector through a 40 percent ownership in a joint venture with Lagardère Travel Retail and Arabian Ground Handling and Logistics. In Catering & Facilities, we signed many new clients, after exiting several unprofitable contracts in 2016. We also extended our lounge business outside Saudi Arabia by opening a new Al Fursan Lounge in Cairo, Egypt. These achievements have positioned the Company well going into 2018.

In-Flight Catering Division, our solid core business, generated 81 percent of net sales in 2017. Nevertheless, we continue to broaden our base by entering new areas. As growth in the airline catering business moderates, contributions from new business lines such as retail and lounges are increasingly important.

We are uniquely placed to support – and benefit from – The Kingdom's Vision 2030 strategy. As the Kingdom prepares to welcome more pilgrims and tourists, the Company's portfolio of services connects many positively impacted areas, from traditional in-flight catering to food and hospitality services for pilgrims and tourists.

In 2017, we successfully implemented International Financial Reporting Standards (IFRS). The change from SOCPA standards to IFRS had less than SR 1 million impact on our retained earnings as we had already implemented the new standards where applicable. However, the task to ensure compatibility and to prepare ourselves for the change was significant.

We began our new finance and planning system in May 2017. This not only helps us meet the additional compliance and disclosure requirements associated with IFRS regulations, but also generates broader benefits for the business. We also implemented a new operational system in our Retail Division, continued the development of our catering ERP system, and brought all our catering operations and most of the procurement transactions under one system.

In 2018, we will combine key financial, HR, and operational data into one analytical platform. This will enable us to develop rigorous performance indicators for various aspects of the business and display these via dashboards for management and investors, enhancing visibility into the Company and enabling deeper levels of analysis and insight for decision-makers.

Improvements in our analytical capabilities and processes will allow us to counteract the pressure on profit margins in some business lines, and ensure the Company continues to deliver value to all stakeholders.

**Matti Kivekas**  
Chief Financial Officer



To the Shareholders of  
Saudi Airlines Catering Company  
(A Saudi Joint Stock Company)  
Jeddah, Kingdom of Saudi Arabia.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Opinion**

We have audited the financial statements of Saudi Airlines Catering Company ("the Company"), which comprise the statement of financial position as at December 31, 2017, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Revenue recognition**

Refer to note 3 for the accounting policy and note 21 for the related disclosure

Key audit matter	How the matter was addressed in our audit
<p>As at December 31, 2017, the Company recognized total revenue of SR 2.223 million (2016: SR 2.256 million).</p> <p>There continues to be pressure on the Company to meet expectations and targets, which may cause misstatement of revenue.</p> <p>Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions, either through inappropriate assessment of the sales return or by recording fictitious revenue transactions.</p>	<p>We performed the following procedures in relation to revenue recognition:</p> <ul style="list-style-type: none"> <li>Assessed the appropriateness of the Company's revenue recognition accounting policies by considering the requirements of relevant accounting standards ;</li> <li>Assessed the design and implementation, and tested the effectiveness of the Company's controls, including anti-fraud controls, over the recognition of revenue as per the Company's policy;</li> <li>Inspected sales transactions, on sample basis taking place at either side of the year-end to assess whether revenue was recognized in the correct period;</li> <li>Developed an expectation of the current year revenue balance for different segments based on trend analysis or other available information, taking into account sales volume, average prices and our understanding of the market. We then compared this expectation to actual revenue and, where relevant, completed further inquiries and testing;</li> <li>Tested manual journals posted to revenue to identify unusual or irregular items.</li> </ul>

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (continued)

Change in financial reporting framework

Refer to note 2 for the basis of accounting and note 28 for the related disclosure of effects of IFRS adoption

Key audit matter	How the matter was addressed in our audit
<p>For all periods up to and including the year ended December 31, 2016, the Company prepared and presented its statutory Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA.</p> <p>For the financial periods commencing January 1, 2017, the applicable regulations require the Company to prepare and present its Financial Statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA (IFRS as endorsed in Kingdom of Saudi Arabia).</p> <p>Accordingly, the Company has prepared its Financial Statements, for the year ended December 31, 2017, under IFRS as endorsed in Kingdom of Saudi Arabia using IFRS 1 – “First time Adoption of International Financial Reporting Standards” (IFRS 1).</p> <p>As part of this transition to IFRS as endorsed in the Kingdom of Saudi Arabia, the Company's management performed a detailed gap analysis to identify differences between previous reporting framework and IFRS as endorsed in Kingdom of Saudi Arabia, determined the transition adjustments in light of this gap analysis and relevant requirements of IFRS 1, and assessed the additional disclosures required in the financial statements.</p> <p>We considered this as a key audit matter as the transitional adjustments due to change in framework and transition related disclosures in the financial statements required additional attention during our audit.</p>	<p>We performed the following procedures in relation to change in financial reporting framework:</p> <ul style="list-style-type: none"> <li>• Considered the Company's governance process around the adoption of IFRS as endorsed in the Kingdom of Saudi Arabia, especially, in relation to matters requiring management to exercise its judgment;</li> <li>• Obtained an understanding of the analysis performed by management to identify all significant differences between previous reporting framework and IFRS as endorsed in the Kingdom of Saudi Arabia which can impact the Company's financial statements;</li> <li>• Evaluated the results of management's analysis and key decisions taken in respect of the transition using our knowledge of the relevant requirements of the IFRS as endorsed in the Kingdom of Saudi Arabia and our understanding of the Company's business and its operations;</li> <li>• Tested the transition adjustments by considering management's gap analysis, the underlying financial information and the computation of these adjustments; and</li> <li>• Evaluated the disclosures made in relation to the transition to IFRS as endorsed in the Kingdom of Saudi Arabia by considering the relevant requirements of IFRS 1.</li> </ul>

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies and Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **Saudi Airlines Catering Company** (“the Company”).

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG AI Fozan & Partners

Certified Public Accountants

Ebrahim Oboud Baeshen  
License No: 382

Jeddah, Rajab 12, 1439H  
Corresponding to March 29, 2018



**STATEMENT OF FINANCIAL POSITION**

As at December 31, 2017

(Expressed in Saudi Arabian Riyals)

	Note	December 31, 2017	December 31, 2016	January 01, 2016
<b>Assets</b>				
Property, plant and equipment	5	554,462,015	525,112,467	455,310,635
Intangible assets	6	1,282,184	2,481,088	2,743,077
Investment property	7	40,286,383	36,176,244	-
Equity accounted investee	8	20,642,074	-	-
Financial asset	9	73,620,570	82,258,676	54,807,413
<b>Non-current assets</b>		<b>690,293,226</b>	646,028,475	512,861,125
Inventories	10	109,980,916	125,530,978	121,261,687
Investment securities	9	-	84,721,772	205,170,874
Trade and other receivables	11	854,926,157	730,691,867	553,395,599
Prepayments and other assets	12	126,213,452	143,101,215	130,168,505
Cash and cash equivalents	13	101,547,658	151,711,045	304,248,115
<b>Current assets</b>		<b>1,192,668,183</b>	1,235,756,877	1,314,244,780
<b>Total assets</b>		<b>1,882,961,409</b>	1,881,785,352	1,827,105,905
<b>Equity</b>				
Share capital	14	820,000,000	820,000,000	820,000,000
Statutory reserve	15	353,835,879	340,714,074	286,600,187
Retained earnings		109,109,072	99,875,473	211,143,512
<b>Total equity</b>		<b>1,282,944,951</b>	1,260,589,547	1,317,743,699
<b>Liabilities</b>				
Employees' benefits	17	168,998,200	163,272,642	145,633,311
<b>Non-current liabilities</b>		<b>168,998,200</b>	163,272,642	145,633,311
Zakat and income tax liabilities	18	31,190,087	27,100,352	35,109,943
Trade and other payables	19	399,828,171	430,822,811	328,618,952
<b>Current liabilities</b>		<b>431,018,258</b>	457,923,163	363,728,895
<b>Total liabilities</b>		<b>600,016,458</b>	621,195,805	509,362,206
<b>Total equity and liabilities</b>		<b>1,882,961,409</b>	1,881,785,352	1,827,105,905

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes 1 through 34 form an integral part of these financial statements.

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

	Note	2017	2016
Revenue	21	2,223,394,348	2,256,650,268
Cost of sales	22	(1,500,602,393)	(1,490,899,501)
<b>Gross profit</b>		<b>722,791,955</b>	765,750,767
Other income	23	7,046,674	5,014,511
General and administrative expenses	24	(191,591,127)	(215,862,495)
Other expenses	25	(2,845,620)	(4,015,996)
<b>Operating profit</b>		<b>535,401,882</b>	550,886,787
Finance income	26	2,966,542	5,882,945
Interest cost	17	(4,845,600)	(4,158,400)
<b>Net finance (costs)/income</b>		<b>(1,879,058)</b>	1,724,545
Share of loss of equity accounted investee	8	(10,115,526)	-
<b>Profit before zakat and income tax</b>		<b>523,407,298</b>	552,611,332
Zakat and income tax expense	18	(41,669,319)	(33,505,845)
<b>Profit for the year</b>		<b>481,737,979</b>	519,105,487
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit liability	17	(12,973,100)	(11,555,800)
<b>Other comprehensive loss for period</b>		<b>(12,973,100)</b>	(11,555,800)
<b>Total comprehensive income for the year</b>		<b>468,764,879</b>	507,549,687
<b>Earnings per share</b>			
Basic earnings per share	27	5.72	6.19
Diluted earnings per share	27	5.72	6.19

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes 1 through 34 form an integral part of these financial statements.

**STATEMENT OF CHANGES IN EQUITY**

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

	Note	Share Capital	Statutory Reserve	Retained Earnings	Total
Balance at January 1, 2016		820,000,000	286,600,187	211,143,512	1,317,743,699
<b>Total comprehensive income</b>					
Profit for the year		-	-	519,105,487	519,105,487
Other comprehensive loss		-	-	(11,555,800)	(11,555,800)
<b>Total comprehensive income</b>		-	-	507,549,687	507,549,687
<b>Transactions with owners of the Company</b>					
<b>Contributions and distributions</b>					
Dividends	16	-	-	(564,703,839)	(564,703,839)
Transfer to statutory reserve		-	54,113,887	(54,113,887)	-
<b>Balance at December 31, 2016</b>		<b>820,000,000</b>	<b>340,714,074</b>	<b>99,875,473</b>	<b>1,260,589,547</b>
<b>Balance at January 1, 2017</b>		<b>820,000,000</b>	<b>340,714,074</b>	<b>99,875,473</b>	<b>1,260,589,547</b>
<b>Total comprehensive income</b>					
Profit for the year		-	-	481,737,979	481,737,979
Other comprehensive loss		-	-	(12,973,100)	(12,973,100)
<b>Total comprehensive income</b>		-	-	468,764,879	468,764,879
<b>Transactions with owners of the Company</b>					
<b>Contributions and distributions</b>					
Dividends	16	-	-	(446,409,475)	(446,409,475)
Transfer to statutory reserve		-	13,121,805	(13,121,805)	-
<b>Balance at December 31, 2017</b>		<b>820,000,000</b>	<b>353,835,879</b>	<b>109,109,072</b>	<b>1,282,944,951</b>

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes 1 through 34 form an integral part of these financial statements.

**STATEMENT OF CASH FLOWS**

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

	Note	December 31, 2017	December 31, 2016
<b>Cash flows from operating activities</b>			
Profit before zakat and income tax		523,407,298	552,611,332
<b>Adjustments for:</b>			
Depreciation	5 & 7	56,286,987	38,186,437
Amortization	6	1,198,904	1,131,239
(Reversal)/allowance for doubtful debts, net	11	(14,884,862)	29,414,979
(Reversal)/provision for slow-moving inventory, net	10	(3,983,676)	394,564
Finance income	26	(2,966,542)	(5,882,945)
Interest cost	17	4,845,600	4,158,400
Share of loss in equity accounted investees	8	10,115,526	-
Loss on sale of property, plant and equipment	25	171,470	160,741
Employees' benefits service cost	17	12,010,400	9,911,600
Provision for accrued bonus - long term		-	2,810,000
		586,201,105	632,896,347
<b>Changes in:</b>			
Inventories		19,533,738	(4,663,855)
Trade and other receivables		(109,349,428)	(206,711,247)
Prepayments and other assets		16,887,763	(12,932,710)
Trade and other payables		(34,773,501)	101,917,562
Finance assets - letter of guarantee		8,638,106	(27,451,263)
Cash generated from operating activities		487,137,783	483,054,834
Payment of accrued bonus - long term		(3,789,782)	(3,664,570)
Employees' benefits paid	17	(16,487,400)	(7,131,900)
Zakat & income tax paid	18	(37,579,584)	(41,515,436)
Interest income received	26	1,436,785	1,332,047
<b>Net cash from operating activities</b>		<b>430,717,802</b>	<b>432,074,975</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of property, plant and equipment		-	16,520
Proceeds from sale of investments	9	86,251,529	125,000,000
Additions to property, plant and equipment and investment property		(89,918,144)	(144,341,774)
Acquisition of equity accounted investee	8	(30,757,600)	-
Additions to intangible asset	6	-	(869,250)
<b>Net cash used in investing activities</b>		<b>(34,424,215)</b>	<b>(20,194,504)</b>
<b>Cash flow from financing activities</b>			
Dividends paid	16	(446,456,974)	(564,417,541)
<b>Net cash used in financing activities</b>		<b>(446,456,974)</b>	<b>(564,417,541)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(50,163,387)</b>	<b>(152,537,070)</b>
Cash and cash equivalents at January 1		151,711,045	304,248,115
<b>Cash and cash equivalents at December 31</b>	13	<b>101,547,658</b>	<b>151,711,045</b>
<b>Non-cash transactions:</b>			
Remeasurement loss of employees benefits	17	12,973,100	11,555,800

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member

The accompanying notes 1 through 34 form an integral part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 1. REPORTING ENTITY

Saudi Airlines Catering Company (the "Company") is domiciled in Saudi Arabia. The Company's registered office is at Catering HQ - SW/10-22/3, P.O. Box 9178, Jeddah 21413, Kingdom of Saudi Arabia ("KSA"). The Company was registered as a Saudi limited liability company on Muharram 20, 1429H (January 29, 2008) under commercial registration number 4030175741. The share capital of the Company, amounting to Saudi Arabian Riyals ("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 Rajab 19, 1429H (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 29/1/1432H (January 4, 2011) and obtained the amended Commercial Registration on 10/3/1432H (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 Jamada Al Awal 26, 1432H (April 30, 2011).

During the period from June 18, 2012 (Rajab 28, 1433H) to June 24, 2012 (Shaban 4, 1433H), 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	Percentage
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7%
Strategic Catering Company Limited	28,126,000	281,260,000	34.3%
Public Shareholders	24,600,000	246,000,000	30.0%
	82,000,000	820,000,000	100%

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 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.

The Company also has the following branches, which are operating under separate Commercial registrations:

Branch location	C.R.	Date
Rabigh	4602006306	Rajab 16, 1436H (May 5, 2015)
Medina	4650055980	Jumada Al-Thani 1, 1433H (April 23, 2012)
Dammam	2050082998	Jumada Al-Thani 1, 1433H (April 23, 2012)
Makkah	4031084114	Jumada Al-Atwal 23, 1435H (March 25, 2014)
Jeddah	4030227251	Jumada Al-Thani 1, 1433H (April 23, 2012)
Jeddah	4030285290	Muharram 2, 1437H (October 16, 2015)
Riyadh	1010336558	Jumada Al-Thani 1, 1433H (April 23, 2012)

The registered head office of the Company is located at the following address:

#### Saudi Airlines Catering Company

Al Saeb Al Jamari Street

Prince Sultan Bin Abdulaziz Road, Almohammadya District (5)

P. O. Box 9178, Jeddah 21413, Kingdom of Saudi Arabia

### 2. BASIS OF ACCOUNTING

#### A. Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (hereafter referred to as "IFRS as endorsed in KSA").

Up to and including the year ended December 31, 2016, the Company prepared and presented its statutory Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the Financial Statements. In these Financial Statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of International Financial Reporting Standards ("IFRS").

For financial periods commencing January 1, 2017, the applicable regulations require the Company to prepare and present its Financial Statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. As part of this requirement, the Company has prepared these Financial Statements.

As required by the Capital Market Authority ("CMA") through its circular dated October 16, 2016 the Company needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

These Financial Statements are prepared in accordance with IFRS 1 First time Adoption of International Financial Reporting Standards. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRS's has affected the reported financial position and financial performance of the Company is provided in note 28. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previous GAAP to those reported for those periods and at the date of transitions under IFRSs.

At the date of authorization of these financial statements, various Standards and Interpretations (including amendments thereto) were in issue but not yet effective. Management is still accessing the likely impact of the adoption of these Standards and Interpretations in future periods. (Refer note 33).

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 2. BASIS OF ACCOUNTING (CONTINUED)

#### B. Basis of Measurement

These financial statements have been prepared under the historical cost basis, except financial assets measured at fair value through profit & loss which are stated at fair value. Further, the financial statements are prepared using the accrual basis of accounting and going concern concept.

#### C. Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR") which is the Company's functional currency.

### 3. SIGNIFICANT ACCOUNTING POLICIES

#### A. Use of judgments and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

#### *Assumptions and 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 year are discussed.

#### *Impairment of trade accounts receivable and amounts due from related parties*

An estimate of the collectible amount of trade receivables and amounts due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

At the reporting date, gross trade receivables and amounts due from related parties were SR 203 million (December 31, 2016: SR 175 million and January 1, 2016: SR 140 million) and SR 702 million (December 31, 2016: SR 622 million and January 1, 2016: SR 450 million) respectively with allowance for impairment of trade receivables amounting to SR 51 million (December 31, 2016: SR 66 million and January 1, 2016: 36 million) respectively. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

#### *Inventories obsolescence provision*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

At the reporting date, gross inventories were SR 114 million (December 31, 2016: SR 134 million and January 1, 2016: SR 129 million) with provision for obsolete and slow-moving inventories amounting to SR 4.3 million (December 31, 2016: SR 8.3 million and January 1, 2016: SR 8 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

#### *Defined Benefit Obligation*

The cost of end of service benefit plans and the present value of end of service benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### B. Investments in Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Company investments in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised, nor individually tested for impairment.

The profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### C. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

#### D. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements as it has primary responsibility for providing goods or services and assumes the inventory and credit risk. The following specific recognition criteria must also be met before revenue is recognised:

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### D. Revenue (continued)

##### Catering revenue

Revenue from catering and other services is recognised when the services are rendered to the customer.

##### Sales of goods

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably, usually on delivery of the goods. Revenue from the sales of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

##### Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

##### Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss and other comprehensive income due to its non-operating nature.

#### E. Employee benefits

##### i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

##### ii. Defined benefit plans

Provision is made for amounts payable to employees under the Saudi Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee on a going concern basis.

The Company provides end of service benefits to employees. These benefits are unfunded. The cost of providing benefits is determined using the projected unit credit method as amended by IAS 19.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the defined benefit liability (excluding amounts included in interest on the defined benefit liability) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Interest is calculated by applying the discount rate to the defined benefit liability. The Company recognises the following changes in the defined benefit obligation under 'cost of sales', and 'general and administration expenses' in the income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense or income

##### iii. Other long-term employee benefits

The Company's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value if the impact is material. Remeasurements are recognised in profit or loss in the period in which they arise.

##### iv. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

#### F. Zakat and income tax

The Company is subject to Regulations of Saudi General Authority of Zakat and Income Tax ("GAZT") 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. The amount of Zakat and income tax is the best estimate of the Zakat and income tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using Zakat and tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans of the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

#### G. Segment information

A segment is a distinguishable component of the Company that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

#### H. Contingencies

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements, but are disclosed when an inflow of economic benefits is probable.

#### I. Finance income and finance cost

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Company right to receive payment is established.

#### J. Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

#### K. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to sales.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### L. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading; Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

#### M. Property, plant and equipment

##### i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of items of property, plant and equipment at January 1, 2016, the Company's date of transition to IFRS, was determined with reference to its cost at that date.

Expenditure on maintenance and repairs of items of Property, plant and equipment is expensed, while expenditure for betterment is capitalised.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the profit or loss.

Capital work-in-progress represents all costs relating directly to on-going construction projects and are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Capital work-in-progress is not depreciated.

##### ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

##### iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of the principal classes of assets are as follows:

Leasehold improvements	2-30 years
Equipment	3-15 years
Motor Vehicles	7-10 Years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

#### O. Investment property

An investment property is a property held either to earn rental income or to increase in value or both, but not for the purpose of selling it through the ordinary activities of the Company. And it is not used in the production or supply of goods or services or for administrative purposes. Investment properties are initially recognized at cost and transaction costs are included in the initial measurement and are subsequently measured using the cost model (at historical cost after deducting accumulated depreciation – except land carried at cost – and accumulated impairment losses).

#### P. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangibles comprise software, which have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives of intangible assets are 5 years.

#### Q. Non-derivative financial instruments

##### i. Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognises loans and receivables, deposits and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### ii. Non-derivative financial assets – Measurement

###### Loan and receivables and held to maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method and net of any impairment loss, if any.

###### Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

##### iii. Non-derivative financial liabilities

Non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

#### R. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares recognised as a deduction from equity.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### S. Impairment

##### i. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- indication that a debtor or issuer will enter bankruptcy;
- restructuring of the amount due to the Company on the terms that Company would not consider otherwise; or
- disappearance from an active market for a security because of financial difficulties.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

#### Financial asset at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by Companying together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

##### ii. Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

#### T. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

#### U. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

#### V. Leases

##### i. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

##### ii. Leased assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risk and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

##### iii. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### 4. OPERATING SEGMENTS

#### A. Basis for segmentation

The Company has the following three strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately because of their different fundamentals.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Inflight	Inflight catering, airline equipment and business lounge
Retail	Onboard and ground
Catering and Facilities	Remote & Camp management, Business & Industries catering, Security services, Laundry services & Hajj & Umrah

The Company's Board reviews the internal management reports of each strategic division at least quarterly.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 4. OPERATING SEGMENTS (CONTINUED)

#### B. Information about reportable segments

31 December 2017

	Inflight	Retail	Catering and Facilities	Total reportable segments	All other segments	Head office	Total
External revenues	1,778,952,116	261,503,197	119,889,814	2,160,345,127	63,049,221	-	2,223,394,348
Inter-segment revenue	46,399,516	32,805	3,914,868	50,347,189	283,315,605	-	333,662,794
Segment revenue	1,825,351,632	261,536,002	123,804,682	2,210,692,316	346,364,826	-	2,557,057,142
Segment profit/(loss) before zakat and tax	846,178,734	30,961,744	2,766,509	879,906,987	(356,499,689)	-	523,407,298
Depreciation and amortization	25,759,854	2,897,364	6,616,891	35,274,109	22,211,782	-	57,485,891
<b>Assets:</b>							
Segment assets	897,173,262	122,050,788	117,298,312	1,136,522,362	260,828,011	-	1,397,350,373
Other assets	-	-	-	-	-	485,611,036	485,611,036
<b>Total</b>	<b>897,173,262</b>	<b>122,050,788</b>	<b>117,298,312</b>	<b>1,136,522,362</b>	<b>260,828,011</b>	<b>485,611,036</b>	<b>1,882,961,409</b>
<b>Liabilities:</b>							
Segment liabilities	222,761,538	35,226,369	16,876,374	274,864,281	105,165,388	-	380,029,669
Other liabilities	-	-	-	-	-	219,986,789	219,986,789
<b>Total</b>	<b>222,761,538</b>	<b>35,226,369</b>	<b>16,876,374</b>	<b>274,864,281</b>	<b>105,165,388</b>	<b>219,986,789</b>	<b>600,016,458</b>

31 December 2016

	Inflight	Retail	Catering and Facilities	Total revenue for reportable segments	All other segments	Head office	Total
External revenues	1,797,997,620	269,159,400	147,299,198	2,214,456,218	42,194,050	-	2,256,650,268
Inter-segment revenue	26,945,923	-	80,279	27,026,202	295,664,824	-	322,691,026
Segment revenue	1,824,943,543	269,159,400	147,379,477	2,241,482,420	337,858,874	-	2,579,341,294
Segment profit/(loss) before zakat and tax	609,127,785	49,433,703	(8,083,083)	650,478,405	(97,867,073)	-	552,611,332
Depreciation and amortization	17,206,064	1,789,545	3,829,914	22,825,523	16,492,153	-	39,317,676
<b>Assets:</b>							
Segment assets	827,834,854	96,340,249	101,809,057	1,025,984,160	238,877,659	-	1,264,861,819
Other assets	-	-	-	-	-	616,923,533	616,923,533
<b>Total</b>	<b>827,834,854</b>	<b>96,340,249</b>	<b>101,809,057</b>	<b>1,025,984,160</b>	<b>238,877,659</b>	<b>616,923,533</b>	<b>1,881,785,352</b>
<b>Liabilities:</b>							
Segment liabilities	219,719,127	6,479,598	18,204,506	244,403,231	99,835,396	-	344,238,627
Other liabilities	-	-	-	-	-	276,957,178	276,957,178
<b>Total</b>	<b>219,719,127</b>	<b>6,479,598</b>	<b>18,204,506</b>	<b>244,403,231</b>	<b>99,835,396</b>	<b>276,957,178</b>	<b>621,195,805</b>

#### C. Reconciliations of information on reportable segments to IFRS measures

##### I. Revenue

	December 31, 2017	December 31, 2016
Total revenue for reportable segments	2,210,692,316	2,241,482,420
Revenue for other segments	346,364,826	337,858,874
Elimination of intersegment revenue	(333,662,794)	(322,691,026)
<b>Total revenue</b>	<b>2,223,394,348</b>	<b>2,256,650,268</b>

##### II. Profit

	December 31, 2017	December 31, 2016
Total profit for reportable segments	879,906,987	650,478,405
Profit for other segments	(356,499,689)	(97,867,073)
<b>Total profit</b>	<b>523,407,298</b>	<b>552,611,332</b>

##### III. Assets

	December 31, 2017	December 31, 2016
Total assets for reportable segments	1,136,522,362	1,025,984,160
Assets for other segments	260,828,011	238,877,659
Other unallocated amounts	485,611,036	616,923,533
<b>Total assets</b>	<b>1,882,961,409</b>	<b>1,881,785,352</b>

Other unallocated amounts principally related to cash and cash equivalents, investment securities and prepayment and other current assets.

##### IV. Liabilities

	December 31, 2017	December 31, 2016
Total liabilities for reportable segments	274,864,281	244,403,231
Liabilities for other segments	105,165,388	99,835,396
Other unallocated amounts	219,986,789	276,957,178
<b>Total liabilities</b>	<b>600,016,458</b>	<b>621,195,805</b>

Head office amounts principally related to trade and other payables, current zakat and tax liabilities and employee benefits.

##### V. Geographical information

Revenue	December 31, 2017	December 31, 2016
Kingdom of Saudi Arabia	2,134,844,560	2,168,733,113
<i>All foreign countries</i>		
Egypt - Cairo	88,549,788	87,917,155
<b>Total revenue</b>	<b>2,223,394,348</b>	<b>2,256,650,268</b>

##### D. Major customer

Revenue from one customer of the Company's Airline segment represented approximately 65% of the Company's total revenues.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 5. PROPERTY, PLANT AND EQUIPMENT

#### A. Reconciliation and carrying amount

	Land	Leasehold improvements	Equipment	Motor vehicles	Under construction	Total
<b>Cost:</b>						
Balance at January 1, 2016	33,786,058	38,260,036	101,822,414	76,057,118	296,757,239	546,682,865
Additions	-	996,357	4,844,302	573,502	100,910,061	107,324,222
Disposals	-	(1,713,675)	(13,046,995)	(8,032,229)	-	(22,792,899)
Transfer from capital work under construction	-	191,399,146	38,779,585	32,523,981	(262,702,712)	-
Balance at December 31, 2016	33,786,058	228,941,864	132,399,306	101,122,372	134,964,588	631,214,188
Additions	-	1,374,056	19,818,698	3,350,888	59,515,164	84,058,806
Disposal	-	(206,068)	(4,915,630)	(944,037)	-	(6,065,735)
Transfer from capital work under construction	-	68,508,120	23,619,152	682,214	(92,809,486)	-
Balance at December 31, 2017	33,786,058	298,617,972	170,921,526	104,211,437	101,670,266	709,207,259
<b>Accumulated depreciation:</b>						
Balance at January 1, 2016	-	18,979,597	50,504,866	21,887,767	-	91,372,230
Charge for the year	-	9,694,433	18,839,480	8,811,216	-	37,345,129
Disposals	-	(1,713,675)	(12,890,900)	(8,011,063)	-	(22,615,638)
Balance at December 31, 2016	-	26,960,355	56,453,446	22,687,920	-	106,101,721
Charge for the year	-	19,739,343	23,731,729	11,066,716	-	54,537,788
Disposals	-	(171,882)	(4,778,346)	(944,037)	-	(5,894,265)
Balance at December 31, 2017	-	46,527,816	75,406,829	32,810,599	-	154,745,244
<b>Carrying amounts:</b>						
At December 31, 2017	33,786,058	252,090,156	95,514,697	71,400,838	101,670,266	554,462,015
At December 31, 2016	33,786,058	201,981,509	75,945,860	78,434,452	134,964,588	525,112,467
At January 1, 2016	33,786,058	19,280,439	51,317,548	54,169,351	296,757,239	455,310,635

Capital work under construction represents construction works on welcome lounges at King Khalid International Airport (Terminals 1, 2 and 5) in Riyadh.

#### B. Depreciation for the year ended December 31 was allocated as follows:

	Note	2017	2016
Cost of sales	22	47,570,477	32,507,287
General and administrative expenses	24	6,967,311	4,837,842
		54,537,788	37,345,129

### 6. INTANGIBLE ASSET

#### A. Intangible Asset

Intangible asset represents system software that the Company implemented during 2015.

#### B. Reconciliation and carrying amount

	December 31, 2017	December 31, 2016	January 1, 2016
<b>Cost</b>			
Balance at January 1	3,820,824	2,951,574	2,951,574
Additions	-	869,250	-
<b>Balance at December 31</b>	<b>3,820,824</b>	<b>3,820,824</b>	<b>2,951,574</b>
<b>Accumulated amortization</b>			
Balance at January 1	1,339,736	208,497	-
Amortisation	1,198,904	1,131,239	208,497
<b>Balance at December 31</b>	<b>2,538,640</b>	<b>1,339,736</b>	<b>208,497</b>
<b>Carrying amounts</b>	<b>1,282,184</b>	<b>2,481,088</b>	<b>2,743,077</b>

#### C. Amortisation

The amortisation is included in 'General and administrative expenses'.

### 7. INVESTMENT PROPERTY

A. The investment property is represented in part of a building constructed by the Company and is being leased to a related party in Dammam.

#### B. Reconciliation and carrying amount

	December 31, 2017	December 31, 2016	January 1, 2016
<b>Cost</b>			
Balance at January 1	37,017,552	-	-
Additions	5,859,338	37,017,552	-
<b>Balance at December 31</b>	<b>42,876,890</b>	<b>37,017,552</b>	<b>-</b>
<b>Accumulated depreciation</b>			
Balance at January 1	841,308	-	-
Charge for the year	1,749,199	841,308	-
<b>Balance at December 31</b>	<b>2,590,507</b>	<b>841,308</b>	<b>-</b>
<b>Carrying amounts</b>	<b>40,286,383</b>	<b>36,176,244</b>	<b>-</b>

### 8. EQUITY ACCOUNTED INVESTEE

#### A. Investment in associate

On May 10, 2017, the Company invested an amount of SR 30,757,600 in Saudi French Company for Duty Free Operations and Management representing 40% of its share capital.

The Company recorded its share in the losses of the associate from May 10, 2017 until December 31, 2017.

#### B. The balance of the investment in associate as at December 31 is as follows:

Name	Country of incorporation	Effective ownership interest (%)		Carrying value	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Saudi French Company For Duty Free Operations and Management (limited liability company)	Kingdom of Saudi Arabia	40%	-	20,642,074	-

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 8. EQUITY-ACCOUNTED INVESTEE (CONTINUED)

#### C. The movement in the investment in associate during the year was as follows:

	December 31, 2017
Capital contribution	30,757,600
Share in net loss	(10,115,526)
	20,642,074

#### D. Below is the summary of the financial information of the investee at December 31:

##### i. Share in net assets

	December 31, 2017
Non current assets	26,055,824
Current assets	95,903,343
Total assets	121,959,167
Non current liabilities	550,029
Current liabilities	69,803,954
Total liabilities	70,353,983
<b>Net assets</b>	<b>51,605,184</b>
Company's share in net assets (40%)	20,642,074

##### ii. Share in loss

	December 31, 2017
Revenue	106,170,470
Net loss for the period	(25,288,816)
Company's share of loss for the period (40%)	(10,115,526)

##### iii) Impairment test of associate

The recoverable amount of this equity accounted investee is estimated using discounted cash flows. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2017
Discount rate	7%
Terminal value growth rate	0%
Budgeted EBITDA growth rate (average of next five years)	(2%)

The management of the Company has assessed in detail the carrying value of Saudi French Company for Duty Free Operations and Management as at December 31, 2017 on the basis of above assumptions.

### 9. FINANCIAL ASSETS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
<b>Financial assets measured at amortized cost:</b>				
Investment in Saudi British Bank Sukuk	9-A	40,000,000	40,000,000	40,000,000
Letters of guarantee		33,620,570	42,258,676	14,807,413
		<b>73,620,570</b>	82,258,676	54,807,413
<b>Financial assets measured at fair value through profit and loss</b>				
Investments in mutual fund	9-B	-	84,721,772	205,170,874
		-	84,721,772	205,170,874

#### A. INVESTMENT IN SAUDI BRITISH BANK SUKUK

The Saudi British Bank (SABB) Sukuk ("Sukuk II") carries a return SIBOR plus a margin of 1.4 percent calculated semi-annually. The Sukuk II shall be liquidated in 2020 but Saudi Airline Catering Company has the option 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.

#### B. INVESTMENT IN MUTUAL FUNDS:

- The investment represented units of a mutual fund (Al-Sunbullah), denominated in Saudi Arabian Riyals. The investment was disposed in the current year.
- The movement in the mutual fund is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	84,721,772	205,170,874	203,512,809
Disposal of investment	(86,251,529)	(125,000,000)	-
Unrealized fair value gain	1,529,757	4,550,898	1,658,065
	-	84,721,772	205,170,874

- The Company measured fair value of the investment in mutual funds based on quoted prices in an active market. The Company considers the carrying values of other financial assets and liabilities to be a reasonable approximation of fair value.

### 10. INVENTORIES

#### A. Inventories comprise the following:

	December 31, 2017	December 31, 2016	January 1, 2016
Catering items	28,344,428	24,465,968	9,762,477
Retails items (formerly Skysales)	78,296,188	90,688,451	83,787,801
Spare parts	4,535,592	3,798,394	3,873,824
Packing and other materials	3,143,816	14,900,949	31,765,805
	<b>114,320,024</b>	133,853,762	129,189,907
Provision for slow-moving and obsolete inventories	(4,339,108)	(8,322,784)	(7,928,220)
	<b>109,980,916</b>	125,530,978	121,261,687

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 10. INVENTORIES (CONTINUED)

#### B. Movement in provision for slow moving and obsolete inventories for the year was as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	8,322,784	7,928,220	6,169,063
Charge for the year	1,850,871	4,544,816	3,375,569
Utilised during the year	(5,743,586)	(3,674,518)	(1,521,942)
Write-off during the year	(90,961)	(475,734)	(94,470)
Balance at end of the year	4,339,108	8,322,784	7,928,220

- Provision for slow-moving and obsolete inventories is based on the nature of inventories, sales expectations, historic trends and other qualitative factors.

### 11. TRADE AND OTHER RECEIVABLES

#### A. Trade and other receivables at December 31 comprise the following:

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Trade receivables due from related parties	20	702,489,160	621,822,428	449,931,201
Trade receivables – third parties		203,269,330	174,586,634	139,766,614
		905,758,490	796,409,062	589,697,815
Impairment losses (third parties)	11-c	(50,832,333)	(65,717,195)	(36,302,216)
		854,926,157	730,691,867	553,395,599

- Trade receivables disclosed above are classified as loans and receivables and are measured at amortized cost.
- The Company does not have any collateral over receivables and the vast majority are, therefore, unsecured. Unimpaired trade receivables are expected, on the basis of past experience to be fully recoverable.

#### B. The ageing analysis of trade receivable is as follows:

	Up to three months	Above three and up to six months	Above six months	Total
<b>December 31, 2017</b>	<b>512,517,608</b>	<b>306,895,194</b>	<b>86,345,688</b>	<b>905,758,490</b>
December 31, 2016	276,573,098	139,797,236	380,038,728	796,409,062
January 1, 2016	220,912,545	44,814,302	323,970,968	589,697,815

#### C. Movements summary in impairment losses provision for receivables from third parties for the year ended December 31 are as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	65,717,195	36,302,216	53,196,829
Charged for the year	16,116,230	36,217,522	14,774,074
Write-off during the year	(750,000)	-	-
Reversal during the year	(30,251,092)	(6,802,543)	(31,668,687)
Balance at end of the year	50,832,333	65,717,195	36,302,216

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. This is based on historical pattern behaviour and extensive analysis of customer's credit risk, including underlying customer's credit ratings if they are available. Accordingly, management believes that there is no further credit allowance required in excess of the provision for impairment of receivables.

### 12. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets at December 31 comprise the following

	December 31, 2017	December 31, 2016	January 1, 2016
Prepayments	92,318,604	88,509,663	94,244,584
Unbilled receivables	28,413,467	42,933,873	26,372,844
Margin deposits with banks	1,417,540	4,177,771	3,983,516
Advances to suppliers	1,628,106	1,245,189	570,914
Advances to employees	2,435,735	3,659,829	3,117,415
Others	-	2,574,890	1,879,232
	126,213,452	143,101,215	130,168,505

### 13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	December 31, 2017	December 31, 2016	January 1, 2016
Cash at bank – current accounts	100,402,166	150,269,912	302,442,075
Cash in hand	1,145,492	1,441,133	1,806,040
	101,547,658	151,711,045	304,248,115

### 14. SHARE CAPITAL

#### A. Share capital

	December 31, 2017	December 31, 2016	January 1, 2016
In issue at January 1, 2017 (number of shares)	82,000,000	82,000,000	82,000,000
Issued for cash	-	-	-
In issue at December 31, 2017 – fully paid (number of shares)	82,000,000	82,000,000	82,000,000
Issued – par value SAR 10	820,000,000	820,000,000	820,000,000

#### B. At December 31, the shareholders and their percentage interests in the share capital of the Company are as follows:

Shareholder	December 31, 2016		%
	No. of shares	Value in SR	
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	18,949,714	189,497,140	23.1
General public	33,776,286	337,762,860	41.2
	82,000,000	820,000,000	100.0

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 14. SHARE CAPITALS (CONTINUED)

#### B. At December 31, the shareholders and their percentage interests in the share capital of the Company are as follows: (continued)

During the year ended December 31, 2017, Strategic Catering Company Limited sold 11,308,335 of its shares to the Alhokair Company Joint Stock Company and general public. The new capital structure is as follows:

Shareholder	December 31, 2017		
	No. of shares	Value in SR	%
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	7,641,379	76,413,790	9.3
Alhokair Company Joint Stock Company	7,111,256	71,112,560	8.7
General public	37,973,365	379,733,650	46.3
	<b>82,000,000</b>	<b>820,000,000</b>	<b>100</b>

#### C. Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

### 15. STATUTORY RESERVE

In accordance with the new Company's bylaws approved by the General Assembly meeting dated April 17, 2017 and the new Saudi Arabian Regulations for Companies, the Company sets aside 10% of its profit each year as statutory reserve until such reserve equals to 30% of the share capital.

The company has transferred an amount in excess of 30% to the statutory reserve. The excess amount will be reversed after approval of the AGM in 2018.

### 16. DIVIDENDS

#### A. The following dividends were declared and paid by the Company during the year ended December 31, 2017.

	2017
SR 1.30 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	104,674,258
SR 1.25 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	100,452,959
SR 1.50 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	120,372,941
SR 1.50 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	120,909,317
	<b>446,409,475</b>

#### B. The movement in the dividends payable for the year ended December 31 is as follows:

	December 31, 2017	December 31, 2016
Balance at beginning of the year	3,167,828	2,881,530
Declared during the year	446,409,475	564,703,839
Paid during the year	(446,456,974)	(564,417,541)
Balance at end of the year	<b>3,120,329</b>	3,167,828

### 17. EMPLOYEES' BENEFITS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Employees' end-of-service benefits	17.A	168,998,200	155,656,500	137,162,600
Accrued bonus - long term	17.B	-	7,616,142	8,470,711
		<b>168,998,200</b>	163,272,642	145,633,311

### A. Defined benefit obligations

#### i. Movement in defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the employees' end-of- service benefits.

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at January 1	155,656,500	137,162,600	117,238,600
<b>Included in profit or loss current service cost</b>			
Service cost	12,010,400	9,911,600	8,960,000
Interest cost	4,845,600	4,158,400	2,999,100
	<b>16,856,000</b>	14,070,000	11,959,100
<b>Included in OCI</b>			
Actuarial loss arising from:	12,973,100	11,555,800	17,044,400
- Demographic assumptions	-	845,700	(1,413,300)
- Financial assumptions	(2,779,500)	(867,900)	(12,169,100)
- Experience adjustment	15,752,600	11,578,000	30,626,800
Remeasurement loss:	12,973,100	11,555,800	17,044,400
<b>Other</b>			
Benefits paid	(16,487,400)	(7,131,900)	(9,079,500)
Employees' end-of- service benefits	<b>168,998,200</b>	155,656,500	137,162,600

#### ii. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	December 31, 2017	December 31, 2016	January 1, 2016
Discount rate	3.30%	3.50%	3.40%
Future salary growth	2.25%	2.75%	2.75%
Voluntary turnover rate	11% to 18%	11% to 18%	11% to 18%
In-voluntary turnover rate	3%	3%	3%
Retirement age	60 years	60 years	60 years

#### iii. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2017		December 31, 2016	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	164,574,500	(173,688,500)	160,138,700	(151,431,300)
Future salary growth (0.5% movement)	164,509,000	(173,714,400)	160,149,900	(151,381,100)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

#### B. Accrued bonus - long term

The movement in accrued bonus-long term during the year was as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at January 1	7,616,142	8,470,711	6,855,646
Provision for the year	-	2,810,000	3,753,745
Transfer to short term bonus	(3,826,360)	-	-
Benefits paid	(3,789,782)	(3,664,569)	(2,138,680)
	<b>-</b>	7,616,142	8,470,711

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 18. ZAKAT AND INCOME TAX LIABILITIES

The following is the breakdown of the zakat and income tax liability as at December 31, 2017, December 31, 2016 and January 1, 2016:

	December 31, 2017	December 31, 2016	January 1, 2016
Zakat payable	29,522,917	26,716,426	32,624,846
Income tax payable	1,667,170	383,926	2,485,097
Zakat and income tax liabilities as at December 31	31,190,087	27,100,352	35,109,943

#### A. Zakat and income tax provision

i. The movement summary in Zakat provision is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	26,716,426	32,624,846	36,298,829
Charge for the year	29,522,916	26,716,426	32,624,849
Adjustment related to prior years	3,455,137	(4,569,900)	(2,707,918)
Payments during the year	(30,171,562)	(28,054,946)	(33,590,914)
Balance at end of the year	29,522,917	26,716,426	32,624,846

ii. The movement in Income tax provision is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	383,926	2,485,097	3,996,947
Charge for the year	9,041,633	10,182,979	11,889,065
Adjustment related to prior year	(350,367)	1,176,340	34,698
Payments during the year	(7,408,022)	(13,460,490)	(13,435,613)
Balance at end of the year	1,667,170	383,926	2,485,097

iii. Charge of the year ended December 31 is as follows:

	December 31, 2017	December 31, 2016
Zakat charge for the year	29,522,916	26,716,426
Zakat prior year adjustment	3,455,137	(4,569,900)
	32,978,053	22,146,526
Income tax charge of the year	9,041,633	10,182,979
Income tax prior year adjustments	(350,367)	1,176,340
	8,691,266	11,359,319
Total Zakat and income tax charge of the year	41,669,319	33,505,845

#### B. Zakat components

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current assets	690,293,226	646,028,475	512,861,125
Non-current liabilities	168,998,200	163,272,642	145,633,311
Shareholders' equity	1,282,944,951	1,260,589,547	1,317,743,669
Net income	468,764,879	507,549,687	698,500,954

#### C. Zakat assessments

The Company has submitted its Zakat and tax declarations for the years from 2009 to 2014 and paid the amounts due according to the declarations and received queries from GAZT which it has responded to and currently waiting for GAZT review of these responses.

The Company has also submitted its Zakat and tax declarations for the years 2015 and 2016 which are currently under review by GAZT. The Company has a valid certificate till April 30, 2018.

### 19. TRADE AND OTHER PAYABLES

Trade payables at December 31 comprise the following:

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Trade payables due to related parties	20	39,809,203	6,272,066	15,559,769
Other trade payables		181,873,105	178,179,760	173,258,903
Accrued expenses		178,145,863	246,370,985	139,800,280
		399,828,171	430,822,811	328,618,952

### 20. RELATED PARTIES DISCLOSURES

A. Related parties include the Company's shareholders and their relatives upto the fourth generation, associated companies and directors and key management personnel of the company. Terms and conditions of these transactions are approved by the company's management.

#### B. Transactions with key management personnel

Key management personnel compensation comprised the following:

	December 31, 2017	December 31, 2016
Short term employee benefits	5,775,814	5,850,885
Post employment benefits	145,800	145,800
Termination benefits	339,819	642,063
Total Related Party transactions and balances	6,261,433	6,638,748

#### C. Related parties' transactions and balances

Significant related parties transactions for the year ended December 31 and balances arising-there from are described as under:

i. Sale of goods and services (under trade and other receivables)

	Transaction values for the year ended December 31, 2017		Balance outstanding as at December 31, 2017		
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	January 1, 2016
<i>Parent of the Company:</i>					
Saudi Arabian Airlines Corporation	1,553,406,820	1,452,244,000	630,543,779	561,458,670	393,551,551
<i>Shareholder:</i>					
Alhokair Company Joint Stock Company	11,595	-	93,175	-	367,949
<i>Affiliates:</i>					
Saudi Airlines Cargo Company	17,433,516	16,967,000	29,128,050	29,993,080	21,772,503
Saudi Ground Services Company	57,423,404	48,614,000	25,611,471	30,370,678	34,239,198
Saudi French Company for Duty Free Operations and Management	21,226,426	-	16,658,845	-	-
Saudi Airlines Real Estate Development Company	72,022	39,000	453,840	-	-
<b>Total</b>			<b>702,489,160</b>	<b>621,822,428</b>	<b>449,931,201</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 20. RELATED PARTIES DISCLOSURES (CONTINUED)

#### C. Other related party transactions and balances (continued)

##### ii. Purchase of goods (under trade and other payables)

	Transaction values for the year ended December 31, 2017		Balance outstanding as at December 31, 2017		
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	January 1, 2016
<i>Parent of the Company:</i>					
Saudi Arabian Airlines Corporation	8,317,109	5,422,000	9,766,970	-	-
<i>Shareholders:</i>					
Newrest Company Holding S.L.	11,779,983	17,515,976	35,168	204,726	52,904
Alhokair Company Joint Stock Company	191,325	149,415	307,140	63,035	-
<i>Affiliates:</i>					
Saudi Airlines Real Estate Development Company	16,252,858	7,698,000	21,155,603	4,520,926	15,506,865
Saudi Airlines Cargo Company	-	-	7,455,197	-	-
Saudi Ground Services Company	71,830	-	215,194	-	-
Gulfwest Company Limited	3,545,045	986,202	873,931	1,483,379	-
<b>Total</b>			<b>39,809,203</b>	<b>6,272,066</b>	<b>15,559,769</b>

### 21. REVENUE

	2017	2016
In-flight catering revenue	1,564,006,241	1,578,603,654
Retail revenue	261,503,197	269,159,400
Business lounge revenue	169,773,018	155,416,911
Non-airlines revenue	164,457,456	198,531,405
<b>Other operating revenues</b>		
Transfer of airline equipment charges	42,503,588	37,300,418
Camp facilities sales (staff feeding & accommodation)	18,308,385	15,928,081
Exclusivity purchase income & services to suppliers	2,842,463	1,710,399
	<b>2,223,394,348</b>	<b>2,256,650,268</b>

### 22. COST OF SALES

	Note	2017	2016
Cost of materials and goods		894,312,241	918,011,500
Personnel costs		258,753,141	234,645,855
Rent and maintenance of production units		126,876,905	119,850,897
Depreciation	5.B	47,570,477	32,507,287
<b>Other operating costs</b>			
Manpower and transportation cost		74,040,270	84,591,746
Supplies and expandable items		32,556,695	46,043,320
Communication and utilities		21,894,522	18,394,886
Other operational costs		44,598,142	36,854,010
		<b>1,500,602,393</b>	<b>1,490,899,501</b>

### 23. OTHER INCOME

	2017	2016
Management fee income	1,911,986	-
Medical ex-gratia income	1,780,000	1,710,000
Commission Income	633,535	-
Scrap Sales	500,061	943,366
Others	2,221,092	2,361,145
	<b>7,046,674</b>	<b>5,014,511</b>

### 24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2017	2016
Personnel Costs		119,887,957	102,257,936
Rent		21,054,942	19,047,718
Service agreement fee		10,267,786	7,137,118
Management fee		10,007,867	15,343,249
Depreciation and Amortization	5,6,7	9,915,414	6,810,389
Marketing and promotional		6,540,566	9,009,456
Utilities		5,694,480	7,555,550
Professional and technical fee		5,047,742	3,837,361
Travelling		4,171,112	5,159,646
Board of Directors' fee		3,029,932	2,166,265
Insurance		3,007,110	3,865,169
Stationary and printing		501,353	479,898
Repairs and maintenance		260,036	77,879
Allowance (reversal) for doubtful debts, net		(15,683,701)	26,629,082
Others		7,888,531	6,485,779
<b>Total general and administrative expenses</b>		<b>191,591,127</b>	<b>215,862,495</b>

### 25. OTHER EXPENSES

	2017	2016
Bank commissions	1,476,710	1,207,167
Foreign currency exchange loss	1,197,440	2,648,088
Loss on sale of property, plant and equipment	171,470	160,741
	<b>2,845,620</b>	<b>4,015,996</b>

### 26. FINANCE INCOME

	2017	2016
Interest income on held-to-maturity investments	1,436,785	1,332,047
Other interest income	1,529,757	4,550,898
<b>Finance income</b>	<b>2,966,542</b>	<b>5,882,945</b>
<b>Finance income recognised in profit or loss</b>	<b>2,966,542</b>	<b>5,882,945</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 27. EARNINGS PER SHARE

#### A. Basic earnings per share

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

##### i. Profit attributable to ordinary shareholders (basic)

	2017	2016
Profit for the year, attributable to the owners of the Company	<b>468,764,879</b>	507,549,687

##### ii. Weighted-average number of ordinary shares (basic)

	2017	2016
Issued ordinary shares at January 1	<b>82,000,000</b>	82,000,000
Effect of shares issued	-	-
<b>Weighted-average number of ordinary shares at December 31</b>	<b>82,000,000</b>	82,000,000

#### B. Diluted earnings per share

There were no diluted shares during the year, accordingly, the diluted earnings per share will be the same as the basic earnings per share.

### 28. EXPLANATION OF TRANSITION TO IFRS

The Company is preparing its financial statements in accordance with IFRS for the first time and consequently has applied IFRS 1 First-time Adoption of International Financial Reporting Standards. The Company's date of transition is January 1, 2016. The accounting policies stated in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2017, the comparative information presented for the year ended December 31, 2016 and in the preparation of the opening IFRS statement of financial position at January 1, 2016.

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company has applied the following exemptions:

#### Estimates

The estimates at January 1, 2016 and at December 31, 2016 are consistent with those made for the same dates in accordance with previous GAAP (after adjustments to reflect any differences in accounting policies) apart from Post-employment benefits where application of previous GAAP did not require estimation.

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at January 1, 2016, the date of transition to IFRS and as of December 31, 2016.

An explanation of how the transition from SOCPA standards to IFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

### I. Reconciliation of the Statement of financial position

	December 31, 2016				January 1, 2016			
	SOCPA	Effect of transition to IFRS	Notes	IFRS	SOCPA	Effect of transition to IFRS	Notes	IFRS
<b>Assets</b>								
Property, plant and equipment	563,769,799	(38,657,332)	28.1 (a & b)	525,112,467	458,053,712	(2,743,077)	28.1 (a&b)	455,310,635
Intangible assets	-	2,481,088	28.1 (a)	2,481,088	-	2,743,077	28.1 (a)	2,743,077
Investment property	-	36,176,244	28.1 (b)	36,176,244	-	-	28.1 (b)	-
Financial assets	82,258,676	-		82,258,676	54,807,413	-		54,807,413
<b>Non-current assets</b>	<b>646,028,475</b>	<b>-</b>		<b>646,028,475</b>	<b>512,861,125</b>	<b>-</b>		<b>512,861,125</b>
Inventories	149,070,060	*(23,539,082)	28.1 (c)	125,530,978	142,376,394	*(21,114,707)	28.1 (c)	121,261,687
Financial assets	84,721,772	-		84,721,772	205,170,874	-		205,170,874
Trade and other receivables	730,691,867	-		730,691,867	553,395,599	-		553,395,599
Cash and cash equivalents	151,711,045	-		151,711,045	304,248,115	-		304,248,115
Prepayments and other current assets	143,101,215	-		143,101,215	130,168,505	-		130,168,505
<b>Current assets</b>	<b>1,259,295,959</b>	<b>(23,539,082)</b>		<b>1,235,756,877</b>	<b>1,335,359,487</b>	<b>(21,114,707)</b>		<b>1,314,244,780</b>
<b>Total assets</b>	<b>1,905,324,434</b>	<b>(23,539,082)</b>		<b>1,881,785,352</b>	<b>1,848,220,612</b>	<b>(21,114,707)</b>		<b>1,827,105,905</b>
<b>Equity</b>								
Share capital	820,000,000	-		820,000,000	820,000,000	-		820,000,000
Statutory reserve	340,714,074	-		340,714,074	286,600,187	-		286,600,187
Retained earnings	100,375,473	(500,000)	28.1 (d)	99,875,473	211,560,179	(416,667)	28 (d)	211,143,512
<b>Total equity</b>	<b>1,261,089,547</b>	<b>(500,000)</b>		<b>1,260,589,547</b>	<b>1,318,160,366</b>	<b>(416,667)</b>		<b>1,317,743,699</b>
<b>Liabilities</b>								
Employee benefits	163,272,642	-		163,272,642	145,633,311	-		145,633,311
<b>Non-current liabilities</b>	<b>163,272,642</b>	<b>-</b>		<b>163,272,642</b>	<b>145,633,311</b>	<b>-</b>		<b>145,633,311</b>
Current zakat and income tax liabilities	27,100,352	-		27,100,352	35,109,943	-		35,109,943
Trade and other payables	453,861,893	(23,039,082)	28.1(c & d)	430,822,811	349,316,992	(20,698,040)	28.1 (c & d)	328,618,952
<b>Current liabilities</b>	<b>480,962,245</b>	<b>(23,039,082)</b>	<b>28.1(c &amp; d)</b>	<b>457,923,163</b>	<b>384,426,935</b>	<b>(20,698,040)</b>	<b>28.1 (c &amp; d)</b>	<b>363,728,895</b>
<b>Total liabilities</b>	<b>644,234,887</b>	<b>(23,039,082)</b>		<b>621,195,805</b>	<b>530,060,246</b>	<b>(20,698,040)</b>		<b>509,362,206</b>
<b>Total equity and liabilities</b>	<b>1,905,324,434</b>	<b>(23,539,082)</b>		<b>1,881,785,352</b>	<b>1,848,220,612</b>	<b>(21,114,707)</b>		<b>1,827,105,905</b>

\* This represents the correction of a balance sheet classification and is not an impact of the move to IFRS. Refer to 28.1 (c) for further details.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 28. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

#### Estimates (continued)

#### II. Reconciliation of the Statement of Profit or loss and other comprehensive income for the year ended December 31, 2016

	SOCPA	Effect of transition to IFRS	Notes	IFRS
Revenue	2,256,650,268	-		2,256,650,268
Cost of sales	(1,500,678,362)	9,778,861	28.1 (f)	(1,490,899,501)
<b>Gross profit</b>	<b>755,971,906</b>	<b>9,778,861</b>		<b>765,750,767</b>
Other income	5,014,511	-		5,014,511
General and administrative expenses	(221,714,501)	5,852,006		(215,862,495)
Other expenses	(4,015,996)	-		(4,015,996)
Finance income	5,882,945	-		5,882,945
Interest cost	-	(4,158,400)	28.1 (f)	(4,158,400)
<b>Profit before zakat and tax</b>	<b>541,138,865</b>	<b>11,472,467</b>		<b>552,611,332</b>
Zakat and income tax	-	(33,505,845)	28.1 (e)	(33,505,845)
<b>Profit</b>	<b>541,138,865</b>	<b>(22,033,378)</b>		<b>519,105,487</b>
<b>Other comprehensive income</b>				
<b>Items that will not be reclassified to profit or loss</b>				
Remeasurements of defined benefit liability	-	(11,555,800)	28.1 (f)	(11,555,800)
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Total comprehensive income</b>	<b>541,138,865</b>	<b>(33,589,178)</b>		<b>507,549,687</b>

#### I. Reconciliation of retained earnings for the year ended December 31, 2016

	Amount
<b>Closing balance of retained earnings as at December 31, 2016 under SOCPA</b>	<b>100,375,473</b>
<b>IFRS Adjustments:</b>	
<i>For the opening statement of financial position as at January 1, 2016</i>	
Impact of straight-lining of lease rentals, now charged	(416,667)
<i>For the statement of financial position as at December 31, 2016</i>	
Charge of deferred rent payable accounted under straight-line basis	(83,333)
<b>Impact of transitioning to IFRS</b>	<b>(500,000)</b>
<b>Closing balance of retained earnings as at December 31, 2016 under IFRS</b>	<b>99,875,473</b>

#### Notes to the reconciliations

- a) Within property, plant and equipment, an amount of SR 2,481,088 as at December 31, 2016 (Jan 1, 2,743,077) has been reclassified from property, plant and equipment to Intangible assets representing software that were previously classified as part of property, plant and equipment under SOCPA.
- b) Within property, plant and equipment, an amount of SR 36,176,244 as at December 31, 2016 (Jan 1, 2016: SR Nil) has been reclassified from property, plant and equipment to Investment property representing building that were previously classified as part of property, plant and equipment under SOCPA. 2016: SR

- c) Within inventories, an amount of SR 23,539,082 as at December 31, 2016 (Jan 1, 2016: SR 21,114,707) relating to consignment stock was recorded with an offsetting amount recorded in trade and other payables in the SOCPA financial statements. The effect of these amounts has been adjusted by reversing the consignment stock and related liabilities.
- d) According to IFRS, lease payments under operating leases must be recognised as an expense in the income statement over the term of lease on a straight-line basis. Previously, lease expenses were recognised in the income statement when paid. The impact in profit and loss for the year ended December 31, 2016 was SR 83,333 and the cumulative impact up to January 1, 2016 was SR 416,667.
- e) Previously under SOCPA, Zakat and income tax for mixed status companies was presented in equity. Under IFRS, Zakat and tax should be presented in the income statement.
- f) In the SOCPA financial statements the movement in the employees end of service benefits liability was classified to cost of sales and general and administrative expenses. In the IFRS financial statements, actuarial gains and losses are required to be reported in other comprehensive income, the service cost is allocated to cost of sales and general and administrative expenses and interest cost is allocated to finance cost.

### 29. CAPITAL MANAGEMENT

The Company's objective when managing capital is to safeguard the Company's ability as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its businesses.

The Company manages the Capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, opt for short term or loan term loans.

The Company monitors return on capital employed and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may obtain short term or loan term loans. The Company monitors capital using a debt equity ratio.

	December 31, 2017	December 31, 2016	January 1, 2016
Total liabilities	<b>600,016,458</b>	621,195,805	509,362,206
Less: cash and cash equivalents	<b>(101,547,658)</b>	(151,711,045)	(304,248,115)
<b>Net debt</b>	<b>498,468,800</b>	469,484,760	205,114,091
Total equity	<b>1,282,944,951</b>	1,260,589,547	1,317,743,699
<b>Net debt to total equity ratio</b>	<b>39%</b>	37%	16%

### 30. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

#### A. Measurement of fair values

Except for the investment property, the fair values of the Company's financial assets and liabilities approximate their carrying amounts.

#### B. FINANCIAL RISK MANAGEMENT

The Company activities expose it to a variety of financial risks: market risk (cash flow and interest rate risk), credit risk and liquidity risk.

The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company's financial performance.

#### Risk management framework

The Board of Directors has put in place appropriate structures to ensure risk governance and monitoring across the Company. The Company's overall financial risk management focuses on the unpredictability of financial markets and the clients' payment behavior and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by a Head office finance and Company controlling, which identify, evaluate and take actions on financial risks where appropriate.



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 30. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

#### C. Financial Risk Management (continued)

##### Cash flow and interest rate risk

As the Company has no significant interest-bearing assets, the Company's income and associated operating cash inflows are substantially independent of changes in market interest rates. The Company has no interest-bearing liabilities.

##### Credit risk

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Company. The credit risk arising from cash and cash equivalents and deposits with banks and financial institutions are limited because the counterparties are banks and financial institutions which, in general, have an investment grade rating assigned by international credit rating agencies.

The Company have a policy to provide 100 percent of all receivables, which are more than 90 days overdue. This policy excludes Saudia airlines Corporation Company and other government entities. Due to proper monitoring and appropriate provisioning, management does not expect any additional losses from non-performance by clients.

As at December 31, the ageing of trade and other receivables that were past due and not impaired was as follows:

	2017
Less than 90 days	42,277,607
More than 90 to one year	25,110,200
More than one year	22,149,789

Management believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full, based on historical payments behaviour and extensive analysis of customers credit risk, including underlying customers' credit ratings if they are available.

##### Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Company maintain flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. The Company don't have any credit facilities in place and monitor risk to a shortage of funds by reviewing short-term cash forecasts on a continuous basis and by undertaking mid-term cash forecasts during the year.

##### Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

December 31, 2017	Carrying amount	Total	Less than one year	More than one year
<b>Liabilities</b>				
Trade and other payables	399,828,171	399,828,171	399,828,171	-

December 31, 2016	Carrying amount	Total	Less than one year	More than one year
<b>Liabilities</b>				
Trade and other payables	430,822,811	430,822,811	430,822,811	-

January 1, 2016	Carrying amount	Total	Less than one year	More than one year
<b>Liabilities</b>				
Trade and other payables	328,618,952	328,618,952	328,618,952	-

The inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to financial liabilities which are not usually closed out before contractual maturity.

### 31. OPERATING LEASES

#### A. Leases as lessee

Operating lease payments represent rentals paid 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 ("GACA") and are renewable on an annual basis.

During 2010, the Company leased a central kitchen in Riyadh from GACA for a period of 10 years starting 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 GACA. As per the lease agreement, GACA is entitled to 8% of the Company's annual sales that exceed 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 GACA for a period of 10 years starting from May 3, 2012 for an annual rental amount of SR 5,000,000.

During 2014, the Company renewed the Jeddah lease agreement with GACA for a period of 2 years starting from March 31, 2015 for an annual rental amount of SR 24,500,000.

During 2014, the Company leased a land in Madinah for a period of 30 years for an annual rental amount of SR 3,800,000.

The Company leases a number of Labor Camps and Rental shops under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date.

#### i. Future minimum lease payments

At December 31, the future minimum lease payments under non-cancellable leases were payable as follows:

	2017	2016
Less than one year	125,769,953	125,591,459
Between one and five years	602,191,284	528,338,180
More than five years	432,695,384	115,300,144

#### ii. Amounts recognised in profit or loss

	2017	2016
Lease expense	100,369,810	93,051,477
Contingent rent expense	13,060,397	13,359,968
Sub-lease income	14,364,659	-

### 32. COMMITMENTS AND CONTINGENCIES

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

	December 31, 2017	December 31, 2016	January 1, 2016
Capital commitments	89,896,802	94,794,681	88,110,813
Letter of guarantees	33,620,569	42,258,676	14,807,413

Letters of guarantee are issued by a bank on behalf of the Company to a supplier and promises to meet any financial obligations to the supplier in the event of default and this requires the Company to place cash with the bank. As at December 31, 2017, the Company fully paid the amount against letters of guarantee, hence no further financial charges are payable.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2017

(Expressed in Saudi Arabian Riyals)

### 33. NEW STANDARDS OR AMENDMENTS AND FORTHCOMING REQUIREMENTS

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below.

#### A. New Standards

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted	IFRS 15 – Revenue from contracts with Customers	<p>The standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.</p> <p>It applies to contracts with customers but does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.</p> <p>The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.</p>
Annual reporting periods beginning on or after January 1, 2019, early adoption is permitted	IFRS 16 – Leases	<p>IFRS 16 changes fundamentally the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting.</p> <p>Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.</p> <p>Sale-and-leaseback is effectively eliminated as an off-balance sheet financing structure.</p>
Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted	IFRS 9 – Financial instruments	<p>IFRS 9 is a new standard on accounting for financial instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement.</p> <p>The standard contains two primary measurement categories for financial assets:</p> <ul style="list-style-type: none"><li>- amortised cost; and</li><li>- fair value.</li></ul> <p>Financial assets are classified into one of these categories on initial recognition.</p> <p>A financial asset is measured at amortised cost if the following conditions are met:</p> <ul style="list-style-type: none"><li>- it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and</li><li>- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.</li></ul> <p>All other financial assets are measured at fair value.</p>

### 34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors on Rajab 12, 1439H, corresponding to March 29, 2018.

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors Member



P.O. Box 9178, Jeddah 21413, Kingdom of Saudi Arabia  
Tel: + 966 12 686 0011, Fax: +966 12 686 1864  
[saudiacatering.com](http://saudiacatering.com)

