

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)

**FINANCIAL STATEMENTS**

For the year ended December 31, 2020

with

**INDEPENDENT AUDITOR'S REPORT**

**KPMG Professional Services**

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Commercial Registration No 4030290792

## Independent Auditor's Report

To the Shareholders of Saudi Airlines Catering Company

### 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, 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, to the financial statements 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, 2020, 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 Auditor's 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 4 for the accounting policy and note 24 for the related disclosure.

#### Key audit matter

As at December 31, 2020, the Company recognized total revenue of SR 926.6 million (2019: SR 2,156 million).

There continues to be pressure on the Company to meet expectations and targets, which may result in a misstatement of revenue.

#### How the matter was addressed in our audit

Our audit procedures included the following:

- Assessed the appropriateness of the Company's revenue recognition accounting policies by considering the requirements of IFRS - 15 "Revenue from Contracts with Customers."

# Independent Auditor's Report

To the Shareholders of Saudi Airlines Catering Company (continued)

## Revenue Recognition (continued)

### Key audit matter

Revenue is a key performance indicator for the Company and there is a risk that it might be overstated to increase profitability, accordingly Revenue recognition is considered a key audit matter

### How the matter was addressed in our audit

- Assessed the design and implementation, and tested the operating effectiveness of the Company's controls, over the recognition of revenue as per the Company's policy;
- Inspected sales transactions, on a sample basis taking place at either side of the year-end to assess whether revenue was recognized in the correct period;
- Selected, on a sample basis, revenue transactions and verified the related supporting documents, which included signed agreements to ensure the accuracy and validity of revenue recognition.

## Impairment of Trade Receivables

Refer to notes 3 and 4 for the accounting policies and note 13 for the related disclosure.

### Key audit matter

As at December 31, 2020, the gross trade receivables balance amounted to SR 889 million (2019: SR 919.8 million)

The Company assesses at each reporting date whether the financial assets carried at amortized cost are credit impaired, and consequently measures impairment allowances based on the Expected Credit Loss (ECL) model as required in IFRS 9.

The ECL model involves the use of various assumptions, covering both future macro-economic factors and the study of historical trends. We considered this as a key audit matter due to the judgements and estimates involved in the application of the expected credit loss model and the impact on the trade receivables balance.

### How the matter was addressed in our audit

Our audit procedures included the following:

- Reviewed management's assessment of the impairment of trade receivables and the ECL model and assessed the appropriateness of the assumptions used.
- Tested significant assumptions, including those related to historical trends and future economic events that were used to calculate the likelihood of default and the expected loss on default and tested the arithmetical accuracy of the ECL model and appropriateness of allowance recorded. In addition, we involved our internal specialist to review the allowance for expected credit losses model.
- We also evaluated the adequacy of the disclosures included in the accompanying financials statements.

# Independent Auditor's Report

To the Shareholders of Saudi Airlines Catering Company (continued)

## Impairment of Non-Current assets

Refer to notes 3 and 4 for the accounting policies and notes 6 and 34 for the related disclosure.

### Key audit matter

In accordance with IAS 36, the Company at each reporting date reviews the carrying amounts of its non-financial assets at the CGU level to determine whether there is any indication of impairment. The Company engaged an external independent expert to perform the impairment assessment.

Based on the impairment assessment performed, an impairment loss has been recognized amounting to SR 22.9 million during the year ended December 31, 2020.

The impairment assessment was based on a five years' discounted cashflow business plan which involved several assumptions, judgements and estimates, accordingly we have considered this as a key audit matter.

### How the matter was addressed in our audit

Our audit procedures included the following:

- Obtained an understanding of the procedures performed by management in relation to the impairment of non-financial assets in accordance with the requirements of the related accounting standards.
- Obtained the impairment assessment prepared and assessed the reasonableness of key assumptions used and management's future plans;
- Engaged our specialists to review the key assumptions used in calculating the value in use including the discount rate used and performed sensitivity analysis on key assumptions (discount rates and terminal growth).
- Reviewed the board of directors' meeting minutes to ensure that there are no decisions taken to dispose any property, plant and equipment during the current year.
- Assessed the adequacy of the disclosures in the financial statements.

## 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 auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's 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, when made available to us, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

# Independent Auditor's Report

To the Shareholders of Saudi Airlines Catering Company (continued)

## 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, the Board of Directors, are responsible for overseeing the Company's financial reporting process.

## Auditor's 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 auditor's 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 auditor's 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 auditor's 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.

# Independent Auditor's Report

To the Shareholders of Saudi Airlines Catering Company (continued)

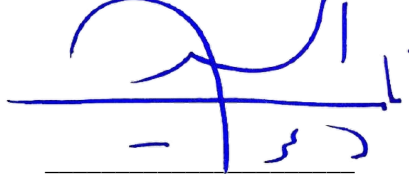
## Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 auditor's 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.

### KPMG Professional Services



Nasser Ahmed Al Shutairy  
License No: 454





Jeddah, March 29, 2021  
Corresponding to Shaban 16, 1442H

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF FINANCIAL POSITION**  
As at December 31, 2020  
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
<b>Assets</b>			
Property, plant and equipment	6	455,888,624	560,160,540
Right-of-use assets	9 a	509,533,448	529,745,770
Subleased assets - non-current portion	9 c	9,292,173	12,858,734
Intangible assets	7	1,116,734	1,846,190
Investment property	8	34,611,098	36,388,484
Equity accounted investee	10	—	11,588,345
Financial assets at amortized cost	11	17,497,223	19,754,026
<b>Non-current assets</b>		<u>1,027,939,300</u>	<u>1,172,342,089</u>
Subleased assets - current portion	9 c	14,190,822	12,526,423
Inventories	12	115,963,432	153,791,958
Trade and other receivables	13	800,596,516	868,141,260
Prepayments and other current assets	14	90,856,637	108,559,751
Cash and cash equivalents	15	257,453,899	188,903,543
<b>Current assets</b>		<u>1,279,061,306</u>	<u>1,331,922,935</u>
<b>Total assets</b>		<u>2,307,000,606</u>	<u>2,504,265,024</u>
<b>Equity</b>			
Share capital	17	820,000,000	820,000,000
Statutory reserve	18	353,835,879	353,835,879
(Accumulated losses)/retained earnings		<u>(313,758,994)</u>	<u>131,816,062</u>
<b>Total equity</b>		<u>860,076,885</u>	<u>1,305,651,941</u>
<b>Liabilities</b>			
Lease liabilities – non-current portion	9 b	412,229,212	416,501,275
Employees' benefits	20	165,607,031	176,750,314
<b>Non-current liabilities</b>		<u>577,836,243</u>	<u>593,251,589</u>
Short-term borrowing		300,000,000	—
Lease liabilities - current portion	9 b	167,856,691	117,364,903
Zakat and income tax liabilities	21	11,518,715	34,182,178
Trade and other payables	22	389,712,072	453,814,413
<b>Current liabilities</b>		<u>869,087,478</u>	<u>605,361,494</u>
<b>Total liabilities</b>		<u>1,446,923,721</u>	<u>1,198,613,083</u>
<b>Total equity and liabilities</b>		<u>2,307,000,606</u>	<u>2,504,265,024</u>

The accompanying notes 1 through 37 form an integral part of these financial statements.

  
Chief Financial Officer

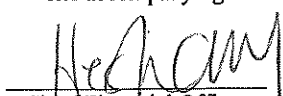
  
Chief Executive Officer

  
Authorized Board of Directors  
Member

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Revenue	24	926,573,642	2,156,266,255
Cost of sales	25	(884,339,821)	(1,369,334,227)
Gross profit		42,233,821	786,932,028
Other income	26	5,037,106	8,951,631
General and administrative expenses	27	(256,330,834)	(245,538,680)
Allowance for expected credit losses	13	(37,198,396)	(7,112,344)
Other expenses	28	(1,526,903)	(3,851,112)
Impairment losses	34	(22,900,000)	--
Operating (loss)/profit		(270,685,206)	539,381,523
Finance income	29	725,310	1,337,128
Finance costs	30	(34,394,093)	(34,296,036)
Net finance costs		(33,668,783)	(32,958,908)
Share in loss of equity accounted investee	10	(8,361,611)	(3,355,121)
Impairment loss in equity accounted investees	10	(3,125,930)	--
(Loss)/profit before zakat and income tax		(315,841,530)	503,067,494
Zakat and income tax expense	21	(18,844,869)	(39,134,091)
(Loss)/profit for the year		(334,686,399)	463,933,403
<b>Other comprehensive income/(loss)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit liability	20 a	2,146,636	(3,749,353)
Share of other comprehensive loss of associate	10 c	(100,804)	(182,347)
Other comprehensive gain/(loss) for the year		2,045,832	(3,931,700)
Total comprehensive (loss)/income for the year		(332,640,567)	460,001,703
<b>Earnings per share</b>			
Basic (loss)/earnings per share	31	(4.08)	5.66
Diluted (loss)/earnings per share	31	(4.08)	5.66

The accompanying notes 1 through 37 form an integral part of these financial statements.

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board of Directors  
Member



**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CHANGES IN EQUITY**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b><u>As at December 31, 2019</u></b>					
Balance at January 1, 2019		820,000,000	353,835,879	127,619,578	1,301,455,457
Impact of adoption of IFRS 16		--	--	(17,583,849)	(17,583,849)
Total comprehensive income					
Profit for the year		--	--	463,933,403	463,933,403
Other comprehensive loss		--	--	(3,931,700)	(3,931,700)
Total comprehensive income		--	--	460,001,703	460,001,703
<b><u>Transactions with shareholders of the Company</u></b>					
Contributions and distributions					
Dividends declared	19	--	--	(438,221,370)	(438,221,370)
Balance at December 31, 2019		820,000,000	353,835,879	131,816,062	1,305,651,941
<b><u>As at December 31, 2020</u></b>					
Balance at January 1, 2020		820,000,000	353,835,879	131,816,062	1,305,651,941
Total comprehensive loss					
Loss for the year		--	--	(334,686,399)	(334,686,399)
Other comprehensive income		--	--	2,045,832	2,045,832
Total comprehensive loss		--	--	(332,640,567)	(332,640,567)
<b><u>Transactions with shareholders of the Company</u></b>					
Contributions and distributions					
Dividends declared	19	--	--	(112,934,489)	(112,934,489)
Balance at December 31, 2020		820,000,000	353,835,879	(313,758,994)	860,076,885

The accompanying notes 1 through 37 form an integral part of these financial statements.

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board of Directors  
Member

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**STATEMENT OF CASH FLOWS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

	<i>Note</i>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>			
(Loss)/ profit for the year		(334,686,399)	463,933,403
<i>Adjustments for:</i>			
Zakat and tax		18,844,869	39,134,091
Depreciation on property, plant and equipment and investment in property	6 & 8	94,499,872	76,917,741
Depreciation on right-of-use assets	9 a	86,875,461	81,854,770
Amortization	7	729,456	297,170
Construction in progress expensed	6	36,511,874	--
Bad debt write off		--	296,621
Provision of obsolete inventory, net	12	2,923,108	8,595,571
Allowance for expected credit losses, net	13	37,198,396	7,112,344
Finance income	29	(725,310)	(1,337,128)
Finance cost	30	34,394,093	34,296,036
Share of loss in equity accounted investees	10	8,361,611	3,355,121
Impairment loss in equity accounted investees	10	3,125,930	--
Loss on sale of property, plant and equipment	28	275,883	506,880
Impairment Loss on property, plant & equipment	6	22,900,000	--
Employees' benefits service cost	20	17,267,581	17,890,880
Provision for accrued bonus - long term	20	9,806,475	1,810,092
		<u>38,302,900</u>	<u>734,663,592</u>
<i>Changes in:</i>			
Trade and other receivables		30,346,348	64,989,223
Inventories		34,905,418	(37,359,651)
Prepayments and other current assets		13,515,093	64,823,466
Trade and other payables		<u>(71,133,302)</u>	<u>(27,015,284)</u>
Cash generated from operating activities		<u>45,936,457</u>	<u>800,101,346</u>
 Payment of accrued bonus - long term	20	 (3,317,577)	 (178,890)
Employees' benefits paid	20	(36,231,699)	(20,598,118)
Zakat and income tax paid	21	(41,508,332)	(35,261,927)
		<u>(35,121,151)</u>	<u>744,062,411</u>
<b>Net cash (used in) / from operating activities</b>			
 <b>Cash flows from investing activities</b>			
Payments received for sublease		2,627,472	4,251,844
Proceeds from disposal of property, plant and equipment		606,875	5,980
Additions to property, plant and equipment	6	(48,567,161)	(63,496,018)
Additions to investment in property	8	(178,041)	--
Additions to intangibles assets	7	--	(1,885,091)
		<u>(45,510,855)</u>	<u>(61,123,285)</u>
<b>Net cash used in investing activities</b>			
 <b>Cash flow from financing activities</b>			
Proceeds from short term borrowings		300,000,000	--
Payments of lease liabilities		(37,721,375)	(81,259,734)
Dividends paid	19	(113,096,263)	(560,028,592)
		<u>149,182,362</u>	<u>(641,288,326)</u>
<b>Net cash from / (used in) financing activities</b>			
 <b>Net increase in cash and cash equivalents</b>		 68,550,356	 41,650,800
Cash and cash equivalents at beginning of the year		188,903,543	147,252,743
Cash and cash equivalents at end of the year	15	<u>257,453,899</u>	<u>188,903,543</u>

The accompanying notes 1 through 37 form an integral part of these financial statements.

  
Chief Financial Officer

  
Chief Executive Officer

  
Member

## SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

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#### 1. **REPORTING ENTITY**

Saudi Airlines Catering Company (the “Company”) is a Saudi Joint Stock Company domiciled in the Kingdom of Saudi Arabia. The Company was registered as a Saudi limited liability company on Muharram 20, 1429H (January 29, 2008) under commercial registration number 4030175741.

The Company is mainly involved in 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, and the 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:

<b><u>Branch location</u></b>	<b><u>C.R.</u></b>	<b><u>Date</u></b>
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 Jomhi 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”).

The Company has investment in the fully owned / controlled subsidiary, SACC Catering Company (collectively described as the Group). The subsidiary have not yet commenced commercial operations and didn’t incur any transaction yet and is therefore insignificant. Accordingly, the Company has not prepared consolidated financial statements.

##### *b) Basis of Measurement*

These financial statements have been prepared using the accrual and going concern basis and under the historical cost basis, except for the defined benefit obligation which is recognized at the present value of future obligation using the projected unit credit method.

**2. BASIS OF ACCOUNTING (continued)**

**c) *Functional and presentation currency***

These financial statements are presented in Saudi Arabian Riyals (“SR”) which is the Company’s functional and presentation currency.

**3. USE OF JUDGEMENTS AND ESTIMATES**

In preparing these financial statements, the management has made judgments, estimates and assumptions that affect the application of the Company’s 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 prospectively.

The significant judgments and estimates made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty are as follows:

*Significant matters – COVID 19 Pandemic Impact*

The coronavirus (“COVID-19”) pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support and precautionary measures across the globe to counter possible adverse implications.

The Company’s operations and financial performance was significantly impacted by the disruptions and temporary airports closures mandated by government which has resulted in suspending the primary operations and activities of the Company during most of the year ended December 31, 2020 and may continue to have a financial impact on the Company subsequent to the year end. The uncertainties caused by COVID-19 have required the Company to update the inputs and assumptions used for the determination of expected credit losses (“ECL”) as at 31 December 2020. The management adopted the use of an overlays approach and the main focus was on those customers that may be most vulnerable to the impact of COVID 19. In addition, the Company has estimated the potential impact of the current economic volatility in the determination of the reported amounts of the Company’s financial and non-financial assets and these are considered to represent management’s best assessment based on information available.

While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closures. Markets however remain volatile and the recorded amounts remain sensitive to both the duration of the temporary closures and consequential severity of the economic impact. The Company continues to closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the exposure and adverse impact on its operations. Management believes that the Company’s financial position remains solid and have the sufficient resources to enable it to continue its operations and to meets its contractual liabilities in the near future. Refer to note 35 for more details on the financial risks.

**3. USE OF JUDGEMENTS AND ESTIMATES (continued)**

*Going concern*

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

*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. Amounts 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 130 million (December 31, 2019: SR 165 million) with a provision for obsolete inventories amounting to SR 14.0 million (December 31, 2019: SR 11.1 million). Any difference between the amounts realised in future periods and the amounts expected will be recognized in the statement of profit or loss.

*Leases*

In case of lease contracts where extension options are also available to the Company, judgement is applied in evaluating whether it is reasonably certain to exercise the option. The Company reassesses whether it is reasonably certain to exercise the extension options, upon the occurrence of either a significant event or significant change in circumstances that are within the control of the Company.

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

*Defined Benefit Obligation*

The present value of Company's obligation under defined benefit plans is determined using actuarial valuation. This involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed annually (refer note 20).

*Impairment for expected credit losses (ECL) in trade and other receivables*

The managements' determination of the ECL in trade and other receivables requires them to take into consideration certain estimates for forward looking factors while calculating the probability of default. These estimates may differ from actual circumstances.

## SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

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#### 3. USE OF JUDGEMENTS AND ESTIMATES (continued)

##### Useful lives of property, plant and equipment, and investment property

The management determines the estimated useful lives of property, plant and equipment & investment property for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear.

The management reviews the useful lives, residual value and method of depreciation annually for any significant changes and any resultant changes to the depreciation charge are adjusted in current and future periods.

##### Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units ("CGUs").

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes.

An impairment loss is recognised in profit or loss if the carrying amount of an asset or CGU exceeds its recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The management has consistently applied the following accounting policies to all periods presented in these financial statements. Some comparative figures are reclassified to match with the current year presentation.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**a. *Leases***

As a lessee

*Right-of-use assets*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

*Lease liabilities*

The lease liability is initially measured at the present value of the lease payments to be made over the lease term, discounted using the Company's incremental borrowing rate (if the interest rate implicit in the lease is not available). Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. Any such re-measurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to profit or loss if carrying value of the related asset is zero.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

*Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

As a lessor

The Company subleases some of its leased assets. Under IFRS 16, the management is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset.

At inception or on modification of a contract that continue a lease component, the management allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

## SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

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#### **4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***a Leases (continued)***

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the management makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the management considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interest in the head lease and sublease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term.

Gross investment in finance lease include the total of the future lease payments on finance leases (lease receivables), plus estimated residual amounts receivable. The difference between the lease receivables and the cost of the leased asset is recorded as unearned lease finance income and for presentation purposes, is deducted from the gross in the finance leases. Any unguaranteed residual value of the assets is reviewed periodically and any decrease in residual value is recorded immediately.

Initial direct cost incurred by the lessors in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the lease income.

##### ***b. Equity accounted investee***

An equity accounted investee 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 recognized at cost. The carrying amount of the investment is adjusted to recognize 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 recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.



## SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

---

#### 4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### ***b. Equity accounted investee (continued)***

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.

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

Upon loss of significant influence over the associate, the management measures and recognizes 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 recognized 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 recognized in profit or loss.

##### ***d. Revenue***

The Company recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15 and is given below:

Step 1 – Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met;

Step 2 – Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer;

Step 3 – Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties;

Step 4 – Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the management allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the management expects to be entitled in exchange for satisfying each performance obligation.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**d. *Revenue (continued)***

Step 5 – Recognize revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

- The Company's performance does not create an asset with an alternate use to the Company and the Company has an enforceable right to payment for performance completed to date;
- The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;
- The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where none of the above conditions are met, revenue is recognized at the point in time at which the performance obligation is satisfied.

*Catering revenue*

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

*Airline equipment*

Revenue is recognized when the control over the equipment is transferred to the customer.

*Business lounges*

Revenue from business lounges is recognized upon rendering the service to the passengers.

*Sales of goods - Retail*

Revenue from the sale of goods is recognized when the Company satisfies the performance obligation by transferring the promised goods (asset) to the customer. An asset is transferred when the customer obtains control of that asset.

*Hotel - revenue*

The management recognizes revenue from room sales and from other ancillary guest services on a daily basis, as the rooms are occupied and the services are rendered.

Revenue is recorded net of returns, trade discounts and volume rebates.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*e. Employee benefits*

*i. Short-term employee benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized 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 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 interest on the defined benefit liability are recognized 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 recognized in profit or loss on the earlier of:

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

Interest is calculated by applying the discount rate to the defined benefit liability. The management recognizes the following changes in the defined benefit obligation under 'cost of sales', and 'general and administration expenses' in the statement of profit or loss:

- 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. The benefit is discounted to determine its present value if the impact is material. Remeasurements are recognized 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 recognizes costs for a restructuring.

## SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

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#### 4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### *f. Zakat and income tax*

The Company is subject to regulations issued by the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia, which is subject to interpretations. Zakat is levied at a fixed rate of 2.5% on the higher of adjusted Zakat profit or based on Zakat base. The Company establishes provisions where appropriate on the basis of amounts expected to be paid to the GAZT and yearly evaluates positions taken in the Zakat returns with respect to any Zakat differences. Zakat is charged to the statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from GAZT are accounted for in the year in which the final assessments are finalized.

Moreover, certain shareholders in the Company are subject to income tax, which is recognized as an expense in the statement of profit or loss.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and unused tax losses can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference and unused tax losses arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The management withholds taxes on transactions with non-resident parties 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. Value added tax*

The Company is subject to Value Added Tax ("VAT") in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply ("Output VAT") less VAT paid on services received ("Input VAT"). The Company reports revenue and expenses net of VAT for all the periods presented in the profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***h. 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.

The Company has the following three strategic divisions, which are reportable segments and are defined and used by the Board of Directors when reviewing the Company's performance. 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:

<b>Reportable segments</b>	<b>Operations</b>
Inflight	Inflight catering, airline equipment and business lounge
Retail	Onboard, ground and online
Catering and Facilities	Remote & Camp management, Business & Industries catering, Security services, Laundry services, Hajj and Umrah & Baggage handling services

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

***i. Contingencies***

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company.

***j. 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.

***k. 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.

***l. 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 statement of profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***m. Cash dividends to shareholders***

The Company recognizes a liability to make cash distributions to the shareholders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the companies' regulations of Saudi Arabia, a final distribution is authorized when it is approved by the shareholders and interim dividends are approved by the Board of Directors. A corresponding amount is recognized directly in equity.

***n. Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average basis 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.

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

***o. Current versus non-current classification***

The management 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 realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized 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 management 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 management classifies all other liabilities as non-current.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

***p. 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.

Expenditure on maintenance and repairs of items of property, plant and equipment is expensed.

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 arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognized.

Capital work-in-progress represents all costs relating directly to on-going construction projects and are capitalized 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 capitalized 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 recognized in profit or loss. Land is not depreciated.

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

Building & 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.

***q. Investment property***

Investment property is initially measured at cost and is depreciated over its useful life.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in profit or loss.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**r. *Intangible assets***

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

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized 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 recognized in profit or loss. The estimated useful life of software is 5 years.

**s. *Share capital***

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

**t. *Earnings per share – EPS***

The management determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year; a reasonable approximation of the weighted average is adequate in many circumstances.

Diluted EPS amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

**u. *Statutory reserve***

In accordance with the Saudi Arabian Regulations for Companies, the Company has to transfer 10% of the net income in each year to the statutory reserve until it has built a reserve equal to 30% of the share capital. This reserve is not available for distribution to the shareholders of the Company.

**v. *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.



## SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

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#### 4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### *w. Provisions*

A provision is recognized 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 recognized as a finance cost.

##### *x. Financial Instruments*

###### *i. Recognition and initial measurement*

Trade receivables issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

###### *ii. Classification and measurement of financial assets and financial liabilities*

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

*x. Financial instruments (continued)*

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies apply to the subsequent measurement of financial assets.

<b>Financial assets at Fair Value Through Profit and Loss (FVTPL)</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
<b>Debt investments at Fair Value through Other Comprehensive Income (FVOCI)</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at Fair Value through Other Comprehensive Income (FVOCI)</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

*iii. Financial Liabilities – Classification, subsequent measurement and gain and losses*

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gain and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

*iv. Derecognition*

*Financial assets*

The management derecognises a financial asset when the contractual rights to the cash flows from the financial 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 in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**x. *Financial instruments (continued)***

*Financial liabilities*

The management derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The management also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

**v. *Offsetting***

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

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

**vi. *Impairment of financial assets***

The management recognises loss allowances for ECL on financial assets measured at amortised cost and contract assets. The management measures loss allowances at an amount equal to lifetime ECL.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECL: these are ECL that result from possible default events within the 12 months after the reporting date; and
- lifetime ECL: these are ECL that result from all possible default events over the expected life of a financial instrument.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the management considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The management assumes that the credit risk on a financial asset has increased significantly if it is more than 730 days past due from government and 365 days past due from non-government parties.

The management considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- the financial asset is past due as per terms of agreement with customers.

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**x. *Financial instruments (continued)***

*Measurement of ECL*

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECL are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the management assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or being more than 730 / 365 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of impairment*

Allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to Trade receivables and contract assets, including contract assets and finance lease receivables, are presented separately in the statement of profit or loss.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

**y. *Impairment***

Non-financial assets

The management 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 management estimates the assets' recoverable amount. An assets' 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 Company's 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.

## SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

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#### 4. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### y. ***Impairment (continued)***

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the management estimates the asset's or CGUs' recoverable amount. A previously recognized 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 recognized. 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 recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

##### z. ***Borrowing and finance cost***

Borrowings are recognised initially at fair value, less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortized cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognized in the statement of profit and loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the relevant asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in statement of profit or loss and other comprehensive income using the effective interest method.

##### aa. ***Expenses***

Cost of sales represent all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to: attributable employee-related costs, depreciation of property and equipment, etc. All other expenses are classified as general and administrative expenses. Allocation of common expenses between cost of sales and general and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses

#### 5. **NEW STANDARDS, AMENDMENTS ISSUED BUT NOT YET EFFECTIVE**

There are no new standards issued; however, the adoption of the following amendments to the existing standards had no significant financial impact on the financial statements of the Company on the current period or prior periods and is expected to have no significant effect in future periods:

- Amendments to references to conceptual framework in IFRS Standards
- Definition of a business (Amendment to IFRS 3)
- Definition of material (Amendment to IAS 1 and IAS 8)
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19 – Related rent concessions (Amendment to IFRS 16)

A number of new pronouncements are effective for annual periods beginning on or after 01 January 2021, and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these condensed interim financial statements.

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**5. NEW STANDARDS, AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)**

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IAS 39, IFRS 4, 7, 9 and 16	Interest rate benchmark reform – phase 2	01 January 2021
IAS 37	Onerous contracts – cost of fulfilling a contract	01 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	01 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use	01 January 2022
IFRS 3	Reference to the conceptual framework	01 January 2022
IFRS 17	Insurance contracts	01 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	01 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations and amendments with effective date of 01 January 2021 will not have any material impact on the Company's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's financial statements on adoption.

**6. PROPERTY, PLANT AND EQUIPMENT**

**a. Reconciliation and carrying amount**

	<u>Land</u>	<u>Building &amp; leasehold improvements</u>	<u>Equipment</u>	<u>Motor vehicles</u>	<u>Capital work in progress</u>	<u>Total</u>
<b><u>2020</u></b>						
<b><u>Cost:</u></b>						
Balance at January 1, 2020	33,786,058	307,857,426	214,069,352	122,635,369	92,812,798	771,161,003
Additions	--	1,228,450	3,098,077	106,765	44,133,869	48,567,161
Disposals	--	(384,506)	(6,533,272)	(18,141,256)	--	(25,059,034)
Expensed	--	--	--	--	(36,511,874)	(36,511,874)
Transfer from capital work in progress	--	28,160,798	20,175,852	13,853,492	(62,190,142)	--
Balance at December 31, 2020	<b>33,786,058</b>	<b>336,862,168</b>	<b>230,810,009</b>	<b>118,454,370</b>	<b>38,244,651</b>	<b>758,157,256</b>
<b><u>Accumulated depreciation:</u></b>						
Balance at January 1, 2020	--	53,313,043	116,985,366	40,702,054	--	211,000,463
Charge for the year	--	43,888,722	34,602,536	14,053,187	--	92,544,445
Disposals	--	(287,787)	(6,074,258)	(17,814,231)	--	(24,176,276)
Impairment Loss (note 34)	--	15,516,520	7,383,480	--	--	22,900,000
Balance at December 31, 2020	--	<b>112,430,498</b>	<b>152,897,124</b>	<b>36,941,010</b>	--	<b>302,268,632</b>
<b><u>Carrying amounts:</u></b>						
At December 31, 2020	<b>33,786,058</b>	<b>224,431,670</b>	<b>77,912,885</b>	<b>81,513,360</b>	<b>38,244,651</b>	<b>455,888,624</b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

- During the year, the Company expensed SR 36.5 million related to assets and projects that will not be completed or will not have future benefits.
- As at December 31, 2020, the management used an external independent consultant to test its assets for impairment on the CGU level which resulted in an impairment of SR 22.9 million.

<b>2019</b>	<b>Land</b>	<b>Building &amp; leasehold improvements</b>	<b>Equipment</b>	<b>Motor vehicles</b>	<b>Capital work in progress</b>	<b>Total</b>
<u>Cost:</u>						
Balance at January 1, 2019	33,786,058	257,549,100	181,582,096	93,733,541	170,726,195	737,376,990
Additions	--	2,875,366	9,277,845	319,134	51,023,673	63,496,018
Disposals	--	(856,925)	(9,518,218)	(1,685,059)	--	(12,060,202)
Adjustment finance lease	--	(17,651,803)	--	--	--	(17,651,803)
Transfer from capital work in progress	--	65,941,688	32,727,629	30,267,753	(128,937,070)	--
Balance at December 31, 2019	<u>33,786,058</u>	<u>307,857,426</u>	<u>214,069,352</u>	<u>122,635,369</u>	<u>92,812,798</u>	<u>771,161,003</u>
<u>Accumulated depreciation:</u>						
Balance at January 1, 2019	--	24,418,526	97,279,850	28,969,704	--	150,668,080
Charge for the year	--	32,832,489	28,718,892	13,417,410	--	74,968,791
Disposals	--	(848,906)	(9,013,376)	(1,685,060)	--	(11,547,342)
Adjustment finance lease	--	(3,089,066)	--	--	--	(3,089,066)
Balance at December 31, 2019	--	<u>53,313,043</u>	<u>116,985,366</u>	<u>40,702,054</u>	--	<u>211,000,463</u>
<u>Carrying amounts:</u>						
At December 31, 2019	<u>33,786,058</u>	<u>254,544,383</u>	<u>97,083,986</u>	<u>81,933,315</u>	<u>92,812,798</u>	<u>560,160,540</u>

There are no restrictions on any asset neither any asset have been pledged as security to any party

**b. Capital work in progress**

Capital work in progress represents construction works at Alfursan Lounge at King Abdulaziz International Airport (New Airport), King Abdulaziz Economic City Laundry Plant and Jeddah Unit Building modifications.

**c. Depreciation for the year ended December 31 was allocated as follows:**

	<b><u>2020</u></b>	<b><u>2019</u></b>
Cost of sales (note 25)	<b>83,048,580</b>	66,753,458
General and administrative expenses (note 27)	<b><u>9,495,865</u></b>	<u>8,215,333</u>
	<b><u>92,544,445</u></b>	<u>74,968,791</u>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**7. INTANGIBLE ASSETS**

**Reconciliation and carrying amount**

	<u>2020</u>	<u>2019</u>
<b><u>Cost</u></b>		
Balance at January 1	5,705,915	3,820,824
Addition	--	1,885,091
<b>Balance at December 31</b>	<u>5,705,915</u>	<u>5,705,915</u>
<b><u>Accumulated amortization</u></b>		
Balance at January 1	3,859,725	3,562,555
Amortisation	729,456	297,170
<b>Balance at December 31</b>	<u>4,589,181</u>	<u>3,859,725</u>
<b><u>Carrying amounts</u></b>	<u>1,116,734</u>	<u>1,846,190</u>

The amortisation is included in general and administrative expenses.

**8. INVESTMENT PROPERTY**

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

**b. Reconciliation and carrying amount**

	<u>2020</u>	<u>2019</u>
<b><u>Cost</u></b>		
Balance at January 1	42,876,890	42,876,890
Addition	178,041	--
<b>Balance at December 31</b>	<u>43,054,931</u>	<u>42,876,890</u>
<b><u>Accumulated depreciation</u></b>		
Balance at January 1	6,488,406	4,539,456
Charge for the year	1,955,427	1,948,950
<b>Balance at December 31</b>	<u>8,443,833</u>	<u>6,488,406</u>
<b><u>Carrying amounts</u></b>	<u>34,611,098</u>	<u>36,388,484</u>

**c. Depreciation amount**

The depreciation is included in general and administrative expenses.



**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**9. RIGHT-OF-USE ASSETS & LEASE LIABILITIES**

a. Right -of-use assets

The reconciliation and carrying amount of the right-of-use assets is as follows:

	<b>Commercial Building Lease</b>	<b>Land Lease</b>	<b>Residential Lease</b>	<b>Vehicles Lease</b>	<b>Total</b>
<b>2020</b>					
<b><u>Cost:</u></b>					
Balance at January 1, 2020	400,178,454	59,814,366	136,844,270	14,763,450	611,600,540
Additions	26,127,831	--	8,601,344	--	34,729,175
Lease modifications	32,704,210	--	--	--	32,704,210
Terminations	(4,265,445)	--	--	--	(4,265,445)
Balance at December 31, 2020	<b>454,745,050</b>	<b>59,814,366</b>	<b>145,445,614</b>	<b>14,763,450</b>	<b>674,768,480</b>
<b><u>Accumulated depreciation:</u></b>					
Balance at January 1, 2020	65,153,375	2,757,836	10,250,167	3,693,392	81,854,770
Charge for the period	77,704,461	2,757,836	9,637,957	3,693,392	93,793,646
Lease modifications	(6,918,185)	--	--	--	(6,918,185)
Terminations	(3,495,199)	--	--	--	(3,495,199)
Balance at December 31, 2020	132,444,452	5,515,672	19,888,124	7,386,784	165,235,032
<b><u>Carrying amounts:</u></b>					
At December 31, 2020	<b>322,300,598</b>	<b>54,298,694</b>	<b>125,557,490</b>	<b>7,376,666</b>	<b>509,533,448</b>
	<b>Commercial Building Lease</b>	<b>Land Lease</b>	<b>Residential Lease</b>	<b>Vehicles Lease</b>	<b>Total</b>
<b>2019</b>					
<b><u>Cost:</u></b>					
Balance at January 1, 2019 and December 31, 2019	400,178,454	59,814,366	136,844,270	14,763,450	611,600,540
<b><u>Accumulated depreciation:</u></b>					
Charge for the period and balance at December 31, 2019	65,153,375	2,757,836	10,250,167	3,693,392	81,854,770
<b><u>Carrying amounts:</u></b>					
At December 31, 2019	335,025,079	57,056,530	126,594,103	11,070,058	529,745,770

- Additions during the period relate to Riyadh Terminal 5 Shop, Al-Haramain Contracts, Riyadh STC Cafeterias, Riyadh Terminal 2 Welcome Lounge and Darzan Motel contracts.
- Lease modifications relate to the extension of Jeddah Unit Building from 2.2 years to 3.6 years.
- Terminations during the period relate to Flyadeal, Jeddah STC Cafeteria contracts and Saudi Real Estate & Development contracts (SV City NC-08) contract ended in quarter 3, 2020 and the liability was transferred to payables.

Depreciation for the year has been allocated as follows:

	<b><u>Note</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Cost of sales	25	<b>76,176,623</b>	70,233,696
General and administrative expenses	27	<b>10,698,838</b>	11,621,074
		<b>86,875,461</b>	81,854,770

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**9. RIGHT -OF-USE ASSETS & LEASE LIABILITIES (continued)**

b. Lease Liabilities

Movement in lease liabilities over the year is as follows:

	<u>2020</u>	<u>2019</u>
Lease liability at beginning of the year	<b>533,866,178</b>	587,483,042
Additions to lease liabilities	<b>26,736,747</b>	--
Increase in lease liability due to finance cost	<b>26,912,213</b>	27,642,870
Lease modification	<b>33,119,514</b>	--
Termination of lease liabilities	<b>(2,827,374)</b>	--
Lease payment made during the year	<b>(37,721,375)</b>	(81,259,734)
Lease liabilities at end of the year	<b>580,085,903</b>	533,866,178
Less: Current portion of lease liabilities	<b>(167,856,691)</b>	(117,364,903)
Non-Current portion of lease liabilities	<b>412,229,212</b>	416,501,275

Lease liabilities as at December 31 are as follows:

**December 31, 2020**

	<b><u>Future Minimum Lease Payment</u></b>	<b><u>Interest</u></b>	<b><u>Present Value of Minimum Lease Payment</u></b>
Commercial building lease	456,385,853	53,356,189	403,029,664
Land leases	91,581,630	35,671,158	55,910,472
Residential leases	183,357,333	64,003,696	119,353,637
Car leases	1,956,143	164,013	1,792,130
<b>As at December 31, 2020</b>	<b>733,280,959</b>	<b>153,195,056</b>	<b>580,085,903</b>

**December 31, 2019**

	<b><u>Future Minimum Lease Payment</u></b>	<b><u>Interest</u></b>	<b><u>Present Value of Minimum Lease Payment</u></b>
Commercial Building Lease	419,039,611	67,045,396	351,994,215
Land Lease	92,137,202	38,494,314	53,642,888
Residential Lease	189,923,806	69,298,880	120,624,926
Car Lease	8,081,542	477,393	7,604,149
<b>As at December 31, 2019</b>	<b>709,182,161</b>	<b>175,315,983</b>	<b>533,866,178</b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**9. RIGHT -OF-USE ASSETS & LEASES LIABILITIES (continued)**

**b. Lease Liabilities (continued)**

At December 31, the lease liabilities are presented in the statement of financial position as follows:

	<u>2020</u>	<u>2019</u>
Current portion	<b>167,856,691</b>	117,364,903
Non-current portion	<b>412,229,212</b>	416,501,275
	<b><u>580,085,903</u></b>	<u>533,866,178</u>
	<u>2020</u>	<u>2019</u>
Due current balance	<b>86,564,638</b>	28,954,344
Less than one year	<b>81,292,053</b>	88,410,559
One to five years	<b>256,677,780</b>	242,035,475
More than five years	<b>155,551,432</b>	174,465,800
	<b><u>580,085,903</u></b>	<u>533,866,178</u>

**c. Subleased assets**

The Company sub-leases asset, AM1 Building in King Khalid International Airport in Riyadh. The management has classified this lease as finance lease. Furthermore, the Company sub-leased small portion of Staff accommodation in Dammam which management has classified as operating lease.

Movement in subleased assets over the year is as follows:

	<u>2020</u>	<u>2019</u>
Net subleased assets at beginning of the year	<b>25,385,157</b>	28,299,873
Increase due to finance income	<b>725,310</b>	1,337,128
Lease payments received during the year	<b>(2,627,472)</b>	(4,251,844)
Net subleased assets at end of the year	<b>23,482,995</b>	25,385,157
Less: Current portion of net subleased assets	<b>(14,190,822)</b>	(12,526,423)
Non-Current portion of net subleased assets	<b>9,292,173</b>	12,858,734
	<u>2020</u>	<u>2019</u>
Due current balance	<b>9,478,482</b>	8,770,105
Less than one year	<b>3,335,850</b>	3,335,850
One to five years	<b>11,675,475</b>	15,377,950
Total undiscounted lease receivables	<b>24,489,807</b>	27,483,905
Unearned finance income	<b>(1,006,812)</b>	(2,098,748)
Net investment in the lease	<b><u>23,482,995</u></b>	<u>25,385,157</u>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**9. RIGHT -OF-USE ASSETS & LEASES LIABILITIES (continued)**

c. Subleased assets (continued)

*Lease receivables as at December 31 are as follows:*

**2020**

	<b><u>Future Minimum Lease Payment</u></b>	<b><u>Interest</u></b>	<b><u>Present Value of Minimum Lease Payment</u></b>
Commercial building lease as at December 31, 2020	<b><u>24,489,807</u></b>	<b><u>1,006,812</u></b>	<b><u>23,482,995</u></b>

**2019**

	<b><u>Future Minimum Lease Payment</u></b>	<b><u>Interest</u></b>	<b><u>Present Value of Minimum Lease Payment</u></b>
Commercial building lease as at December 31, 2019	<b><u>27,117,280</u></b>	<b><u>1,732,123</u></b>	<b><u>25,385,157</u></b>

d. Operating lease

The Company leases out its investment property. The management has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

Rental income recognized by the management during 2020 was SR. 3.1 million (2019: SR. 3.4 million).

The following table sets out a maturity analysis of lease payments showing the undiscounted lease payments to be received after the reporting date.

**2020**

Less than one year	--
One to five years	94,784,105
More than five years	56,870,463
	<b><u>151,654,568</u></b>

**2019**

Less than one year	18,956,821
One to five years	94,784,105
More than five years	75,827,284
	<b><u>189,568,210</u></b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**9. RIGHT -OF-USE ASSETS & LEASES LIABILITIES (continued)**

iii. Amount recognized in profit or loss

**2020**

Interest on lease liabilities	<b>26,912,213</b>
Income from sub-leasing right of use assets	<b>725,310</b>
Rent expense relating to short term lease	<b>14,431,678</b>
Rent relating to lease of low value assets	<b>--</b>

**2019**

Interest on lease liabilities	27,642,871
Income from sub-leasing right of use assets	1,337,128
Rent expense relating to short term lease	56,897,540
Rent relating to lease of low value assets	<b>--</b>

**10. EQUITY ACCOUNTED INVESTEE**

a. Investment in associate

The Company has a 40% shareholding in Saudi French Company for Duty Free Operations and Management.

b. The balances of the investment in associate as at December 31 is as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>		<u>Carrying value</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Saudi French Company for Duty Free Operations and Management (Limited Liability Company)	Kingdom of Saudi Arabia	<b>40%</b>	40%	<b>--</b>	<b>11,588,345</b>

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

	<u>2020</u>	<u>2019</u>
Opening balance	<b>11,588,345</b>	15,125,813
Share in net loss	<b>(8,361,611)</b>	(3,355,121)
Impairment loss	<b>(3,125,930)</b>	<b>--</b>
Share in other comprehensive loss	<b>(100,804)</b>	(182,347)
Closing balance	<b>--</b>	<b>11,588,345</b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**10. EQUITY ACCOUNTED INVESTEE (continued)**

- d. Below is the summary of the financial information of the investee as at December 31.

The associate had not yet issued audited financial statements yet, hence, the financial data below and the share of loss for the year ended December 31, 2020 is based on management draft financial statements.

Share in net assets

	<u>2020</u>	<u>2019</u>
Non current assets	17,289,177	158,408,508
Current assets	58,893,222	78,753,777
Total assets	<u>76,182,399</u>	<u>237,162,285</u>
Non current liabilities	2,026,300	109,334,455
Current liabilities	67,093,657	98,856,968
Total liabilities	<u>69,119,957</u>	<u>208,191,423</u>
<b>Net assets</b>	<u>7,062,442</u>	<u>28,970,862</u>
Company's share in net assets	--	11,588,345
Carrying value of investment	--	11,588,345

Share in loss

	<u>2020</u>	<u>2019</u>
Revenue	98,075,233	290,271,279
Net loss for the year	(20,904,027)	(2,919,708)
Other adjustment	--	(5,468,095)
Revised net loss for the year	(20,904,027)	(8,387,803)
Other comprehensive loss	(252,009)	(455,867)
Company's share of loss for the year (40%)	(8,361,611)	(3,355,121)
Impairment loss	(3,125,930)	--
Company's share of other comprehensive loss (40%)	(100,804)	(182,347)

- e. Business continuation of equity accounted investee

During the year, the investee reported a loss of SR. 20.9 million and the Company's share in the loss was SR. 8.4 million, however, the Company fully impaired the carrying value of the total cost of investment.

**11. FINANCIAL ASSETS AT AMORTIZED COSTS**

	<u>2020</u>	<u>2019</u>
Margin deposits on guarantees and bonds	<u>17,497,223</u>	<u>19,754,026</u>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**12. INVENTORIES**

- a. Inventories comprise the following:

	<u>2020</u>	<u>2019</u>
Retail items	<b>82,058,542</b>	106,838,242
Catering items	<b>27,084,037</b>	44,068,578
Spare parts	<b>8,500,097</b>	7,854,963
Packing and other materials	<b>12,331,731</b>	6,118,042
	<b>129,974,407</b>	164,879,825
Provision for obsolete inventories	<b>(14,010,975)</b>	(11,087,867)
	<b>115,963,432</b>	153,791,958

- b. Movement in provision for obsolete inventories for the year was as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	<b>11,087,867</b>	13,396,325
Charge for the year	<b>2,923,108</b>	8,595,571
Write-off during the year	--	(10,904,029)
Balance at end of the year	<b>14,010,975</b>	11,087,867

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

**13. TRADE AND OTHER RECEIVABLES**

- a. Trade and other receivables comprise the following:

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Trade receivables – related parties	23-c	<b>688,838,692</b>	656,703,848
Trade receivables – third parties		<b>200,463,671</b>	263,063,165
		<b>889,302,363</b>	919,767,013
Less: total expected credit losses allowances	13-c	<b>(88,705,847)</b>	(51,625,753)
		<b>800,596,516</b>	868,141,260

- 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 are unsecured.
- 82% of the trade receivables is due from government or semi-government entities (2019: 74%)

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**13. TRADE AND OTHER RECEIVABLES (continued)**

b. The ageing analysis of trade receivable is as follows:

	<i>Up to three months</i>	<i>Above three and up to six months</i>	<i>Above six months</i>	<u>Total</u>
<b>December 31, 2020</b>	<b>270,201,081</b>	<b>169,194,344</b>	<b>449,906,938</b>	<b>889,302,363</b>
December 31, 2019	519,897,497	81,603,427	318,263,089	919,767,013

c. Movements summary in expected credit losses for receivables for the year ended December 31 is as follows:

	<b>December 31, 2020</b>	December 31, 2019
Balance at beginning of the year	<b>51,625,753</b>	44,528,851
Charged for the year	<b>39,033,865</b>	7,486,869
Reversal during the year	<b>(1,835,469)</b>	(374,525)
Write-off during the year	<b>(118,302)</b>	(15,442)
Balance at end of the year	<b>88,705,847</b>	51,625,753

**14. PREPAYMENTS AND OTHER CURRENT ASSETS**

Prepayments and other current assets at December 31 comprise the following:

	<b>2020</b>	2019
Advances to suppliers	<b>44,255,115</b>	33,405,125
Prepayments	<b>17,913,157</b>	39,829,238
Unbilled receivables	<b>12,342,885</b>	21,279,521
VAT input tax	<b>7,946,128</b>	6,391,692
Margin deposits with banks	<b>8,005,337</b>	6,075,999
Advances to employees	<b>394,015</b>	1,578,176
	<b>90,856,637</b>	108,559,751

- Unbilled receivables represents billing not yet approved by customers. As at December 31, 2020 there were Nil unbilled receivable outstanding for more than 1 year.

**15. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31 comprise the following:

	<b>2020</b>	2019
Cash at bank - current accounts	<b>257,189,516</b>	188,174,435
Cash in hand	<b>264,383</b>	729,108
	<b>257,453,899</b>	188,903,543



**SAUDI AIRLINES CATERING COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

**16. SHORT-TERM BORROWING**

The Company obtained short term borrowing based on the revolving agreement during the year ended 31 December 2020 amounting to SR 300 million from Saudi British Bank (SABB) to meet the working capital requirements of the Company. The loan carries commission at commercial rates. The borrowing was initially payable on September 15, 2020 which was rolled over to June 13, 2021.

**17. SHARE CAPITAL****a. Share capital**

The authorized, issued and paid-up capital of the Company is SR 820,000,000 divided into 82,000,000 equal shares at SR. 10 each.

- b. At December 31 the shareholders and their percentage interests in the share capital of the Company are as follows:

**2020**

<u>Shareholders</u>	<u>No. of shares</u>	<u>Value in SR</u>	<u>%</u>
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	481,618	481,6180	0.59
Abdalmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.40
General public	44,533,126	445,331,260	54.31
	<u>82,000,000</u>	<u>820,000,000</u>	<u>100</u>

**2019**

<u>Shareholders</u>	<u>No. of shares</u>	<u>Value in SR</u>	<u>%</u>
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	7,041,379	70,413,790	8.6
Abdalmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.4
General public	37,973,365	379,733,650	46.3
	<u>820,000,000</u>	<u>820,000,000</u>	<u>100</u>

During the year ended December 31, 2020, a shareholder (Strategic Catering Company Limited) sold its 6.5 million shares to General public. All legal formalities were completed during the year.

**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.

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**18. STATUTORY RESERVE**

In accordance with the Company's bylaws and the 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 in previous years.

**19. DIVIDENDS**

a.i. The following dividends were declared by the Company during the year ended December 31, 2020.

**2020**

February 17, 2020: SR 1.40 per ordinary share **112,934,489**

a.ii. The following dividends were declared by the Company during the year ended December 31, 2019.

**2019**

February 27, 2019: SR 1.30 per ordinary share 105,141,497

May 09, 2019: SR 1.30 per ordinary share 104,278,586

August 06, 2019: SR 1.35 per ordinary share 108,311,685

November 05, 2019: SR 1.50 per ordinary share 120,489,602  
438,221,370

b. The movement in the dividends payable for the year ended December 31 is as follows:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Balance at beginning of the year	<b>1,422,759</b>	123,229,981
Declared during the year	<b>112,934,489</b>	438,221,370
Paid during the year	<b><u>(113,096,263)</u></b>	<b><u>(560,028,592)</u></b>
Balance at end of the year	<b><u>1,260,985</u></b>	<b><u>1,422,759</u></b>

The dividend pertaining to December 31, 2019 was paid to Shareholders during the 4th quarter of 2020.

**20. EMPLOYEE BENEFITS**

	<b><u>Notes</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Employees' end-of-service benefits	20 a	<b>155,086,931</b>	172,719,112
Accrued bonus - long term	20 b	<b>10,520,100</b>	4,031,202
		<b><u>165,607,031</u></b>	<b><u>176,750,314</u></b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**20. EMPLOYEE BENEFITS (continued)**

**a. Defined benefit obligations**

i) Movement in defined benefit liability

The following table shows a reconciliation from the opening balance to the closing balance for the employees' end-of- service benefits.

	<u>2020</u>	<u>2019</u>
Balance at January 1	172,719,112	165,023,832
<b>Current service cost included in profit or loss</b>		
Service cost	17,267,581	17,890,880
Finance cost	3,478,573	6,653,165
	<u>20,746,154</u>	<u>24,544,045</u>
<b>Included in OCI</b>		
Actuarial (gain)/ loss arising from:	<u>(2,146,636)</u>	<u>3,749,353</u>
- Financial assumptions	(4,373,099)	(3,239,941)
- Experience adjustment	2,226,463	6,989,294
	<u>(2,146,636)</u>	<u>3,749,353</u>
Remeasurement (gain)/loss:		
<b>Other</b>		
Benefits paid	(36,231,699)	(20,598,118)
Employees' end of service benefits.	<u>155,086,931</u>	<u>172,719,112</u>

ii) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	<u>2020</u>	<u>2019</u>
Discount rate	<u>1.92%</u>	<u>2.25%</u>
Future salary growth	<u>1.92%</u>	<u>2.25%</u>
Voluntary turnover rate	<u>3.8%</u>	<u>6.6%</u>
In -voluntary turnover rate	<u>14.4%</u>	<u>10.45%</u>
Retirement age	<u>60 years</u>	<u>60 years</u>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**20. EMPLOYEE BENEFITS (continued)**

**A. Defined benefit obligations (continued)**

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.

	<u>2020</u>		<u>2019</u>	
	<u>Increase</u>	<u>Decrease</u>	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement)	<u>148,006,354</u>	<u>162,922,795</u>	164,300,183	182,061,852
Future salary growth (1% movement)	<u>163,693,347</u>	<u>147,163,332</u>	182,869,970	163,402,198

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:

	<u>2020</u>	<u>2019</u>
Balance at January 1	4,031,202	2,400,000
Accrued during the year	10,500,000	1,810,092
Benefits paid	(3,317,577)	(178,890)
Reversal	(693,525)	--
	<u>10,520,100</u>	<u>4,031,202</u>

**21. ZAKAT AND INCOME TAX LIABILITIES**

The following is the breakdown of the zakat and income tax liability as at December 31:

	<u>2020</u>	<u>2019</u>
Zakat payable	18,645,913	29,696,293
Income (refund) / tax payable	(7,127,198)	4,485,885
Zakat and income tax liabilities as at December 31	<u>11,518,715</u>	<u>34,182,178</u>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**21. ZAKAT AND INCOME TAX LIABILITIES (continued)**

**a. Zakat and income tax provision**

i) The movement summary in Zakat provision is as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	29,696,293	28,259,464
Charge for the year	18,645,913	29,696,293
Adjustment related to prior years	(218,332)	176,917
Payments during the year	<u>(29,477,961)</u>	<u>(28,436,381)</u>
Balance at end of the year	<u>18,645,913</u>	<u>29,696,293</u>

ii) The movement in income tax provision is as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of the year	4,485,885	2,050,550
Charge for the year	--	9,085,638
Adjustment related to prior year	417,288	175,243
Payments during the year	<u>(12,030,371)</u>	<u>(6,825,546)</u>
Balance at end of the year	<u>(7,127,198)</u>	<u>4,485,885</u>

iii) Charge of the year ended December 31 is as follows:

	<u>2020</u>	<u>2019</u>
Zakat charge for the year	18,645,913	29,696,293
Zakat prior year adjustment	<u>(218,332)</u>	<u>176,917</u>
	18,427,581	29,873,210
Income tax charge of the year	--	9,085,638
Income tax prior year adjustment	<u>417,288</u>	<u>175,243</u>
	417,288	9,260,881
<b>Total Zakat and income tax of the year</b>	<u><b>18,844,869</b></u>	<u><b>39,134,091</b></u>

**b. Zakat components**

	<u>2020</u>	<u>2019</u>
Non-current assets	1,027,939,300	1,172,342,089
Non-current liabilities	<u>577,836,243</u>	<u>593,251,589</u>
Total equity	<u>860,076,885</u>	<u>1,305,651,941</u>
(Loss)/profit before Zakat and income tax	<u>(315,841,530)</u>	<u>503,067,494</u>

**SAUDI AIRLINES CATERING COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

**21. ZAKAT AND INCOME TAX LIABILITIES (continued)****c. Zakat assessments**

The Company has submitted its Zakat and tax declarations for the years from 2009 to 2018. It has received queries from GAZT in respect of all these years and has provided responses for the years 2009 to 2018. GAZT issued an assessment for 2015 to 2018 on December 22, 2020 claiming additional Zakat and tax penalties amounting to approximately 16 million and the Company has submitted its objection against the GAZT's assessment. For Zakat and tax declaration for 2008, GAZT issued an assessment claiming additional Zakat and tax with delay penalty, the Company settled the amount under protest and filed an objection through a letter dated October 11, 2010. Since the Company did not receive any notification from GAZT on its objection the Company escalated the objection to the General Secretariat of Tax Committees in January 2020.

The Company has submitted its Zakat and tax declaration for the year 2019. The Company has obtained a certificate until April 30, 2021.

**22. TRADE AND OTHER PAYABLES**

Trade payables at December 31 comprise the following:

	<u>Note</u>	<b>December 31, <u>2020</u></b>	<b>December 31, <u>2019</u></b>
Trade payables – third parties		<b>229,570,542</b>	253,728,178
Trade payables – related parties	23 c	<b>26,124,556</b>	28,032,006
Accrued expenses		<b>132,755,989</b>	169,225,261
Dividend payable	19 b	<b>1,260,985</b>	1,422,759
VAT output tax		<b>--</b>	1,406,209
		<b><u>389,712,072</u></b>	<b><u>453,814,413</u></b>

**23. RELATED PARTIES DISCLOSURES**

- a. Related parties include the Company's shareholders, associated companies and directors and key management personnel of the Company. Terms and conditions of these transactions at agreed rates are approved by the Company's management. Transactions are mainly represented in sale of goods and services.

All outstanding balances with these related parties are priced on mutually agreed terms and are to be settled in cash.

- b. Transactions with key management personnel

Key management personnel compensation comprised the following:

	<b><u>2020</u></b>	<b><u>2019</u></b>
Short term employee benefits	<b>6,477,965</b>	7,081,174
Post-employment benefits	<b>248,599</b>	243,776
Termination benefits	<b>438,094</b>	776,632
	<b><u>7,164,658</u></b>	<b><u>8,101,582</u></b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**23. RELATED PARTIES DISCLOSURES (continued)**

**c. Related parties' transactions and balances**

Significant related parties' transactions and balances arising there from are as follows:

	<u>Relationship</u>	<u>Transaction values for the year</u>		<u>Balances</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>i) <u>Sale of goods and services (under trade and other receivables)</u></b>					
Saudi Arabian Airlines Corporation*	Shareholder/ fellow subsidiaries	<b>823,564,475</b>	1,456,963,495	<b>651,074,233</b>	602,722,422
Saudi Ground Services Company	Fellow subsidiary	<b>24,463,111</b>	45,245,311	<b>16,567,740</b>	33,004,466
Saudi Airlines Cargo Company	Fellow subsidiary	<b>7,929,169</b>	13,804,912	<b>11,159,362</b>	11,197,020
Saudi French Company for Duty Free Operations and Management	Associate	<b>1,880,188</b>	5,498,078	<b>9,165,574</b>	8,958,552
Saudi Airlines Real Estate Development Company	Fellow subsidiary	<b>529,910</b>	413,261	<b>930,614</b>	803,940
Alhokair Company Joint Stock Company	Shareholder	<b>16,096</b>	257,775	<b>(58,831)</b>	17,448
Strategic Catering Company LLC.	Shareholder	<b>44,100</b>	--	<b>--</b>	--
<b>Total</b>				<b><u>688,838,692</u></b>	<b><u>656,703,848</u></b>

	<u>Relationship</u>	<u>Transaction values for the year</u>		<u>Balances</u>	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>i) <u>Purchase of goods, rentals and services provided (under trade and other payables)</u></b>					
Saudi Airlines Real Estate Development Company	Fellow subsidiary	<b>12,617,487</b>	5,308,280	<b>22,110,575</b>	16,133,360
Saudi Arabian Airlines Corporation*	Shareholder/ fellow subsidiaries	<b>5,654,774</b>	4,616,779	<b>1,654,089</b>	986,213
Saudi Airlines Cargo Company	Fellow subsidiary	<b>1,673,768</b>	275,530	<b>1,191,796</b>	279,668
Saudi Ground Services Company	Fellow subsidiary	<b>2,355,686</b>	5,422,554	<b>819,453</b>	6,504,477
Newrest Company Holding S.L.	Shareholder	<b>3,030,066</b>	9,821,076	<b>161,436</b>	2,778,232
Alhokair Company Joint Stock Company	Shareholder	<b>82,821</b>	104,386	<b>187,207</b>	104,386
Gulfwest Company Limited	Common shareholder	--	4,401,978	<b>--</b>	1,245,670
<b>Total</b>				<b><u>26,124,556</u></b>	<b><u>28,032,006</u></b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**23. RELATED PARTIES DISCLOSURES (continued)**

**c. Related parties' transactions and balances (continued)**

\*Transactions with Saudi Arabian Airlines Corporation includes transaction with the entities which are wholly owned by Saudi Arabian Airlines. The entities include Saudia Airlines Corporation, Saudi Private Aviation, Saudi Royal VIP, Saudia Royal Fleet, Saudia Aerospace Engineering, Saudia Medical Service, Prince Sultan Aviation, Flyadeal and Al Salam Aircraft Company. Furthermore, Gulfwest Company Limited is no more a related party for Saudi Airline Catering Company and is reclassified to third party payables.

**24. REVENUE**

	<u>2020</u>	<u>2019</u>
In-flight catering	569,914,365	1,524,966,840
Non-airlines	199,433,183	231,532,777
Business lounge	72,577,387	182,814,245
Retail revenue	64,667,672	176,688,018
<b>Other operating revenues</b>		
Camp facilities sales (staff feeding & accommodation)	17,857,005	22,600,193
Exclusivity purchase income & services to suppliers	2,124,030	17,664,182
	<u>926,573,642</u>	<u>2,156,266,255</u>

**25. COST OF SALES**

	<u>Note</u>	<u>2020</u>	<u>2019</u>
Cost of materials and goods		328,665,219	674,720,073
Personnel costs		220,918,952	297,992,825
Depreciation on property, plant and equipment	6c	83,048,580	66,753,458
Depreciation on right-of-use assets	9a	76,176,623	70,233,696
Rent and maintenance of production units		27,473,718	65,774,166
<b>Other operating costs:</b>			
Manpower and transportation cost		32,354,010	74,108,158
Supplies and expendable items		24,613,118	34,982,638
Communication and utilities		20,635,535	24,005,244
Other operational costs		70,454,066	60,763,969
		<u>884,339,821</u>	<u>1,369,334,227</u>

**26. OTHER INCOME**

	<u>2020</u>	<u>2019</u>
Management fee income	1,519,947	4,474,487
Medical ex - gratia income	2,400,000	2,391,616
Commission income	--	80,887
Others	1,117,159	2,004,641
	<u>5,037,106</u>	<u>8,951,631</u>



**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**27. GENERAL AND ADMINISTRATIVE EXPENSES**

	<u>Notes</u>	<u>2020</u>	<u>2019</u>
Employees costs		144,328,660	140,507,382
Service agreement fee		17,718,216	10,859,439
Marketing and promotional		15,455,913	6,163,198
Professional and technical fee		12,651,867	11,143,936
Depreciation on property, plant and equipment and investment property	6 & 8	11,450,981	10,164,283
Depreciation on right-of-use assets	9	10,698,838	11,621,074
Utilities		7,400,643	7,363,177
Insurance		4,167,659	3,904,834
Travelling		3,747,794	7,980,117
Board of Directors' fee		3,679,764	3,166,213
Repairs and maintenance		2,774,702	731,212
Management fee		1,000,000	12,021,546
Rent		864,741	6,253,978
Amortization	7	729,456	297,170
Stationery and printing		136,922	936,903
Other		19,524,678	12,424,218
		<u>256,330,834</u>	<u>245,538,680</u>

**28. OTHER EXPENSES**

	<u>2020</u>	<u>2019</u>
Banks commission	552,106	2,193,687
Foreign currency exchange loss	698,915	1,150,545
Loss on sale of property, plant and equipment	275,882	506,880
	<u>1,526,903</u>	<u>3,851,112</u>

**29. FINANCE INCOME**

	<u>2020</u>	<u>2019</u>
Finance income on sublease assets	725,310	1,337,128

**30. FINANCE COSTS**

	<u>2020</u>	<u>2019</u>
Interest from lease liabilities (note 9 b)	26,912,213	27,642,871
Interest on employees' end-of-service benefits (note 20 a)	3,478,573	6,653,165
Interest on short-term borrowings	4,003,307	--
	<u>34,394,093</u>	<u>34,296,036</u>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**31. EARNINGS PER SHARE**

**A. *Basic (loss)/earnings per share***

The calculation of basic (loss)/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)**

	<u>2020</u>	<u>2019</u>
(Loss)/profit for the year	<u>(334,686,399)</u>	<u>463,933,403</u>

**ii. Weighted-average number of ordinary shares (basic)**

	<u>2020</u>	<u>2019</u>
Weighted-average number of ordinary shares during the year	<u>82,000,000</u>	<u>82,000,000</u>

**i i i. Earnings per share – basic**

	<u>2020</u>	<u>2019</u>
(Loss) / earnings per share	<u>(4.08)</u>	<u>5.66</u>

**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.

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**32. OPERATING SEGMENTS**

**A. Information about reportable segments**

**December 31, 2020**

	<u>Inflight</u>	<u>Retail</u>	<u>Catering and facilities</u>	<u>Total reportable segments</u>	<u>All other segments</u>	<u>Head office</u>	<u>Total</u>
External revenue	646,991,306	64,610,182	195,695,116	907,296,604	19,277,038	--	926,573,642
Inter-segment revenue	26,528,651	(8,306)	3,853,082	30,373,427	144,572,859	--	174,946,286
Segment revenue	<b>673,519,957</b>	<b>64,601,876</b>	<b>199,548,198</b>	<b>937,670,031</b>	<b>163,849,897</b>	<b>--</b>	<b>1,101,519,928</b>
Segment profit / (loss) before zakat and tax	149,994,035	(64,396,159)	(5,993,413)	79,604,463	(395,445,993)	--	(315,841,530)
Depreciation and amortization	109,721,833	12,936,929	14,918,198	137,576,960	44,527,519	--	182,104,479
Impairment loss	--	--	(22,900,000)	(22,900,000)	--	--	(22,900,000)
<b>Assets:</b>							
Segment assets	1,099,214,912	149,536,385	143,713,661	1,392,464,958	319,565,964	--	1,712,030,922
Other assets	--	--	--	--	--	594,969,684	594,969,684
<b>Total</b>	<b>1,099,214,912</b>	<b>149,536,385</b>	<b>143,713,661</b>	<b>1,392,464,958</b>	<b>319,565,964</b>	<b>594,969,684</b>	<b>2,307,000,606</b>
<b>Liabilities:</b>							
Segment liabilities	537,183,521	84,947,451	40,696,927	662,827,899	253,603,535	--	916,431,434
Other liabilities	--	--	--	--	--	530,492,287	530,492,287
	<b>537,183,521</b>	<b>84,947,451</b>	<b>40,696,927</b>	<b>662,827,899</b>	<b>253,603,535</b>	<b>530,492,287</b>	<b>1,446,923,721</b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**32. OPERATING SEGMENTS (continued)**

**A. Information about reportable segments (continued)**

**December 31, 2019**

	<u>Inflight</u>	<u>Retail</u>	<u>Catering and facilities</u>	<u>Total reportable segments</u>	<u>All other segments</u>	<u>Head office</u>	<u>Total</u>
External revenue	1,707,122,865	176,688,018	197,278,132	2,081,089,015	75,177,240	--	2,156,266,255
Inter-segment revenue	59,378,164	--	6,300,459	65,678,623	309,484,117	--	375,162,740
Segment revenue	1,766,501,029	176,688,018	203,578,591	2,146,767,638	384,661,357	--	2,531,428,995
Segment profit / (loss) before zakat and tax	883,636,366	2,417,136	2,034,621	888,088,123	(385,020,629)	--	503,067,494
Depreciation and amortization	100,844,835	3,867,056	11,038,566	115,750,457	43,319,223	--	159,069,680
<b>Assets:</b>							
Segment assets	1,193,205,347	162,322,774	156,002,167	1,511,530,288	346,891,052	--	1,858,421,340
Other assets	--	--	--	--	--	645,843,684	645,843,684
<b>Total</b>	1,193,205,347	162,322,774	156,002,167	1,511,530,288	346,891,052	645,843,684	2,504,265,024
<b>Liabilities:</b>							
Segment liabilities	444,995,950	70,369,381	33,712,813	549,078,144	210,081,921	--	759,160,065
Other liabilities	--	--	--	--	--	439,453,018	439,453,018
<b>Total</b>	444,995,950	70,369,381	33,712,813	549,078,144	210,081,921	439,453,018	1,198,613,083

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**32. OPERATING SEGMENTS (continued)**

**B. Reconciliations of information on reportable segments to IFRS measures**

***I. Revenue***

	<u>2020</u>	<u>2019</u>
Total revenue for reportable segments	937,670,031	2,146,767,638
Revenue for other segments	163,849,897	384,661,357
Elimination of intersegment revenue	<u>(174,946,286)</u>	<u>(375,162,740)</u>
<b>Total revenue</b>	<b><u>926,573,642</u></b>	<b><u>2,156,266,255</u></b>

***II. Profit***

	<u>2020</u>	<u>2019</u>
Total profit for reportable segments	79,604,463	888,088,123
Loss for other segments	<u>(395,445,993)</u>	<u>(385,020,629)</u>
<b>Total (loss) / profit</b>	<b><u>(315,841,530)</u></b>	<b><u>503,067,494</u></b>

***III. Assets***

	<u>2020</u>	<u>2019</u>
Total assets for reportable segments	1,392,464,958	1,511,530,288
Assets for other segments	319,565,964	346,891,052
Head office	<u>594,969,684</u>	<u>645,843,684</u>
<b>Total assets</b>	<b><u>2,307,000,606</u></b>	<b><u>2,504,265,024</u></b>

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

***IV. Liabilities***

	<u>2020</u>	<u>2019</u>
Total liabilities for reportable segments	662,827,899	549,078,144
Liabilities for other segments	253,603,535	210,081,921
Head office	<u>530,492,287</u>	<u>439,453,018</u>
<b>Total liabilities</b>	<b><u>1,446,923,721</u></b>	<b><u>1,198,613,083</u></b>

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

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**32. OPERATING SEGMENTS (continued)**

**B. Reconciliations of information on reportable segments to IFRS measures**

*V. Geographical information*

<b>Revenue</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Kingdom of Saudi Arabia	<b>910,774,024</b>	2,093,009,467
Egypt – Cairo	<b>15,799,618</b>	63,256,788
<b>Total revenue</b>	<b>926,573,642</b>	<b>2,156,266,255</b>

**C. Major customer**

Revenue from one customer of the Company's Airline segment represented approximately 58% (2019: 60%) of the Company's total revenue.

**33. 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. The Company already obtained short-term loan amounting to SR 300 million. The Company monitors capital using a debt equity percentage.

	<b>2020</b>	<b>2019</b>
Total liabilities	<b>1,446,923,721</b>	1,198,613,083
Less: cash and cash equivalents	<b>(257,453,899)</b>	(188,903,543)
<b>Net debt</b>	<b>1,189,469,822</b>	<b>1,009,709,540</b>
 Total equity	 <b>860,076,885</b>	 <b>1,305,651,941</b>
 <b>Net debt to total equity percentage</b>	 <b>138%</b>	 <b>77%</b>

## SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

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#### 34. IMPAIRMENT LOSSES

The recoverable amount is based on “value-in-use” method and was determined at the level of cash generating units (“CGU”) as identified by management and consists of the net operating assets of each CGU. In determining value in use for the CGUs, the cash flows (determined using approved five-year business plan and budget) were discounted at a rate of 10.18% and were projected up to the year 2025.

As part of Company’s assessment exercise of the recoverable amounts of non-financial assets including right-of-use assets at the year-end; the Company has recognized impairment losses of SR 22.9 million (December 31, 2019 SR: Nil).

The Company has reviewed the carrying amounts of its non-financial assets to determine whether their carrying values exceed the recoverable amounts. For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is established based on the estimated future cash flows based on 5-year management’s approved plan, discounted to their present value using the growth rates and discount rates (disclosed as key assumptions in the table below).

Key assumptions used for determination of value in use:

Cash flow projections were prepared using budgeted earnings before interest, Zakat, depreciation and amortization (EBITDA) taking into account past experience, and following factors:

- (i) Estimated revenue and EBITDA Growth for future five years based on expected sales volume and price growth for these years.
- (ii) Estimated improvement in gross margins and EBITDA as a result of improvement plans currently being carried out by the Company.

These cash flows were discounted using a discount rate which was estimated using industry average weighted-average cost of capital and cost of debt.

The key assumptions used for determination of recoverable amounts are as follows:

	<u>2020</u>
Budgeted gross margin	<b>23% to 88%</b>
Compounded annual revenue growth rate	<b>3% to 44%</b>
Budgeted EBITDA margins	<b>-10% to 43%</b>
Discount rate	<b>10.18%</b>
Terminal growth rate	<b>2.64%</b>

The calculation of value-in-use is most sensitive to the following key assumptions used:

- Terminal growth rate
- Discount rate applied to cash flows projections

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**34. IMPAIRMENT LOSSES (continued)**

Sensitivity analysis

The implications of changes to the key assumptions are described below.

	<u>2020</u>	
	<u>Increase</u>	<u>Decrease</u>
Discount rate (1% movement)	<u>29,167,973</u>	<u>14,346,331</u>
Terminal growth (1% movement)	<u>16,287,375</u>	<u>27,720,801</u>

**35. 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's 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.

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

**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 short-term borrowing are interest rate bearing however the interest rate is fixed by the lender thus there is no fluctuation risk associated.



**SAUDI AIRLINES CATERING COMPANY**

(A Saudi Joint Stock Company)

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended December 31, 2020

(Expressed in Saudi Arabian Riyals)

**35. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)****Currency risk**

Currency is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Riyal, US Dollar, Egyptian Pound, Euro, British Pound and Swiss Franc. The Company has foreign suppliers and also operates in Cairo and therefore exposed to foreign exchange risk. The Company's management monitors such fluctuations and manages its effect on the financial statements accordingly.

Following is the exposure classified into separate foreign currencies:

	<u>2020</u>	<u>2019</u>
<b><u>Trade Payable:</u></b>		
US Dollar	<b>263,091</b>	4,750,195
Egyptian Pound	<b>15,891,612</b>	8,441,729
Euro	<b>527,013</b>	2,172,879
British Pound	<b>868,208</b>	137,574
UAE Dirhams	<b>318,582</b>	66,077
Swiss Franc	<b>7,738</b>	--

Following is the exposure classified into separate foreign currencies:

	<u>Average Rate</u>		<u>Spot Rate</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Foreign currency per Saudi Riyal				
US Dollar	<b>3.750</b>	3.750	<b>3.753</b>	3.749
Egyptian Pound	<b>0.231</b>	0.228	<b>0.238</b>	0.233
Euro	<b>4.459</b>	4.168	<b>4.586</b>	4.198
British Pound	<b>4.913</b>	4.889	<b>5.124</b>	4.917
Swiss Franc	<b>4.205</b>	--	<b>4.241</b>	3.861
UAE Dirhams	<b>1.021</b>	1.015	<b>1.021</b>	1.021

**Sensitivity analysis**

Every 1% increase or decrease in exchange rate with all other variables held constant will decrease or increase profit before zakat and income tax for the year by SR. 0.4 million (December 31, 2019 = SR. -0.3 million).

**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.

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**35. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)**

The Company's gross maximum exposure to credit risk at the reporting date is as follows:

	<b>December 31, 2020</b>	December 31, 2019
<b>Financial assets</b>		
Due from related parties	<b>688,838,692</b>	656,703,848
Trade receivables	<b>200,463,671</b>	263,063,165
Balances with banks	<b>257,453,899</b>	188,174,435
Unbilled receivables	<b>12,342,885</b>	21,279,521
Margin deposits with banks	<b>8,005,337</b>	6,075,999
Investment in sub-lease	<b>23,482,995</b>	25,385,157
Financial asset at amortized cost	<b>17,497,223</b>	19,754,026
	<b><u>1,208,084,702</u></b>	<u>1,180,436,151</u>

Credit risk on receivable and bank balances is limited as:

- Cash balances are held with banks with sound credit ratings ranging from A3 to A1 based on Moody's credit rating and BBB+ based on Fitch credit rating. All bank accounts are held with banks within Saudi Arabia and Cairo.
- The Company currently does not obtain security / collateral from its customers.

**Concentration Risk**

As at December 31, 2020, 5 largest customers account for approximately 78% (31 December 2019: 71%) of gross outstanding trade receivables

**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 have any credit facility in place whereby the Company availed SR 300 million from the facility 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.

**Fair value of assets and liabilities**

The following table shows the carrying amount of the financial assets and financial liabilities at December 31, 2019 and 2020. The Company does not have any assets measured at FVTPL or FVOCI at December 31, 2019 and 2020.

**Financial assets classified as amortised cost**

<b><u>Carrying value:</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Trade and other receivables	<b>800,596,516</b>	868,141,260
Balances with banks	<b>257,453,899</b>	188,174,435
Other receivables	<b>20,348,222</b>	27,335,520
Sub-leased assets	<b>23,482,995</b>	25,385,157
Financial asset at amortized cost	<b><u>17,497,223</u></b>	<u>19,754,026</u>
	<b><u>1,119,378,855</u></b>	<u>1,128,790,398</u>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

**35. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)**

**Financials liabilities as at amortised cost**

<u>Carrying amount:</u>	<u>2020</u>	<u>2019</u>
Trade and other payables	389,712,072	453,814,413
Short-term borrowing	300,000,000	--
Lease liabilities	580,085,903	533,866,178
	<u>1,269,797,975</u>	<u>987,680,591</u>

All the financials assets and liabilities mentioned above are at amortised cost and are not subject to fair value assessment.

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 and Zakat & tax and VAT liabilities.

<u>December 31, 2020</u>	<u>Carrying amount</u>	<u>Total</u>	<u>Less than one year</u>	<u>More than one year</u>
<b>Liabilities</b>				
Trade and other payables	389,712,072	389,712,072	389,712,072	--
Short-term borrowing	300,000,000	300,000,000	300,000,000	--
Lease liabilities	580,085,903	580,085,903	167,856,691	412,229,212
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>December 31, 2019</u>	<u>Carrying amount</u>	<u>Total</u>	<u>Less than one year</u>	<u>More than one year</u>
Trade and other payables	451,870,275	451,870,275	451,870,275	--
Lease liabilities	533,866,178	533,866,178	117,364,903	416,501,275
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>

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.

**36. COMMITMENTS AND CONTINGENCIES**

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

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Capital commitments	<u>91,004,160</u>	<u>114,492,477</u>
Letter of guarantees	<u>63,274,273</u>	<u>48,827,369</u>

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, 2020, the Company fully paid the amount against letters of guarantee, hence no further financial charges are payable.

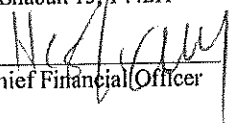
The Company had a credit facility with SABB from January 2020 for the bank guarantee issued on behalf of the Company to a supplier with the year-to-date issued amount of SR. 37,771,713.

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended December 31, 2020  
(Expressed in Saudi Arabian Riyals)

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**37. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were approved by the Board of Directors on March 28, 2021, corresponding to Shaban 15, 1442H

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board of Directors  
Member