



الخطوط السعودية  
للتأمين  
SAUDI AIRLINES  
CATERING



# Four Decades of Catering Excellence

Annual Report 2021

# Financial Highlights

REVENUE  
SAR **1.21**  
BILLION

EARNING PER SHARE  
SAR **0.17**

NET PROFIT  
AFTER ZAKAT  
AND INCOME TAX  
SAR **14.1**  
MILLION



ESTABLISHED IN 1981 TO PROVIDE CATERING SERVICES TO THE KINGDOM'S FLAG CARRIER SAUDIA, SAUDI AIRLINES CATERING COMPANY (SACC) HAS BLOSSOMED INTO A BROAD AND DIVERSIFIED ENTERPRISE OFFERING A FULL SUITE OF FOOD AND BEVERAGE, RETAIL, HOSPITALITY AND SUPPORT SERVICES TO LOCAL AND INTERNATIONAL CLIENTS

## OUR 3 OPERATIONAL DIVISIONS



### IN-FLIGHT CATERING

Read more about how we are optimizing on page 38



### RETAIL

Read more about how we are optimizing on page 42



### CATERING & FACILITIES

Read more about how we are optimizing on page 44

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# Overview

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# At a Glance

Over the last 40 years, we have forged a proud legacy built on lasting partnerships, charting an ambitious path to diversify and accelerate into the future, in order to build on our strengths and deliver sustainable growth and profitability for years to come.

## Highlights



Opening of Jeddah Wellcome Lounge



Catering for Dakar Rally 2021



40th anniversary celebrations



Grand opening of Saudia Al Fursan International Lounge at Jeddah's (JED) Airport

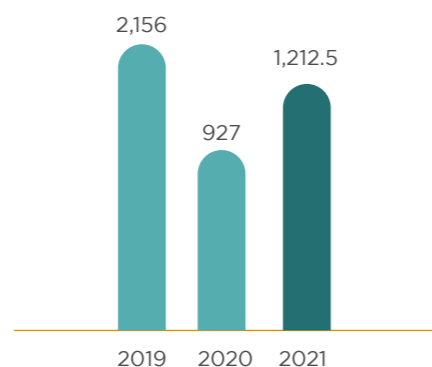
## Financial Highlights

REVENUE  
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SAR **0.17**

NET PROFIT AFTER ZAKAT AND INCOME TAX  
SAR **14.1**  
MILLION

Revenue (SAR million)



Revenue per sector



77% In-Flight  
4% Retail  
19% Catering & Facilities

Number of flights served

**140,272**

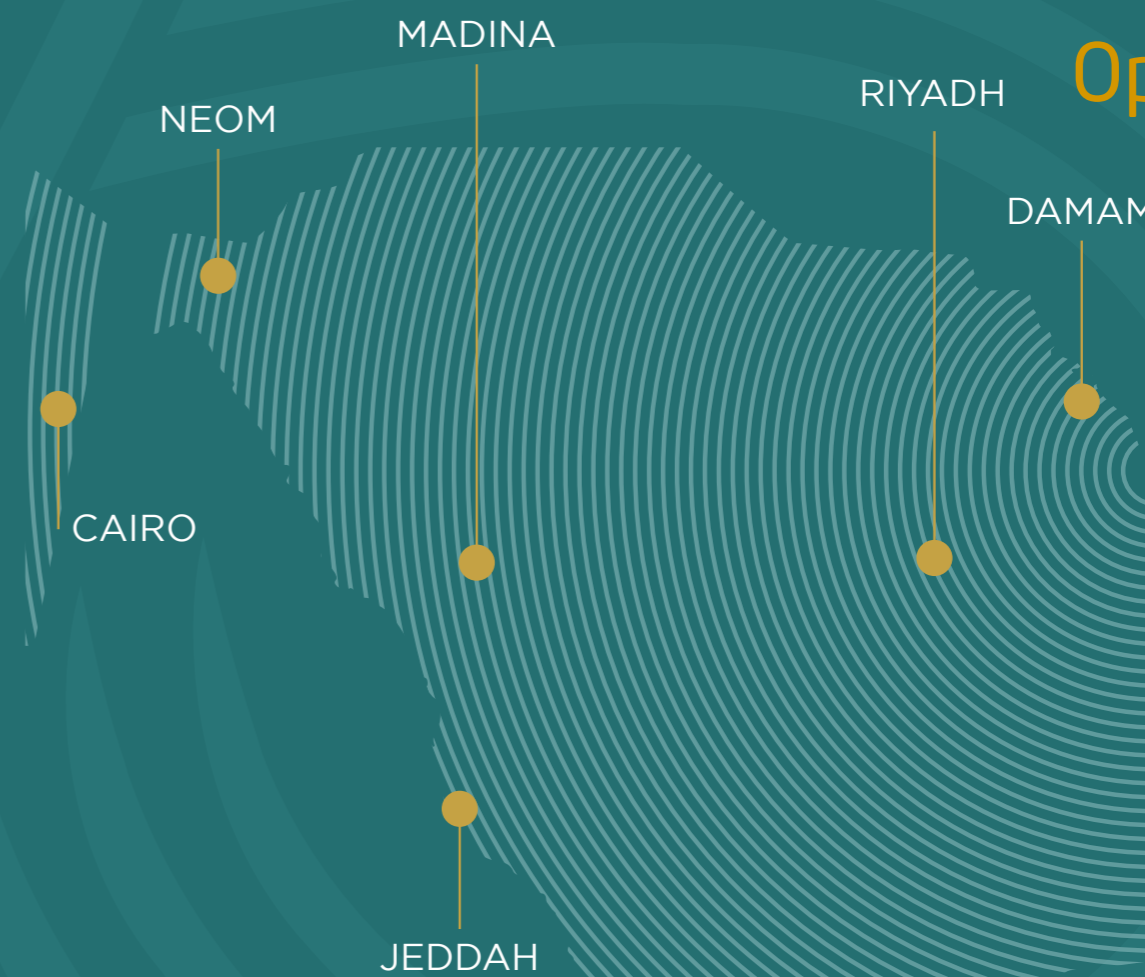
Number of in-flight meals

**17,016,772**

Number of lounge guests

**1,234,366**

## Where We Operate



# About SACC

Since our inception in 1981, SACC has rigorously pursued its fundamental mission: helping clients develop and deliver hospitality concepts and services of the highest standards, based on our core values of commitment to quality, cost effectiveness, teamwork and dedication to customers. While maintaining our leading position in the domestic airlines catering industry, we are also committed to a strategy of diversification to seize emerging growth opportunities, reduce reliance on a single revenue stream and generate additional value for our Shareholders and employees.

## Mission

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

## Values

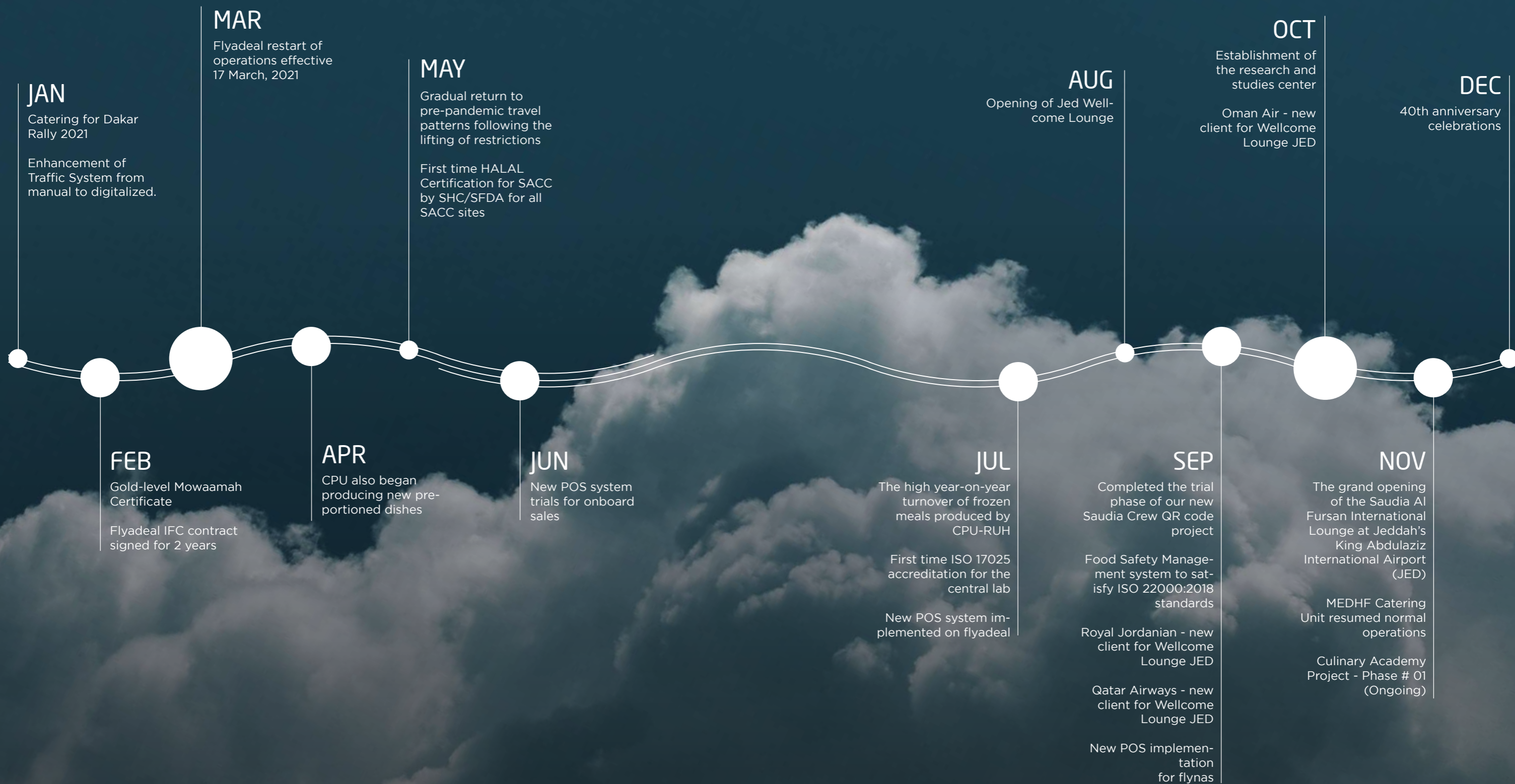
- Customer Orientation
- Team Spirit
- Transparency
- Sustainability
- Commitment to Quality

## Strategies

- We are committed to internationally recognized standards and local required regulations
- We ensure integrated safety culture in our organization
- We are committed to the Stakeholder's interest
- We remain committed to exceed customers' expectations
- We maintain competitiveness
- We support and develop our human resources
- We are the preferred partner of certified suppliers



# Year in Review



## Theme of the Year

# Four Decades of Catering Excellence

Since being founded in 1981 as the catering arm of Saudi Arabian Airlines, SACC has been on an amazing journey to establish an organization and reputation that is recognized as a catering innovator and leader for the Kingdom.

Always seeking new ways to support and satisfy our clients and consumers and support the goals of Saudi Vision 2030, SACC has continuously grown and diversified over the years, transforming into a more efficient organization, and expanding into complementary business areas.

Over the last 40 years, SACC has served millions of customers on Saudia and airline partners, as well as through our lounges, trains, events, restaurants, hotels, camps and more!

During 2021, we celebrate four decades of catering excellence and look forward to accelerating our diversification to bring our quality offerings and exceptional standards of service to even more customers - in the air and on the ground - for decades to come.

# 40 Years in Pictures

Saudi Airlines Catering was established in 1981. The 40 years that followed witnessed a rapid expansion in the organisation's operations, which spanned local and international markets. Over the years, our company has pressed forward with its program of continuous improvement and innovation, as well as streamlining our operations to meet growth in demand and to achieve operational efficiencies. Our business has diversified and now operates across the key sectors of In Flight, Retail and Catering and Facilities.



## 1980s

- 1981:**  
Inception of SACC by Saudi Arabian Airlines at King Abdul Aziz International Airport in Jeddah
- 1983:**  
Launch of Riyadh operations in King Khalid International Airport
- 1984:**  
Launch of Egyptian operations in Cairo International Airport
- 1985:**  
Takeover of SkySales

## 1990s 2000s

- 1999:**  
Launch of Dammam operations in King Fahad International Airport
- 2000s:**
- 2001:**  
Launch of Madina operations in Prince Mohammad Bin Abdulaziz Airport
- 2006:**  
Takeover of AlFursan lounges
- 2007:**  
Royal Decree for privatization
- 2008:**
  - Privatization and establishment of SACC as a limited liability company
  - Launch of non-airlines support services, later renamed Catering & Facilities

# 40 YEARS



## 2010s

- 2011:**
  - Conversion to a joint stock company following a decision of the Minister of Commerce and Industry
  - Launch of Central Production Unit (CPU) in Riyadh
- 2012:**  
Initial Public Offering (IPO) of SACC on Tadawul stock exchange
- 2013:**  
Launch of Saudi Laundry Services (SLS) in Riyadh
- 2014:**
  - Launch of SkySales e-commerce via www.skysalesonline.com
  - Signing of first rail contract for services onboard
  - Extension of Saudia contract for five additional years
- 2015:**
  - Introduction of electronic bidding system for food items
  - Opening of SkySales shops in KSA airports

- 2016:**
  - Strategic partnership with leading European duty-free group Lagardere
  - Launch of state-of-the-art laundry facility in King Abdullah Economic City (KAEC)
  - Introduction of Wellcome Lounge concept in King Khalid International Airport Terminals 1 and 2

- 2017:**  
Opening of first international Saudia AlFursan lounge in Cairo International Airport

- 2018:**  
Initiation of digital transformation program

- 2019:**
  - Expansion of Saudia contract for 10 additional years
  - Entrance into the Sports and Entertainment sector through a catering and sponsorship agreement for Rally Dakar Saudi Arabia 2020
  - Signing a new 10 year contract with Saudia to design, build and operate the domestic AlFursan Lounge in Jeddah's new Airport

## 2020s

- 2020:**
  - Launch of new corporate strategy
  - Protecting our people during Covid-19
  - Multi-year catering partner for Dakar Rally
  - Winning high-profile B&I contracts
  - Exclusive caterer for Hajj pilgrims
- 2021:**
  - Opening of Jeddah Wellcome Lounge
  - Catering for Dakar Rally 2021
  - 40th anniversary celebrations
  - Grand opening of Saudia Al Fursan International Lounge at Jeddah's King Abdulaziz International Airport (JED)
  - Launching our High End Catering & Hospitality Line "Crafted"





# Strategic Review

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# Board of Directors



**Mohammed Abdulaziz Al Sarhan**  
Chairman of the Board  
(Independent)



**Sami Abdulmohsen Al-Hokair**  
Vice Chairman of the Board  
(Non-Executive)



**Fadi Majdalani**  
Board Member  
(Independent)



**Jonathan Stent-Torriani**  
Board Member  
(Non-Executive)



**Hasan Shakib Al Jabri**  
Board Member  
(Independent)



**Raed Ibrahim Al Mudaiheem**  
Board Member  
(Independent)



**Yousef Hamad Al Yousfi**  
Board Member  
(Independent)



**Khaled Mohammed Al Hukail**  
Board Member  
(Independent)



**Abdulkarim Essoulami**  
Board Member  
(Non-Executive)

# Chairman's Statement

## Four Decades of Catering Excellence

**Mohammed Abdulaziz Al Sarhan**  
Chairman of the Board



Total Revenue SAR  
**1,212.5**  
million

In-Flight Catering  
Revenue SAR  
**938**  
million

In 2021, SACC demonstrated its considerable resilience by delivering a return to positive performance following the immensely challenging headwinds of the Covid-19 pandemic. 40 years since the launch of our operations, the Company remains the leading force in the Saudi aviation services industry and an increasingly active player in the ongoing diversification of the Kingdom's economy.

As international travellers made a cautious return to air transport in 2021, and domestic air movements approached pre-pandemic levels in Saudi Arabia, SACC's careful contingency planning and perceptive cost cutting served to position the Company to capitalize on the accelerating economic recovery.

These efforts were complemented by our diversification strategy, which continues to bring dividends as SACC enters new segments and accesses broader opportunities in our target sectors.

This process mirrors the broader diversification of the Kingdom's economy away from its traditional reliance on hydrocarbons to become a regional and global economic powerhouse in a growing range of industries. For example, SACC continues to successfully engage in the sports and events space, and to explore further opportunities to diversify our activities going forward.

This is not to say that we have neglected our long and rich history as the Kingdom's leading aviation services provider, and SACC continued to deliver key aspects of our strategy in terms of investment in human capital, digital transformation and automation for our In-Flight Catering business throughout 2021.

### Committed to our People

We continue to place the safety and security of our people and customers above all other concerns. Given the ongoing threat posed by the COVID-19 pandemic in 2021, we maintained our robust measures to ensure the wellbeing of our people, clients and stakeholders.

The SACC HR division worked throughout the year to enhance and reinforce the Company's coronavirus safety protocols, which were regularly reviewed throughout 2021 to align them with changing government advice, resulting in updates to our approach to working modes, quarantine guidelines, onboarding procedures, virtual inductions and recruitment procedures.

We also ensured efficient channels of communication with our employees to provide the latest advice and government guidance concerning vaccinations and virus avoidance measures, and continued to work to arrange for the return of employees stranded abroad owing to pandemic-related restrictions.

SACC also retained focus on nurturing talent across the workforce through continued professional development, in particular through the launch of our new Culinary Academy in 2022, which will have a significant impact in developing the capabilities of our people based on the highest international standards.

### Supporting our Community and the Environment

SACC is dedicated to supporting the communities we serve across the Kingdom and beyond. In particular, we remain committed to the Saudization goals of the Kingdom's Vision 2030, as reflected in our platinum Nitaqat rating, and the work completed by our HR

division in 2021 to support new regulations issued by the MHRSD concerning the Saudization of key roles and functions. Furthermore, the majority of our cold kitchen employees are now Saudis, whilst the proportion of Saudi hot kitchen employees also continues to grow.

We continue to explore opportunities to reduce our emissions and lessen the impact of our operations on the environment. These include the potential for the introduction of more electric vehicles – including loading and unloading vehicles – and an increasing focus on opportunities for recycling of food waste.

### Robust Corporate Governance and Risk Management

Our robust risk management and governance structures ensure SACC remains on course to achieve its corporate vision and mission, free of adverse risks in terms of compliance, workforce wellbeing and safety. Our Enterprise Risk Management (ERM) function, launched in 2019 to enhance SACC's risk management capabilities and integrate mitigation measures across the group, was fully implemented in 2022. The new function is supported by a dedicated department established within our HSSC division.

### Adding Value for Investors

As our market and sector began to recover from the massive impact of the Covid-19 pandemic this year, SACC demonstrated our resilience and the strength of our ongoing strategic diversification. We delivered a 30.9% increase in revenues and a return to profitability, establishing positive momentum as we prepare for accelerating growth in a stronger operating environment over the coming years.

### Building on our Successes in 2022

Building on our achievements in 2021, SACC will continue to strengthen its position as the Kingdom's leading aviation services company, whilst delivering increasing diversification into new segments in our core sectors.

Leveraging our extensive cooperation with partners in government and the private sector, as well as the expansion of our e-commerce activities going forward, we aim to achieve a greater degree of balance between our activities, as the Company embarks on a new phase in its diversification journey, adding value for our customers, partners and the national economy, while enhancing our role in delivering the aims and objectives of the Kingdom's 2030 vision.

On behalf of the Board of Directors, I would like to express our appreciation to all of our hard working and dedicated employees for their resilience in yet another challenging year for our core industry. Thanks to their efforts, and that of our executive leadership team, SACC remains firmly on course to deliver on its strategic goals going forward, and is ideally positioned for a full return to performance in 2022.

# Business Model

SACC creates sustainable value for our Stakeholders by leveraging our strengths and 40 years of catering excellence.

We continue to drive improvement, innovation and agility across our 3 business segments to deliver on our strategic objectives and contribute to the goals of Saudi Vision 2030.

## INPUTS

### Financial

- Capital allocation
- Assets
- Cash
- Debt

### Physical

- Land
- Infrastructure
- Equipment
- Technology

### Human

- Workforce
- Expertise
- Leadership
- Procurement

### Social and relationship

- Government
- Partnerships and Joint ventures
- Community
- Customers

## WHAT WE DO



### In-Flight Catering

Our core In-Flight Catering business has a long track record of success based on scale, quality and consistency, working to world-class standards of health and safety in food production.



### Retail

Our growing Retail business sells thousands of food and non-food products to customers in the air on multiple carriers, on the ground across Saudi Arabia, and through dedicated e-commerce platforms.



### Catering & Facilities

Our Catering & Facilities business provides a broad range of services to clients in 4 key sectors – business and industry, remote sites, education and healthcare, with recent entry into the ready meal space through a partnerships model.

## HOW WE GENERATE REVENUE

Long-term contracts with national airline carriers; catering for international airlines, private jets and charter flights; airport lounges and airline equipment.

Long-term contracts with national carriers for onboard sales; strategic ground shops; e-commerce sales.

Catering and other services that supply airlines, trains and hotels; large-scale catering contracts for businesses, remote sites, events, and Hajj and Umrah.

## OUTPUTS

### Financial

- Dividends
- Return on investment
- Capital appreciation

### Physical

- Retail shops
- Lounges
- Infrastructure

### Human

- Staff training and development
- Retention
- Saudization
- Employer of choice
- Performance-driven culture

### Social and relationship

- Social responsibility
- Brand trust and equity
- Trusted partner

## UNDERPINNED BY OUR VALUES



Customer Orientation



Commitment to Quality



Team Spirit



Transparency



Sustainability

# Executive Management



**Wajdy M. Al-Ghabban**  
Chief Executive Officer



**Mahmoud Masoud**  
Chief Finance Officer



**Sultan Al-Booq**  
Evp- Corporate Services And  
General Council



**Salah Al Umar**  
Evp - In Flight Catering



**Julien Pescheux**  
Evp – Catering & Facilities



**Tom Byrne**  
Evp- Retail



**Rashed Alarfaj**  
Vp - Health, Security And  
Standards Control



**Obaidah Al Saggar**  
Vp - Procurement And  
Strategic Sourcing



**Tarek Tharwat**  
Chief Audit Executive

# Chief Executive Officer's Message

## Diversifying for the Future

**Wajdy M. Al-Ghabban**  
Chief Executive Officer



Revenue growth  
**30.9%**

Catered for  
**Dakar Rally**  
2021

" SACC will continue to deliver on the key pillars of our strategy, building a business fit to capitalize on the many opportunities presented by the rapidly expanding Saudi Economy. "

SACC has successfully leveraged the diversification achieved under its strategy to deliver a year of highly encouraging results, whilst also capitalizing on the return of our core business in the aviation sector.

While the global aviation industry continued to be undermined by the ongoing disruption caused by the pandemic, the green shoots of recovery were visible in 2021, with passenger numbers climbing as national lockdowns and travel restrictions were lifted around the world.

Meanwhile, the easing of barriers to movement also saw a resumption of major public events as the year progressed, providing opportunities for increasing engagement in this segment in line with SACC's broad diversification strategy.

Having accelerated the implementation of the strategy throughout 2021, we delivered key aspects of our comprehensive plan to position SACC as an increasingly significant player in a variety of economic sectors beyond our core.

### Recovering Performance in 2021

The return to travel and events resulted in revenue growth of 31% to SAR 1.2 billion, compared to SAR 927 million in 2020, signaling a resumption of our target trajectory, whilst net profit stood at SAR 14 million in 2021, as compared to a loss of 335 million in 2020.

We actively engaged with our airline partners in 2021 to meet the continued headwinds in our core industry, developing Covid-19 menus for Saudia, introducing new premium class concepts and services for flynas and flyadeal, and supplying PPE to clients.

Our In-Flight Catering business continued to recover in 2021, particularly in the domestic air travel segment, where activity almost returned to pre-pandemic levels. Nevertheless, international travel remained muted at only around 30% of 2019 levels.

Therefore, while the revenue and net profit generated by IFC remained below pre-pandemic levels, they saw significant improvement over 2020, with SAR 938 million generated in 2021 – representing a 44% increase over 2020.

As the aviation sector continues to rebound following the easing of travel disruptions caused by the pandemic, we will continue to build upon this encouraging platform for future growth in our core business.

Our Catering & Facilities division achieved revenue of SAR 231 million in 2021, representing growth of 10% over 2020 and reflecting the success of our ongoing diversification into new segments in the sector. Meanwhile, the SACC Retail division contributed SAR 43 million to group revenue in 2021 – a 33% decline from 2020.

### Our Continuing Strategic Transformation

In the 40th year since our establishment, SACC's strategic transformation continued unabated in 2021, with cost and quality enhancements in our aviation business, complemented by organic development in our C&F services.

Throughout the year we maintained our focus on expanding our healthcare and government catering services, leveraging the ongoing evolution of the healthcare sector toward greater privatization. This progress was marked by our first contract with a private hospital – City Med Hospital in Riyadh – in 2021 to supply high-end meals for patients and employees. We also secured the largest Hajj contract in SACC's history, serving 817,000 meals to Pilgrims visiting Mecca and completed the launch of our white label frozen meals range.

We also continued to target greater engagement in the sports segment, building on the successful provision of hot and frozen meals for the 15-day Dakar Rally 2021 to access new opportunities as public events returned later in the year, while the full restructuring of our Retail business also gained pace in 2021, with an expanded on-board offering and a right-sizing of ground retail outlets based on performance.

E-commerce also remains a key priority in our transformation program, having launched a new platform to support our ambitions in this key area of growth while complementing our physical retail offerings on the ground, particularly in the context of high-end products. This was achieved by allowing for the pre-ordering and direct-to-seat delivery on aircraft and trains.

We also continued to engage in active price monitoring in 2021, adjusting our model to adapt to the changing market conditions across our services, whilst also maintaining strict cost efficiency measures to ensure our continued competitive advantage.

### Digitalization and Innovation

Our digital transformation program continued in 2021, with extensive progress being achieved by IFC in the digitalization of the customer experience in our lounges to support the roll-out of a new customer e-experience in 2022. We also implemented new Point of Sale (POS) facilities and e-invoicing solutions, and completed the trial phase of our new Saudia Crew QR code project in September 2021.

We will introduce further automation and digitalization in 2022, integrating new technologies to complement the e-experience across other aspects of our business lines.

### SACC in 2022

As we enter 2022, SACC will continue to deliver on the key pillars of our strategy, building a business fit to capitalize on the many opportunities presented by the rapidly expanding Saudi Economy.

To this end, we will retain our focus on investment and human capital development, the continuous improvement and promotion of digital and industrial automation across our services, the ongoing diversification of SACC's business portfolio, and a continuation of our meaningful support for the communities we serve.

As we strengthen our position as the leading aviation services company in the Kingdom, leveraging the gradual return of international travel, our diversification will continue to open up opportunities for expansion into new segments through our C&F division – such as medical and educational facilities, public sector and government organizations, and the return of Hajj and Umrah travelers – and in the burgeoning e-commerce space.

In a ground-breaking move for the company in the coming years, we will also explore the possibility of M&A activities in key sectors to aid this diversification, supporting the broader economic diversification plans of the Kingdom as a whole embodied in Saudi Economic Vision 2030.

### Acknowledgements

I would like to take this opportunity to express my thanks to the SACC Board for their diligent stewardship in 2021, as well as to our hard-working employees for their dedication and commitment in what has been another challenging year for our industry.

Thanks are also due to all of our strategic partners and stakeholders for their continued support, as well as to the Saudi Government, the Ministry of Health and the General Authority for Civil Aviation (GACA) for their oversight.

Finally, I am grateful to our clients for their trust as we emerge from the pandemic a stronger, more dynamic and diversified company, fit to capitalize on the opportunities for growth in the coming year and beyond.

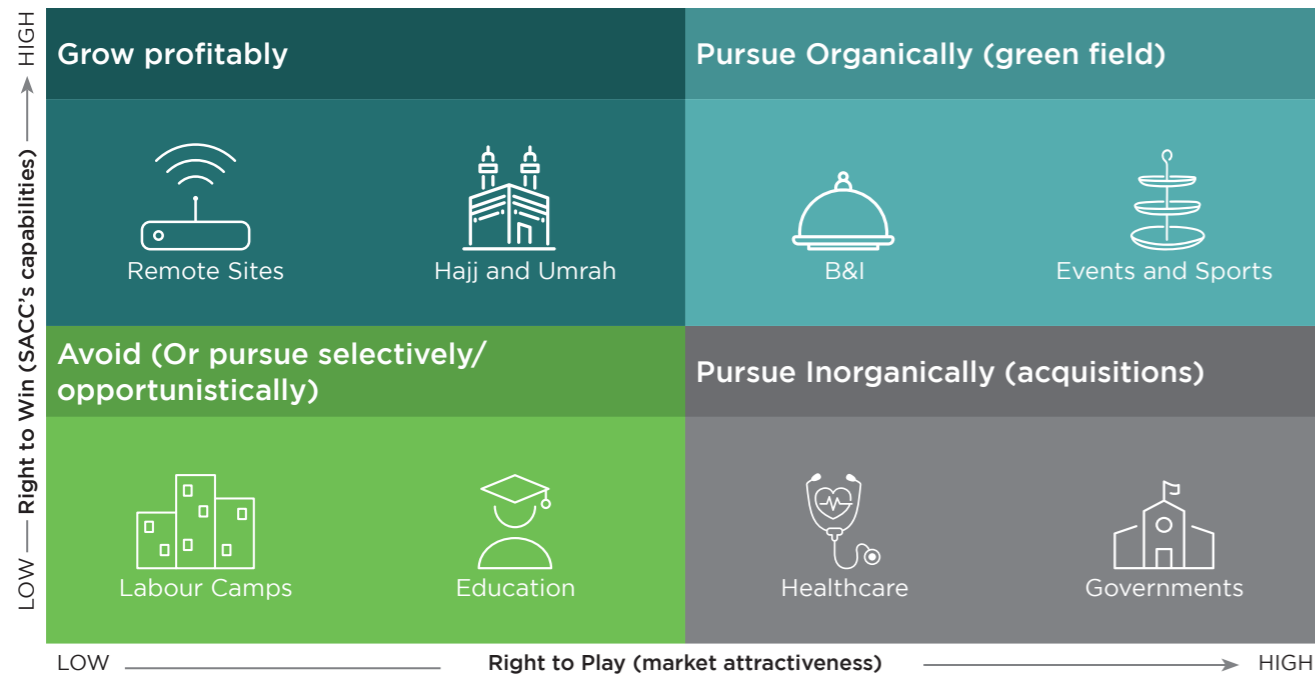


# Market Opportunities and the Way Forward

We are on an exciting strategic transformation and diversification journey to solidify our core business while exploring and investing in sustainable growth to create value for our business and Shareholders.

## ASSESSMENT FRAMEWORK SUMMARY

Healthcare and Government sub-sectors are attractive and could be pursued inorganically.



## MARKET OPPORTUNITY

We are actively exploring various opportunities to further strengthen our position as a foodservice player.

### Sell fresh food products to end consumers through an e-commerce platform

- Opportunity to develop and operate a food and beverage e-commerce business
- Sell value add fresh food products including ready-to-cook/eat meals and other food staples directly to end-consumers through an online pantry
- Leverage sourcing capabilities, scale and food preparation expertise and market growth

### Supply value add fresh food products to restaurants and hotels and ready-to-cook/eat meals to retailers

- Supply value add fresh food products directly to foodservices players
- This could be extended to develop a B2B sourcing marketplace for foodservices players
- Supply ready-to-cook/eat meals to retailers through developing private label products (B2B and not B2C)

### Operate eating out concessions through partnerships in the travel channel

- Operate franchise restaurants and cafes focusing on the travel channel
- Further expand coverage of the foodservices sector
- Leverage existing retail outlets in airports (replace lounge cafe and trip and bite) and expertise in operating within the travel channel

## CATERING & FACILITIES DIVISION

We will double down on the catering and facilities division

### Optimize the core and inject needed capabilities

- **Cost Agenda: Optimize Food and Labor cost**
- Inject needed capabilities (e.g., business development, procurement, marketing & branding, and analytics)

### Turnaround/ Exit Challenging Businesses

- Exit non-profitable business and continue to increase utilization
- Secure better contract agreements otherwise exit

### Scale up and Grow Profitably Existing Sectors

- Scale up B&I, and Events & Sports
- Grow **Hajj profitably**, Pursue Umrah opportunistically through partnerships with select hotels/agents
- Protect **Remote sites** businesses while being lean

### Enter New Sectors

- Enter **Healthcare** and **Government** sectors (Ministries, Military & Correctional) by pursuing acquisitions

## EXECUTION ROADMAP

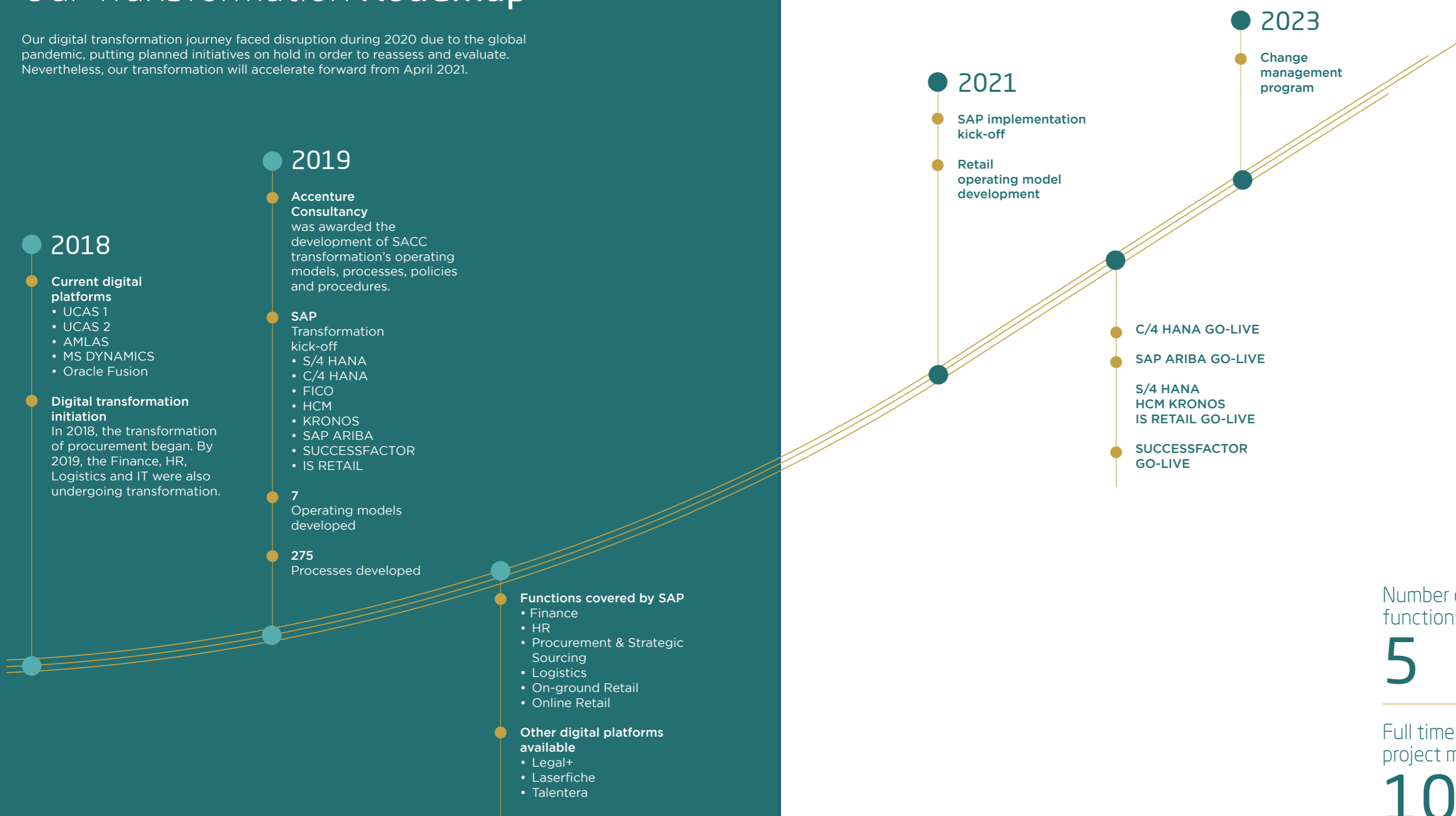
We structured the execution roadmap around 7 key areas





# Our Transformation Roadmap

Our digital transformation journey faced disruption during 2020 due to the global pandemic, putting planned initiatives on hold in order to reassess and evaluate. Nevertheless, our transformation will accelerate forward from April 2021.



## 2018

### Current digital platforms

- UCAS 1
- UCAS 2
- AMLAS
- MS DYNAMICS
- Oracle Fusion

### Digital transformation initiation

In 2018, the transformation of procurement began. By 2019, the Finance, HR, Logistics and IT were also undergoing transformation.

## 2019

### Accenture Consultancy

was awarded the development of SACC transformation's operating models, processes, policies and procedures.

### SAP

Transformation kick-off

- S/4 HANA
- C/4 HANA
- FICO
- HCM
- KRONOS
- SAP ARIBA
- SUCCESSFACTOR
- IS RETAIL

### 7

Operating models developed

### 275

Processes developed

### Functions covered by SAP

- Finance
- HR
- Procurement & Strategic Sourcing
- Logistics
- On-ground Retail
- Online Retail

### Other digital platforms available

- Legal+
- Laserfiche
- Talentera

## 2021

SAP implementation kick-off

Retail operating model development

## 2023

Change management program

C/4 HANA GO-LIVE

SAP ARIBA GO-LIVE

S/4 HANA  
HCM KRONOS  
IS RETAIL GO-LIVE

SUCCESSFACTOR  
GO-LIVE

Number of functions

5

Full time equivalent project members

10

Number of phases

4

# Chief Financial Officer's Review

Return to growth and profitability

**Mahmoud Masoud**  
Chief Finance Officer



Total Profit SAR

**14.1**  
million

Total Revenue SAR

**1,212.5**  
million (+30.9%)

“ We retain our robust financial position, with a strong balance sheet and liquidity profile, which puts the company in a favorable position to invest for the future, including potential strategic acquisitions, to position the company for continued growth and shareholder value creation moving forward. ”

In-Flight Catering Revenue SAR

**938**  
million (+44%)

Retail Revenue SAR

**43**  
million (-33%)

Catering & Facilities Revenue SAR

**231**  
million (+10%)

As our market and sector began to recover from the impact of the Covid-19 pandemic this year, SACC demonstrated our resilience and the strength of our ongoing strategic diversification to deliver a significant rebound in revenues and a return to profitability, establishing positive momentum as we prepare for accelerating growth in a stronger operating environment over the coming years.

Driven by a strong recovery in In-Flight Catering, supported by notable improvements in Catering & Facilities, SACC posted full-year net revenue of SAR 1,212.5 million for the year, a 30.9% increase from 2020. Combined with ongoing cost optimization across the organization, this top line growth drove a resilient return to profitability, overcoming persistent market depression and challenges to post a full-year net profit after Zakat and tax of SAR 14.1 million for the year, after a net loss of SAR 335 million last year.

Our In-Flight Catering division, including business lounges, showcased its strength with revenue growth of 44% for 2021, to reach SAR 938 million for the year compared to SAR 652 million for 2020. This solid result was based on the resumption of domestic and international flight activity that accelerated throughout the year, though international flight resumption did not return anywhere near to pre-COVID levels year. In addition, we carried out continued aggressive cost structure optimization for IFC, covering HR and procurement costs.

For our Catering & Facilities division, we continued our strategic diversification to future-proof our business while focusing on attracting key talent, maintaining cost efficiency, and exiting unprofitable segments. Our C&F division benefited from the return of business and tourism activity, particularly in the

second half of the year, to post full year revenues of SAR 231 million for 2021, up 10% from last year's SAR 209.9 million.

Finally, our Retail division, which has witnessed the slowest recovery from the heavy impact of the pandemic, posted full-year revenues of SAR 43 million in 2021, down 33% from last year's result of SAR 65 million. During the year, we succeeded in exiting unprofitable retail stores and focused on maximizing the performance of our retail locations in the major international airport hubs.

Supported by our robust Corporate Governance and Risk Management, we are confident that we have now succeeded in weathering the worst impacts of the Covid-19 pandemic on our industry and business, and emerged a more diversified and agile organization, with the right people, partners and propositions to drive sustainable success.

We retain our robust financial position, with a strong balance sheet and liquidity profile, which puts the company in a favorable position to invest for the future, including potential strategic acquisitions, to position the company for continued growth and shareholder value creation moving forward.

# Strategy, Vision 2030

We are on an exciting strategic transformation and diversification journey to solidify our core business while exploring and investing in sustainable growth to create value for our business and Shareholders.

## BUILDING ON OUR CORE CAPABILITIES

Our strategic priorities are based on a unique set of organizational strengths and core capabilities developed and honed over the years, which include:



### Food procurement

Our established procurement scale of around SAR 1 billion, with strategic relationships with key vendors.



### Value add food preparation

Our large central production unit with the capacity to produce 75,000 meals per day, 200kg of pre-cut vegetables per hour and production of 13 tons per month.



### Operating within the travel channel

Our know-how of the travel channel operations including in-flight catering, lounges, on-board retail, and on-ground retail.



### Food preparation and operating kitchens at scale

Our 6 kitchens across main cities with end-to-end service offering including menu planning and food delivery coordination.

## HOW WE WILL ACHIEVE OUR OBJECTIVES

In order to achieve our strategic objectives, we will:



**Enhance** cost competitiveness and operational efficiency across business units (ex., food and labor cost for C&F, rent and labor in Retail, and corporate costs)



**Restructure** the organization and inject needed capabilities (ex. business development, category management, marketing and branding, and data analytics)



**Pursue** inorganic growth opportunities in Healthcare and Government, while exploring joint ventures as needed

## STRATEGIC OBJECTIVES

1

To be positioned as the market leader in the catering space in the KSA

2

Protect our partnership with Saudi Airlines

3

Enter B2C e-commerce and food service through partnerships



## SUPPORTING THE GOALS OF SAUDI VISION 2030

SACC's strategic diversification journey activities in key sectors mirrors and supports the broader economic diversification goals of the Kingdom as a whole, as laid out in Saudi Vision 2030. Across a range of goals, SACC's core businesses, operational achievements and growth priorities are designed to add progressive value to our business while creating positive impact for our Stakeholders and country.

### SAUDI VISION 2030 GOAL

### SACC STRATEGIC FOCUS AND CONTRIBUTION

Grow tourism to become the second largest contributor to GDP after oil and gas by 2030

For 40 years, SACC has played a key role in enhancing the quality and value proposition of Saudi's tourism sector, through our In-Flight Catering services for the national airline and many other local, regional and international carriers, as well as our lounge and retail services in airports, and C&F offerings across the Kingdom.

Transform the Kingdom into a leading regional logistics hub by 2030

SACC's In-Flight Catering division is a key supporter of international and regional logistics by powering the human capital needed for flights.

To increase our capacity to welcome Umrah visitors from 8 million to 30 million every year by 2030 and serve Hajj and Umrah pilgrims in the best way possible

SACC's Catering & Facilities division offers nourishment for thousands of religious pilgrims each year, complemented by our IFC and Retail divisions' contributions to providing meals and other support throughout their journey to, within and from the Kingdom.

Increasing the participation of young Saudis in the economy, promoting non-oil sectors and improving overall quality of life

SACC is committed to attracting, engaging and retaining talented Saudi Nationals at every level in our organization, not only complying with national regulations but also ensuring the happiness and wellbeing of our valued employees. Furthermore, we contribute to developing their knowledge and skills through a wide range of training and development programs.

Diversify Saudi's economy and improve quality of life through sports, culture and entertainment

Through our growing role in the Kingdom's leading sports, leisure and entertainment events, our Catering & Facilities division, along with our focus on further investment in diversification, create jobs and support the reputation and capabilities of the Kingdom to attract tourists and investment by hosting world-class events.

# In-Flight Catering

Facing yet another year of immense disruption to travel and tourism in 2021, SACC's In-Flight Catering (IFC) division remained driven by our key objective to provide continuous quality services across our existing projects and services, whilst capitalizing on new business prospects around the Kingdom to maintain our positive business perspective despite the negative environment.

IFC continued to apply perceptive and forward-looking portfolio management to achieve the right balance of projects to sustain our business momentum throughout 2021. We undertook extensive forward-planning exercises to define an efficient and progressive return to pre-pandemic projections and preserve the financial stability and sustainability of the division going forward.

As the year progressed, IFC capitalized on the gradual return to pre-pandemic travel patterns following the lifting of restrictions in May 2021, which brought a significant increase in air travel and a consequent boost to guest numbers at our lounges and retail outlets. This was marked by a rapid upsurge in the number of foreign airlines resuming flights to the Kingdom, as well as the relaunch of many of Saudia's routes and regular flight frequencies.

### An Agile Response

We worked rigorously throughout 2021 with our airline partners to develop new concepts to support air carriers in an uncertain environment, developing Covid-19 menus for Saudia, introducing new premium class concepts and services for flynas and flyadeal, and supplying PPE to clients.

One of the major success stories for IFC during the year was the grand opening of the largest and most impressive of our lounges – the Saudia Al Fursan International Lounge at Jeddah's King Abdulaziz International Airport (JED) – on 24 November, 2021. The new

flagship lounge, the biggest among the SkyTeam Alliance network in the world, has a capacity to accommodate more than 10,000 guests daily, and offers uniquely attractive services and facilities to travelers, including a chocolate house and a cigar lounge. As international air travel continues to rise in the coming year, the new lounge is set to become a key differentiator for IFC in the segment.

IFC acquired new projects in 2021 including a contract with Saudi Royal Aviation in Riyadh (RUH) awarded in October 2021, and new clients for our Jeddah Wellcome Lounge with the addition of Emirates Airlines, Etihad Airways, Royal Jordanian and Qatar Airways.

SACC signed a new 2-year contract with flyadeal in 2021 and remains in negotiations with a number of other low-cost carriers to extend existing contracts with new terms and conditions to achieve closer alignment with business needs and market developments.

### Our Market and Strategy

Of all the industries affected by the various restrictions imposed to stem the global spread of the Covid-19 pandemic, the In-Flight catering sector bore perhaps the greatest burden, given the severe disruptions to air travel and personal movement since early 2020.

Consequently, the tourism industry has also suffered exceptional challenges in the pandemic era, with personal mobility being dramatically reduced in 2020 and early 2021, both within the Kingdom and

across the world, and supply chain disruptions multiplying throughout the crisis.

For IFC, another aspect of the reduced mobility in recent years has been the effect on major tourist events throughout the Kingdom – most notably the suspension of Saudi Seasons Festivals in 2020, which aims to attract both domestic and foreign leisure tourists to major cities such as Riyadh, largely via air transport. Whilst many such events began to resume in 2021, the enduring restrictions continued to undermine revenue and profit for IFC throughout the year.

Furthermore, extreme fluctuations in cargo freight rates saw high prices through Q2 2021, followed by a drop in Q3 and then a recent resurgence as global trade began to recover.

Nonetheless, the division has succeeded in overcoming these unprecedented negative headwinds by adeptly diversifying to unlock new revenue streams, outperforming our counterparts in other markets.

Passenger confidence grew steadily from Q1 2021, with business volumes gradually climbing until a clear recovery trend became visible during the summer, leading to a shift toward growth in our day-to-day operations.

Reflecting the pace of the turnaround in mid-2021, we successfully restarted the operations of our Cairo Catering Unit in May 2021, followed by our Medina Catering Unit in November 2021.

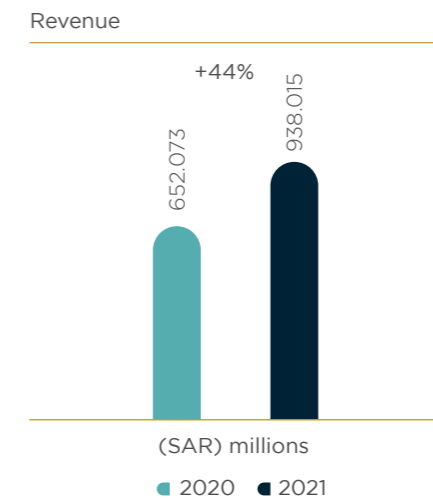
The recovery also inspired a redoubling of our recruitment efforts to onboard top caliber candidates to positively contribute to our growth ambitions, adding to our exceptional employee complement retained throughout the crisis, which is now serving as a key platform for the quick resumption of efficient services to meet resurgent demands.

By responding quickly to changing circumstances and focusing on the businesses best positioned to capitalize on prevailing conditions, our agile response to the market disruption has minimized the costs of recent events and safeguarded revenue.

### IFC's Performance in 2021

With the number of flights increasing, the rising footfall across the Kingdom's airport network in 2021, the return of Saudi Seasons events, and an expanding portfolio of clients and projects, IFC successfully navigated existing market pressures to deliver encouraging results in 2021.

Whilst both revenue and net profit remained below pre-pandemic levels nonetheless saw significant improvement over 2020. IFC achieved revenues of SAR 938 million in 2021, representing a 44% increase over 2020.



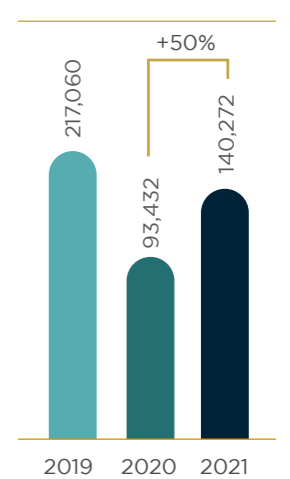
### Digital Transformation

2021 saw progress toward the digitalization of customer experiences in our lounges, with advancements in our e-menu project, which will form part of the new e-experience planned for rollout in early 2022.

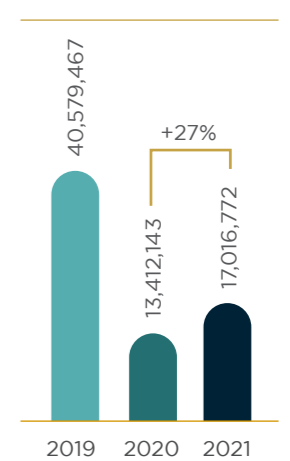
New Point of Sale (POS) facilities were also implemented on all local airlines in 2021 to comply with the new Zakat, Tax and Customs requirements regarding E-invoices, as well as to improve the transparency of transactions, enabling better data analysis.

We also completed the trial phase of our new Saudia Crew QR code project in September 2021, which provides service and heating instructions for the provision of meals by crews in the air, tailored to each individual menu and flight, accessed via a QR code printed on crew handover documents.

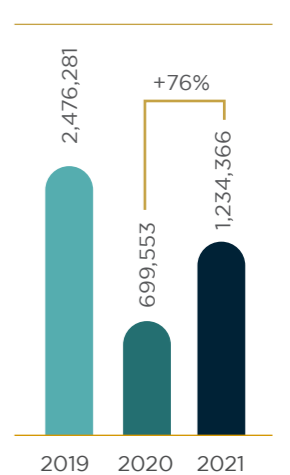
### FLIGHTS



### MEALS



### Airport Lounges Guests



**Central Production Unit**

The SACC Central Production Unit (CPU) in Riyadh supplies frozen meals, pre-cut fruits and vegetables, and a broad range of other products to our airport facilities and aviation partners across the Kingdom, as well to our Catering & Facilities division.

While the core of our CPU production is usually dedicated to frozen economy meals for our airline clients and domestic stations in RUH, JED, MED and DMM, the focus of production has varied in response to the depressed aviation market. Our existing objectives continued, however, as we responded through the year to the needs of our various clients – particularly in the context of the retail private label frozen meal range.

Whilst major events remained limited in 2021, early in the year the CPU delivered hot and frozen meals for the 15-day Dakar Rally 2021, providing 56,467 kilograms of goods, with allotted charges amounting to SAR 1.7 million.

Given the unpredictability of demands experienced in 2021, and the consequent threat of material wastage, the CPU implemented a key cost-saving program to divert raw materials approaching their expiry date to avoid wastage – including meat products – for utilization by SACC regions for their clients’ requirement as and where applicable, saving approximately SAR 1.46 million and contributing to a 26.16% reduction in actual vs. budgeted expenditure.

Despite the challenging conditions in 2021, the CPU maintained a positive outlook throughout 2021, preparing the groundwork for the efficient resumption of production to meet the needs of Saudia’s economy class passengers; and upgrading processes and on-time

delivery response capabilities to serve Hajj and Umrah demand and the private label range.

These measures ensured the CPU was primed to successfully meet the abrupt increase in frozen meal demand for Saudia economy class services in 2021 compared to the previous year, as well as the rise in demand for smoked and other products, and an upsurge in the requirements of the private label range of retail frozen meals for distribution Kingdom-wide. This included production for a new bulk meal selection concept, providing 4.5 kilograms per foil tray, that was introduced recently in November 2021 for catering businesses.

The return of demand was demonstrated by the high year-on-year turnover of frozen meals produced by CPU-RUH during July 2021, which largely reflected the need for Hajj portioned meals allotted for pilgrims.

**FROZEN MEALS**



27% INCREASE

2020	2021
3,353,065	4,275,150

CPU also began producing new pre-portioned dishes in response to the menu development undertaken during the year, complete with new packaging that was introduced to the local retail market from April 2021. We are now producing 11 dish selections compared to the 5 offered in 2020.

**In-Flight Catering in 2022**

IFC is ideally positioned to capitalize on the continuing

recovery in air passenger traffic expected in 2022 and beyond. We are expecting a sharp increase in the number of flights and passengers, especially due to the easing of restrictions on Hajj and Umrah, as well as the revitalized commitments of the Kingdom to tourism development.

As business returns to pre-pandemic levels, we will continue to access the growing number of opportunities to diversify our services and partnerships to generate parallel revenue streams, including in the tourism and events spaces. These sectors are projected to experience a significant revival in the coming year with increases in cruise ship tourism and an expanding calendar of international events including the Saudi Arabian leg of the FIA Formula One.

Food quality and consistency will remain a key focus area for IFC in the coming year, and we will open our own culinary academy in 2022 in partnership with the World Association of Chef’s Societies (Worldchefs), providing world renowned chefs including Michelin Star trainers and other top quality rating organizations access to 12 million chefs around the world.

We also aim to introduce further automation and digitalization in 2022, integrating new technologies across our lounges and in-flight catering services to enrich the customer experience throughout our business lines, whilst also supporting our airline customers in achieving their goals.

In particular, we will provide extensive support to our long-standing partner, Saudia, in the areas of meals and beverages, and cabin crew service, with a view to enhancing the national airline’s progress toward achieving its Top5 program.



# Retail

In 2021, SACC's Retail division maintained focus on accelerating strategic implementation to right-size its footprint and launch its new e-commerce platform to drive future growth, despite a continued depressed market and a highly challenging operating environment.

As with our IFC and C&F businesses, the SACC Retail division continued to face significant disruption and negative market dynamics throughout 2021 owing to the pandemic, characterized by the slow recovery in air travel during the first half of the year.

Our primary focus remained on keeping our people and customers safe throughout the ongoing crisis by ensuring the highest standards of health and safety across our operations, whilst realigning and consolidating our business to prepare for the recovery.

This included cost reductions and efficiency measures to position us for growth going forward, whilst our recruitment objectives focused on building a strong leadership team to activate our strategic priorities as the market revives.

The immediate impacts of the depressed air travel market represented an unassailable challenge to our in-flight retail activities, with airlines suspending their retail services in compliance with Covid-19 regulations and recommendations.

This had an inevitable effect on the execution of SACC's new corporate strategy, illustrated by delays to our retail tender at KAAIA in Jeddah, which forced us to continue operating from a small temporary outlet through an extension to existing arrangements. However, once this project comes to fruition it will effectively double our footprint, allowing us to add new categories to enhance the customer experience offered at JED.

However, we succeeded in completing the soft refurbishment of our outlet in JED departures; extended our contract serving the RUH airport arrivals area, which will allow us to implement a program of renovations that will drive incremental growth as passenger numbers increase; and finalized a contract with RAC to operate a watches and accessories shop within the departures level at RUH.

The development and rollout of our new e-commerce platform experienced delays in implementation in 2021, with the platform going live some 8 months later than expected. Nevertheless, we are confident that this robust new channel will position us to recapture lost sales opportunities as the recovery gathers pace.

We also successfully executed a strategic initiative to divest from small, non-profitable locations throughout the year, fulfilling our targets on schedule and helping to boost our Retail bottom line going forward.

## Retail Performance in 2021

Given the slower than expected recovery from the pandemic, our sales figures for 2021 were well below budgeted expectations. Our financial performance is strongly linked to passenger volumes, so our recovery was greatly influenced by the slower than expected return of domestic and international travel.

## Retail in 2022

Following the successful relaunch of our e-commerce platform in 2021, and the resumption of our in-flight retail program, the SACC Retail division aims to deliver a return to pre-pandemic operations

and growth in 2022, whilst also capitalizing on the expected rise in air traffic and passenger numbers by expanding our ground-based offering and coverage across the Kingdom.

Whilst concerns remain regarding the implications of the latest Covid-19 variant, we remain cautiously optimistic that a noticeable recovery will be seen in the first quarter of 2022 and are confident that we have the right people and processes in place to regain our growth and momentum.

Guided by a new, highly experienced retail leadership team, we will continue the progressive digitalization of our in-flight retail services, adding delivery-to-seat and pre-ordering functions for a growing range of items to drive incremental sales. Also, following the relaunch of our e-commerce platform in 2021, we aim to further develop this dynamic resource in 2022, with an ultimate target to reach 7 million users.

Building on the exceptional work completed in 2021 in planning the relaunch of our in-flight retail program, we will finalize and rollout 3 independent menu listings for Saudia, flyadeal and flynas, marking a first for SACC and allowing for tailored offerings that reflect each airline's specific passenger dynamics.

We will also continue to deliver extensive training and development for the entire retail team, placing our customers at the heart of our service proposition and continuing to exceed the expectations of our partners and Shareholders.

Retail Revenue

43

SAR million

Relaunched  
e-commerce  
and in-flight  
retail program

# Catering & Facilities

In 2021, the SACC's Catering & Facilities division focused on delivering sustainable growth, exceeding our turnover expectations and successfully achieving full-year profits for the first time, leveraging our experienced human resources and extensive infrastructure to propel our diversification and growth trajectory.

Building upon the key strategic foundations laid in previous years, and despite the considerable prevailing disruption in the Kingdom's economy owing to the pandemic, in 2021 SACC's Catering & Facilities division delivered a profit for the first time in its history, marking a significant milestone in our progressive diversification strategy.

C&F conducted extensive reviews of contract performance during the course of the year. The review allowed us to identify, renegotiate or exit loss-making contracts, paving the way for the successful turnaround of our Railways business and a breakeven in operating expenditure for Saudi Laundry Services (SLS).

These measures were complemented by cost cutting exercises that leveraged an improved product selection and a refined talent replacement and acquisition strategy, achieving savings of between 5% and 20% on major cost components across the business.

Significant milestones achieved in 2021 by the C&F division included our first ever healthcare contract. We also secured the largest Hajj contract in SACC's history, serving 817,000 meals to pilgrims visiting Mecca in 2021, completed the launch of our white label frozen meals, and delivered the soft launch of our integrated facilities management offering.

## Our Market and Strategy

Our market continued to experience unprecedented turbulence throughout 2021, given the ongoing disruption to our key segments created by the pandemic. While some of our clients achieved significant turnarounds, most of our operations remained undermined by low customer numbers, constraints on talent acquisition, and diminished business visibility impeding short-term decision-making processes.

Travel to the holy sites was disrupted for most of 2021 which impacted our Hajj and Umrah, Laundry and Railways operations. However, an uptick in religious tourism during Q4 led to spikes in production and service requirements. In particular, our Saudi Laundry Services unit was heavily solicited as the borders reopened to MENA-based movement of pilgrims, driving daily demand increases of up to 20 tons of non-forecasted laundry needs from clients in the Makkah hospitality sector.

In terms of our Railways operations, the Haramain Highspeed Railways line saw a steady increase of up to 60% in passenger numbers through the year

Nevertheless, C&F harnessed this disruption to pursue further transformation and test the fabric of our resilience as a business, while also significantly strengthening the culture and resolve of our teams.

SACC enjoys fundamental advantages over our competitors thanks to our talent pool and

production assets, as well as our ability to diversify and apply continuous investments in technology.

The C&F corporate strategy remains aligned with our 3-year plan, which was refined based on the various extenuating factors affecting our business in 2020, incorporating a focus on outstanding execution, accompanied by a transition from an operations-led to a business development focused pathway.

To this end, we continue to pursue the regionalization of our teams in order to further segment our activity and allow for more agile development going forward. This approach reinforces our low operation cost model and enables the cross utilization of our people and assets to meet our client and customer needs.

The driving aim of our strategy, therefore, is to remain agile and quick to respond to market opportunities. This means remaining frugal in our investments and customer acquisition processes and delivering increasing diversification and investment to build our capabilities as an integrated facilities management player.

These advances have positioned C&F to capitalize on current market trends by building solutions for a diverse set of clients and business models whilst meeting the demands of the evolving post-pandemic landscape through branded offers, on-site authentic food solutions, retail contracts and our shift towards IFM.

Secured

First ever  
healthcare  
contract

**C&F Performance in 2021**

Despite substantial negative headwinds, SACC's Catering & Facilities division continued to build on the strong foundations achieved over the past 3 years to deliver a highly encouraging performance.

For the first time, the division achieved a net corporate profit of 7% - excluding Staff Services and Single Camp costs - whilst exceeding our turnover targets by SAR 3 million to reach SAR 262

million, resulting in a growth in revenue of 22% over 2020.

These results reflect our efforts in 2021 to apply our strategy and achieved growth, including extensive performance reviews to determine whether to exit or renegotiate loss-making contracts.

Specifically in 2021, we were able to renegotiate our railway contracts to achieve a turnaround and secured breakeven OPEX in our Saudi Laundry Services unit

in Q4 2021, delivering an average volume equivalent to 98% of pre-pandemic levels and signing 10 new contracts worth a combined SAR 3.7 million.

Our success in cost cutting was due to a more rigorous product selection, which achieved savings of 5% on our Cost of Goods Sold (COGS)

**Manpower Highlights**

**1,338 Total C&F employees**

<b>174</b> Saudi male employees	<b>24</b> Saudi female employees	<b>876</b> Non-Saudi employees	<b>264</b> Task Force
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**Operational Highlights YTD 2021**

**Business & Industry - 3 regions**

**8.2 M** meals served  
**86** clients

**Hajj & Umrah:**

**807 K** meals served  
**44** kitchens  
**9** companies

**Laundry**

**4.1 tons** KAEC  
**1.5 tons** KFMC

**Service Apartment**

**67%** current occupancy rate

**Remote Sites - 2 regions**

**587 K** meals served  
**7** clients

**Railways**

**5.3 M** guests

**Accommodations**

**1,953** residents in 4 camps in 4 cities

**Private Label Frozen Meals**

**554 K** meals

In 2021, 457,000 meals were produced and distributed following the launch of our frozen white label range, and the successful delivery of our second consecutive contract with the Dakar Rally saw 85,000 meals distributed throughout the event, securing SACC a third contract to supply the event in 2022. In addition to the Dakar's sporting focus, the Events and Function team demonstrated our artisanal and imaginative talent by staging numerous events. In particular the Red Sea Festival, where for 64 days, we hosted artists from across the Arab world and the global south in outdoor and indoor venues.

Our team secured its first Healthcare contract, CityMed, a 7 star establishment aimed at providing the highest standard of medical care in the Kingdom. The CityMed project enabled our operation to adapt to the healthcare industry and prepare for our push into this segment. Crucially, SACC has now obtained its licenses and qualification to participate to MoH related tenders. The qualifications enable us to begin penetrating a notoriously hard segment to enter.

Other major contracts in 2021 included a 5-year agreement with Ma'aden mining - the biggest in

our portfolio in the past 6 years, with a turnover value of SAR 180 million; a contract with SATCO's mandays construction camp, valued at SAR 22 million and representing an important first engagement with the NEOM mega project; and a new contract to supply Saudi Railway Company's North and East lines, bringing the total value of the relationship to SAR 75 million over 2020-2022.

Furthermore, C&F also currently serves the highest number of offshore rigs in our history at 15, with contracts in place for a further 3 rigs in Q1 2022.



**Catering & Facilities in 2022**

In 2022, we will continue to transition our C&F portfolio away from its historical reliance on Staff Services, which traditionally accounted for around 39% of our revenue, whilst managing organic

growth from existing and new segments.

As raw materials prices continue to increase, the division will focus increasingly on managing our growth to reflect this challenging

trend, whilst also working to further rationalize staffing and personnel costs, balancing these measures against the increasing demands of our clients.

**Strategic Priorities**



A key success factor for the C&F division going forward will be our business agility and our ability to rapidly adapt to the evolving needs of our customers and clients through perpetual innovation - all of which support the vigorous implementation of our corporate strategy.

We will seek to diversify and invest to accentuate our capabilities as an IFM player; 2022 will mark the full launch of this effort, beginning with a focus on servicing our facilities before extending our services to the market.

SACC will also continue to pursue an aggressive M&A strategy to complement its skills needs

and major growth ambitions going forward. Key targets of our M&A activities will be the strategic acquisition of assets in the healthcare and IFM sectors, complemented by new ventures and partnerships in the mature start-up and emerging digital platform segments to further diversify our expanding portfolio.

Largest Hajj contract in SACC's history, serving **817,000** meals



# Corporate and Support Services

Throughout 2021, SACC Corporate and Support Services continued to deliver vital support functions for SACC's business lines through its Health, Security and Standards Control (HSSC), Procurement and Strategic Sourcing (P&SS), Information Technology, and Legal Affairs and Compliance divisions. Collectively, their agile responses to the evolving demands of the Covid-19 pandemic and broader business requirements have successfully positioned the Group for a return to growth as the economic recovery gathers pace.

SACC Corporate and Support Services maintained focus during 2021 on creating value for our diversifying business while safeguarding our people and customers against the ongoing threat from the pandemic. Leveraging its suite of dedicated monitoring and assessment systems, the Health, Security and Standards Control (HSSC) division remained focused on the objectives of the Group's corporate strategy to deliver world-class standards across all SACC business lines, ensuring the safety and quality of our products, outlets and workplaces throughout the year.

Our Group-wide IT infrastructure requirements in 2021 were met by the Information Technology (IT) division, which continued to implement upgrades to enhance the efficiency of our systems through software improvements, with an increasing focus on automation across our business. Meanwhile, the SACC cybersecurity department rolled out additional measures to secure internal and external processes, and to conform to the requirements and recommendations of the Saudi Cybersecurity Authority.

The SACC Legal Affairs division provided central oversight and support for legal functions across SACC, whilst also ensuring compliance with a raft of changing laws and regulations.

## Health, Security and Standards Control (HSSC)

The SACC Health, Security and Standards Control division worked effectively and proactively throughout 2021 with all of SACC's divisions to achieve the company's mission and strategic objectives, namely through the review of food and employee safety, medical and QMS systems; ongoing inspections of all facilities; and the provision of continuous training programs to staff across SACC.

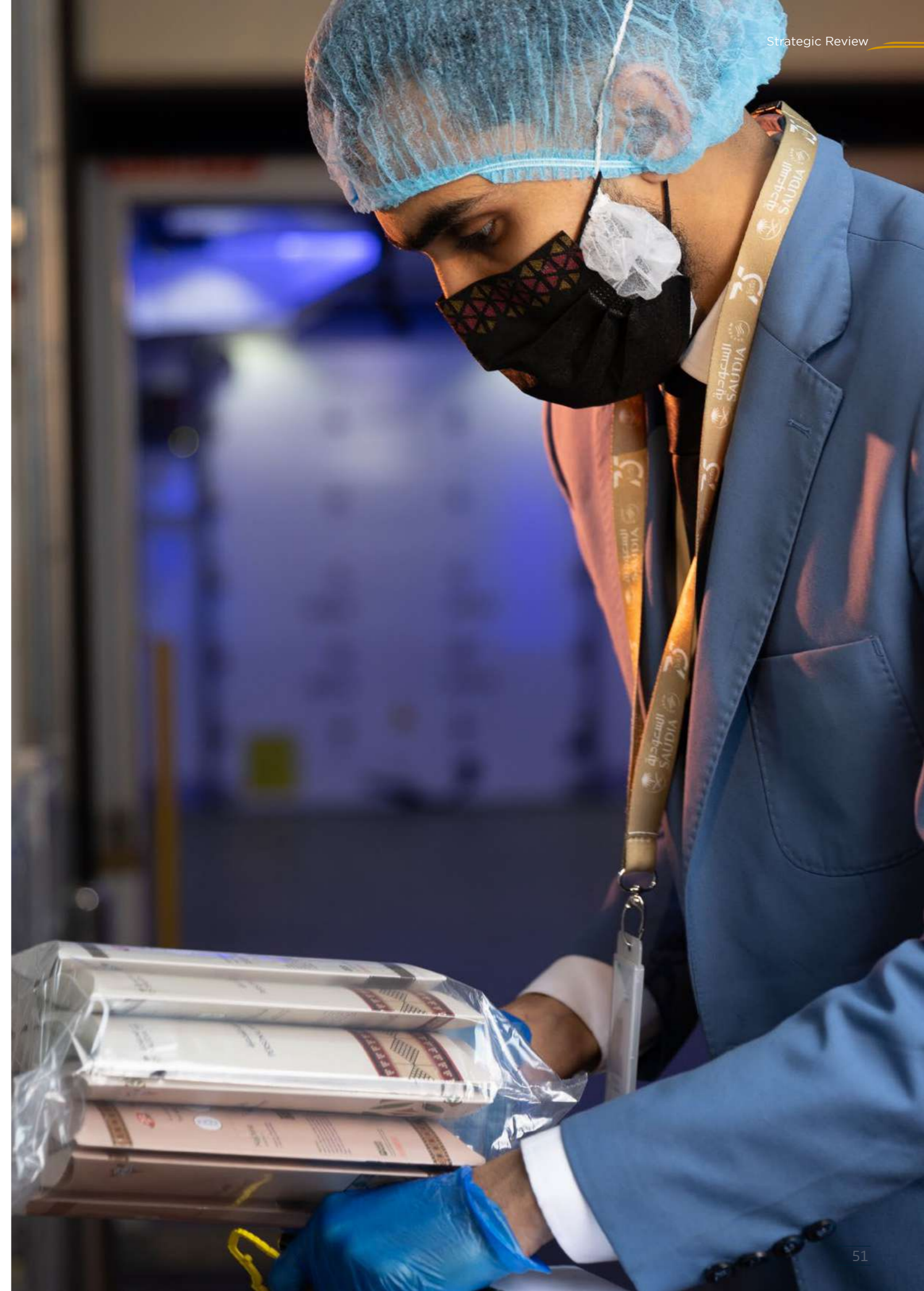
HSSC implemented a range of upgrades to the Group's health and safety infrastructure, ensuring all activities remain in compliance with government regulations and certification requirements. These included a successful upgrade of our Food Safety Management system to satisfy ISO 22000:2018 standards, the first GACA R151 certification for our operations at RUH, MED and DMM, and the renewal of R151 at JED.

The division also completed external audits for ISO 9001, ISO 45001, ISO 22000 and HACCP; a number of successful government audits by MOH and SFDA at JED, RUH, DMM and MED; and concluded a further 10 external occupational health and safety audits throughout the organization, all of which met applicable requirements.

SACC received ISO 17025:2017 accreditation for our Central Laboratory from the Saudi Accreditation Centre and HALAL Certification from the Saudi Food and Drug Authority (SFDA); and updated our Hazard Identification Program against new ISO 45001 safety requirements.

We also initiated the ISO 41001:2018 certification process in the areas of security and accommodation.

**"Our DMM & RUH IFC units achieved the highest ratings in Philippine Airlines' Food Safety, Aircraft Servicing and Galley Equipment Handling assessment categories, achieving a score of 'Very Satisfactory (95-100%) in 2021.'**



In terms of our compliance with key national standards for human capital safety, SACC developed more than 70 Covid-19 precautionary guidelines to protect our people and customers during 2021.

Meanwhile, our staunch commitment to workplace equity saw the successful renewal of our GOLD status Mowaamah certification for disability-friendly working environments – obtaining the highest score in the Group’s history – and full compliance and implementation of GACA disability requirements at our JED unit as per the guidelines of the King Salman Centre for Disability Research (KSCDR) and the Authority for People with Disabilities (APD).

**Our Expanding Range of HSE Functions**

In 2021, new HSE functions added to our existing regulatory and compliance infrastructure included the establishment of a Regulatory Affairs body to oversee compliance with government and regulatory requirements pertaining to our products and services. The new function is also tasked with apprising the division of evolving technical regulations, advising on technical and scientific requirements, and resolving technical barriers between catering units and outside parties.

We also established a Research Studies function in 2021 to provide a scientific foundation for our innovations related to food safety, nutrition and health, whilst supporting product development and packaging through research activities, and promoting collaborative and interdisciplinary research.

**Integrating Risk-Based Concepts within HSSC Functions**

2021 saw the formation of a corporate-level Risk Management Committee to oversee the integration of risk-based concepts across the Group, resulting in the development of Risk Index criteria for hygiene and food safety monitoring and reporting.

Specific initiatives implemented, based on these criteria in 2021, included the completion of a risk-based mapping exercise that saw new waste bin allocations across all food handling areas in IFC units at JED, RUH, DMM, MED and CAI to avoid cross contamination and maintain our high food safety standards.

**A Comprehensive Inspection Regime**

To ensure full compliance with applicable standards, more than 1,000 inspection activities were conducted throughout the year, including 415 QHSE inspections of outlets and remote sites; 46 corporate inspections carried out for food safety and hygiene; 15 corporate occupational H&S inspections; and 643 regional occupational H&S regional inspections throughout the Group.

**Promoting Awareness**

In total, 11,228 staff awareness exercises were executed through on-the-job and Infection Control training across IFC, Support Services and C&F. A further 2,949 employees attended Toolbox Talks as part of our proactive OH&S measures, whilst 44 Safety Committee meetings were convened to address various safety issues, and 29 Management Safety Walkthroughs were completed to showcase SACC’s commitment to safety.

**Committed to Verification**

Our commitment to verifying the high levels of health and safety applied across our facilities and business lines include a comprehensive regime of rigorous testing to ensure ongoing compliance. To verify the implementation of our standards across the Group in 2021, the HSSE division successfully implemented the following tests:

**8,968**  
food and  
**736**  
water sample analyses

**980**  
food and water  
samples analyzed for  
external customers

**9,889**  
handprint tests and  
**9,889**  
cleaning control tests

**200+**  
security incidents  
countered as part  
of the robust  
security measures at  
operations sites

Reflecting on our proactive response to incidents, applied through therapeutic and preventative medical control measures in 2021:

**21,663**  
Outpatient (OP) cases  
were managed by our  
medical services team

**1,460**  
cases were  
followed-up with  
hospitalization

**127**  
occupational hazard  
cases were handled

**1,001**  
Complete Drug test  
Screening (CDS) tests  
were conducted  
as part of pre-  
employment checks

**305**  
Covid-19 isolation  
cases were handled,  
and 5,077 PCR tests  
performed

**Protecting our People during the Pandemic**

Our robust Covid-19 protocols continued to be rigorously applied across the organization in 2021, as the threat from the coronavirus endured throughout the year. Our Covid-19 Strategy and Action Plan is applied on 3 levels, comprising preventative measures; infection control protocols for staff; and a wide-reaching awareness program for employees, including those travelling to high-risk areas.

As well as ensuring continuous PCR testing for staff (with 5,119 tests conducted in 2021), we provided well equipped Isolation Rooms in our accommodation at all stations and delivered vaccination campaigns at SACC Camps.

**HSSC in 2022**

The focus of SACC HSSC in 2022 will remain on the safety and security of our people, customers, workplaces and products, in line with international standards and government regulations, to support SACC’s compliance objectives.

The process of applying a risk-based approach for all HSSC activities will continue in the coming year, as we work proactively with all SACC divisions to achieve our goals. HSSC will also continue to establish and develop effective partnerships through proactive engagement with external entities.

This includes activating our new Regulatory Affairs function to oversee government and regulatory requirements and advise on technical and scientific restraints; and utilizing our Research Studies department to provide scientific foundations for our food safety, nutrition and health innovations.

Other key goals are to apply increasing automation and create a smart reporting system within HSSC; develop a comprehensive business continuity plan for the organization; and establish an improved HSSC dashboard for monitoring and quick decision-making.

### Procurement and Strategic Sourcing (P&SS)

Owing to the ongoing disruption to the global economy and travel industry during 2021, and the corresponding fluctuations in supply requirements from across the various SACC business lines, the Procurement and Strategic Sourcing (P&SS) division faced considerable challenges in meeting unpredictable demand patterns in 2021.

These challenges were exacerbated by severe supply availability barriers and manpower deficiency issues around the world, as well as unprecedented increases in freight costs due to container shortages and congestion in major ports around the globe, leading to prices more than 7 times those seen in 2019.

In facing these negative headwinds, SACC's backup strategies were activated, ensuring readiness in a highly uncertain environment through procurement and supply chain contingencies leveraging our deep relationships with major local and international suppliers. Thanks to these measures, P&SS successfully met the requirements of all SACC business lines, both on time and at competitive prices.

#### Readiness in an Uncertain Environment

Through our readiness strategy, which was specifically designed following the onset of the pandemic as a proactive tool to meet further unprecedented periods of disruption, P&SS successfully reduced our dependency on long lead-time international suppliers by shifting to local distributors to minimize availability issues.

We boosted our vertical alignment with our suppliers in 2021 by sharing long-term forecasts and providing continuous updates to ensure the high visibility of demand requirements across the supply

chain network, enabling accurate planning and fulfillment.

Throughout the year, P&SS continued to closely monitor prices, both globally and locally, to control product costs, whilst also managing inflation by hedging high risk items.

Using our sourcing arms, we were able to recommend new items in existing high risk categories witnessing high inflation rates or shortages in the market, thereby reducing product costs and ensuring supply continuity, while also qualifying new suppliers to improve raw material quality and supply security.

New measures were also implemented to ensure orders and inventories were optimized, as well as to minimize storage outside SACC in third-party or outsourced warehouses to control costs, which also served to improve both service levels and inventory visibility. To this end, 1 external warehouse in the Retail segment, and a further 2 in the C&F segment, were shut down in 2021.

#### Our Ongoing Transformation for Growth

SACC P&SS continued to implement sales and operational planning (S&OP) processes to improve our forecast accuracy, optimize our inventories and improve productivity. This included the appointment of a Demand Planning Assistant Manager as the custodian of S&OP, and enhanced systems for demand planning.

The development of our new Procurement Policy Manual also continued throughout 2021, which is now awaiting final approval before rollout in 2022. The new policy manual will improve governance and control, and provide efficiency gains, all the while being constantly updated to ensure policies are aligned with market and industry changes.

P&SS also moved forward with our Procurement Centralization initiative in 2021 to improve efficiency in the areas of item rationalization, consolidation and unification.

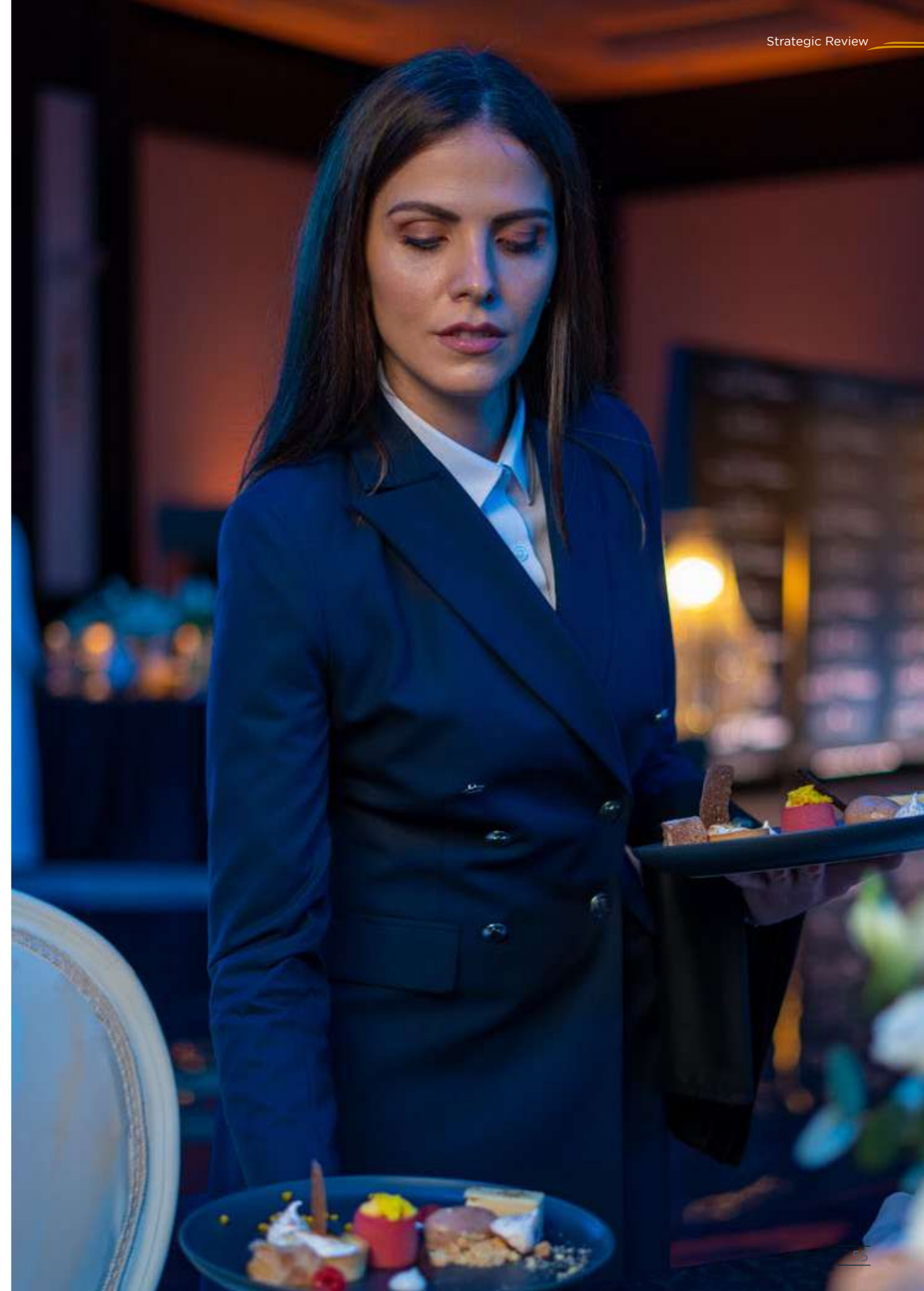
#### P&SS in 2022

A key focus for the division in 2022 will be on the implementation of further digitalization and automation. This will include the acceleration of our Supply Chain Digital Transformation program, under which P&SS will continue to upgrade our technology capabilities, particularly in aspects relating to:

- Advanced planning to better sense changes in demand and supply, whilst also accelerating our ability to respond.
- Enhanced end-to-end control to enable real-time visibility of supply chain events and empower supply chain leaders to make data-supported decisions.
- The introduction of cognitive automation that enables real-time analysis and autonomous action, creating a self-driving supply chain.

Another related priority in 2022 will be the implementation of SAP S4 Hana ERP and SAP Ariba, a combined solution that will dramatically improve spend-process integration and digitize our supply chain functions.

Across all our supply chain initiatives and programs in the coming year, P&SS will also continue to enhance our local procurement network, reflecting the less globalized nature of supply lines during the pandemic and supporting national interests and priorities by favoring domestic, Saudi Arabian industries.



# Risk Management

SACC is committed to establishing a risk governance structure that ensures the proper identification and reporting of risks in order to avoid and minimize factors that may potentially limit the Company’s ability to achieve its strategic objectives. This structure will help identifying and mitigating risks by planning, monitoring and controlling activities across its segments, divisions and operations.

Risk management is one of the core responsibilities of the SACC’s leadership and it is central to our decision-making processes. SACC’s leadership fundamental duties with regards to Risk Management are:

- Making a robust assessment of emerging and principal risks;
- Monitoring Risk Management and internal controls; and
- Promoting a risk aware culture.

## Another Year of Outstanding of Progress towards Robust Risk Management

Risk Management is the integration of corporate culture, capabilities and practices at all levels of an organization, as well as strategy-setting and effective execution, in order to manage risks to creating, preserving and realizing value.

SACC’s Board of Directors is ultimately responsible for Risk Management in the Company, by setting the corporate culture and tone at the top through a comprehensive Risk Management program. The Board also assesses and approves our overall risk appetite. This process is supported by the HSSC Division and Risk Management Committee established recently, whose roles include evaluating and monitoring the risks inherent in their respective areas.

This is an essential element of sound Corporate Governance and SACC is committed to

continuously embedding Risk Management in its organizational culture. HSSC division is the overall responsible to lead the Risk Management activities at SACC along with the support of Risk Management Committee and the Audit Committee who has an oversight role through the Internal Audit function, while SACC’s Executive Management upholds the risk ownership and required infrastructure.

SACC’s strategic approach to Risk Management is designed to:

- Enhance SACC Management’s ability to anticipate, adapt and respond to changes.
- Provide SACC’s Board and Management with the risk information they need to make more informed decisions.
- Define risk roles and responsibilities explicitly.
- Provide the platform for leveraging risk information in strategic planning and key processes.
- Improve SACC’s reputation and public confidence.
- Enable better understanding of risk fluctuations throughout the organization, providing comparability over time.
- Develop and implement appropriate risk mitigation and monitoring plans by risk owners.
- Identify and assess a broad array of risks that could negatively impact the achievement of SACC’s goals and objectives.

- Ensure appropriate risks are taken within SACC’s stated Risk Appetite.

Effective Risk Management is crucial in helping the SACC to achieve its objectives of preserving its overall financial strength for the benefit of all stakeholders, and safeguarding its ability to continue as a going concern, while generating sustainable long-term returns. The Board, along with the SACC Management and relevant Committees, reviews and determines the appropriate level of Risk Management oversight for the SACC. We ensure that our Risk Management programs are implemented at all segments, divisions and operations that we operate.

## Risk Management Committee

Based on the need and realizing the importance of Risk Management, SACC Management establishes the Risk Management Committee to oversee the Risk Management activities at organization level, the purpose of Risk Management is not to eliminate all risks. It is to minimize the potential negative consequence of risks by working with all so as to make smart risk decisions.

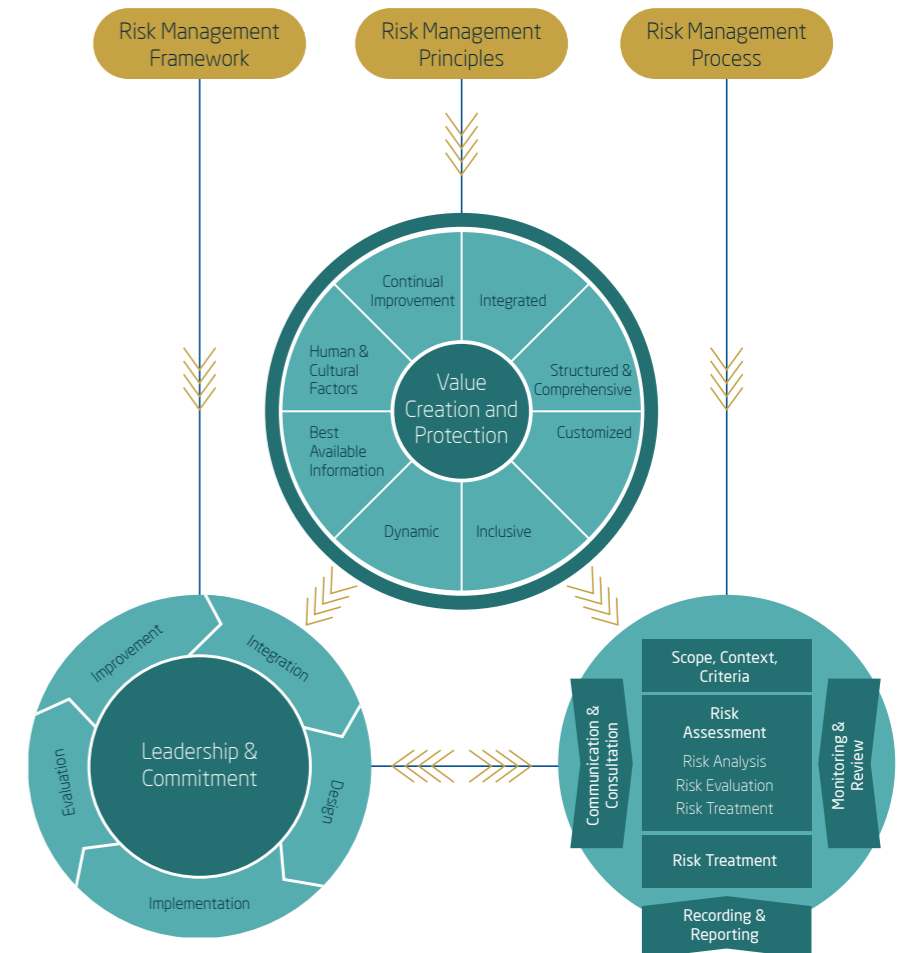
The role of the Risk Management Committee is to assist the SACC Management in its oversight of the effectiveness of the company wide

Risk Management Framework. It performs its role through:

- Overseeing risk appetite and risk tolerance appropriate to each business segments, considering the risk policy and strategy.
- Ensuring that there are adequate processes and systems for identifying and reporting risks and deficiencies, including emerging risks.
- Overseeing compliance with the stated risk appetite and policies and procedures related to Risk Management governance and the risk controls framework.
- Monitoring the alignment of the risk framework to the SACC’s growth strategy, supporting a culture of risk taking within sound risk governance.
- Having an overview of the key risk issues identified across the organization.
- The Committee comprises of SACC executive management headed by CEO as the Chair of the Committee.

## Risk Architecture

SACC has developed and adopted the ‘SACC Risk Architecture’ based on ISO 31000:2018 standard guidelines, The Risk Management architecture is normally centered on SACC leadership and commitment. The effectiveness of Risk Management is proven through its integration into all aspects of the organization, including decision-making.



### Risk Management Principles

The purpose of Risk Management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.

Principles include the requirement for Risk Management to be:

- Customized
- Inclusive
- Structured and comprehensive
- Integrated; and
- Dynamic.
- Best available information
- Human and cultural factors
- Continual improvement

The adopted principles set out in ISO 31000 provide guidance on the characteristics of effective and efficient Risk Management, communicating its value and explaining its intention and purpose.

The 8 principles are described below:

- Customized : Framework and processes are customized and proportionate in SACC.
- Inclusive : Appropriately and timely involvement of stakeholders are inclusive.
- Structured and comprehensive : Structured and comprehensive approach is adopted in SACC.
- Integrated: Risk management is an integral part of all organizational activities.
- Dynamic : SACC Risk management anticipates, detects, acknowledges and responds to changes.
- Best available information : SACC Risk management explicitly considers any limitations of available information.
- Human and cultural factors : SACC considers the human and cultural factors that influence all aspects of Risk Management.
- Continual improvement : Risk

management is continually improved through learning and experience in our RM process.

### Risk Management Framework

SACC has adopted the Risk Management framework to assist with integrating Risk Management into all activities and functions. The effectiveness of Risk Management will depend on integration into governance and all other activities of the organization, including decision-making.

SACC's Risk Management leadership and commitment, includes:

- Aligning Risk Management with the strategy, objectives and culture of the organization,
- Issuing a statement or policy that establishes the RM approach, plan or course of action;
- Making necessary resources available for managing risk; and
- Establishing the amount and type of risk that may or may not be taken (risk appetite).

SACC has adopted the principles in the following manner:

### Integration

- Determining management accountability and oversight roles and responsibilities; and
- Ensuring Risk Management is part of, and not separate from, all aspects of the organization.

### Design

- Understanding the organization and its internal and external context;
- Articulating Risk Management commitment and allocating resources; and
- Establishing communication and consultation arrangements.

### Implementation

- Developing an appropriate implementation plan including

deadlines;

- Identifying where, when and how different types of decisions are made, and by whom; and
- Modifying the applicable decision-making processes where necessary.

### Evaluation

- Measuring framework performance against its purpose, implementation and behaviors; and
- Determining whether it remains suitable to support achievement of objectives.

### Improvement

- Continually monitoring and adapting the framework to address external and internal changes;
- Taking actions to improve the value of Risk Management; and
- Improving the suitability, adequacy and effectiveness of the RM framework.

### Risk Management Process

SACC's Risk Management process involves the systematic application of policies, procedures and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting risk.

### Communication and consultation, including:

- Bringing different areas of expertise together for each step of the RM process;
- Ensuring different views are considered when defining risk criteria and evaluating risks;
- Providing sufficient information to facilitate risk oversight and decision-making; and
- Building a sense of inclusiveness and ownership among those affected by risk.

### Scope, context and criteria, including:

- Defining the purpose and scope of Risk Management activities;
- Identifying the external and internal context for the organization;
- Defining risk criteria by specifying the acceptable amount and type of risk; and
- Defining criteria to evaluate the significance of risk and to support decision-making.

### Risk assessment, including:

- Risk identification to find, recognize and describe risks that might help or prevent achievement of objectives and the variety of tangible or intangible consequences;
- Risk analysis of the nature and characteristics of risk, including the level of risk, risk sources,

consequences, likelihood, events, scenarios, controls and their effectiveness; and

- Risk evaluation to support decisions by comparing the results of the risk analysis with the established risk criteria to determine the significance of risk.

### Risk treatment, including:

- Selecting the most appropriate risk treatment option(s); and
- Designing risk treatment plans specifying how the treatment options will be implemented.

### Monitoring and review, including:

- Improving the quality and effectiveness of process design, implementation and outcomes;
- Monitoring the RM process and its outcomes, with

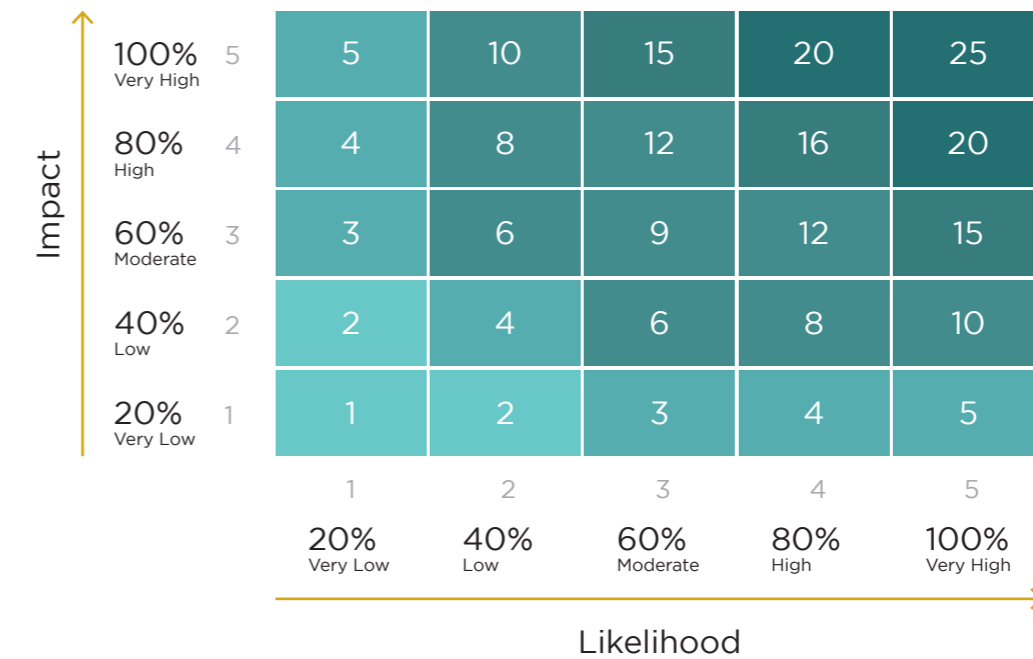
responsibilities clearly defined;

- Planning, gathering and analyzing information, recording results and providing feedback; and
- Incorporating the results in performance management, measurement and reporting activities.

### Recording and reporting, including:

- Communicating Risk Management activities and outcomes across the organization;
- Providing information for decision-making;
- Improving Risk Management activities; and
- Providing risk information and interacting with stakeholders.

### Risk Management Heat Map



### Risk Appetite

Risk Appetite is the extent of risk that SACC is ready to accept in order to achieve its objectives. It differs according to each strategic objective and risk category. SACC's risk limits are set out in the following risk appetite statements. SACC is committed to execute all strategic initiatives to achieve its corporate Vision and Mission. The Company's approach is to minimize its exposure to risks relating to its regulatory and

compliance responsibilities, operations and people, whilst accepting and encouraging an increased degree of risk in the pursuit of its Vision and Strategic Objectives. In addition, it is fully committed to the protection of its assets and a high retention rate of its employees by satisfying their needs in order to maintain business continuity. It does not tolerate risks to ethics or quality.

SACC recognizes that its Risk Appetite varies according to the activity undertaken, and that its acceptance of risk is always subject to ensuring that potential benefits and risks are fully understood before developments are authorized, and that appropriate measures to mitigate risks are established, where required.

Risk Category	Risk Appetite	Risk Appetite Statements
Strategic Risks	Low	Risks associated with SACC's strategy, as well as to its value, priorities and implementation. Strategic risks are linked to decisions at the enterprise level, and the implementation of those decisions and resources that are devoted to the implementation of the strategies. It also includes responding to changes in the internal and external environment. Sound strategic Risk Management is critical to ensure its sustainability with the service and its ability to continue working independently and effectively. Accordingly, SACC intends to remain fully aligned with all strategic initiatives related to its Vision and Mission.
Reputational Risks	Low	Risks associated with SACC's reputation being negatively impacted, thereby hindering the accomplishment of strategic tasks and objectives. Reputational risk is inherent in all activities of SACC and includes factors such as employee conduct, human resources practices, supervision, legal decisions, policy decisions, financial responsibility and information security. A Reputational Risk assessment should consider the department's culture, problem escalation, responsiveness and communication strategies.
People Risks	Moderate	Risks associated with talent management, recruitment, training, talent retention, career and leadership development, succession planning, performance management and compensation. Human Resources risks also include compliance with labor laws, work procedures and safety regulations. SACC conducts many initiatives and employee programs to mitigate such risks.
IT & Cybersecurity Risks	Low	Risks associated with the ability of systems to meet users' requirements and manpower support. These risks are also associated with technological innovation. SACC has undertaken many initiatives to comply with the National Cybersecurity Authority (NCA) and to reduce any Cybersecurity Risk.
Regulatory Risks	Zero Tolerance	Risks associated with SACC not fulfilling its obligations under the law. Regulatory risks are inherent in all activities and decisions, and may involve factors such as supervision, policy decisions, employee conduct and human resources practices, as well as contractual obligations. Coordination among the different departments and other regulatory and governmental bodies is also important for the identification and management of Legal Risks.
Governance Risks	Zero Tolerance	Risks associated with conflicts of interest among staff, maintenance of proper revisions and updates of the Corporate Governance manual, and adherence to the Company's Business Code of Conduct and Code of Ethics.
Financial Risks	Low	Risks associated with impairment of financial resources due to adverse economic conditions, and the inefficient use of resources or increased expenditures, which may hinder the ability to achieve SACC's objectives.
Operational Risks	Moderate	Risks related to internal controls, employee conduct, operational efficiency, third-party controls, physical security and business continuity planning. Operational Risks to service are also associated with Financial Risks, as they represent the main operations of the Company.

### Risk Universe

SACC's Risk Universe illustrates the specific risk environment in which the Company operates, framing key sources of risk to which SACC may be exposed. This represents the minimum scope of application of SACC's Risk Management processes, which consists of eight principal risk categories: Strategic, Reputational, People, IT & Cybersecurity,

Regulatory, Governance, Financial and Operational Risks. SACC continuously reviews and updates its Risk Universe to ensure an accurate representation of its strategic and operating environments. The Company anchors each identified risk in the relevant risk category to enable decision-makers to contextualize and understand the interrelationships between SACC's activities and associated risks.

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



### Principal Risks & Mitigation

The following describes and provides high-level mitigation approaches to some of the most important risk areas across SACC.

#### Financial Risks

##### Cash Flow & Interest Rate Risk

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

##### Credit Risk

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

SACC monitors third- and related-party trade receivables continuously and has a policy in place to manage and collect overdue receivables. Due to its proper monitoring and appropriate provisioning, management does not anticipate any additional losses due to client non-performance.

##### Liquidity Risk

Prudent Liquidity Risk management includes maintaining sufficient cash and available funding from an adequate number of committed credit facilities. The Company ensures flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. The management team monitors the risk of a shortage of funds by

continuously reviewing short-term cash forecasts, and by using mid-term cash forecasts throughout the year.

#### Strategic Risks

##### Business Environment Risk

Business cycles in the economy, and in customer markets, influence the demand for SACC's products, as well as its financial condition and operating results. Some areas of the business could be affected by adverse changes in economic conditions and employment levels. The Company's diversification strategy provides a degree of stability with respect to cyclical markets.

##### Market & Customer Risk

SACC's business relies on securing and retaining a diverse range of clients in various industry segments. Despite this diversification, its business still relies largely on its relationship with Saudia, so any adverse development affecting the airline could have a negative impact on SACC. The Company has strategies in place to strengthen long-term relationships with clients and consumers based on quality, value and innovation. The diversification strategy ensures that SACC does not rely on a particular sector, geography or set of clients.

##### Global Political Risk

The airline industry is global and is hence dependent on political and economic developments, not only in the Kingdom of Saudi Arabia but worldwide. SACC's businesses are largely dependent upon the airline industry and may be impacted adversely by negative global events and trends. SACC works to anticipate and contribute to important changes in public policy, when possible.

#### IT & Cybersecurity Risks

Information Technology and Cybersecurity Risks related to SACC's internal operations are constantly identified and mitigated using network security, endpoint protection, access Risk Management and vulnerability management. The IT department monitors internal threat exposure levels with vulnerability-scanning capabilities and coordinates responses to identified cybersecurity incidents. The management team also closely monitors SACC's information security capabilities.

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

SACC actively identifies and responds to Cybersecurity Risks. Cybersecurity strategy work and implementation will continue over the coming years.

#### People Risks

##### Recruitment Risk

Failure to attract and recruit people with the right skills at all levels could limit SACC's success. The Company faces resourcing challenges in some of its businesses due to a lack of industry experience among candidates, finding appropriately qualified people, and the seasonal nature of some of its businesses. It aims to mitigate this risk using efficient, time-critical resource management, mobilizing existing experienced employees, and providing appropriate training and development programs.

#### Retention & Motivation Risk

Retaining and motivating the best people with the right skills at all levels of the organization is vital to SACC's long-term success. The Company has established training, development, performance management and reward programs to retain, develop and motivate its people.

Effective communication channels help the senior management team to monitor, understand and respond appropriately to employees' needs.

#### Operational Risks

##### Hazard Risk

The Company's occupational health and safety systems, and crisis management guidelines are designed to protect its employees. Appropriate insurance is in place for all personnel. SACC operates at all major airports in industrial-size catering units, two laundry plants and numerous other smaller premises, including catering outlets, retail shops, lounges, industrial sites, on-shore oil rigs, Hospitality and Railway Catering etc. SACC leases the majority of its sites.

During operations, SACC is exposed to risks in areas such as occupational health, employee safety, environment, fire, natural events and site security. The Company manages these risks with established management procedures and loss prevention programs. Risks that cannot be directly influenced are transferred, where feasible, to insurance companies.

SACC established a number of guidelines and procedures to respond to the Covid-19 pandemic across all areas of its businesses.

##### Service Delivery & Contractual Compliance Risk

SACC has a large number of contracts with many clients. Failing to comply with contractual terms and conditions could lead to loss of business. The Company has processes in place to ensure that it meets the required standards, and that it complies with the contractual terms and conditions.



# Our People

As one of our most important assets and a key driver of our success, our employees form the backbone of SACC and represent the key to our future success and development. The wellbeing of our people is therefore a central element in our corporate strategy, and a high-level priority for the Company, particularly in view of the ongoing threat posed by Covid-19.

Given the persistent concern generated by the pandemic, the efforts of our Human Resources division remained focused on protecting our people, clients and Stakeholders throughout 2021. Building on the exceptional foundations established during the height of the crisis in 2020, HR continued to enhance and reinforce our coronavirus safety protocols to ensure the wellbeing of our people whilst also maintaining business continuity.

Our Covid-19 policies and procedures were regularly reviewed in 2021 to align them with changing government advice, resulting in updates to our approach to working modes, quarantine guidelines, onboarding procedures, virtual inductions and recruitment procedures.

Meanwhile, HR maintained an open channel to our people to communicate advice and government guidance concerning vaccinations and virus avoidance measures and continued to work to arrange for the return of employees stranded abroad owing to pandemic-related restrictions.

The division also delivered on various aspects of our dynamic People Strategy, which aims to ensure employee job satisfaction, progression and wellness by maintaining a safe and inspirational working environment, providing new tools to increase employee communication and enhancing the transparency of HR procedures.

We continued to strive to complement this supportive environment by cultivating a performance-driven culture that recognizes talent and nurtures exceptional future leaders, as well as by ensuring continued progress in our Saudization journey and recruitment policies in line with the goals and requirements of the Ministry of Human Resources and Social Development (MHRSD). This resulted in the establishment of new Internal Work Regulations, which were subsequently approved by MOHRSD in 2021.

### Our Robust HR Strategy

Whilst the focus of our strategy in 2021 remained on the health and safety of our people, given the prevailing circumstances, we also continued to deliver on key aspects of the strategy in terms of HR process automation and efficiency, training and professional development, and continuous policy review to reflect the achievements gained toward our related goals.

By delivering progress across these thematic areas, SACC continued to take significant strides toward our ultimate goal of establishing a uniquely rewarding and supportive corporate culture, with an emphasis on leadership skills development – a key area in which new programs were launched in 2021.

Our successful cost optimization initiatives saw an accelerated transition toward the full

automation of our HR architecture and procedures through SACC's Oracle solution during the year, while our updated HR policies ensured further standardization of employee benefits and allowances, all of which reflected increasing alignment with SACC's overarching corporate strategy.

### Agility in a Changing Environment

Whilst SACC remained on track across these core elements of our strategy in 2021, the ongoing disruption of the pandemic contributed to a realignment of our priorities, as we adapted to the changing situation.

This included our response to the recruitment demands inspired by the strategic shift in operations to reflect the Covid-19 landscape, which saw HR secure unforeseen and prompt recruitment for new healthcare and B&I opportunities, as well as In-Flight Catering priority positions, recruitment for a 61 key kitchen positions project, and hiring for the new Alfursan International Lounge.

HR also implemented new arrival procedures and quarantine packages for our employees and new hires traveling to Saudi Arabia to ensure their protection from infection.

We updated many of our HR policies to reflect the benefits of the SACC Total Rewards program in 2021, further embedding and unifying allowances. We also achieved SAR 50 million in cost

optimization through MHRSD governmental initiatives and voluntary employee contributions during 2020 and 2021.

Meanwhile, the immediate requirements of organizational changes across SACC were swiftly met by our HR teams, which processed 223 employee transfers, 782 assignment changes and 89 promotions during 2021.

We updated SACC job descriptions for all positions to reflect evolving roles and responsibilities more accurately, and supported departments across SACC in calculating manpower costs for new projects, including Baggage Handling, Medical City, and Airport Lounges.

The division also undertook a review of all positions and designations in 2021 in response to new regulations issued by the MHRSD concerning the Saudization of key roles and functions, as well as through associated Nitaqat metrics.

Complementing these efforts, HR continued to undertake awareness activities to draw attention to the requirements of the Tawteen Program, which aims to achieve the Saudization of specific roles within the organization.

SACC maintained its Gold-level Mowaamah Certificate in February 2021 for our efforts to ensure our workplaces are suitable for employees with disabilities, and continued our partnership with the Qaderoon disability network, delivering a number of workshops throughout the year.

HR ensured a smooth transition to a new insurance provider in 2021, having undertaken intense negotiations to obtain cost effective pricing whilst also securing additional employee

benefits. This was followed up with the launch of our annual insurance survey to canvass feedback on the transition and identify any related or unresolved issues faced during the process.

We also successfully updated our HR Authority Matrix to establish a more efficient decision-making and approval cycle.

### Progressive HR Digitization

As part of the ongoing transformation of the HR division to reflect the digitization objectives of the SACC corporate strategy, we introduced the Serve+ online ticketing platform to streamline HR services and established a new employee portal – the HR Hub – to provide a variety of efficient additional services to our employees.

We also implemented a raft of new improvements to Talentera, our recruitment system, and added 9 new reporting functions within our Oracle solution covering areas such as manpower and turnover planning, as well as a high-level HR Dashboard to provide accessible information regarding key HR data and metrics.

A complementary project was initiated to ensure proper control and archiving of training history records from 2017 to 2020, while our program to compile an accurate database charting employee vaccination progress gathered pace, in close collaboration with the medical team and vaccination campaign support function.

To overcome the challenges imposed as a result of movement restrictions and safety protocols, virtual interviews and inductions were leveraged to safeguard new hires, while remote working arrangements were maintained for designated staff.

### Training and Professional Development in 2021

The division set new records across our external and in-house training programs in 2021 by offering more than 44 training programs and delivering instruction to 2,098 trainees, representing an increase of 27% over the previous year.

As part of our continuing professional development activities, SACC HR signed 6 new training agreements with leading local and international partners including the Saudi Academy of Civil Aviation (SACA).

We also supported the renewal of General Authority for Civil Aviation (GACA) certified training delivered through SACA to ensure continued compliance with national and international aviation standards.

2,098 trainees

1,232 training hours

88% of training delivered online

Other training initiatives delivered in 2021 included the completion of on-job-training for 47 trainees from the King Abdulaziz University Faculty of Tourism (KAUFT) as In-Flight Chefs, and multiple managerial training programs focusing on leadership competencies for more than 100 participants at managerial levels.



We also obtained IATA Training Program Validation for our GACAR68 frontline personnel, and supervisor instruction modules, and remodeled 4 of our training programs targeting various employee segments to address technical, soft and leadership skills.

**Recruitment and Succession Planning**

In 2021, HR assisted SACC with the recruitment of an additional 445 employees - 173 of which were Saudi nationals - and as of year-end, 447 Taskforce staff were accounted for within SACC.

3 new recruitment campaigns were launched, and contracts were concluded with new headhunters to fill key positions.

The division also activated new online recruitment processes leveraging popular social media channels facilitating the sourcing process.

SACC HR achieved a major step forward in terms of succession planning in 2021 by advancing our initiative to identify critical roles throughout the organization, establishing centralized requirements for leadership succession and development, benchmarking the best practices of global companies and launching an integrated leadership development and succession planning program starting with an executives assessment pilot to validate its efficiency prior to rolling out the program to a broader set of participants.

We also continued to provide a range of benefits to our employees during the year. For example, in partnership with Saudia Airlines, our Mazaya Rewards Program, which offers hotels, gyms and restaurants discounts across the Kingdom to our employees and their families, was updated regularly to maintain employee awareness of the latest offers and discounts.

**SACC HR in 2022**

As we look ahead to 2022, the SACC HR division will continue to place employee health and wellbeing at the top of our priorities. Our robust safety protocols therefore remain in place, whilst being constantly updated to reflect the latest government guidance, advice and protocols.

2022 will see the continuation of the implementation of our comprehensive performance management system and the establishment of departmental KPIs as well as the development of our succession planning pilot project into a fully-fledged leadership development scheme to establish future leaders, ensuring our continued readiness to meet extenuating

circumstances and maintain business continuity going forward.

We will also continue to work to improve and diversify our training programs to meet the demands of the rapid changes occurring in our industry and across the economy, and to exhaustively monitor associated employee feedback to identify potential areas for improvement.

Above all, we remain committed to ensuring an open, efficient, and fulfilling working environment for all of our employees across SACC that celebrates diversity, offers opportunities for personal and professional advancement, and rewards success at all levels.

**3,616**  
employees

**1,296**  
Saudi Nationals:  
**(37,17%)**

Average age:  
**36** years

**445**  
positions filled in 2021



Corporate Governance

# Corporate Governance

## 1. EVP Corporate Services and General Counsel Overview

2021 was another exceptional year for SACC as we witnessed good recovery levels from the effects of Covid-19 across different lines of our business. As we go through the recovery journey, our Governance models were naturally put under the test and have showcased their strength and resilience by adapting to uncharted territories.

Our deep rooted culture of investing in and focusing on the application of the best Corporate Governance and Risk Management models led us to enhance the dynamics of the decision-making process in the organization through a full review of our committee charters, authority matrixes and corporate policies. This is also driven by our ongoing aim of coping with the changes in the business environment, which resulted into re-engineering our operating model to be leaner and more effective.

For the fifth consecutive year, we have been recognized as one of the leading companies in the Kingdom of Saudia Arabia for our Corporate Governance practices which is a strong testimony to our ongoing commitment of implementing highly secure and agile governance frameworks.

We are proud to assure all our stakeholders that SACC is on solid footing in terms of Corporate Governance and will continue to test its frameworks and apply necessary enhancements whenever needed to ensure business continuity, transparency, integrity, and discipline.

### Sultan Alboog

EVP Corporate Services and General Counsel

## 2. Company's Main Activities

- In-Flight Catering
- Retail
- Catering & Facilities

Activity	Revenue in SAR*	Percentage
In-Flight Catering	1,054,978,582	75.0%
Retail	43,138,059	3.1%
Catering and Facilities	308,162,003	21.9%
<b>Total</b>	<b>1,406,278,644</b>	<b>100.0%</b>

\*Revenue includes internal income.

## 3. Affiliates' Main Activities

- Operating and managing duty free shops
- Providing catering services

Activity	Revenue in SAR	Percentage
Operating and managing duty free shops	165,123,492	100%
Providing catering services*	0	0%
<b>Total</b>	<b>165,123,492</b>	<b>100%</b>

\*SACC for Catering Services Co. did not achieve any revenues during 2019, 2020 and 2021 due to its establishment on 04/06/1441H corresponding to 3 December, 2019, noting that the Company's first fiscal year will end on 31 December, 2020.

#### 4. Company's Plans, Main Decisions and Future Expectations

Details on the Company's plans and future expectations are provided on pages 4 to 63, whereas the following schedule shows the Company's main decisions and events during 2021, which have been announced on the official webpage of the Capital Market Authority 'Tadawul'.

##### Main decisions:

Date	Decision
15 Dec 2021	Saudi Airlines Catering Co. invites its Shareholders to attend the (First Meeting) Extraordinary General Assembly Meeting
25 Nov 2021	Saudi Airlines Catering Company announces the latest developments regarding its contract with Saudi Arabian Airlines Est., for the design, constructing and operating of Al Fursan International lounge at King Abdulaziz International Airport in Jeddah at Terminal (1).
24 Nov 2021	Saudi Airlines Catering Co. (SACC) announces the embarking on a contract with Saudi Ground Service Co. (SGS)
08 Nov 2021	Saudi Airlines Catering Co. announces the calling of candidates for Board member elections
02 Nov 2021	Saudi Airlines Catering Co. announces its Interim Financial Results for the Period Ending on 30 September, 2021 (9 Months)
14 Oct 2021	Saudi Airlines Catering Co. announces Contract Sign Off with Saudi Arabian Mining Co. (Ma'aden)
19 Sep 2021	Saudi Airlines Catering Co. announces Contract Sign Off with Saudi Railways Company
12 Aug 2021	Saudi Airlines Catering Co. announces its Interim Financial Results for the Period Ending on 30 June, 2021 (6 Months)
26 Jul 2021	Saudi Airlines Catering Co. announces the Decrease of its Accumulated Losses to 28.8 % of the Capital
26 May 2021	Saudi Airlines Catering Co. announces the Results of the Ordinary General Assembly Meeting (First Meeting)
05 May 2021	Saudi Airlines Catering Co. announces its Interim Financial Results for the Period Ending on 31 March, 2021 (3 Months)
05 May 2021	Saudi Airlines Catering Company announces its Board of Directors resolution to approve the transfer of the surplus of the Company statutory reserve to the accumulated losses account
02 May 2021	Saudi Airlines Catering Company (SACC) announces to its Shareholders the Starting of the Electronic Voting on the Ordinary General Assembly Meeting Agenda (First Meeting)
13 April 2021	Saudi Airlines Catering Company's invites its Shareholders to attend the Ordinary General Assembly Meeting (First Meeting) through modern technology
22 Mar 2021	Saudi Airlines Catering Co. announces its Annual Financial Results for the Period Ending on 31 December, 2020
04 Jan 2021	Saudi Airlines Catering Co. announces the embarking on a contract with Saudi Automobile & Motorcycle Federation for the purpose of sponsoring and providing catering services to 2021 Saudi Arabia Rally Dakar 2021.

#### 5. The Company's Business Results, Assets, and Liabilities (SAR)

Declaration	2017	2018	2019	2020	2021
Current Assets	1,192,668,183	1,415,363,541	1,331,922,935	1,279,061,306	1,061,948,216
Non-current Assets	690,293,226	670,422,118	1,172,342,089	1,027,939,300	868,682,866
<b>Total Assets</b>	<b>1,882,961,409</b>	<b>2,085,785,659</b>	<b>2,504,265,024</b>	<b>2,307,000,606</b>	<b>1,930,631,082</b>
Current Liabilities	431,018,258	616,906,370	605,361,494	869,087,478	571,570,358
Non-current Liabilities	168,998,200	167,423,832	593,251,589	577,836,243	486,541,980
<b>Total Liabilities</b>	<b>600,016,458</b>	<b>784,330,202</b>	<b>1,198,613,083</b>	<b>1,446,923,721</b>	<b>1,058,112,338</b>

#### 6. Business Comparison (5 years) (SAR)

Declaration	2017	2018	2019	2020	2021
Revenue	1,952,564,940	2,035,757,930	2,156,266,255	926,573,642	1,212,507,870
Cost of Revenue	1,229,772,985	1,339,278,458	1,369,334,227	884,339,821	880,662,708
Zakat and Income Tax	41,669,319	37,114,177	39,134,091	18,844,869	<b>19,712,588</b>
Gross Profit	722,791,955	696,479,472	786,932,028	42,233,821	331,845,162
<b>Net Profit</b>	<b>481,737,979</b>	<b>459,280,884</b>	<b>463,933,403</b>	<b>(334,686,399)</b>	<b>14,055,459</b>

#### 7. Geographic Analysis of Revenue (SAR)

Year	Geographic analysis of total income of the Company		
	Saudi Arabia	Egypt	Total
2021	1,180,158,431	32,349,439	1,212,507,870

#### 8. Affiliate's Geographic Analysis of Revenue (SAR)

Year 2021	Geographic analysis of total income of the Company	
	Saudi Arabia	Total
Saudi French Company for Operating and Managing Duty Free Shops	165,123,492	165,123,492
SACC for Catering Services	0	0

SACC for Catering Services Co. did not achieve any revenues during 2019 and 2020 due to its establishment on 04/06/1441H corresponding to 12/03/2019, noting that the company's first fiscal year will end on 12/31/2020.

#### 9. Significant differences in Operational Results, compared to previous Expectations

	2020 SAR	2021 SAR	Change (+) or (-) SAR	Percentage of change
Revenue/sales	926,573,642	1,212,507,870	285,934,228	30.86%
Cost of revenue	(884,339,821)	(880,662,708)	3,677,113	-0.42%
Gross profit	42,233,821	331,845,162	289,611,341	685.73%
Other operating income	5,037,106	6,436,965	1,399,859	27.79%
Other operating expenses	(1,526,903)	(3,700,842)	(2,173,939)	142.38%
Operating income (loss)	(270,685,206)	60,356,735	331,041,941	

#### 10. Subsidiaries' Details

Name of the related company	Capital SAR	Ownership percentage	Main activity	Main operating country	Country of Incorporation
Saudi French Company for Operating and Managing Duty Free Shops	76,894,000	40%	Operating and managing Duty Free shops in airports	Saudi Arabia	Saudi Arabia
SACC for Catering Services	5,000,000	100%	Providing catering services	Saudi Arabia	Saudi Arabia

#### 11. Company's Loans

During the year 2021, the Company obtained the loans and bank facilities referred to below for the purpose of enhancing its cash flow in line with its operational requirements:

Lender name	Type of financing	Principal amount	Loan term	Repaid amount within the year	Remaining amount	Total debt of Company and its subsidiaries
Saudi British Bank (SABB)	Short-term loans, Islamic Murabahah	300,000,000	6 months	300,000,000	0	0

## 12. Board of Directors

Based on the Company's by laws, the Board of Directors of Saudi Airlines Catering Company currently consists of 9 members for a term of 3 Gregorian years commencing on 26 January, 2019 and ending on 25 January, 2022. These members were appointed by elections at the Extraordinary General Assembly meeting held on 17 December, 2018.

Mr. Mohammed Al Sarhan was appointed as the Chairman of the Board by the members of the Board of Directors during the meeting held on 27 January, 2019 and Mr. Sami Al Hokair was appointed as the Vice Chairman of the Board for the same term under the powers granted to the Board according to Article 23 from the Company's bylaws. The committees emanating from the Board were also formed during the Board meeting of 27 January, 2019, which are the Audit Committee and the Nomination and Remuneration Committee, while the Executive Committee was not formed by the foregoing Board but was later established by the current Board during their meeting which was held on 15 December, 2019.

On 10/05/1441H corresponding to 5 January, 2020 Mr. Fadi Majdalani was appointed as a member of the Board of Directors as the successor of His Excellency Mr. Fahd bin Abdul Mohsen Al-Rashid who resigned from the Board due to personal circumstances on 08/04/1441H corresponding to 5 December, 2019.

### Mohammed Abdulaziz Al Sarhan

Chairman of the Board (Independent), member of Nomination and Remuneration Committee and Chairman of Executive Committee

#### Current position

- Chairman of the Board of Directors of the National Shipping Company of Saudi Arabia

#### Previous positions

- Board member of European Islamic Investment Bank
- Board member of Rasmala Company, Dubai
- Board member of Qatar Engineering & Construction Company (QCon)
- Chairman of the Board of Directors of Al Safi Danone Company Limited
- Board member of Al Faisaliah Holding Group
- Chairman of the Board of Directors of Goknur for Juice Company in Turkey
- Vice Chairman of Venture Capital Bank in Bahrain
- Vice President for Distribution Affairs, The Saudi Arabian Marketing and Refining Company 'SMAREC'
- Vice President, Al Faisaliah Holding Group
- Consultant at Al-Faisaliah Holding Group
- Managing Director and CEO of Al Safi Danone Company Limited
- Managing Director of Al-Safi Danone Food Est
- General Manager of 'Petromin' Refinery Department in Riyadh

#### Academic qualifications

Bachelor of Science from Oregon State University, USA

#### Professional experience

Mr. Al Sarhan has over 35 years of extensive experience in management, energy, nutrition, and logistics in both the public and private sectors. Mr. Al Sarhan started his career in various positions in the sectors of the petroleum industry and the distribution of his products. He also worked in the nutrition sector, professional services, transportation and logistics services where he held several leadership positions in companies such as Al-Faisaliah Holding Group. He currently chairs the Board of Directors of Bahri Company and Goknur for Juice Company in Turkey and is a member of the Board of Directors of Al Faisaliah Holding Group. Mr. Al Sarhan has participated in many conferences, training courses, seminars, and economic forums in various areas of management within the Kingdom of Saudi Arabia and in many countries of the world.

### Sami Abdulmohsen Al-Hokair

Vice Chairman of the Board of Directors (Non-Executive), Executive Committee member

#### Current positions

- Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA

- Board member, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA
- Chairman of the Board of Directors of Tanami Holding Company

#### Previous positions

- Board member, Catering & Strategic Co., KSA (Ltd.)
- Member of the Tourism Committee of the Eastern Province, Saudi Arabia

#### Academic qualifications

- Bachelor of Administrative Science from King Saud University

#### Professional experience

Mr Al-Hokair has over 30 years of professional experience in hotel hospitality management in Saudi Arabia. Upon graduating from King Saud University in Riyadh, he joined the Andalusia Group, where he held a number of positions, including General Manager between 1990 and 1994 and Managing Director between 1995 and 2009. In 2009, he established a new hotel brand 'MENA Hotels and Resorts' under the Abdulmohsen Abdulaziz Al-Hokair Group. Since 2009, he has been responsible for managing 32 hotels in the KSA, and 2 hotels in Dubai. Mr. Al-Hokair presides over the Board of Directors of Abdulmohsen Abdulaziz Al-Hokair Group and is the Managing Director of the Group. In addition, he is the Vice Chairman of the Board of Directors of Sahara Kingdom Properties.

### Hasan Shakib Al Jabri

Board member (Independent), and Chairman of the Audit Committee

#### Current positions

- Deputy Chairman of the Board of Directors and Chairman of the Executive Committee of the Dar Al Tamlek Company.

#### Previous positions

- CEO & Executive Committee member of the Saudi Economic and Development Holding (Sedco)
- CEO of the Saudi Economic and Development Holding Company for Securities (SEDCO Capital).
- Board member and Head of Investment Banking business and Managing Director of Al-Ahli Capital
- Head of Corporate Banking Department at National Commercial Bank
- Deputy CEO of the Dar Al-Maal Al-Islami Trust
- Senior Executive for Saudi American Bank (Samba Financial), in which he held several positions, the last of which was the Head of the Western Region of the Corporate Banking Group and Senior Director of Credit Services

#### Academic qualifications

- Bachelor's degree in Agricultural Engineering from the American University of Beirut
- Executive Management Program from Columbia University in the United States of America

#### Professional experience

Mr. Al Jabri has more than 37 years of experience in the investment and commercial banking sector and managing companies. Since 1984 he worked in executive roles, where he held several senior positions in the Saudi American Bank (Samba Financial), the last of which was the Head of the Western region of the Corporate Banking Group and Senior Credit Services. He also served as a Senior Executive for the DMI Group, where he led a merger of a number of its banks, after which he moved to the Head of Corporate Banking at the National Commercial Bank in addition to being a member of the Board of Directors and Head of Investment Banking and a Managing Director of NCB Capital.

### Raed Ibrahim Al Mudaiheem

Board member (Independent), member of the Audit Committee, and member of the Executive Committee

#### Current positions

- Vice Chairman of Masdar Building Materials, KSA (JCC)
- Chairman of the Board of Directors of United Mining Industries, KSA (JCC)
- Vice Chairman of Northern Region Cement Co., KSA (Listed)
- Board member of Bawan Company, KSA (Listed)

- Board member of Northern Region Cement Co Jordan, Jordan (JST)
- Vice Chairman of Al Badia Cement Syria, Syria (JST)
- Vice Chairman of Al Yamamah Steel, KSA (Listed)
- Board member of Al Muhaidib Group, KSA (Ltd.)
- Chairman of the Board of Directors of Jeddah Airport Company

#### Previous positions

- Board member, Arabian Pipes Co., KSA (Listed)

#### Academic qualifications

- Bachelor's degree in Electrical Engineering from King Saud University
- Master's degree in Electrical Engineering from King Saud University

#### Professional experience

Diversified engineering and managerial experience covering more than 30 years in both the public and private sectors. At the start of his career Mr. Al Mudaiheem worked in varied engineering activities within the power and water sectors, then moved to the private sector and acquired vast experience in building materials (trading and manufacturing), namely steel, cement, timber, gypsum, pre-cast, and electrical transformers manufacturing. He participated in many conferences, training courses, seminars, and economic forums covering management, finance, strategy, and leadership in the Saudi Arabia and in many countries in the world.

#### Jonathan Stent-Torriani

Board member (Non-Executive), member of the Nomination and Remuneration Committee, and member of Executive Committee

#### Current positions

- Co-Founding Partner and Co-CEO of Newrest Group Holding S.L, France (S.L.)
- Majority Owner and Managing Partner, and Director of Ritz Carlton Montreal
- Board member and Managing Partner of Strategic Catering Co., KSA

#### Previous positions

- Management Internship, Ritz Carlton
- Operations Manager, Gate Gourmet Geneva
- Project Director, Icarus Consulting
- Managing Director, Gate South Africa
- CEO, Nuance Australasia
- President EMEA, Gate Gourmet
- CEO, Southern Europe, Compass Group
- Co-owner/Director, Bebebiz

#### Academic qualifications

- Bachelor's degree in Economics and History from McGill University
- Diploma (BSc) from Ecole Hoteliere Lausanne

#### Professional experience

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

#### Yousef Hamad Al Yousfi

Board member (Independent), and Chairman of the Nomination and Remuneration Committee

#### Current positions

- Partner and Head of Investment in the Future Investment Company
- Chief Executive Officer of Jawa Energy Company

#### Previous positions

- Founder and Chairman of the Board of Directors of Jawa Energy Company
- Chief Investment Officer at Saudi Development and Technical Investment Company (TAQNIA)

#### Academic qualifications

- Master of Business Administration from Harvard University
- Bachelor's degree in Electronic Engineering from the University of Colorado Boulder

#### Professional experience

Mr. Al Yousifi has extensive experience in the field of energy and investment spanning more than 15 years, during which he served as the Director of Investments and the Founder of the Riyadh Fund for Technology, the Saudi Company for Development and Technical Investment (TAQNIA), Analyst at Passport Capital, California, USA, Adviser to the King Abdullah Center for Petroleum Studies and Research, Co-official in the ownership department of Jadwa Investment Company, Adviser at Strategy & Co. previously known as CO & BOOZ in the USA, Oilfield Engineer at Schlumberger, USA, and Communications Engineer at Saudi Arabian Oil Company (Saudi Aramco). Mr. Al Yousifi is also a member of various committee's at several companies, such as member of the Risk Committee for the Saudi Fransi Capital Company, a member of the Nominations Committee and a member of the Investment Committee of Medgulf Insurance Company, and a member of the Board of Directors of Sada Investment Company.

#### Khaled Mohammed Al Hukail

Board member (Independent), and member of the Nomination and Remuneration Committee

#### Current positions

- Chairman of the Board of Directors of Société General Saudi Arabia
- Board member and a member of the Remuneration Committee for the Printing and Packaging Company
- Member of the Audit Committee of the Saudi Arabian Ashmore Company
- Manager of Al Waseet Company

#### Previous positions

- Deputy General Manager, SABIC, USA
- Director of Risk and Insurance Management at SABIC, Kingdom of Saudi Arabia
- Researcher in Marketing Solutions, SABIC, KSA

#### Academic qualifications

- Bachelor's degree in Business Administration from Hamlin USA University
- Various courses in management, marketing, and risk from the University of Minnesota - America

#### Professional experience

Mr. Al Hukail has more than 30 years of experience in marketing, risk management and merging companies in the petrochemical industry and new industries such as Shams Power Co., as well as 9 years' experience in SABIC in the United States of America, where he took charge of designing marketing plans, managing human resources, building general company policies, handling products and scheduling shipments. He also builds on specialized experience in risk management and insurance for SABIC Saudi Arabia. Mr. Al Hukail has participated in numerous courses in risk management science at international institutes in London.

Mr. Al Hukail currently chairs the Board of Directors of Société General Saudi Arabia and is a member of the Board of Directors and the Remuneration Committee of the Printing and Packaging Company as well as a member of the Audit Committee of the Saudi Arabian Ashmore Company, and an independent Board member in several funds in Ashmore Saudi Arabia.

#### Abdulkarim Essoulami

Board member (Non-Executive)

#### Current positions

- Board member, Newrest, Maroc Services Co Morocco
- Board member, Newrest Wagonlit Co.
- Chairman of the Board of Directors, ATASA Maroc Co.

- Chairman of the Board of Directors, Manzeh Diafa Co.
- Chairman of the Board of Directors, SERHS Groupo Barcelona Co.
- Shareholder, DELMONTE Morocco Ltd Co.
- Chairman of the Board of Directors, Happy Frutti Co.
- Chairman of the Board of Directors, La Patisserie de l'Atlantique Co.
- Chairman of the Board of Directors and CEO, Rahal Maître Traiteur Co.
- Chairman of the Board of Directors, REZOCASH Co.
- Chairman of the Board of Directors, PRIMA Foods Co.
- Chairman of the Board of Directors, GROUPEX Co.
- Board member and Shareholder, EDENRED Co.
- Chairman, Ryad Al Ghizlane Co.

#### Previous positions

- Professor at the University of Rabat in Morocco

#### Academic qualifications

- Bachelor's degree in Business Administration from the Institute of Communications, University of Rabat, Morocco

#### Professional experience

Mr. Essolami has extensive experience spanning more than 40 years. He is an established and driven executive leader and a distinguished visionary who has influenced growth, performance and profitability of local and international businesses. He has excellent knowledge and expertise in luxury gastronomy, hospitality, catering and event planning.

Currently Mr. Essolami holds several positions and heads and participates in the membership of several major companies and institutions specialized in providing catering, and catering and support services to many governmental and private agencies such as airports, train stations and other public and private companies and institutions, and luxury hotels. Mr. Essolami has a great deal of experience in the food, luxury gastronomy, and drinks industry for well-known international brands, as well as in the field of management, supervision and training in the field of catering, planning, budgeting, development, project preparation and follow-up, and the banking industry.

#### Fadi Majdalani

Board member (Independent), and member of the Executive Committee

#### Current positions

- Managing Partner, Excelsa Holding, Lebanon
- Board member, Ghassan Ahmad Al Sulaiman Furniture Trading Company, KSA
- Chairman of the Board of Directors, Endeavor Lebanon

#### Previous positions

- Board member and Senior Partner, Strategy& (formerly Booz & Co.), UAE
- Founder and Managing Partner, Delta Capital, Lebanon

#### Academic qualifications

- Bachelor of Science in Engineering from the American University of Beirut
- Master of Science in Civil Engineering from MIT
- MBA from Harvard Business School

#### Professional experience

Mr. Majdalani has more than 25 years of experience in the consulting and private equity sectors focusing on the transportation, logistics and real estate industries. Since 2018, Mr. Majdalani has been the Managing Partner of Excelsa, an asset management and private equity firm focusing mainly on income generating real estate investments in the United States. Prior to this Mr. Majdalani was a Senior Partner with Strategy& (formerly Booz & Company), a leading global management consulting firm where he served some of the largest Middle East private and publicly owned corporations. Over a 20-year period, he led the firm's practices covering the transportation, logistics, real estate, and construction industries.

#### 12-1. Board of Directors' meetings

Name/ Meeting date	Mohammed Al Sarhan	Sami Al-Hokair	Hassan Al Jabri	Yousef Al Yousefi	Khaled Al Hukail	Raid Al Mudaiheem	Jonathan Torriani	Abdulkarim Essolami	Fadi Majdalani
21/03/2021*	✓	✓	✓	✓	✓	✓	✓	✓	✓
04/05/2021*	✓	✓	✓	✓	✓	✓	✓	✓	✓
11/08/2021*	✓	✓	✓	✓	✓	✓	✓	✓	✓
02/11/2021*	x	✓	✓	✓	✓	✓	✓	✓	✓
16/12/2021*	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Total</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>

\*Meetings held via conference call, as part of the preventive and precautionary efforts and measures taken by the relevant and competent authorities to confront and prevent the spread of the Coronavirus (Covid-19).

#### 12-2. Current and previous memberships of Boards of Directors and/or their membership of Executive Management in other companies (local or international)

##### Mohammed Abdulaziz Al Sarhan

###### Current Board and Management memberships

- Chairman of the Board of Directors, National Shipping Company KSA (Ltd.)

###### Previous Board and Management memberships

- Vice President for Distribution Affairs, The Saudi Arabian Marketing and Refining Company 'SMAREC' (KSA public establishment)
- Vice President, Al Faisaliah Holding Group, KSA (JCC)
- Consultant, Al-Faisaliah Holding Group, KSA (JCC)
- Managing Director and CEO, Al Safi Danone Company Limited, KSA (Ltd.)

##### Sami Abdulmohsen Al-Hokair

###### Current Board and Management memberships

- Managing Director, Abdulmohsen Abdulaziz Al-Hokair Holding Group, KSA (Listed)
- Board member, Abdulmohsen Al-Hokair Abdulaziz Holding Group, KSA (Listed)
- Chairman of the Board of Directors, Tanami Holding Company

###### Previous Board and Management memberships

- Board member, Catering & Strategic Co., KSA (Ltd.)
- Member of the Tourism Committee of the Eastern Province, Kingdom of Saudi Arabia.

##### Jonathan Stent-Torriani

###### Current Board and Management memberships

- Co-Founding Partner and Co-CEO, Newrest Group Holding S.L, France (S.L.) (Ltd.)
- Majority Owner and Managing Partner, Director, Ritz Carlton Montreal (Ltd.)
- Board member and Managing Partner, Strategic Catering Co., KSA (JCC)
- Board member, IFCO (Ltd.)
- Board member, McGill University BSRM (An educational body that operates outside the Saudi Arabia)
- IAB Board member, Ecole Hoteliere Lausanne (An educational body that operates outside the Saudi Arabia)

###### Previous Board and Management memberships

- Management Internship, Ritz Carlton Montreal (Ltd.)
- Operations Manager, Gate Gourmet Geneva (Ltd.)
- Project Director, Icarus Consulting (Ltd.)
- Managing Director, Gate South Africa (Ltd.)
- CEO, Nuance Australasia (Ltd.)
- President EMEA, Gate Gourmet (Ltd.)
- CEO, Southern Europe, Compass Group (Ltd.)
- Co-owner, Bebebiz (Ltd.)



**Raed Ibrahim Al Mudaiheem****Current Board and Management memberships**

- Vice Chairman, Masdar Building Materials, KSA (JCC)
- Chairman of the Board of Directors, United Mining Industries, KSA (JCC)
- Vice Chairman, Northern Region Cement Co., KSA (Listed)
- Board member, Bawan Company, KSA (Listed)
- Board member, Northern Region Cement Co Jordan, Jordan (JST)
- Vice Chairman, Al Badia Cement Syria, Syria (JST)
- Board member, SUEZ Cement Co, Egypt (JST)
- Vice Chairman, Al Yamamah Steel, KSA (Listed)
- Board member, Riyadh Cables Group Company, KSA (Ltd.)
- Chairman of the Board of Directors, Jeddah Airport Company, KSA (Ltd.)

**Previous Board and Management memberships**

- Board member, Arabian Pipes Co., KSA (Listed)

**Hasan Shakib Al Jabri****Current Board and Management memberships**

- Board member, Saudi Economy and Development Holding Company for Securities (SEDCO Capital), KSA (Ltd.)
- Board member, Arab Petroleum Products Trading Company (APSCO), KSA (JCC)
- Board member, Almunjem Foods Company, KSA (Ltd.)
- Chairman and Board member, Investment Committee Abunayyan Holding KSA (Ltd.)
- Board member, Saudi British Business Council (KSA Private Sector)
- Member of the Board of Trustees and Chair of the Research and Strategy Committee, KSA Government Sector

**Previous Board and Management memberships**

- Chairman of the Board of Directors, SEDCO Luxembourg for Financial Investments, KSA (Ltd.)
- Chairman of the Board of Directors, SEDCO Capital International Funds for Financial Investments, KSA (Ltd.)
- Board member, Elaf Travel & Tourism – Elaf Group, KSA (Ltd.)
- Board member, Yusr International School, KSA (Ltd.)
- Board member, Ahmed Mohamed Salah H. Baeshen & Co., KSA (JCC)
- Board member and Chairman of the Audit Committee, Saudi Airlines Catering Company, KSA (listed)
- Member of the Advisory Committee, Saudi Capital Markets Authority (CMA), KSA (Government sector)

**Yousef Hamad Al Yousefi****Current Board and Management memberships**

- Board member, member of the Nomination Committee and member of the Investment Committee, Medgulf Insurance Company, KSA (Listed)
- Board member, Sada Investment Company, KSA (Ltd.)
- Partner and Head of Investment, Future Investment Company, KSA (Ltd.)
- Board member, Jawa Energy Company and Head of Shareholders, KSA (Ltd.)
- Board member, Chairman of the Nomination and Remuneration Committee, and member of the Investment Committee, Medgulf Insurance Company, KSA (Listed)
- Member of the Investment Committee, Venture Capital, KSA (Ltd.)
- Board member, Saudi Post Corporation, KSA (Government Sector.)
- Board member, Saudi Postal and Logistics Company, KSA (Listed).

**Previous Board and Management memberships**

- Board member and Chairman of the Nomination and Remuneration Committee, Saudi Fransi Capital Company, KSA (Listed)
- Board member, Saudi Automotive Services Co. SASCO, KSA (Listed)
- Chief Investment Officer, Saudi Development and Technical Investment Company (TAQNIA), KSA (Ltd.)
- Board member and member of the Audit Committee, Leejam Sports Company, KSA (Listed)
- Sector Analyst, Passport Capital, USA (JCC)
- Associate, Jadwa Investment Co., KSA (JCC)
- Consultant, Booz & Company, USA (JCC)

- Wireline Field Engineer/Project Manager, Schlumberger Co., USA (JCC)
- Communications Engineer, Saudi Aramco, KSA (Listed)
- Project Lead and Senior Research Associate, King Abdullah Petroleum Studies and Research Center, KSA (Independent and non-profit center)

**Khaled Mohammed Al Hukail****Current Board and Management memberships**

- Chairman of the Board of Directors, Société General Saudi Arabia, KSA (JCC)
- Board member and member of the Remuneration Committee, Printing and Packaging Company, KSA (Listed)
- Member of the Audit Committee, Saudi Arabian Ashmore Company, KSA (JCC)
- Manager, Al-Waseet Trading Company, KSA (Ltd.)

**Previous Board and Management memberships**

- Deputy General Manager, SABIC, USA, KSA (Listed)
- Director of Risk and Insurance Management, SABIC, Kingdom of Saudi Arabia, KSA (Listed)
- Marketing Research, SABIC, Kingdom of Saudi Arabia, KSA (Listed)

**Abdulkarim Essoulami****Current Board and Management memberships**

- CEO and Board member, Rihal Group, Morocco (JCC)
- Board member, Newrest Wagonlit Co., Morocco (JCC)
- Board member, ATASA Co., Morocco (Ltd.)
- Chairman, Manzeh Diafa Co., Morocco (Ltd.)
- Board member, SERHS Groupo Barcelona Co., Morocco (Ltd.)
- Shareholder, DELMONTE Morocco Ltd Co., Morocco (Ltd.)
- Chairman, Happy Frutti Co., Morocco (Ltd.)
- Chairman, La Patisserie de l'Atlantique Co., Morocco (Ltd.)
- Chairman and CEO, Rahal Maître Traiteur Co., Morocco (JCC)
- Chairman, REZOCASH Co., Morocco (Ltd.)
- Chairman, PRIMA Foods Co., Morocco (Ltd.)
- Chairman, GROUPEX Co., Morocco (Ltd.)
- Board member and Shareholder, EDENRED Co., Morocco (Ltd.)
- Chairman, Residence du Val Co., Morocco (Ltd.)
- Chairman, Ryad Al Ghizlane Co., Morocco (Ltd.)

**Previous Board and Management memberships**

- Professor, University of Rabat in Morocco (Public establishment)

**Fadi Majdalani****Current Board and Management memberships**

- Managing Partner, Excelsa Holding, Lebanon (JCC)
- Board member, Ghassan Ahmad Al Sulaiman Furniture Trading Company, KSA (JCC)
- Chairman of the Board of Directors, Endeavor Lebanon, (Government Sector.)

**Previous Board and Management memberships**

- Board member and Senior Partner, Strategy& (formerly Booz & Co.), UAE (JCC)
- Founder and Managing Partner, Delta Capital, Lebanon (JCC)

### 12-3. Board Members' Benefits

Description of the interests, contractual securities or rights issue of the Board members and their relatives in the Company's shares

Board name	Beginning of year		Net change	Percentage change	Relative ownership
	Number of shares	Number of shares			
Mohammed Al Sarhan	30,000	41,025	11,025	26.87	-
Sami Al-Hokair	-	-	-	-	-
Raed Al Mudaiheem	1,000	1,000	-	-	-
Fadi Majdalani	-	-	-	-	-
Jonathan Torriani	-	-	-	-	-
Hasan Al Jabri	-	-	-	-	-
Yousef Al Yousefi	-	-	-	-	-
Khaled Al Hukail	100	100	-	-	-
Abdulkarim Essolami	-	-	-	-	-

Description of benefits, contractual based securities, and subscription entitlements for Board members and their relatives on the shares and debt instruments of the Company

Board name	Beginning of year		End of year		Net change	Percentage change
	Number of shares	Debt tools	Number of shares	Debt tools		
Mohammed Al Sarhan	-	-	-	-	-	-
Sami Al-Hokair	-	-	-	-	-	-
Raed Al Mudaiheem	-	-	-	-	-	-
Fadi Majdalani	-	-	-	-	-	-
Jonathan Torriani	-	-	-	-	-	-
Hasan Al Jabri	-	-	-	-	-	-
Yousef Al Yousefi	-	-	-	-	-	-
Khaled Al Hukail	-	-	-	-	-	-
Abdulkarim Essolami	-	-	-	-	-	-

Description of the interests, contractual securities or rights issue of the Board members and their relatives on the shares of the affiliate company (Saudi French Company for Operating and Managing Duty Free Shops Co.)

Board name	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Mohammed Al Sarhan	-	-	-	-	-	-	-
Sami Al-Hokair	-	-	-	-	-	-	-
Raed Al Mudaiheem	-	-	-	-	-	-	-
Fadi Majdalani	-	-	-	-	-	-	-
Jonathan Torriani	-	-	-	-	-	-	-
Hasan Al Jabri	-	-	-	-	-	-	-
Yousef Al Yousefi	-	-	-	-	-	-	-
Khaled Al Hukail	-	-	-	-	-	-	-
Abdulkarim Essolami	-	-	-	-	-	-	-

Description of the interests, contractual securities or rights issue of the Board members and their relatives on shares of the affiliate company (SACC for Catering Services Co.)

Board name	Beginning of year		End of year		Net change	Percentage change	Relative ownership
	Number of shares	Debt tools	Number of shares	Debt tools			
Mohammed Al Sarhan	-	-	-	-	-	-	-
Sami Al-Hokair	-	-	-	-	-	-	-
Raed Al Mudaiheem	-	-	-	-	-	-	-
Fadi Majdalani	-	-	-	-	-	-	-
Jonathan Torriani	-	-	-	-	-	-	-
Hasan Al Jabri	-	-	-	-	-	-	-
Yousef Al Yousefi	-	-	-	-	-	-	-
Khaled Al Hukail	-	-	-	-	-	-	-
Abdulkarim Essolami	-	-	-	-	-	-	-

### 12-4. Formation of the Board of Directors and membership type

Member of Board of Directors	Type of membership
Mohammed Al Sarhan	Independent member (Chairman of the Board, Nomination and Remuneration Committee member, Chairman of Executive Committee )
Sami Al-Hokair	Non-Executive member (Chairman of the Board, Executive Committee member)
Raed Al Mudaiheem	Independent member (Audit Committee member, Executive Committee member)
Fadi Majdalani	Independent member (Executive Committee member)
Jonathan Torriani	Non-Executive member (Nomination and Remuneration Committee member, Executive Committee member)
Hasan Al Jabri	Independent member (Chairman of Audit Committee)
Yousef Al Yousefi	Independent member (Chairman of Nomination and Remuneration Committee)
Khaled Al Hukail	Independent member (Nomination and Remuneration Committee member)
Abdulkarim Essolami	Non-Executive member

### 12-5. Remuneration of Board members

Pursuant to article 76 of the Company's Law and as per article 22 of the Company's bylaws, the Board of Directors shall be entitled to remuneration in their capacity as members of the Board of Directors pursuant to the terms and conditions determined by the Ordinary General Assembly. The annual periodical remuneration is stated at the amount of SAR 300,000 to each Board member. The Board of Directors shall also be entitled to other allowances and compensations such as transportation and accommodation fees. However, those fees shall not exceed SAR 500,000 annually for each member (excluding other allowances such as transportation and accommodation). As stated in the Compensation Policy of the Board of Directors, the compensation shall be linked fully or partly to performance indicators such as meeting attendance.

#### Policy of Board of Directors' members remunerations

- Based on article 76 of the Company's Law and in accordance with article 22 of the Company's bylaws, a Board remuneration may be a specific amount, meeting allowance, or in-kind benefits; and it is permissible to combine 2 or more of these benefits.
- Each member of the Board is entitled to an annual remuneration of SAR 300,000, and each member of a Board's sub-committee is entitled to an annual remuneration of SAR 100,000 in addition to the annual remuneration allocated for Board memberships. In all cases, these remunerations shall not exceed SAR 500,000 annually per member.
- In the Board's remuneration, indicators relating to performance should be considered when determining the remuneration such as relating the whole remuneration or part of it to these indicators that may be meeting attendance.

- Executive Board members and employees of the Company are not to be compensated for their service as members of the Board. However, Non-Executive Board members and non-employees are not to be included in any consultation arrangement prior to the approval of the Nomination and Remuneration Committee. In addition, it is not permissible for Audit Committee members, directly or indirectly, to obtain compensation on consultancy, accountancy, legal, investment, or financial services rendered to the Company. Furthermore, the Company shall not contribute to a charity that a member is affiliated with.

### Relationship between compensation and policy

- Board members have been awarded an annual remuneration based on article (a) of the above-mentioned policy that amounted to SAR 300,000, and SAR 100,000 if they were members of any sub-committee of the Board.
- The remuneration was based on a performance indicator that was meeting attendance, as the meeting attendance amount differed based on the number of meetings they have attended in both the Board and its sub-committees.
- The remuneration of all Board members did not exceed the annual limit of SAR 500,000.
- The remuneration did not include any other service other than the memberships of the Board and sub-committees.

The table below shows the remunerations of the Board of Directors members during the year 2020

Board members	Fixed Compensation						Varied Compensation										
	Annual remuneration Specific amount	Total allowance for attending committee meetings	Total allowance for attending General Assemblies	Remunerations for technical, managerial and consultative work	Remuneration of the Chairman, Managing Director or Secretary, if a member	In-kind benefits	Total	Percentage of the profits	Periodic remunerations	Short-term incentive plans	Long-term incentive plans	Granted shares	Expenses*	Total	End of service reward	Aggregate amount	Expenses allowance
First: Independent Board Members																	
Mohammed Al Sarhan	500,000						500,000						33,330	33,330			533,330
Raed Al Mudaiheem	500,000						500,000						28,750	28,750			528,750
Yousef Al Yousfi	400,000						400,000						28,750	28,750			428,750
Hasan Al Jabri	400,000						400,000						28,750	28,750			428,750
Khaled Al Hukail	400,000						400,000						28,750	28,750			428,750
Fadi Majdalani	400,000						400,000								-		400,000
<b>Total</b>	<b>2,600,000</b>	-	-	-	-	-	<b>2,600,000</b>	-	-	-	-	-	<b>148,330</b>	<b>148,330</b>			<b>2,748,330</b>
Second: Non-Executive Directors																	
Sami Al-Hokair	400,000						400,000						28,750	28,750			428,750
Jonathan Torriani	500,000						500,000								-		500,000
Abdulkarim Essoulami	300,000						300,000								-		300,000
<b>Total</b>	<b>1,200,000</b>						<b>1,200,000</b>						<b>28,750</b>	<b>28,750</b>			<b>1,228,750</b>
<b>Total</b>	<b>3,800,000</b>						<b>3,800,000</b>						<b>177,080</b>	<b>177,080</b>			<b>3,977,080</b>

\*Expenses and fees incurred by the Company to enable the Board member to perform his duties.

### 13. Board of Directors' Committees

Based on the Company's Governance Manual and its bylaws, the Board has 3 main subcommittees: Audit Committee, Nomination and Remuneration Committee and Executive Committee.

#### 13-1. Audit Committee

The Audit Committee is composed of 3 Non-Executive members, one of which is an external party competent in financial and accounting affairs, and it is chaired by an Independent Board member. The duties and responsibilities of this Committee include the study of the internal control systems, accounting policies, external audit review and financial statements review, supervision of the Internal Audit Department, compliance, information technology supervision, reporting, and other responsibilities. The supervision of the Internal Audit department is to verify how efficient it is in the implementation of work and tasks determined by the Board of Directors.

It also studies the Internal Audit reports and follows up on the corrective actions in connection with the reported observations. The Committee also makes recommendations to the Board of Directors with regard to the appointment and removal of external Auditors; determination of their remuneration; verification of their independence; follow-up of their duties; and studying the audit plan with the Internal Audit Department. The Committee studies the external Auditors' notes to the Company's Financial Statements and follows up by presenting them to the Board, expresses opinion thereon and makes recommendations to the Board of Directors in this regard. The Committee further studies the accounting policies of the Company, expresses opinions thereon and makes recommendations to the Board of Directors in this regard; and assesses the Company's estimation of material risks and the procedures taken by the Company's management to control and address such risks. The Audit Committee also prepares an Annual Report that is presented to the Shareholders at the Annual General Assembly.

During 2021, there was no recommendation to appoint an internal Auditor for the Company, as it already has an Internal Audit division. In addition, there are no recommendations of the Audit Committee that conflict with the Board's decisions, nor did the Board refuse to take any of the Audit Committee's recommendations into consideration regarding the appointment, dismissal, assessment, or determining the remuneration of the external Auditor. Due to the fact that the new Saudi Arabian Companies Law came by virtue of the need for prior approval of the General Assembly regarding the appointment of members of the Audit Committee and the fact that the Committee was appointed before the new law came into effect, appointment of the new members of the Committee was approved during the Extraordinary General Assembly meeting on 27 January, 2019.

#### 13-1-1. Members of the Audit Committee

##### Hasan Shakib Al Jabri

Chairman

(To view the biography of the member, his previous and current positions, in addition to his experience and qualifications, please refer to section No. 12 on page 73)

##### Raed Ibrahim Al Mudaiheem

Member

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 72)

##### Mohammed Ali Ikhwan

Member

#### Current position

- Board member, and member of the Audit Committee, Red Sea International Co.

#### Previous positions

- Member of the Audit Committee, Almarai Company
- Associate Professor, King Abdul Aziz University in Jeddah
- Assistant Professor and then Associate Professor, Faculty of Engineering, King Abdulaziz University, Jeddah (Department of Industrial Engineering)

- General Director, Savola Packaging Systems
- Development Manager, Edible Oils, Savola Company
- Chief Financial Officer, Savola Group
- Head of Mergers and Acquisitions Department, Savola
- Senior Adviser to the Group in the areas of Strategy and Governance, Savola
- Senior Adviser to His Excellency the Minister of Labor

#### Academic qualifications

- Bachelor's degree in General and Systems Engineering
- Master's degree in Operations Research
- Master's and PhD degrees in Economic Systems Engineering from Stanford University, USA.

#### Professional experience

Dr. Ikhwan joined King Abdul Aziz University in Jeddah, where he worked as an Associate Professor then an Assistant Professor in the Faculty of Engineering (Department of Industrial Engineering) until 1997. From the period 1993 to 1995, he worked for the Savola Group where he held several positions, most notably the General Manager of Savola Packaging Systems, the Director of Development of Savola Edible Oils, and the Financial Director of the Savola Group, and then Head of the Mergers and Acquisitions Department, until 2009. He then worked as a Senior Adviser to the Group in the fields of strategy and governance until 2010. Dr. Ikhwan was also an Audit Committee member for Almarai Co. and Senior Adviser to His Excellency the Minister of Labor from 2010 to 2015.

#### 13-1-2. Audit Committee's meetings

Name	Nature of Membership	Number of Meetings (6)						Total meetings
		*14/02/2021	*14/03/2021	*02/05/2021	*08/08/2021	*22/09/2021	*31/10/2021	
Hasan Al Jabri	Chairman	✓	✓	✓	✓	✓	✓	6
Raed Al Mudaiheem	Member	✓	✓	✓	✓	✓	✓	6
Mohamed Ikhwan	Member	✓	✓	✓	✓	✓	✓	6

\* Meetings held via conference call, as part of the preventive and precautionary efforts and measures taken by the relevant and competent authorities to confront and prevent the spread of the Coronavirus (Covid-19).

#### 13-1-3. Remuneration of the Audit Committee members (SAR)

Name	Fixed Remuneration	Allowance for attending the meeting	Total
Hasan Al Jabri	100,000	0	100,000
Raed Al Mudaiheem	100,000	0	100,000
Mohammed Ikhwan	100,000	0	100,000
<b>Total</b>	<b>300,000</b>	<b>0</b>	<b>300,000</b>

#### 13-1-4. The Audit Committee report for the year 2021

The Audit Committee confirms that the works performed during 2021 assures the adequacy of the internal and financial control system and risk management which achieves the system's ability to protect the Company's assets and ensures the efficiency and integrity of the financial and non-financial procedures and processes which attains its goals, and the commitment of the administrative authorities and their employees to the regulations issued by different governmental agencies and related regulatory authorities.

During the year 2020, the Audit Committee did not recommend the appointment of an internal Auditor for the Company due to the presence of the Internal Audit department, and the Committee acknowledges that there are no decisions that exist between the Committee and the Board of Directors' that are conflicted or where the Board has refused to take them with regard to appointing and dismissing the Company's Auditor and determining his fees and assessing his performance or appointing the internal Auditor.

#### 13-2. Nomination and Remuneration Committee

The Committee is composed of 4 Non-Executive members of the Board of Directors, 3 of which are Independent Board members. The duties and responsibilities of the Committee include: making recommendations to the Board of Directors with regard to nominations to the membership of the Board, its sub-committees and Executive Management in accordance with the approved policies and standards, provided that no person may be nominated if previously convicted in a felony involving moral turpitude; undertaking the annual review of the skill requirements for the Board of Directors; preparing the description of skills and qualifications required for Board membership including determination of the time that the Board member should dedicate to the business of the Board; and determination of the compensation and remuneration of Board members, its sub-committees and Executive Management.

The Committee also reviews the structure and formation of the Board, makes recommendations concerning changes that can be made and identifies the weaknesses and strengths of the Board with recommendations on how to address them to serve the interests of the Company. On an annual basis, the Committee ensures the independence of the independent members and that there are no conflicts of interest if the member holds membership of the Board of Directors of another company. It develops clear policies for the compensation and remuneration of Board members and Senior Executives, taking into consideration performance related standards.

Lastly, the Committee prepares periodic and annual reports on the Committee's activities and the annual disclosure report according to the bylaws. These reports are presented to the Board of Directors.

#### 13-2-1. Nomination and Remuneration Committee

##### Yousef Hamad Al Yousfi

Chairman

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 74)

##### Jonathan Stent-Torriani

Member

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 74)

##### Mohammed Abdulaziz Al Sarhan

Member

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 72)

##### Khaled Mohammed Al Hukail

Member

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No.12 on page 75)

#### 13-2-2. Nomination and Remuneration Committee meetings

Name	Nature of Membership	Number of Meetings (7)								Total meetings
		26/01/2022	24/06/2022	17/10/2022	21/10/2022	24/10/2022	18/11/2022	08/12/2022		
Yousef Al Yousfi	Chairman	✓	✓	✓	✓	✓	✓	✓	✓	7
Jonathan Torriani	Member	✓	✓	✓	✓	✓	✓	✓	✓	7
Mohammed Al Sarhan	Member	✓	✓	✓	✓	✓	✓	✓	✓	7
Khaled Al Hukail	Member	✓	✓	✓	✓	✓	✓	✓	✓	7

\* Meetings held via conference call, as part of the preventive and precautionary efforts and measures taken by the relevant and competent authorities to confront and prevent the spread of the Coronavirus (Covid-19).

**13-2-3. Remuneration of the Nomination and Remuneration Committee's members (SAR)**

Name	Fixed Remuneration	Allowance for attending the meeting	Total
Yousef Al Yousfi	100,000	-	100,000
Jonathan Torriani	100,000	-	100,000
Mohammed Al Sarhan	100,000	-	100,000
Khaled Al Hukail	100,000	-	100,000
<b>Total</b>	<b>400,000</b>	<b>-</b>	<b>400,000</b>

**13-3. The Executive Committee**

The Committee is composed of 5 Non-Executive members, 3 of which are Independent members of the Board of Directors. The duties and responsibilities of the Committee include: assisting the Board in conducting responsibilities and duties in determining the Company's mission, vision, and direction of business; assisting the Board in determining the strategic and investment goals of the Company; assist in determining the vision and duties of the Board; determining main and strategic goals to assist the Company in achieving the required results; assisting the Board in the periodic strategic evaluation of the Company's performance; participating in the evaluation and review of the main investment decisions; form and reform partnerships and their budgets; develop Company investments; develop and enhance information technology; manage relationships with main suppliers; responsible for the main commercial transactions, policies, and executive procedures of commercial day-to-day transactions; finding development methods; coordinate between Executive Management and other main functions' managers; supervise the performance of the CEO and Executive Management members; review the ability of the commercial partner (if any); determine the investment strategy and policies; periodic review of potential investments' feasibility; review and approve measures and indicators to evaluate investments; review Zakat and Tax matters in relation to investment transactions in coordination with the Audit Committee; review and disclose accounting procedures and methods of all investment transactions based on the approved accounting standards; continuous review of investment consultants of the Company and determine if they should continue their service; review and report investment results to the Board; and any other tasks related to investments, Company policies, and other matters.

**13-3-1. Members of the Executive Committee****Mohammed Abdulaziz Al Sarhan**

Chairman

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 72)

**Sami Abdulmohsen Al-Hokair**

Member

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 72)

**Raed Ibrahim Al Mudaiheem**

Member

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 73)

**Jonathan Stent-Torriani**

Member

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 74)

**Fadi Majdalani**

Member

(To view the biography of the member, his previous and current positions, in addition to his experiences and qualifications, please refer to section No. 12 on page 76)

**13-3-2. Meetings of the Executive Committee**

Name	Nature of Membership	Number of Meetings (1)	
		28/06/2022	Total meetings
Mohammed AL Sarhan	Chairman	✓	1
Jonathan Torriani	Member	✓	1
Sami Al Hokair	Member	✓	1
Raed AL Mudaiheem	Member	✓	1
Fadi Majdalani	Member	✓	1

\* Meetings held via conference call, as part of the preventive and precautionary efforts and measures taken by the relevant and competent authorities to confront and prevent the spread of the Coronavirus (Covid-19).

**13-3-3. Remuneration of members of the Executive Committee (SAR)**

Name	Fixed Remuneration	Allowance for attending the meeting	Total
Mohammed Al Sarhan	100,000	0	100,000
Jonathan Torriani	100,000	0	100,000
Sami Al-Hokair	100,000	0	100,000
Raed Al Mudaiheem	100,000	0	100,000
Fadi Majdalani	100,000	0	100,000
<b>Total</b>	<b>500,000</b>	<b>0</b>	<b>500,000</b>

**14. Executive Management****14-1. Executive Management members****Wajdy Al-Ghabban****Current position**

- Chief Executive Officer, Saudi Airlines Catering
- Managing Director, SACC for Catering Services Co.
- Board member, Saudi French Company for Operating and Managing Duty Free Shops

**Previous positions**

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

**Academic qualifications**

- Master of Business Administration from Robert Kennedy College, University of Wales, Switzerland
- Member of International Flight Services Association (IFSA)
- Member of International Travel Catering Association (ITCA)
- Member of Gulf Airlines Catering Companies Working Group (GACWG)
- Member of the Commercial Council with the Faculty of Tourism - King Abdulaziz University
- Saudi - Philippine Business Council

**Professional experience**

Mr. Al-Ghabban has 30 years of work experience at Saudi Airlines Catering Co., in which he held various positions within the Company. Mr. Al-Ghabban's expertise are in the fields of airline and non-airline catering. In addition, his interests include software development for airline catering use, automation of production and ware wash systems, catering unit project design and execution, real estate development (construction/renovation of hotel and labor housing projects), and budgeting and contract negotiation.

**Sultan Al-Booq****Current position**

- Executive Vice President - Corporate Services and General Counsel

**Previous positions**

- General Counsel, Ma'aden Gold
- Attorney at Microsoft as a secondment under the Law Firm of Mohammed Aldhabaan & Partners (Eversheds)
- Legal Counsel, United Legal Group Law Firm

**Academic qualifications**

- LLM (Masters' Degree) Comparative Legal Studies from Elisabeth Haub School of Law, New York
- Bachelor of Science in Law from King Abdulaziz University, Jeddah

**Professional experience**

Procurement and corporate supply chains; local and international litigation; legal and corporate negotiation; outsourcing of legal cases to internationally renowned legal professionals; contract and MoU drafting; government advocacy; intellectual property; handling of liaison between Company functions and divisions for discussion with the Board of Directors; corporate market and government regulations; corporate policy and procedure.

**Mahmoud Masoud****Current position**

- Chief Financial Officer - Saudi Airlines Catering, based out of Jeddah
- Board member, Saudi French Company for Operating and Managing Duty Free Shops

**Previous positions**

- Chief Financial Officer Europe Middle East and Africa, CWT, based out of London and Paris
- Chief Financial Officer, United Kingdom of Carlson Wagonlit Travel, based out of London
- Chief Financial Officer, Mannai Corporation, based out of Doha
- Chief Financial Officer, DHL United Kingdom, based out of London
- Vice President Global Controller, DHL, based out Brussels
- Chief Financial Officer, DHL Nordics, based out of Helsinki

**Academic qualifications**

Bachelor of Accounting and Financial Management from Cairo, Egypt

**Professional experience**

Mr. Masoud has over 25 years' experience as an International Executive in Logistics and Travel, backed with an excellent knowledge of publicly listed and private equity companies. He is equipped with a commanding track record of driving success, expertise in driving growth, turnaround and restructuring, coupled with a wide range of responsibilities including M&A, divestment and financial transformation.

**Obaidah Al Saggar****Current position**

- VP Procurement and Strategic Sourcing

**Previous positions**

- Supply Chain Director, DAA a DEDCO JV Company
- Corporate Supply Chain Senior Manager, Basamh Trading Company

**Academic qualifications**

- MBA in Strategic Management (Distinguished Grade) from Maastricht School of Management
- Bachelor of Science in Industrial Engineering (Honor Grade) from King Fahad University of Petroleum and Minerals

**Professional experience**

- Certified Project Management Professional
- Certified Supply Chain Management Professional
- Certified in Logistics, Transportation and Distribution
- Certified Supply Chain Manger
- Qualified Trainer

Visionary and Strategic professional with more than 14 years of experience in supply chain, logistics, planning, operational cost optimization, procurement, supply and demand planning, sales and operation planning. Experienced in the industries of FMCG, retail business, wholesale, catering and food service, HoReCa, clothing and fashion, sales and distribution.

Prior to joining SACC, Mr. Al Saggar achieved many efficiencies and cost reduction projects that led to improve the profitability and optimize the working capital. Realized supply chain strategic objectives and plans/executes operational and technology programs and projects to provide clear views of the flow of products, services, and information. He managed complex distributed projects and teams with focus on team development, encouraging out of the box approaches and leading transformation and automation projects. He has extensive experience with process improvement initiatives and techniques including transformation, process mapping, and gap analysis across multiple business domains. Mr. Al Saggar has received many leadership and excellence awards.

**Tarek Tharwat****Current position**

- VP- Chief Audit Executive

**Previous positions**

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

**Academic qualifications**

- MBA in International Business from the University of Liverpool in UK
- Bachelor of Science in Accounting from Alexandria University in Egypt
- Chartered Accountant
- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA) from the Information Systems Audit and Control Association (ISACA)
- Certification in Risk Management Assurance (CRMA) from the Institute of Internal Auditors (IIA) in USA
- Certified Financial Consultant (CFC) from the Institute of Financial Consultants (IFC)
- Certified Fraud Examiner (CFE).

**Professional experience**

Mr. Tharwat has over 29 years of professional experience in internal control, risk management inspection and both operational and financial audit. He worked as an External Auditor for Deloitte & Touche Egypt then moved to the French chemical group 'Rhodia' in Egypt as a Group Chief Accountant and was then promoted to the Group Credit Manager. In 2003, Mr. Tharwat joined Abdul Latif Jameel 'ALJ', the dealer of Toyota in the KSA, as an Internal Audit Supervisor and then transferred to Algeria as Internal Audit Manager where he set up the Internal Audit function for North Africa and the overseas network. Thereafter Mr. Tharwat joined Orascom Construction Industries 'OCI' in Egypt as Corporate Internal Audit Manager responsible for the cement division, and then joined Saudi Binladin Group as Chief Internal Auditor for the Public Buildings and Airports Division 'PBAD'.

**Talal Al Toaimi****Current position**

- VP - Airports Lounges

**Previous positions**

- Royal and VIP Flights Supervisor.
- Assistant Executive Director, Prince Al-Waleed Bin Talal Palace.
- Other managerial positions

**Academic qualifications**

- Certificate in Technical Sciences from Riyadh Industrial College 1984-1987

**Professional experience**

Mr. Toaimi joined Saudi Airlines Catering Company in 1989, then moved from the Company to occupy various positions as Supervisor of Royal and VVIPs flights, and returned to join Saudi Airlines Catering in 2004 and held several managerial positions. He has extensive experience of more than 30 years in the field of hospitality and catering and possesses excellent communication skills that enable him to maintain and create a good and profitable business relationship with clients. His development has proven through his rise in the career ladder in leadership positions. Mr. Toaimi supervises the management and operation of business and hospitality lounges known as AlFursan lounges, as well as Welcome Lounges at the Kingdom's airports in Jeddah, Riyadh, Dammam, Madinah, and Cairo in addition to other hospitality sectors and centers.

**Khalid Al-Redian****Previous positions**

- General Manger Central Production Unit
- Unit Operation Manager
- Section Manager
- Assistant Operation Manager
- Section Head Royal and VIP flights

**Academic qualifications**

- English Language Certificate from Canada, Toronto Metro

**Professional experience**

Mr. Al-Redian has more than 30 years of professional experience in the in-flight catering and operations sector, during which he held multiple positions in the Saudi Airlines Catering Company. He started as a Services Representative in the Operations Department until he assumed the position of VP, Central and Eastern Regions. Mr. Al-Redian has a full knowledge of gastronomy and food catering and has attended many external and internal courses in the field of catering and administration.

**Salah M. Al Umar****Current position**

- EVP In-Flight Catering

**Previous positions**

- CVP, IFC Western and Southern Regions (Jeddah, Madinah and Cairo Unit), SACC
- General Manager, Jeddah and Cairo Unit, SACC
- Regional Manager, Cairo Unit, SACC
- Unit Operations Manager, Riyadh Unit, SACC
- Ramp Manager, Unit Operations, Riyadh Unit, SACC
- Section Manager, Unit Operations, Riyadh Unit, SACC
- Assistant Manager, Unit Operations, Riyadh Unit, SACC
- Assistant Manager – Equipment Control, Unit Operations, Riyadh Unit, SACC
- Duty Manager, Riyadh Unit, SACC

**Academic qualifications**

- High School Graduate

**Professional experience**

Multifaceted growth strategist with a stellar record of developing, coordinating, and implementing strategic initiatives and operations that support the corporate mission while maintaining a top performance rate. Spearhead assigned team to constantly review, plan and refine menus to ensure they meet customers' high expectations and result in the highest levels of satisfaction. A self-driven leader with a demonstrated history of success in optimizing productivity, quality, and profitability through the application and execution of program management principles and changes. Ensure operational compliance with customer specifications and standards such as FDA, HACCP, SOP, and other regulations of airport authorities. Expert in analyzing emerging needs and potential ways to address internal communication and training needs to improve staff productivity and workflow efficiency. An exceptional leader and motivator adept at creating a clear vision, strategy, and roadmap in alignment with key business needs and requirements from relevant stakeholders.

**Julien Pescheux****Current position**

- EVP Catering & Facilities

**Previous positions**

- Consultant, JUBEZONA
- Managing Director and CEO, G4S
- Country Director, SODEXO

**Academic qualifications**

- ACE Diploma in Management, Innovation and Technology from MIT Sloan School of Management (USA),
- Bachelor of Science in International Hospitality Management from GIHE (Switzerland),
- Dynamic Work Design (USA) from MIT Sloan School of Management
- Business Analytics from Cambridge UK Judge School of Management,

**Professional experience**

Mr. Pescheux executed the successful service diversification growth model for Sodexo Indonesia from a food-only business model to an integrated FM leading to 100% growth in less than 2 years, Consultant to Health Holding Corp (Saudi Arabia), Minister of Health Organizational structuring, 13 years of structuring and motivating large teams requiring clear and focused outcome-driven goals in line with corporate strategy and values, and 6 years of hands-on ground operation and commercial experience

**Dr. Rashed Abdulrahman Alarfaj****Current position**

- VP, Health, Security and Standards Control

**Previous positions**

- Executive Director of Monitoring and Risk Assessment, SFDA
- Acting Executive Director of Risk Assessment, SFDA
- Chief Food Industry Specialist, SFDA

**Academic qualifications**

- Doctor of Philosophy (PhD) in Food Science and Technology from the University of Reading
- Master of Science in Food Technology and Quality Assurance from King Saud University
- Bachelor of Science in Biochemistry

**Professional experience**

Dr. Alarfaj was the Executive Director of monitoring and risk assessment at the Saudi Food and Drug Authority (SFDA). He has also been a Chairman of many committees, including the National Committee for Sanitary and Phytosanitary Measures where he represented the Kingdom at the World Trade Organization between 2018 and 2021, and the Gulf Food Safety Committee between 2017 and 2021. In 2019, he was selected as a Reviewer at the Journal of Food Control, while in 2020 he was nominated as a Board member at the Global Food Regulatory Science Society.

**Thomas Patrick Byrne****Current position**

- EVP Retail

**Previous positions**

- General Manager and Board member, Aer Rianta International (New Zealand, Oman)
- General Manager, Dufry Serbia

**Academic qualifications**

- MBA International Retailing from Stirling University, Scotland

**Professional experience**

Mr. Byrne has more than 20 years of progressively responsible international experience managing successful travel retail businesses in Asia-Pacific, the Middle East and Eastern Europe. A driven strategic thinker with great customer focus and successful team leading abilities his expertise includes general management/project management, strategic planning, business expansion, organising and coordinating talents. He has outstanding change management and category management skills with strong man-management and team leadership capabilities. Mr. Byrne has the ability to communicate effectively at all levels and demonstrates public relations

and customer service excellence. He has sound retail market and product knowledge, commercial acumen, entrepreneurial prowess and is financially astute.

#### 14-2. Remunerations of Senior Executives (Top 5 including CEO and CFO)

Item	Fixed Compensation				Varied Compensation								
	Salaries	Allowances	In-kind benefits	Total	Periodic remunerations	Profits	Short-term incentive plans	Long-term incentive plans	Granted shares (value)	Total	End of service reward	Remuneration for Board Memberships	Total
<b>Total</b>	<b>5,804,948</b>	<b>2,370,576</b>	<b>0</b>	<b>8,175,524</b>	<b>914,248</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>914,248</b>	<b>682,960</b>	<b>0</b>	<b>9,772,732</b>

Based on the Company's organization chart, the CEO and CFO are among the top executives as their compensation is included in the above Executive Management's compensation.

The Company has committed the disclosure of the Executives remuneration, in accordance with the statutory requirements contained in Article 93 of the Corporate Governance Regulations. The Company has addressed the Capital Market Authority (CMA) a letter registered under reference No. (2021033001/GCO/1067) concerning the optimal detail for the disclosure of the Executives' remuneration, as contained in Appendix No. (1) of the Corporate Governance Regulations and in accordance with Article (60) of the Rules for Offering Securities and Continuing Obligations. The Company's request is still under discussion with CMA where the Company aspires to reach an agreement with CMA regarding such disclosure in order to avoid any unjustified harm, and to give a correct impression on the mechanism of compensation procedures, which depends on the competitiveness of Human Capital. The Company will be committed to disclose according to the direction of CMA, in a way that serves the interests of investors and the stability of the Stock Market's disclosures.

#### 14-3. Description of the interests of the members of the Executive Management members and their relatives

Description of the interest of the members of the Executive Management and their relatives in the shares of the Company

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban	-	-	-	-	-	-	100
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Mahmoud Masoud	-	-	-	-	-	-	-
Thomas Byrne	-	-	-	-	-	-	-
Rashed Alarfaj	-	-	-	-	-	-	-
Julien Pescheux	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Obaidah Al Saggar	-	-	-	-	-	-	-
Khalid Al-Redian	-	-	-	-	-	-	-
Salah Al Umar	-	-	-	-	-	-	-

Description of interests, contractual based securities, and subscription entitlements of Executive Management members and their relatives on debt instruments of the Company

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Mahmoud Masoud	-	-	-	-	-	-	-
Thomas Byrne	-	-	-	-	-	-	-
Rashed Alarfaj	-	-	-	-	-	-	-
Julien Pescheux	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Obaidah Al Saggar	-	-	-	-	-	-	-
Khalid Al-Redian	-	-	-	-	-	-	-
Salah Al Umar	-	-	-	-	-	-	-

Description of the interests of the members of the Executive Management and their relatives in the shares of the affiliate company (Saudi French Company for Operating and Managing Duty Free Shops)

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban*	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Mahmoud Masoud*	-	-	-	-	-	-	-
Thomas Byrne	-	-	-	-	-	-	-
Rashed Alarfaj	-	-	-	-	-	-	-
Julien Pescheux	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Obaidah Al Saggar	-	-	-	-	-	-	-
Khalid Al-Redian	-	-	-	-	-	-	-
Salah Al Umar	-	-	-	-	-	-	-

\* Mr. Wajdy Al-Ghabban and Mr. Mahmood Masoud are members of the Board of Directors of Saudi French Company for Operating and Managing Duty Free Shops, without any remuneration, bonus, or other incentives.



Description of the interests of the members of the Executive Management and their relatives in the shares of the affiliate company (SACC for Catering Service Co.)

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Mahmoud Masoud*	-	-	-	-	-	-	-
Thomas Byrne	-	-	-	-	-	-	-
Rashed Alarfaj	-	-	-	-	-	-	-
Julien Pescheux	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Obaidah Al Saggar	-	-	-	-	-	-	-
Khalid Al-Redian	-	-	-	-	-	-	-
Salah Al Umar	-	-	-	-	-	-	-

Description of interests, contractual based securities, and subscription entitlements of Executive Management members and their relatives on debt instruments of the affiliate company (Saudi French Company for Operating and Managing Duty Free Shops).

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban*	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Mahmoud Masoud*	-	-	-	-	-	-	-
Thomas Byrne	-	-	-	-	-	-	-
Rashed Alarfaj	-	-	-	-	-	-	-
Julien Pescheux	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Obaidah Al Saggar	-	-	-	-	-	-	-
Khalid Al-Redian	-	-	-	-	-	-	-
Salah Al Umar	-	-	-	-	-	-	-

\* Mr. Wajdy Al-Ghabban and Mr. Mahmoud Masoud are members of the Board of Directors of Saudi French Company for Operating and Managing Duty Free Shops, without any remuneration, bonus, or other incentives.

Description of interests, contractual based securities, and subscription entitlements of Executive Management members and their relatives on debt instruments of the affiliate company (SACC for Catering Services Co.)

Name	Beginning of year		End of year		Net change	Change percentage	Relative ownership
	Number of shares	Debt instruments	Number of shares	Debt instruments			
Wajdy Al-Ghabban	-	-	-	-	-	-	-
Sultan Al-Booq	-	-	-	-	-	-	-
Tarek Tharwat	-	-	-	-	-	-	-
Mahmoud Masoud	-	-	-	-	-	-	-
Thomas Byrne	-	-	-	-	-	-	-
Rashed Alarfaj	-	-	-	-	-	-	-
Julien Pescheux	-	-	-	-	-	-	-
Talal Al Toaimi	-	-	-	-	-	-	-
Obaidah Al Saggar	-	-	-	-	-	-	-
Khalid Al-Redian	-	-	-	-	-	-	-
Salah Al Umar	-	-	-	-	-	-	-

#### 14-4. Executive Management's Compensation Policy

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

#### 14-5. Relationship between Compensation and Policy

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

## 15. Related Party Transactions

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

In its capacity as the owner of the strategic catering company, one of the Company's major Shareholders, and due to the membership of its CEO and Co-Founder, Mr. Jonathan Torriani, and its Board member Mr. Abdulkarim Essoulami, Newrest Co. is one of the related parties of the Company, providing consultancy and technical services to the Company, including consulting and internal review of some of the Company's strategies, operations, and training. The approval of these transactions and actions was renewed during the 2019 General Assembly meeting.

The agreement adopts the principle of development and growth of revenues and profits for the Company in general and in particular for every section of business it runs. The agreement will adopt specific objectives and outcomes for these sections. Additionally, it will focus on financial and quality results, the best utilization of assets and development of human resources. The agreement, moreover, adopts the principle of gaining technical support for future potential business including railway catering, noting that Newrest Holding S.L is one of the leading companies in Europe specializing in catering services on trains. The duration of the agreement is 3 years, which ended on 31 December, 2019, and was renewed for another 3 years, ending on 12 December, 2022. In addition, Saudi Airlines Catering Company has a leasing relationship with administrative offices in Riyadh with the Strategic Catering Company, one of the companies owned by Newrest Holding S.L and one of the major Shareholders of the Company.

All contracts signed with related parties were approved during the meeting of the Company's General Assembly authorized for 2021. These related parties include Saudi Arabian Airlines Establishment, Newrest Group Holding S.L. Saudi Airlines Cargo, Saudi Airlines Ground Services, Saudi Airlines Real Estate Development Company, Flyadeal, Abdulmohsen Abdulaziz Al-Hokair Group, and Saudi French Company for Operating and Managing Duty Free Markets. Note that the agreement has been suspended since its renewal date due to the situation resulting from the global pandemic with the spread of Covid-19.

## 15-1. Summary of the transactions with the Related Parties

Related party	Its relationship with the Company	Transaction/ purchase type	Its duration	Its value
Saudi Arabian Airlines Establishment	One of the major Shareholders in the Company who owns more than 5% of the Company's total capital	In-flight catering services	This contract took effect on 31 December, 2019 and ends on 31 December, 2029	Provisional based on orders
		Catering and hospitality services for Al Forsan Lounge Terminal 5 in King Khaled International Airport	This contract took effect on 4 October, 2016 and ends on 30 October, 2025	Provisional based on orders
		Catering services for Al Forsan Lounge in Egypt International Airport	This contract took effect on 16 February, 2016 and ends on 15 January, 2021	Provisional based on orders
		Lease agreement in (AM1) building in King Khaled International Airport	This contract took effect on 1 March, 2016 and ends on 28 February, 2022	SAR 5,205,200
		Catering services in (AM1) building in King Khaled International Airport	This contract took effect on 1 March, 2016 and ends on 28 February, 2022	Provisional based on orders
		Catering and hospitality services for (Welcome) lounge in Prince Mohammed Bin Abdulaziz International Airport in Madinnah Monawara	This contract took effect on 22 February, 2017 and ends on 22 February, 2022	Provisional based on orders
		Catering and hospitality services for Al Forsan Lounges in King Abdulaziz International Airport in Jeddah, King Khaled International Airport in Riyadh, King Fahd International Airport in Dammam, and Prince Mohammed Bin Abdulaziz International Airport in Madinnah Monawara	This contract took effect on 19 December, 2011	Provisional based on orders
		Catering service for Saudia Reservations Diplomatic Quarter	This contract took effect on 7 April, 2016	Provisional based on orders
		Catering Service agreement with Saudia Ticketing and Reservation office, Al Murooj	This contract took effect on 17 October, 2013	Provisional based on orders
		In-flight catering service for Saudia other flights	This contract took effect on 1 January, 2019 and ends on 1 January, 2022	Provisional based on orders

Related party	Its relationship with the Company	Transaction/ purchase type	Its duration	Its value
Saudi Arabian Airlines Establishment	One of the major Shareholders in the Company who owns more than 5% of the Company's total capital	Catering and hospitality services for Al Forsan Lounges for Saudi and other airlines cash passengers in King Abdulaziz International Airport in Jeddah King Khaled International Airport in Riyadh, King Fahd International Airport in Dammam, and Prince Mohammed Bin Abdulaziz International Airport in Madinnah Al Monawarah	This contract took effect on 16 April, 2017 and ends on 15 April, 2022	Provisional based on orders
		IT Service Level agreement with Saudia	This contract took effect on 1 May, 2018 and ends on 30 April, 2022	There is no value as per the contract nature
		Design, constructing and operating Alfursan Domestic lounge at the New King Abdulaziz International Airport in Jeddah	The term of the contract shall be for a term of 10 years starting from the actual operation date.	Provisional based on orders
		Temporary Lounge agreement with Saudia (First and Business Class Lounges, New KAIA)	This contract took effect on 2 January, 2020 and ends on 1 January, 2021	Provisional based on orders
		MOU with Saudi, Catering Services Al Fursan lounge in King Fahd International Airport in Dammam	This contract took effect on 9 April, 2014	Provisional based on orders
		Catering services in Jeddah, Riyadh, Dammam and Madinnah Al Monawarah	This contract took effect on 1 November, 2020 and ends on 31 October, 2022	Provisional based on orders
Saudi Ground Services SGS	A subsidiary of Saudi Arabian Airlines Establishment	Transport Services agreement with SGS in King Fahad International Airport in Dammam	This contract took effect on 28 November, 2015 and ends on 27 November, 2022	Provisional based on orders
		Laundry services to SGS in Jeddah, Riyadh, Dammam, and Madinnah Al Monawarah	This contract took effect on 1 May, 2021 and ends on 30 April, 2024	Provisional based on orders
		Welcome Lounge Access agreement with Saudi Ground Service Co. (SGS)	This contract took effect on 1 December, 2017 and expires on 30 November, 2023	Provisional based on orders
		Accommodation Services agreement with SGS in King Fahad International Airport in Dammam	This contract took effect on 28 November, 2015 and ends on 27 November, 2022	Provisional based on orders
Saudi Airlines Cargo	A subsidiary of Saudi Arabian Airlines Establishment	Cargo services	This contract took effect on 8 December, 2014 and ends on 31 December, 2022	Provisional based on orders
		Catering services	This contract took effect on 1 January, 2017 and ends on 31 December, 2022	Provisional based on orders

Related party	Its relationship with the Company	Transaction/ purchase type	Its duration	Its value
Saudi Airlines Real Estate & Development Company SARED	A subsidiary of Saudi Arabian Airlines Establishment	Lease agreement for commercial shops in Saudi City compound	This contract took effect on 1 October, 2019 and ends on 30 September, 2022	SAR 40,000
		Investment in Motel in Saudi City compound	This contract took effect on 1 April, 2016 and ends on 31 March, 2023	SAR 2,400,000
		Service Agreement with Saudi Airlines Real Estate Development Co. (SARED)	This contract took effect on 1 December, 2018 and ends on 1 December, 2022	Provisional based on orders
		Lease agreement for a laundry shop in Saudia City	This contract took effect on 1 August, 2018 and ends on 31 July, 2021	SAR 58,400
Flyadeal	A subsidiary of Saudi Arabian Airlines Establishment	In-flight Catering services and Skysales Services	This contract took effect on 1 March, 2021 and ends on 28 February, 2023	Provisional based on orders
		In-flight Catering services for delayed flights	This contract took effect on 1 December, 2020 and ends on 30 October, 2023	Provisional based on orders
Al-Salam Aviation Industry Company	Saudi Arabian Airlines Establishment owns shares in Al-Salam Aviation Industry Company	Catering services	This contract took effect on 3 May, 2010 and expires on 3 June, 2021	Provisional based on orders
Newrest Holding Co.	Ownership in Strategic Catering Company, due to membership of the Board of Directors Jonathan Stent-Torriani and Mr. Abdulkarim Essolami	Management and Consultancy Services with Newrest Group Holding S.L	The duration of the agreement is 3 years, which ended on 31 December, 2019, and was renewed for another 3 years, ending on 12 December, 2022 This contract was terminated on 28 January, 2021	Estimated value according to the service
Sami Abdul Mohsin Al-Hokair Group	One of the major Shareholders of the Company and a member of the Board of Directors, Sami Abdul Mohsin Al-Hokair	Leasing relations of retail sale stores and other locations	This contract took effect on 15 August, 2014 and ends on 14 August, 2021	Provisional based on orders
		Catering service to Hilton Double Tree Hotel in Riyadh	This contract took effect on 1 March, 2018 and ends on 31 December, 2021	Provisional based on orders
Saudi French Company for Operating and Managing Duty Free Shops	An affiliate company, which Saudi Airlines Catering company owns 40% of the Company's capital and the membership of Mr. Wajdy Al-Ghabban, Chief Executive Officer of Saudi Airlines Catering Company and Mr. Abdelwahab Saati, Chief Operating Officer Retail	Managing and operating Duty Free Shops in the Airports. The transactions are administrative fees and some logistical services related to the management and operation of duty free shops	This contract took effect on 23 November, 2016 and continues for 25 years and the Shareholders agreement stipulates that the services will continue throughout the duration of the Company	Provisional based on orders

**15-2. Income and expenses in SAR from related parties during 2021**

Related party	Income	Expenses
Saudi Arabian Airlines Corporation	960,565,757	560,416
Saudi Private Aviation	32,474,219	0
Saudi Royal fleet	28,123,666	0
Saudia Aerospace Engineering Industries	3,264,969	247,861
Prince Sultan Aviation Academy	11,730	0
Flyadeal	5,710,023	0
Al Salam Aircraft Company	583,624	0
Saudi Ground Services Company	27,034,394	2,031,469
Saudi Airlines Cargo Company	7,649,426	169,035
Alhokair Company Joint Stock Company	56,376	0
Saudi French Company for Duty Free Operations and Management	2,958,218	0
Saudi Airlines Real Estate Development Company	148,774	4,727,471
Newrest Company Holding S.L.	0	182,504

**15-3. Accounts payable and receivable in SAR from related parties during 2021**

Related party	Receivables	Payables
Saudi Arabian Airlines Corporation	472,553,062	450,293
Saudi Private Aviation	17,151,960	0
Saudi Royal fleet	49,122,210	0
Saudia Aerospace Engineering Industries	8,622,808	1,091,285
Prince Sultan Aviation Academy	49,901	0
Flyadeal	1,464,864	0
Al Salam Aircraft Company	804,565	0
Saudi Ground Services Company	18,417,884	481,306
Saudi Airlines Cargo Company	8,737,860	758,959
Alhokair Company Joint Stock Company	0	217,616
Saudi French Company for Duty Free Operations and Management	4,811,787	0
Saudi Airlines Real Estate Development Company	1,079,389	23,788,449
Newrest Company Holding S.L.	0	0

**16. Business and Contracts that the Company is a party in, or has an interest of one of the members of the Board of Directors and the Company's Executives or any person related to any of them**

Nature of work or act	Value of work or act	Duration of work or act	Conditions of work or act	Name of BM, EM, or their related party
Management and Consultancy Services with Newrest Group Holding S.L.	Estimated value according to the service	The duration of the agreement is 3 years, which ended on 31 December, 2019, and was renewed for another 3 years, ending on 12 December, 2022. This contract was terminated on 28 January, 2021	No preferential conditions compared to local market	Jonathan Stent-Torriani is a Board member at SACC and a founding partner and Co-CEO at Newrest Group Holding S.L.
Management and Consultancy Services with Newrest Group Holding S.L.	Estimated value according to the service	The duration of the agreement is 3 years, which ended on 31 December, 2019, and was renewed for another 3 years, ending on 12 December, 2022. This contract was terminated on 28 January, 2021	No preferential conditions compared to local market	Abdulkarim Essoulami is a Non-Executive Board member at SACC and a Shareholder and Board member of Newrest Co. in Morocco
Commercial transactions for retail shops with Abdulmohsen Abdulaziz Al-Hokair Holding Group	Estimated value which represents 10% of the stores' revenues	This contract took effect on 15 August, 2014 and expires on 14 August, 2020	No preferential conditions compared to local market	Sami Al-Hokair is a Board member at SACC and the Managing Director at Abdulmohsen Abdulaziz Al-Hokair Holding Group
Catering service to Hilton Double Tree Hotel in Riyadh	Estimated value according to the service	This contract took effect on 1 March, 2018 and ends on 31 December, 2021	No preferential conditions compared to local market	Sami Al-Hokair is a Board member at SACC and the Managing Director at Abdulmohsen Abdulaziz Al-Hokair Holding Group

**17. Summary of Payments made to the Government during 2021**

Declaration	Amount paid	Amount due	Summary	Reasons
GOSI	26,562,464	2,335,928	Paid amounts are for the Period Dec2020-Nov2021 and Dec2021 paid in Jan2022	Paid amounts are for the Period Dec2020-Nov2021 and Dec2021 paid in Jan2022
Customs	3,374,116	3,374,116	All Actual Payments to Customs in FY2021	All Actual Payments to Customs in FY2021
Visas/Passports/Labor Office Fees	25,504,398	25,504,398	All Actual Payments to Ministry of Labor & Ministry of Interior	All Actual Payments to Ministry of Labor & Ministry of Interior
Zakat	18,283,092	20,075,409	Fiscal year 2021 provisions	Payable in April 2022
Income Tax	0	0		

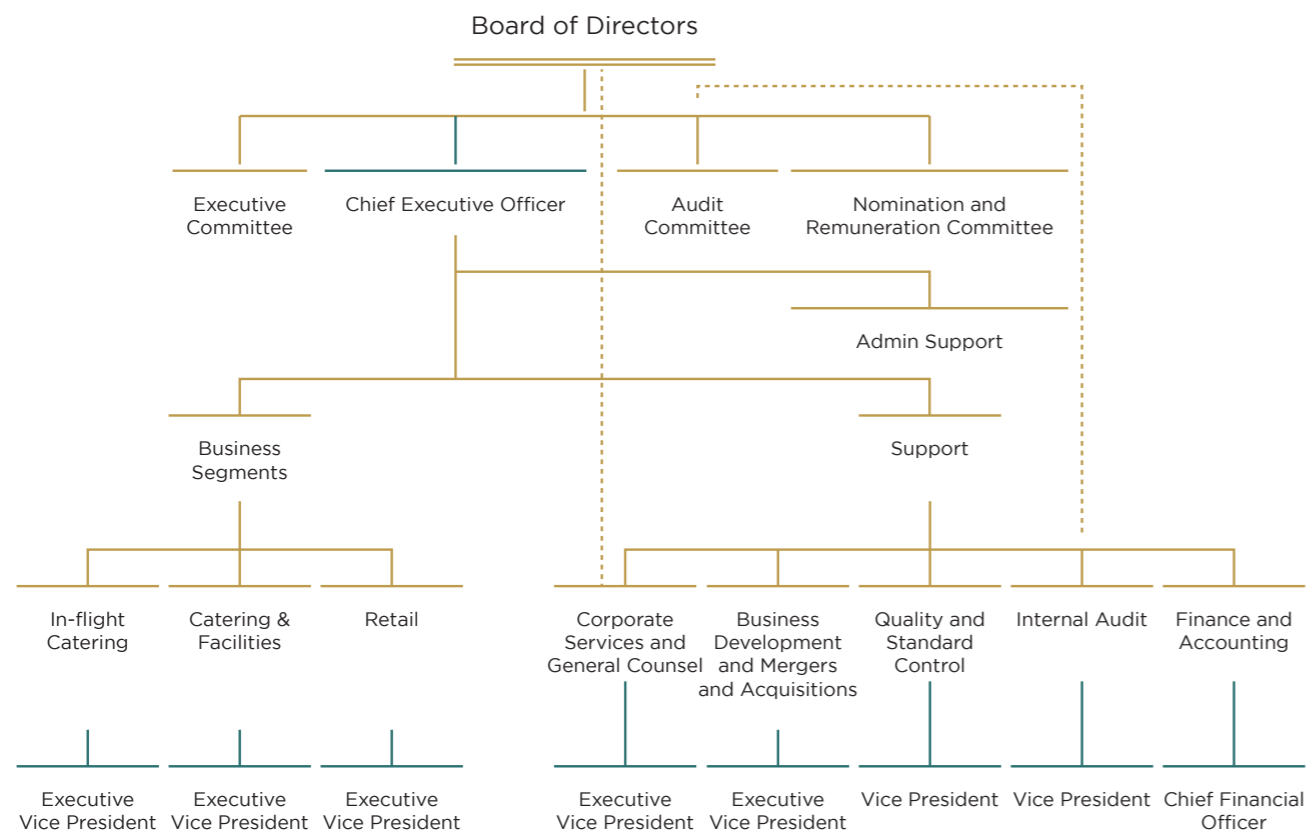
**18. Due Payments SAR 2021**

Year	2017	2018	2019	2020	2021
Employee payments	32,321,739	40,203,728	30,736,110	31,759,710	37,721,263
Expenses and other liabilities	142,703,795	175,064,403	139,895,360	100,996,280	163,562,197
Restructuring allowance	-	-	-	-	-
Zakat and Income tax	31,190,091	30,310,014	34,182,178	11,518,715	12,948,211
<b>Total</b>	<b>206,215,625</b>	<b>245,578,145</b>	<b>204,813,648</b>	<b>144,274,705</b>	<b>214,231,671</b>

### 19. Organizational Structure

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

The administration and supervision of the Company's activities shall be undertaken by a distinguished elite of the Board of Directors' members and efficient administrative staff with expertise of a high calibre, whose tasks shall be distributed according to the following Organizational structure:



### 20. Internal Audit and Annual Audit Results of Internal Control Systems

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

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

On the other hand, the mission of the internal audit activity is to assist in the protection and enhancement of the Company's values and support the Company's mission and objectives by providing independent objective assurance and consulting services to the Board of Directors and the Audit Committee. The scope also includes the examination and evaluation of the validity and effectiveness of the governance systems, risk management and internal procedures of the Company in addition to checking the quality of performance of the responsibilities assigned to managers in order to achieve the Company's goals.

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

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

The VP - Chief Audit Executive reports functionally to the Audit Committee and administratively to the Chief Executive Officer.

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

The VP - Chief Audit Executive confirms to the Board, at least annually, the organizational independence of the internal audit activity. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

On an annual basis, the VP - Chief Audit Executive submits to the Board and Audit Committee the internal audit plan for review and approval. The internal audit plan is developed based on a prioritization of the audit universe using a risk-based methodology, including input of Senior Management and the Board. A written report will be prepared and issued by the VP - Chief Audit Executive following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Board. This report may include Management's action plan to clear any reported findings. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations.

During 2021, the VP - Chief Audit Executive confirmed to the Audit Committee that SACC Management did not impose any scope limitation on the internal audit scope. In addition, the Audit Committee confirmed that there were no substantial findings related to the annual internal control effectiveness review or any material departure to the Company's policies and internal regulations. In addition, the Audit Committee did not discover any irregularities or any obvious weaknesses in the internal control system of the Company or in any of its various operations in 2021.

### 21. Shareholders' Capital Shares Ratio

The Shareholder	The capital as at 1 Jan 2020	Number of shares	Percentage	The capital as at 31 Dec 2020	Number of shares	Percentage	Percentage changes
Saudi Airlines Establishment	292,740,000	29,274,000	35.70	292,740,000	29,274,000	35.70	00.00
Strategic Catering Company	4,816,180	481,618	0.59	00.00-	00.00-	00.00-	-100
Abdulmohsen Abdulaziz Al Hokair Group	77,112,560	7,711,256	9.40	77,112,560	7,711,256	09.40	00.00
The Public	445,331,260	44,533,126	54.31	450,147,440	45,014,744	54.9	01.07
<b>Total</b>	<b>820,000,000</b>	<b>82,000,000</b>	<b>100</b>	<b>820,000,000</b>	<b>82,000,000</b>	<b>100</b>	<b>00.00</b>

### 22. Structure of Distribution of Capital and Shares to Shareholders as of 31 December, 2021

Saudi Airlines Establishment - **35.7%**  
 Abdulmohsen Abdulaziz Al-Hokair Holding Group - **9.40%**  
 Public - **54.9%**

## 23. Dividend Policy

### 23-1. Dividend Policy

- a. The Board of Directors with a delegation of authority from the General Assembly may recommend the distribution of any periodic and annual dividends prior to the approval of Shareholders in the General Assembly meeting.
- b. Each Shareholder shall be entitled to his share in the profits in accordance with the General Assembly resolution issued in this regard. The resolution shall indicate the date of maturity and the date of distribution and Shareholders registered in the Shareholders' registers at the end of the set maturity date.
- c. Dividends are distributed based on the following:
  - 10% of the net profit is to be allocated to the statutory reserve of the Company, and that allocation may be stopped based on the Ordinary General Assembly's approval if the reserve is more than or equal to 30% of the paid-up capital.
  - The Ordinary General Assembly, based on the Board's recommendation may allocate a percentage of the net profit to establish a consensual reserve for specific reasons that are determined in the establishment of that reserve's resolution by the General Assembly.
  - The Ordinary General Assembly may establish other reserves to the extent that would accomplish the Company's benefit or ensure the distribution of dividends as stable as possible. That mentioned General Assembly may allocate amounts of the net profit to establish social establishments for the benefit of employees or to assist such existing establishments.
  - Dividends are then distributed to Shareholders with a minimum amount that is equal to 5% of the paid-up capital.

The Ordinary General Assembly may use reserved earnings and other distributable consensual reserves to pay the remaining amount of the share or part of, if that would not affect the equality between Shareholders. The Board of Directors intends to adopt a policy for dividend distribution that provides for the distribution of about 60%-80% of the Company's net annual profits taking into account the Company's objectives, the commercial, legal and organizational considerations in addition to the Company's financial position and level of income at present.

The Company did not distribute any cash dividends to its Shareholders during the year 2021.

## 24. General Assembly

### 24-1. General Assembly meetings

One successful meeting of SACC's General Assembly was held on Wednesday 23/09/1442H corresponding to 5 May, 2021 at 22:00 through the Tadawulaty system in accordance with CMA's circular No. (S/5/2109/20) dated 21/07/1441H corresponding to 16 March, 2020 to conduct all AGM meetings for listed companies remotely through the new and modern technology tools and to suspend the attendance of all meetings in person until further notice in line with the precautionary and exceptional measures to control the outbreak of Coronavirus (Covid-19) and to ensure common safety. The Company announced the scheduled dates for this General Assembly meeting on the Tadawul website and other platforms in accordance with the laws and regulations, and within the time frame stipulated in those relevant laws and regulations.

The announcements highlighted the meeting's time, place, and agenda as well as the proxy template. In addition, the Company allowed the Shareholders to effectively participate and vote on topics listed on the agenda and informed them of the meeting's rules and voting procedures through the invitation for the General Assembly meeting. In addition, the Company facilitated for Shareholders to vote electronically through the means provided by Tadawul. It also distributed well prepared files containing relevant information to help the Shareholders take their decisions. The Company also informed the relevant authorities on the results of its meeting immediately after the conclusion of the meeting. The Shareholders were allowed access to the meeting's minutes at the Company's offices or through its website upon their request.

Voting Results on the Items of the General Assembly's Meeting Agenda was as follows:

- Approval on the Board of Directors' report for the fiscal year ending on 31 December, 2020.
- Approval on the financial statements for the fiscal year ending on 31 December, 2020.
- Approval on the Auditor/s report on the Company's accounts for the fiscal year ending on 31 December, 2020.
- Approval on the appointment of KPMG for Professional Services Co. (KPMG) as the Company's External Auditor for the financial audit and review of the Company's financial statements for the second, third, and 2021 year end, and the first quarter of 2022.

- Approval on the discharge of the Board of Directors from the liability for their activities for the year ending on 31 December, 2020.
- Approval on delegating the Board of Directors to distribute interim dividends on a biannual / quarterly basis for the fiscal year 2021.
- Approval on paying an amount of SAR 3,793,424 as remuneration to the Board members for the fiscal year ending on 31 December, 2020.
- Approval on the transactions and contracts concluded with Newrest Holding Group, within which SACC's Board of Directors' member Mr. Jonathan Stent-Torriani holds direct interest as he is the Co-CEO of Newrest Holding Group and due to his board membership in Strategic Catering Co., the nature of those transactions evolve around the performance of consultancy and administrative services by Newrest Holding Group, supply of manpower support services and leasing relationships for administrative offices for Strategic Catering Company, with a total amount of SAR 3,030,066 for the year 2020, without any preferential conditions compared to the local market.
- Approval on the transactions and contracts concluded with Newrest Holding Group, within which SACC's Board Of Directors' member Mr. Abdulkarim Al Soulami holds indirect interest due to his ownership in Newrest Co. (Morocco), the nature of those transactions evolve around the performance of consultancy and administrative services by Newrest Holding Group, supply of manpower support services and leasing relationships for administrative offices for Strategic Catering Company, with a total amount of SAR 3,030,066 for the year 2020, without any preferential conditions compared to the local market.
- Approval on the transactions and contracts concluded with Strategic Catering Co., within which SACC's Board Of Directors' member Mr. Jonathan Stent-Torriani holds direct interest as he is the Co-CEO of Newrest Holding Group (the primary owner of the Strategic Catering Company Ltd.) and due to his Board membership in Strategic Catering Co., the nature of those transactions evolve around leasing relationships for administrative offices, with a total amount of SAR 44,100 for the year 2020, without any preferential conditions compared to the local market.
- Approval on the transactions and contracts concluded with Al-Hokair Holding Group, within which SACC's Board of Directors' member Mr. Sami Al-Hokair holds direct interest in, as he is holding the position of Managing Director, and Board of Directors member in Al-Hokair Holding Group, the nature of those transactions evolve around the performance of several lease agreements of retail stores, with a total amount of SAR 16,096, without any preferential conditions compared to the local market.

### 24-2. Attendance of the General Assembly by the Board of Directors' members and the Committees' members and Executive Management's members

Name	Membership	General Assembly		
		Type of membership	05/05/2021	Total meetings
Mohammed Al Sarhan	Chairman of the Board Directors, member of the Nomination and Remuneration Committee, Chairman of the Executive Committee	Independent	✓	1
Sami Al-Hokair	Vice Chairman of the Board of Directors, member of the Executive Committee	Non-Executive	✓	1
Jonathan Torriani	Member of the Board of Directors, the Executive Committee, and the Nomination and Remuneration Committee	Non-Executive	X	0
Fadi Majdalani	Member of the Board of Directors and the Executive Committee	Independent	✓	1
Raed Al Mudaiheem	Member of the Board of Directors, the Audit Committee, and the Executive Committee	Independent	✓	1
Hasan Al Jabri	Member of the Board of Directors, Chairman of the Audit Committee	Independent	✓	1
Khaled Al Hukail	Member of the Board of Directors and the Remuneration Committee	Independent	✓	1
Yousef Al Yousefi	Member of the Board of Directors	Independent	✓	1
Abdulkarim Essolami	Member of the Board of Directors	Non-Executive	✓	1
Wajdy Al Ghabban	Chief Executive Officer and member of the Executive Committee	Executive	✓	1
Sultan Al-Booq	Executive Vice President of Corporate Services and General Counsel	Executive	✓	1

## 25. Compliance with Laws and Regulations

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

The Company applies all provisions of the Corporate Governance Regulation issued by the Capital Market Authority. The following highlights are the Articles of the Corporate Governance Regulations that have not been implemented, and the reasons:

### Fifth chapter:

#### Article 70:

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

#### Article 71:

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

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

#### Article 72: Meetings of the Risk Management Committee

- The risk management committee shall convene periodically at least once every 6 months, and as may be necessary.

#### Reason:

The Board did not form a risk committee because the formation of this type of committee is optional. However, the tasks of the Company's risk committee are entrusted to the Audit Committee, the Company's external and internal Auditor, and also the Company's Risk Management Department.

#### Article 87:

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

#### Reason:

This is an optional article. However, the Company has a policy that guarantees a balance between its objectives and those of the community for the purpose of developing the social and economic conditions of the community, and in line with the plans and future visions set by the state.

#### Article 88:

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

- Establishing indicators that link the Company's performance with its social initiatives and comparing it with other companies that engage in similar activities;
- Disclosing the objectives of the Company's social responsibility to its employees and raising their awareness and knowledge of social responsibility;
- Disclosing plans for achieving social responsibility in the periodical reports on the activities of the Company; and
- Establishing awareness programs to the community to familiarize them with the Company's social responsibility.

#### Reason:

This is an optional article.

#### Article 93:

Provide the necessary details regarding bonuses and compensation paid for each of the following apart:

- A. Board of Director members.
- B. Top Five Executive Managers including Chief Executive Officer and Chief Financial Officer.

#### Reason:

The Company has committed to the disclosure of the Executives remuneration, in accordance with the statutory requirements contained in Article 93 of the Corporate Governance Regulations. The Company has addressed the Capital Market Authority (CMA) a letter registered under reference No. (2021033001/GCO/1067) concerning the optimal detail for the disclosure of the Executives' remuneration, as contained in Appendix No. (1) of the Corporate Governance Regulations and in accordance with Article (60) of the Rules for Offering Securities and Continuing Obligations. The Company's request is still under discussion with CMA where the Company aspires to reach an agreement with CMA regarding such disclosure in order to avoid any unjustified harm, and to give a correct impression on the mechanism of compensation procedures, which depends on the competitiveness of Human Capital. The Company will be committed to disclose according to the direction of CMA, in a way that serves the interests of investors and the stability of the Stock Market's disclosures.

#### Article 95:

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

#### Reason:

This is an optional article.

## 26. Role of the Shareholders

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

## 27. Investor Relations

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

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

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

## 28. Requests to obtain Shareholder Records

Number	Request date	Request reasons
1	22 Dec 2021	Company procedures
2	08 Dec 2021	Company procedures
3	10 Oct 2021	Company procedures
4	29 Jun 2021	Company procedures
5	04 May 2021	General Assembly
6	06 Apr 2021	Company procedures
7	18 Jan 2021	Company procedures

## 29. Communication with Shareholders

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

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

## 30. Initiatives planned to Improve Transparency or Communications with Investors in 2021

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

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

In an effort to strengthen the Company's relationship with its Shareholders and to preserve their rights, Saudi Airlines Catering Company has built a new platform for its Shareholders to inquire about their unpaid dividends effective from the first quarter of 2019 using the following electronic link <https://ebid.saudiacatering.com/viewdata.aspx>. The Company also allocates a specialized team to respond to the inquiries and concerns of Shareholders and related parties by phone at 0122339400 ext. 8185 or by e-mail ([investors@Saudiacatering.com](mailto:investors@Saudiacatering.com)).

## 31. Procedure to inform the Board Members of the Shareholders' Suggestions and Notes on the Company and its Performance

Keeping the Board members informed of the Shareholders' proposals and comments on the Company and its performance through the following procedures:

- Presenting the Shareholders' proposals and comments (if any) to the Board members at the nearest meeting or any other effective means of communication to achieve the purpose on an ongoing basis.

- Organizing continuous meetings with investors (Investor Relation Programs) and briefing the Board on the substantive proposals they make.
- The Board members are attending the General Assembly meetings where Shareholders raise their suggestions to the Board during the meeting and the Board responds to these suggestions during the meeting.

In addition, the Chairman of the Board discusses the Shareholders' suggestions (if any) and the performance without the presence of any of the Executives (whenever deemed necessary).

## 32. Risks

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

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

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

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

### Strategic risk factors

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

The Company defines the areas of strategic risk as:

### Business environment risk

Business cycles in the economy, and in customer markets, influence the demand on SACC's products, as well as its financial condition and operating results. Some sectors of the business could be affected by adverse changes in economic conditions and employment levels. The Company's diversification strategy provides a degree of stability with respect to cyclical markets.

### Market and customer risk

SACC's business relies on securing and retaining a diverse range of clients in various industry segments. Despite this diversification, SACC's business still relies largely on its relationship with Saudia, so any adverse development affecting the airline could have a negative impact on SACC. The Company has strategies in place to strengthen long-term relationships with clients and consumers based on quality, value, and innovation. The diversification strategy ensures that SACC does not rely on a particular sector, geography, or set of clients.

### Global political risk

The airline industry is global and is therefore dependent on political and economic developments, not only in Saudi Arabia, but worldwide. SACC's businesses are largely dependent upon the airline industry and may be impacted adversely by negative global events and trends. SACC works to anticipate and contribute to important changes in public policy, when possible.

### People risk factors

#### Recruitment

Failure to attract and recruit people with the right skills at all levels could limit SACC's success. The Company faces resourcing challenges in some of its businesses due to a lack of industry experience among candidates, finding appropriately qualified people, and the seasonal nature of some of its businesses aims to mitigate this risk using efficient, time-critical resource management, mobilizing existing experienced employees, and providing appropriate training and development programs.



### Retention and motivation

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

### Operational risk factors

#### Hazard risks

The Company's occupational health and safety systems, and crisis management guidelines are designed to protect employees. Appropriate insurance is in place for all personnel. SACC operates all major airports in industrial-size catering units, 2 laundry plants, and numerous other smaller premises, including catering outlets, retail shops, lounges, industrial sites, and on-shore oil rigs. SACC leases most of its sites. While operating, SACC is exposed to risks in areas such as occupational health, employee safety, environment, fire, natural events, and site security. The Company manages these risks with established management procedures and loss prevention programs. Risks that cannot be directly influenced are transferred, where feasible, to insurance companies. SACC has a large number of contracts with many clients. Failing to comply with contractual terms and conditions could lead to loss of business. The Company has processes in place to ensure that it meets the required standards, and that it complies with the contractual terms and conditions.

#### Financial risk factors

SACC is exposed to a variety of financial risks: market risks (cash flow and interest rate risk), credit risk, and liquidity risk.

The Board has put in place appropriate structures to ensure risk governance and monitoring across the Company. SACC's overall financial risk management focuses on the unpredictability of financial markets and clients' payment behavior, seeking to minimize potentially adverse effects on the Company's financial performance. Financial risk is managed at the headquarters and Group level, identifying, evaluating, and acting on financial risks where appropriate. The principles of overall financial risk management are formally documented, as are policies covering specific areas such as credit risk and the investment of excess liquidity.

#### Cash flow and interest rate risk

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

#### Credit risks

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

SACC monitors third- and related-party trade receivables continuously and has a policy in place to manage and collect overdue receivables. Due to its proper monitoring and appropriate provisioning, Management does not expect any significant additional losses due to client non-performance.

#### Liquidity risks

Prudent liquidity risk management includes maintaining sufficient cash and available funding from an adequate amount of committed credit facilities. The Company ensures flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. Currently SACC has credit facilities with financial institutions. The Management team monitors the risk by continuously reviewing short-term cash forecasts, and by using mid-term cash forecasts throughout the year.

### Information technology and cybersecurity

SACC actively identifies and responds to Cybersecurity risks, threats and events, where a strong foundation in cybersecurity strategy has been laid out and implementation will continue during the coming years.

In coordination, the IT and Cybersecurity departments monitor the threat exposure levels and coordinate response plans to identified Cybersecurity events. Information technology and cybersecurity risks related to SACC's internal operations are identified and mitigated using a range of methods that include network security, endpoint protection, access management, encryption and data classification.

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

### Risks management policy

#### Purpose

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

#### Definitions and purposes of Risk Management

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

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

The Board of Directors has the responsibility of overseeing the Risk Management practice in the Company as a whole, and their role is mainly as follows:

- Determine main risks that the Company may face.
- Determine the required procedure to prevent facing that risk or mitigate its effect on the Company.
- The Board has the right to delegate risk related decisions to any of the Company's divisions, for example delegating the Finance Department for financial risks, the Legal Department for legal risks, and that delegation shall not relieve the Board from their responsibility.
- The Board has other roles that were determined in its chapter in the Corporate Governance Manual of the Company.

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

- Analyze and review Risk Management systems of the Company.

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

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

e. A new Risk Management Committee formulated headed by the Chief Executive officer as per the agreed and approved charter to assess, review and evaluate prevailing risk the year 2022.

#### Risk Management procedures

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

### 33 . The Company's Social Contributions during 2021

In the area of corporate social responsibility, the Company continued to enhance its social role by participating in 2 important initiatives, one of which is related to the main sector of the Company (catering sector) with Iteam Association, which aims to preserve the grace of waste by conveying the idea of food banks which

are applied in the world and in Saudi Arabia, with a professional manner that preserves the privacy of the community and the beneficiary. On the other hand, we have proudly continued our relationship with Quadroun Association, which aims to integrate persons with disabilities as equal and active members. SACC reaffirms its commitment to work together to achieve sustainability and build a society that is inclusive, fair, and accessible to all groups and assist in achieving the National Plan and the Vision of the Kingdom 2030. It is worth mentioning that we are in the process of establishing a new section on social initiatives to expand the scope of participation and link it to the Company's core values.

### 34 . The Board of Directors declarations

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

- The accounting records were properly and correctly prepared.
- The internal control system was properly designed and effectively implemented.
- There was no doubt about the Company's ability to continue the business.
- Consolidated financial statements were prepared in accordance with international financial standards, and in accordance with the Company's bylaws and Articles of Association with respect to the preparation and publishing of financial statements.
- There were no redemptions, purchases, or cancellations by the Company of any of the recoverable debt instruments.
- The Company did not issue or grant any debt instruments convertible to shares, contractual based securities, option rights, subscription right notes or similar rights.
- The Company does not have any conversion or subscription rights under any convertible debt instrument, contractually based securities, warrants, or similar rights; both issued or granted.
- The Company did not issue any shares or debt instruments for any of its affiliates.
- There are no differences from the standards approved by the Saudi Organization for Certified Public Accountants (SOCPA), which are the IFRS Standards.
- Apart from the disclosures in the section related to related parties' transactions, there were no contracts in which the Company was a party nor was there any material interest for any Board member, Executive Management member, their relatives or any other related person.
- Except what was disclosed earlier in this report, there are no interests, contractually based securities, and subscription rights of the issuer's Directors, Senior Executives, and their relatives in the shares or debt instruments of the issuer or any of its subsidiaries; nor was there any change in those interests or rights during 2019, except what was disclosed earlier in this report.
- There were no arrangements or agreements through which any Board member or any Executive to waived any salary or compensation.
- There are no arrangements or agreements through which any of the Company's Shareholders waived their rights to profits.
- Except what was disclosed of shares owned by the Board and Executive Management, there are no other interests in the shares of eligibility of voting that are owned by any person (other than the Board, Executive Management, and their relatives and any other contractual interests and any changes in those interests in line with Article 45 of the Listing Rules.
- There were no comments received by the Shareholders regarding the Company and its performance.
- The external Auditor's Report doesn't contain any reservations on the relevant annual financial statements.
- There are no arrangements or recommendations by the Board to change the Company's external Auditor.
- The Company did not receive any fine, penalty, precautionary procedure, or preventive measure from the CMA nor any other regulatory, supervisory, or judicial authority.
- There was no recommendation to appoint an internal Auditor for the Company, as it already has an Internal Audit Division.
- There are no recommendations of the Audit Committee that conflict with the Board's decisions, nor did the Board refuse to take any of the Audit Committee's recommendation into consideration regarding the appointment, dismissal, assessment, or determining the remuneration of the external Auditor.
- The Company does not have any investments for the benefit of its employees.
- The Company has no treasury shares.



# Financial Statements

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## KPMG Professional Services

Zahrán Business Center  
Prince Sultan Street  
P.O. Box 55078  
Jeddah 21534  
Kingdom of Saudi Arabia  
Commercial Registration No 4030290792

Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال  
شارع الأمير سلطان  
ص.ب 55078  
جده 21534  
المملكة العربية السعودية  
سجل تجاري رقم 4030290792  
المركز الرئيسي في الرياض

# Independent Auditor's Report

To the Shareholders of Saudi Airlines Catering Company

## Opinion

We have audited the consolidated financial statements of Saudi Airlines Catering Company ("the Company") and its subsidiary ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2021, and its financial performance and its consolidated 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 Chartered and Professional 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 consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 of the consolidated financial statements.

### Key audit matter

As at December 31, 2021, the Group recognized total revenue of SR 1,213 million (December 31, 2020: SR 926 million).

There continues to be pressure on the Group 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 Group's revenue recognition accounting policies by considering the requirements of IFRS - 15 "Revenue from Contracts with Customers."

## Revenue Recognition (continued)

### Key audit matter

Revenue is a key performance indicator for the Group 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 Group's controls, over the recognition of revenue as per the Group'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 of the consolidated financial statements.

### Key audit matter

As at December 31, 2021, the gross trade receivables balance amounted to SR 791 million (December 31, 2020: SR 889 million)

The Group 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 financial statements.

### Impairment of Non-Current assets

Refer to notes 3 and 4 for the accounting policies and notes 6 and 34 of the consolidated financial statements.

#### Key audit matter

In accordance with IAS 36, the Group 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 Group engaged an external independent expert to perform the impairment assessment.

Based on the impairment assessment performed, an impairment loss has been recognized amounting to Nil during the year ended December 31, 2021 (December 31, 2020: SR 22.9 million).

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 consolidated 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 consolidated 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 consolidated 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 consolidated 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 consolidated 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.

### Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Consolidated Statement of Financial Position**

As at December 31, 2021

(Expressed in Saudi Arabian Riyals)

**Auditor's Responsibilities for the Audit of the Consolidated 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 and its subsidiary**.

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 consolidated 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, \_\_\_\_\_  
Corresponding to \_\_\_\_\_

	Note	2021	2020
<b>Assets</b>			
Property, plant and equipment	6	408,006,473	455,888,624
Right-of-use assets	9 a	416,889,017	509,533,448
Subleased assets	9 c	6,474,435	9,292,173
Intangible assets	7	430,684	1,116,734
Investment property	8	32,652,257	34,611,098
Equity accounted investee	10	--	--
Financial assets at amortized cost	11	4,230,000	17,497,223
<b>Non-current assets</b>		<b>868,682,866</b>	<b>1,027,939,300</b>
Subleased assets	9 c	17,600,070	14,190,822
Inventories	12	66,611,578	115,963,432
Trade and other receivables	13	664,797,327	800,596,516
Prepayments and other current assets	14	136,476,874	90,856,637
Cash and cash equivalents	15	176,462,367	257,453,899
<b>Current assets</b>		<b>1,061,948,216</b>	<b>1,279,061,306</b>
<b>TOTAL ASSETS</b>		<b>1,930,631,082</b>	<b>2,307,000,606</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	17	820,000,000	820,000,000
Statutory reserve	18	246,000,000	353,835,879
Accumulated losses		(193,481,256)	(313,758,994)
<b>Total equity</b>		<b>872,518,744</b>	<b>860,076,885</b>
<b>Liabilities</b>			
Lease liabilities	9 b	330,844,306	412,229,212
Employees benefits	20	155,697,674	165,607,031
<b>Non-current liabilities</b>		<b>486,541,980</b>	<b>577,836,243</b>
Short-term borrowing	16	--	300,000,000
Lease liabilities	9 b	143,655,076	167,856,691
Accrued Zakat and income tax	21	12,948,211	11,518,715
Trade and other payables	22	414,967,071	389,712,072
<b>Current liabilities</b>		<b>571,570,358</b>	<b>869,087,478</b>
<b>Total liabilities</b>		<b>1,058,112,338</b>	<b>1,446,923,721</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,930,631,082</b>	<b>2,307,000,606</b>

The accompanying notes 1 through 39 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors  
Member

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

	Note	2021	2020
Revenue	24	1,212,507,870	926,573,642
Cost of sales	25	(880,662,708)	(884,339,821)
<b>Gross profit</b>		<b>331,845,162</b>	<b>42,233,821</b>
Other income	26	6,436,965	5,037,106
General and administrative expenses	27	(236,330,507)	(256,330,834)
Net allowance for expected credit losses impairment loss on trade receivables	13	(37,894,043)	(37,198,396)
Other expenses	28	(3,700,842)	(1,526,903)
Impairment losses		--	(22,900,000)
<b>Operating profit / (loss)</b>		<b>60,356,735</b>	<b>(270,685,206)</b>
Finance income	29	591,510	725,310
Finance costs	30	(27,180,198)	(34,394,093)
<b>Net finance costs</b>		<b>(26,588,688)</b>	<b>(33,668,783)</b>
Share of loss on investment in equity accounted investee	10	--	(8,361,611)
Impairment loss in equity accounted investees	10	--	(3,125,930)
<b>Profit / (loss) before zakat and income tax</b>		<b>33,768,047</b>	<b>(315,841,530)</b>
Zakat and income tax charge	21	(19,712,588)	(18,844,869)
<b>Profit / (loss) for the year</b>		<b>14,055,459</b>	<b>(334,686,399)</b>
<b>Other comprehensive income / (loss)</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Remeasurement of defined benefit obligation	20 a	(1,613,600)	2,146,636
Share of other comprehensive loss of associate	10 c	--	(100,804)
<b>Other comprehensive (loss) / gain for the year</b>		<b>(1,613,600)</b>	<b>2,045,832</b>
<b>Total comprehensive income / (loss) for the year</b>		<b>12,441,859</b>	<b>(332,640,567)</b>
<b>Earnings / (loss) per share</b>			
Basic and Diluted earnings / (loss) per share (in SR)	31	0.17	(4.08)

The accompanying notes 1 through 39 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors  
Member

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

## Consolidated Statement of Changes In Equity

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

	Note	Share capital	Statutory reserve	(Accumulated losses)	Total
<b>As at December 31, 2021</b>					
<b>Balance at January 1, 2021</b>		<b>820,000,000</b>	<b>353,835,879</b>	<b>(313,758,994)</b>	<b>860,076,885</b>
Statutory reserve transfer	18	--	(107,835,879)	107,835,879	--
<b>Total comprehensive income</b>					
Profit for the year		--	--	14,055,459	14,055,459
Other comprehensive loss		--	--	(1,613,600)	(1,613,600)
<b>Total comprehensive income</b>		<b>--</b>	<b>--</b>	<b>12,441,859</b>	<b>12,441,859</b>
<b>Balance at December 31, 2021</b>		<b>820,000,000</b>	<b>246,000,000</b>	<b>(193,481,256)</b>	<b>872,518,744</b>
<b>As at December 31, 2020</b>					
<b>Balance at January 1, 2020</b>		820,000,000	353,835,879	131,816,062	1,305,651,941
<b>Total comprehensive loss</b>					
Loss for the year		--	--	(334,686,399)	(334,686,399)
Other comprehensive income		--	--	2,045,832	2,045,832
<b>Total comprehensive loss</b>		<b>--</b>	<b>--</b>	<b>(332,640,567)</b>	<b>(332,640,567)</b>
<b>Transactions with shareholders of the Group</b>					
<b>Contributions and distributions</b>					
Dividends declared	19	--	--	(112,934,489)	(112,934,489)
<b>Balance at December 31, 2020</b>		<b>820,000,000</b>	<b>353,835,879</b>	<b>(313,758,994)</b>	<b>860,076,885</b>

The accompanying notes 1 through 39 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors  
Member

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)  
**Consolidated Statement of Cash Flows**

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

	<i>Note</i>	<u>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>			
Profit / (loss) for the year		<b>14,055,459</b>	(334,686,399)
<i>Adjustments for:</i>			
Zakat and income tax charge	21	<b>19,712,588</b>	18,844,869
Depreciation on property, plant and equipment	6	<b>79,673,473</b>	92,544,445
Depreciation on investment in property	8	<b>1,958,841</b>	1,955,427
Depreciation on right-of-use assets	9 a	<b>85,237,059</b>	86,875,461
Amortization of intangible assets	7	<b>686,050</b>	729,456
Construction in progress written-off	6	<b>1,063,839</b>	36,511,874
Provision of obsolete inventory, net	12	<b>11,661,330</b>	2,923,108
Inventory obsolescence written-off		<b>1,396,184</b>	--
Net allowance for expected credit losses	13	<b>37,894,043</b>	37,198,396
Finance income	29	<b>(591,510)</b>	(725,310)
Finance cost	30	<b>27,180,198</b>	34,394,093
Share of loss in equity accounted investees	10	--	8,361,611
Impairment loss in equity accounted investees	10	--	3,125,930
Loss on disposal of property, plant and equipment	28	<b>2,767,350</b>	275,883
Impairment Loss on property, plant & equipment	6	--	22,900,000
Employees' benefits service cost	20	<b>9,100,263</b>	17,267,581
(Reversal) / provision for accrued bonus - long term	20	<b>(3,020,100)</b>	9,806,475
		<b>288,775,067</b>	38,302,900
<i>Changes in:</i>			
Trade and other receivables		<b>97,905,146</b>	30,346,348
Inventories		<b>36,294,340</b>	34,905,418
Prepayments and other current assets		<b>(32,353,014)</b>	13,515,093
Trade and other payables		<b>25,335,055</b>	(67,372,592)
Cash generated from operating activities		<b>415,956,594</b>	49,697,167
Finance cost paid		<b>(4,160,690)</b>	(3,760,710)
Payment of accrued bonus - long term	20	--	(3,317,577)
Employees' benefits paid	20	<b>(20,347,497)</b>	(36,231,699)
Zakat and income tax paid	21	<b>(18,283,092)</b>	(41,508,332)
<b>Net cash generated from / (used in) operating activities</b>		<b>373,165,315</b>	(35,121,151)
<b>Cash flows from investing activities</b>			
Payments received for sublease	9 c	--	2,627,472
Proceeds from disposal of property, plant and equipment		<b>550,463</b>	606,875
Additions to property, plant and equipment	6	<b>(36,172,974)</b>	(48,567,161)
Additions to investment in property	8	--	(178,041)
<b>Net cash used in investing activities</b>		<b>(35,622,511)</b>	(45,510,855)
<b>Cash flow from financing activities</b>			
(Payments) / Proceeds from short term borrowings	16	<b>(300,000,000)</b>	300,000,000
Payments of lease liabilities	9 b	<b>(118,454,281)</b>	(37,721,375)
Dividends paid	19	<b>(80,055)</b>	(113,096,263)
<b>Net cash (used in) / generated from financing activities</b>		<b>(418,534,336)</b>	149,182,362
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(80,991,532)</b>	68,550,356
Cash and cash equivalents at beginning of the year		<b>257,453,899</b>	188,903,543
<b>Cash and cash equivalents at end of the year</b>	15	<b>176,462,367</b>	257,453,899

The accompanying notes 1 through 39 form an integral part of these consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors  
Member

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)  
**Notes to the Consolidated Financial Statements**

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**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 No. 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:

<u>Branch location</u>	<u>C.R.</u>	<u>Date</u>
Rabigh	4602006306	Rajab 16, 1436H (May 5, 2015)
Medina	4650055980	Jumada Al-Thani 1, 1433H (April 23, 2012)
Medina	4650216315	Rabi Al Thani 12, 1441H (December 9, 2019)
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	4030365540	Muharam 19 1441, (September 18, 2019)
Jeddah	4030285290	Muharram 2, 1437H (October 16, 2015)
Jeddah	4030371373	Rabi Al Thani 25, 1441H (December 3, 2019)
Jeddah	4030426294	Muharam 10 1443H, (August 18, 2021)
Riyadh	1010336558	Jumada Al-Thani 1, 1433H (April 23, 2012)
Riyadh	1010616680	Rabi Al Thani 12, 1441H (December 9, 2019)
Riyadh	1010616679	Rabi Al Thani 12, 1441H (December 9, 2019)

The Company has investment in the fully owned / controlled subsidiary 'SACC Catering Company' (the "subsidiary"), collectively referred to as (the "Group"). The authorised share capital of the subsidiary is SR 5 million. The principal business activity of the subsidiary is mainly providing catering services. The subsidiary has not yet commenced commercial operations, however, during the year ended December 31, 2021, an amount of SR 5 million was injected by the shareholder.

These consolidated financial statements (the "financial statements" or "consolidated financial statements") include the financial statements of the Parent and its Subsidiary.

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.



SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**2. BASIS OF ACCOUNTING****a) Statement of compliance**

These consolidated 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 Chartered and Professional Accountants (“SOCPA”) (hereafter referred to as “IFRS as endorsed in KSA”).

**b) Basis of Measurement**

These consolidated 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. Further, the consolidated financial statements are prepared using the accrual basis of accounting and going concern concept.

**c) Functional and presentation currency**

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

**3. USE OF JUDGEMENTS AND ESTIMATES**

In preparing these consolidated financial statements, the management has made judgments, estimates and assumptions that affect the application of the Group’s accounting policies and the reported amounts of assets and liabilities, income, expenses and accompanying disclosures. Actual results may differ from these estimates.

These estimates, judgements and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. 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 Group’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 Group’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 Group during most of the year ended December 31, 2020. During the second half of May 2021 the Government eased some traveling restrictions, although partially and gradually the airports were opened and the flights resumed with most of the countries under specific health precautionary measures, there continue to be a significant impact throughout the year ended December 31, 2021 and may continue to have a financial impact on the Group subsequent to the year end. The uncertainties caused by COVID-19 have required the Group to update the inputs and assumptions used for the determination of expected credit losses (“ECL”) as at December 31, 2021.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

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

In addition, the Group has estimated the potential impact of the current economic volatility in the determination of the reported amounts of the Group’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 Group continues to closely monitor the situation to manage the exposure and adverse impact on its operations. Management believes that the Group’s financial position remains solid and have the sufficient resources to enable it to continue its operations and to meet its contractual liabilities in the near future Refer to note 35 for more details on the financial risks.

**Going concern**

The management has made an assessment of Group’s ability to continue as a going concern based on its existing liquidity position and cash flow projection. The management is satisfied that the Group has the resources to continue and meet its obligations as they fall due in ordinary course of business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group’s ability to continue as a going concern. Therefore, the consolidated 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 92.3 million (December 31, 2020: SR 129.9 million) with a provision for obsolete inventories amounting to SR 25.7 million (December 31, 2020: SR 14.0 million). Any difference between the amounts realised in future periods and the amounts expected will be recognized in the consolidated statement of profit or loss.

**Leases**

- a) Determining the lease term of contracts with renewal and termination options – Group as Lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

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

The Group has certain lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Group included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

**b) Estimating the incremental borrowing rate**

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

**Defined Benefit Obligation**

The present value of Group'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 Group uses a provision matrix to calculate ECL for trade and other receivables. The provision matrix is initially based on the group's historically observed rates. The group calibrates the matrix to adjust the historically credit loss experience with forward-looking information. At every reporting date the historically observed default rates are analysed.

The assessment of correlation between historically observed default rates, forecasted economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to change in circumstances of forecast economic conditions. The group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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

The Group's management determines the estimated useful lives of property, plant and equipment and investment property with finite useful lives for calculating depreciation. This estimate is determined after considering expected usage of the assets and physical wear and tear. Management reviews the depreciation and methods and useful lives annually and future depreciation charges would be adjusted where the management believes the useful lives differ from previous estimates and to ensure that the methods and period of depreciation are consistent with the expected pattern of economic benefits from these assets.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

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

The Group's 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**

The Group reviews the carrying amounts of non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use.

Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. 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 amortization, if no impairment loss had been recognised. A reversal of an impairment loss is recognized as income immediately in the statement of consolidated statement of profit or loss and other comprehensive income.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

**a. Leases****As a lessee****Right-of-use assets**

The Group 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, 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, lease payments made at or before the commencement date, and an estimate of costs to dismantle and remove the underlying asset on the site on which it is located less any lease incentives received. Unless the Group 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. In addition, the right of use asset is periodically reduced by impairment losses if any, and adjusted for certain remeasurement of lease liability.

**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 Group'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 Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. Any such remeasurement in the lease liability is adjusted against the carrying value of the right-of-use asset or charged to consolidated statement of profit or loss if carrying value of the related asset is zero.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

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

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 substance fixed lease payments or a change in the assessment to purchase the underlying asset. In addition, the carrying amount of lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payment (e.g. changes to future payments resulting from a change in index on a rate used to determine sub lease payments) on a change in the assessment of an option to purchase the underlying asset.

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

The Group has elected not to recognize right of use assets and lease liabilities for leases of low value assets and short-term leases. The group recognizes the lease payments anticipated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

The Group 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.

When the Group 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 Group 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 Group applies the exemption described above, then it classifies the sub-lease as an operating lease

The Group 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.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****b. Equity accounted investee**

An equity accounted investee is an entity over which the Group 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 decision.

The Group 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 Group's share of net assets of the associate since the date of acquisition. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised, nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results in operations of the associate. Any change in other comprehensive income (OCI) of investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is presented on face of the consolidated statement of profit or loss after operating profit and represents share of profit / loss of associate after tax.

The financial statements of the associate are prepared for the same reporting period as the Group.

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 of equity accounted investment, and recognizes the impairment 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 consolidated statement of profit or loss.

**c. Foreign currency transactions**

Transactions in foreign currencies are translated into the functional currency of the Group (Saudi Riyal) 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. All foreign currency differences are recognized in consolidated statement of profit or loss.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

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

The Group 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 Group 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.

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

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

- The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date;
- The Group'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 Group's performance as the Group 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 from sale of airline equipment 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 Group 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.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****d. Revenue (continued)***Non airlines*

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

*Camp facility*

The performance obligation may include catering, accommodation etc. The revenue was recognised when the invoice is issued at the end of the month.

*Hotel - revenue*

Revenue from hotel room sales and from other ancillary guest services is recognized on a daily basis. The revenue is recognized as soon as the rooms are occupied and the services are rendered.

*Medical ex-gratia*

Income is recognized when the Group satisfies the performance obligation as defined in the agreement and is recorded over period of time.

All types of revenue are recorded net of returns, trade discounts and volume rebates (if any).

**e. Employee benefits***i. Short-term employee benefits*

Short-term employee benefits measured on an undiscounted basis are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group 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 consolidated statement of profit or loss in subsequent periods.

Past service costs are recognized in consolidated statement of profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Group 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 consolidated statement of profit or loss:

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****e. Employee benefits (continued)**

- 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 Group's obligation in respect of long-term employee benefits is the amount of future benefits 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 statement of consolidated profit or loss in the period in which they arise.

**iv. Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for a restructuring.

**f. Zakat and income tax**

The Group is subject to regulations issued by the Zakat, Tax and Customs Authority (ZATCA) 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 Group establishes provisions where appropriate on the basis of amounts expected to be paid to the ZATCA and yearly evaluates positions taken in the Zakat returns with respect to any Zakat differences. Zakat is charged to the consolidated statement of profit or loss. Additional Zakat liability, if any, related to prior years' assessments arising from ZATCA are accounted for in the year in which the final assessments are finalized.

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

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in consolidated 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.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****f. Zakat and income tax (continued)**

Deferred tax liabilities and assets are measured at tax rates that are expected to apply in the period in which the liability will 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 Group 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 ZATCA regulations. Such withholding tax is recorded as liability.

**g. Value added tax**

The Group 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"). Expense and assets are recognized net of the amount of VAT, except when the VAT incurred on a purchase of assets on services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of cost of acquisition of the asset or as part of expense item, as applicable.

**h. Segment information**

A segment is a distinguishable component of the Group that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Group 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 Group has the following three strategic divisions, which are reportable segments and are defined and used by the Board of Directors when reviewing the Group'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:

Reportable segments	Operations
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 Group's Board reviews the internal management reports of each strategic division at least quarterly.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

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

Contingent assets are not recognized in the consolidated 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 will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Group.

**j. Finance income and finance cost**

Finance income or expense is recognised using the effective interest method.

**k. Operating profit**

Operating profit is the result generated from the continuing principal revenue producing activities of the Group 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 Zakat and income tax.

**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 consolidated statement of profit or loss.

**m. Cash dividends to shareholders**

The Group 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 Group. 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 statement of change in equity with a corresponding liability in the consolidated statement of financial position.

**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 consolidated 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.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****o. Current versus non-current classification (continued)**

The Group 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 Group classifies all other liabilities as non-current.

**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 consolidated 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 Group.

**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 consolidated statement of profit or loss. Land is not depreciated.

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

Building & leasehold improvements	1-30 years
Equipment	3-15 years
Motor vehicles	3-13 years

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**Notes to the Consolidated Financial Statements** (continued)

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(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****p. Property, plant and equipment (continued)**

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 consolidated statement of profit or loss. The estimated useful life of investment property is 18-22 years.

**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 consolidated statement of 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 consolidated statement of profit or loss. The estimated useful life of intangible assets is 2.5-5 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.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****u. Statutory reserve**

In accordance with the Saudi Arabian Regulations for Companies, the Group 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 Group.

**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.

**w. Provisions**

A provision is recognized if, as a result of a past event, the Group 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 Group 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.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

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(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****x. Financial instruments (continued)**

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 Group 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.

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 Group 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 consolidated statement of 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 consolidated statement of profit or loss. Any gain or loss on derecognition is recognized in consolidated statement of profit or loss and other comprehensive income.
<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 consolidated statement of profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to consolidated statement of profit or loss and other comprehensive income.
<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 consolidated statement of 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 consolidated statement of profit or loss and other comprehensive income.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****x. Financial instruments (continued)****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 consolidated statement of 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 consolidated statement of profit or loss. Any gain or loss on derecognition is also recognised in consolidated statement of 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 Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group 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.

**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 Group 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 consolidated statement of 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.



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**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****x. Financial instruments (continued)**

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 Group'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 Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is past due as per terms of agreement with customers.

*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 Group 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 Group on terms that the Group 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.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

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(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****x. Financial instruments (continued)***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 consolidated statement of profit or loss.

For debt securities at FVOCI, the loss allowance is charged to consolidated statement of 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 Group'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.

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 consolidated 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.

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**Notes to the Consolidated Financial Statements** (continued)

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****z. Borrowing and finance cost (continued)**

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 consolidated 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 Group 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.

**bb. Business combinations**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions, that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in consolidated equity. Gains or losses on disposals to non-controlling interests are also recorded in consolidated equity.

Upon loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of consolidated equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investment or other categories of investment in accordance with the Group's relevant accounting policy.

**i. Subsidiaries**

Subsidiaries are entities which are controlled by the Group. To meet the definition of control, all three criteria must be met:

- i) the Group has power over the entity;
- ii) the Group has exposure, or rights, to variable returns from its involvement with the entity; and
- iii) the Group has the ability to use its power over the entity to affect the amount of the entity's returns.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

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**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****bb. Business combinations (continued)**

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which the control is transferred from the Group. The results of subsidiaries acquired or disposed of during the year, if any, are included in the consolidated statement of profit or loss from the date of the acquisition or up to the date of disposal, as appropriate.

**ii. Non-controlling interests**

Non-controlling interests represent the portion of net income and net assets of subsidiaries not owned, directly or indirectly, by the Company and are presented separately in the consolidated statement of profit or loss and within equity in the consolidated statement of financial position, separately from Shareholders equity. Any losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

**iii. Associates**

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted value or recoverable amount. Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any.

**iv. Transactions eliminated on consolidation**

Inter-group balances, income and expenses (except for foreign currency transaction gains or losses) arising from inter-group transactions are eliminated in full in preparing the consolidated financial statements.

**cc. Investment in associates**

The Group's investment in associates is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate.

Losses in excess of the cost of the investment in an associate are recognised when the Group has incurred obligations on its behalf. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associate, while the Group share of other comprehensive income / loss is included in the statement of other comprehensive income. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any such changes and presents, when applicable, in the consolidated statement of changes in equity.

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

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(Expressed in Saudi Arabian Riyals)

**4. SIGNIFICANT ACCOUNTING POLICIES (continued)****cc. Investment in associates (continued)**

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the consolidated statement of profit or loss. The recoverable amount of the investment in the associate is considered to be the higher of fair value less costs to sell and its value in use.

Gains or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate. The reporting dates of the associate and the Group are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

**dd. Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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**Notes to the Consolidated Financial Statements** (continued)

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**5. PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE**

The following is a brief on the other new IFRS and amendments to IFRS, effective for annual periods beginning on or after 1 January 2022. The Group has opted not to early adopt these pronouncements and they do not have a significant impact on the financial statements of the Group.

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1-Apr-21	Amendments to IFRS 16: Leases for COVID-19 rent related concessions: Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications.
1-Jan-22	A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.  Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in statement of income.  Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.  Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'.

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**Notes to the Consolidated Financial Statements** (continued)

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**5. PRONOUNCEMENTS ISSUED AND NOT YET EFFECTIVE (continued)**

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
1-Jan-24	Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period.
1-Jan-23	Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.
1-Jan-23	Amendment to IAS 12-deferred tax related to assets and liabilities arising from a single transaction	These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
1-Jan-23	IFRS 17, 'Insurance contracts', as amended in June 2020	This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

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**Notes to the Consolidated Financial Statements** (continued)

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**6. PROPERTY, PLANT AND EQUIPMENT****a. Reconciliation and carrying amount**

Property, plant and equipment at December 31, 2021 comprises of the following:

	Land	Building & leasehold improvements	Equipment	Motor vehicles	Under construction	Total
<b>Cost:</b>						
Balance at January 1, 2021	33,786,058	351,243,669	187,351,213	147,531,665	38,244,651	758,157,256
Additions	--	1,056,301	3,176,068	23,283	31,917,322	36,172,974
Disposals	--	(7,144,530)	(18,106,229)	(2,001,559)	--	(27,252,318)
Written off	--	--	--	--	(1,063,839)	(1,063,839)
Transfer from capital work in progress	--	33,165,903	20,059,030	1,569,627	(54,794,560)	--
Balance at December 31, 2021	<b>33,786,058</b>	<b>378,321,343</b>	<b>192,480,082</b>	<b>147,123,016</b>	<b>14,303,574</b>	<b>766,014,073</b>
<b>Accumulated depreciation:</b>						
Balance at January 1, 2021	--	126,811,999	109,438,328	66,018,305	--	302,268,632
Charge for the year	--	35,581,096	29,232,370	14,860,007	--	79,673,473
Disposals	--	(4,259,071)	(17,673,875)	(2,001,559)	--	(23,934,505)
Balance at December 31, 2021	--	<b>158,134,024</b>	<b>120,996,823</b>	<b>78,876,753</b>	--	<b>358,007,600</b>
<b>Net book value:</b>						
At December 31, 2021	<b>33,786,058</b>	<b>220,187,319</b>	<b>71,483,259</b>	<b>68,246,263</b>	<b>14,303,574</b>	<b>408,006,473</b>

Property, plant and equipment at December 31, 2020 comprises of the following:

	Land	Building & leasehold improvements	Equipment	Motor vehicles	Under construction	Total
<b>Cost:</b>						
Balance at January 1, 2020 (as previously stated)	33,786,058	307,857,426	214,069,352	122,635,369	92,812,798	771,161,003
Reclassification (note 6a.2)	--	14,381,501	(43,458,796)	29,077,295	--	--
Balance at January 1 2020 (Restated)	33,786,058	322,238,927	170,610,556	151,712,664	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)
Written off	--	--	--	--	(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>351,243,669</b>	<b>187,351,213</b>	<b>147,531,665</b>	<b>38,244,651</b>	<b>758,157,256</b>
<b>Accumulated depreciation:</b>						
Balance at January 1, 2020	--	53,313,043	116,985,366	40,702,054	--	211,000,463
Reclassification (note 6a.2)	--	14,381,501	(43,458,796)	29,077,295	--	--
Balance at January 1 2020 (Restated)	--	67,694,544	73,526,570	69,779,349	--	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>126,811,999</b>	<b>109,438,328</b>	<b>66,018,305</b>	--	<b>302,268,632</b>
<b>Net book value:</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>

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

6 (a)1. There are no restrictions on any asset neither any asset have been pledged as security to any party.

6 (a)2. The Group re-classified certain amounts (cost and accumulated depreciation) from Equipment to Motor vehicles and Building &amp; leasehold improvements in the comparative period to appropriately reflect the class of asset as per the Fixed assets register. This reclass did not impact the net book value of Property, plant and equipment as the assets reclassified were fully depreciated and accordingly, there was no impact on the consolidated statement of financial position and consolidated statement of profit or loss.

6 (a)3. During the year the major disposal items related to the building and service facilities of Private Aviation Lounge at King Khaled International Airport Riyadh, furniture and equipment of management staffs in Saudia City accommodation and camp accommodation.

**b. Capital work in progress**

Under construction represents construction works at Alfursan Lounge at King Abdulaziz International Airport (New Airport), King Abdullah Economic City Laundry Plant, Jeddah Unit and Riyadh Unit Building modifications.

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

	<u>2021</u>	<u>2020</u>
Cost of sales (note 25)	71,229,649	83,048,580
General and administrative expenses (note 27)	8,443,824	9,495,865
	<u>79,673,473</u>	<u>92,544,445</u>

**7. INTANGIBLE ASSETS**

The reconciliation of intangible assets is as follows:

	<u>2021</u>	<u>2020</u>
<b>Cost</b>		
Balance at January 1 and December 31	5,705,915	5,705,915
<b>Accumulated amortization</b>		
Balance at January 1	4,589,181	3,859,725
Amortisation (note 27)	686,050	729,456
<b>Balance at December 31</b>	<u>5,275,231</u>	<u>4,589,181</u>
<b>Carrying amounts</b>	<u>430,684</u>	<u>1,116,734</u>

The amortisation of intangible assets is included in general and administrative expenses.

**8. INVESTMENT PROPERTY**

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

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**8. INVESTMENT PROPERTY (continued)****b. Reconciliation and carrying amount**

The reconciliation of investment property at December 31 is as follows:

	<u>2021</u>	<u>2020</u>
<b>Cost</b>		
Balance at January 1	43,054,931	42,876,890
Addition	--	178,041
<b>Balance at December 31</b>	<u>43,054,931</u>	<u>43,054,931</u>
<b>Accumulated depreciation</b>		
Balance at January 1	8,443,833	6,488,406
Charge for the year (note 27)	1,958,841	1,955,427
<b>Balance at December 31</b>	<u>10,402,674</u>	<u>8,443,833</u>
<b>Net Book Value At December 31</b>	<u>32,652,257</u>	<u>34,611,098</u>

As at December 31, 2021, the Company has appointed an independent external valuer (having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued) to determine the fair value of the investment property. Based on independent property valuers, the fair value of property is greater than the cost of investment property as at December 31, 2021.

**c. Depreciation amount**

The depreciation of investment property is included in general and administrative expenses.

**9. RIGHT-OF-USE ASSETS, LEASE LIABILITIES AND SUBLEASED ASSETS****a. Right-of-use assets**

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

	<u>2021</u>	<u>Commercial Building Lease</u>	<u>Land Lease</u>	<u>Residential Lease</u>	<u>Vehicles Lease</u>	<u>Total</u>
<b>Cost:</b>						
Balance at January 1, 2021	454,745,050	59,814,366	145,445,614	14,763,450	674,768,480	
Additions	4,057,272	--	--	--	4,057,272	
Lease modifications	(9,671,069)	--	--	--	(9,671,069)	
Terminations	(2,712,141)	--	--	--	(2,712,141)	
Balance at December 31, 2021	<u>446,419,112</u>	<u>59,814,366</u>	<u>145,445,614</u>	<u>14,763,450</u>	<u>666,442,542</u>	
<b>Accumulated depreciation:</b>						
Balance at January 1, 2021	132,444,452	5,515,672	19,888,124	7,386,784	165,235,032	
Charge for the year	67,659,958	2,757,835	11,125,874	3,693,392	85,237,059	
Lease modifications	--	--	--	--	--	
Terminations	(918,566)	--	--	--	(918,566)	
Balance at December 31, 2021	<u>199,185,844</u>	<u>8,273,507</u>	<u>31,013,998</u>	<u>11,080,176</u>	<u>249,553,525</u>	
<b>Carrying amounts:</b>						
At December 31, 2021	<u>247,233,268</u>	<u>51,540,859</u>	<u>114,431,616</u>	<u>3,683,274</u>	<u>416,889,017</u>	

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**9. RIGHT -OF-USE ASSETS, LEASE LIABILITIES AND SUBLEASED ASSETS (continued)**a. Right-of-use assets (continued)

<b>2020</b>	<b>Commercial Building</b>		<b>Residential Lease</b>	<b>Vehicles Lease</b>	<b>Total</b>
	<b>Lease</b>	<b>Land Lease</b>			
<b>Cost:</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	454,745,050	59,814,366	145,445,614	14,763,450	674,768,480
<b>Accumulated depreciation:</b>					
Balance at January 1, 2020	65,153,375	2,757,836	10,250,167	3,693,392	81,854,770
Charge for the year	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>Carrying amounts:</b>					
<b>At December 31, 2020</b>	<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>

- Additions during the year ended December 31, 2021 relate to Riyadh Terminal 5 New Shop contract. (December 31, 2020: Additions during the year relate to Riyadh Terminal 5 Shop, Al-Haramain Contracts, Riyadh STC Cafeterias, Riyadh Terminal 2 Welcome Lounge and Darzan Motel contracts).
- Lease modifications during the year ended December 31, 2021 relate to the reduction of Darzan Contract from the contract end year of 2026 to 2023. (December 31, 2020: Lease modifications during the year relate to the extension of Jeddah Unit Building from 2.2 years to 3.6 years).
- Terminations during the year ended December 31, 2021 relates to Alfursan Cairo Terminal 2 (Transit Hotel) and Al Baha contract. (December 31, 2020: Terminations during the year 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>Note</b>	<b>2021</b>	<b>2020</b>
Cost of sales	25	<b>75,941,292</b>	76,176,623
General and administrative expenses	27	<b>9,295,767</b>	10,698,838
		<b>85,237,059</b>	86,875,461

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**9. RIGHT -OF-USE ASSETS, LEASE LIABILITIES AND SUBLEASED ASSETS (continued)**b. Lease Liabilities

Movement in lease liabilities over the year is as follows:

	<b>2021</b>	<b>2020</b>
Lease liability at beginning of the year	<b>580,085,903</b>	533,866,178
Additions to lease liabilities	<b>4,057,272</b>	26,736,747
Increase in lease liability due to finance cost	<b>20,275,131</b>	26,912,213
Lease modification	<b>(9,631,561)</b>	33,119,514
Termination of lease liabilities	<b>(1,833,082)</b>	(2,827,374)
Lease payment made during the year	<b>(118,454,281)</b>	(37,721,375)
Lease liabilities at end of the year	<b>474,499,382</b>	580,085,903
Less: Current portion of lease liabilities	<b>(143,655,076)</b>	(167,856,691)
Non-Current portion of lease liabilities	<b>330,844,306</b>	412,229,212

Lease liabilities as at December 31 are as follows:

**December 31, 2021**

	<b>Future Minimum Lease Payment</b>	<b>Interest</b>	<b>Present Value of Minimum Lease Payment</b>
Commercial building lease	351,456,505	47,694,584	303,761,921
Land leases	78,745,746	32,931,843	45,813,903
Residential leases	183,232,174	58,522,975	124,709,199
Car leases	232,558	18,199	214,359
<b>As at December 31, 2021</b>	<b>613,666,983</b>	<b>139,167,601</b>	<b>474,499,382</b>

**December 31, 2020**

	<b>Future Minimum Lease Payment</b>	<b>Interest</b>	<b>Present Value of Minimum Lease Payment</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>

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**9. RIGHT -OF-USE ASSETS, LEASE LIABILITIES AND SUBLEASED ASSETS (continued)****b. Lease Liabilities (continued)**

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

	<u>2021</u>	<u>2020</u>
Current portion of lease liabilities	143,655,076	167,856,691
Non-current portion of lease liabilities	330,844,306	412,229,212
	<u>474,499,382</u>	<u>580,085,903</u>

The aging of minimum lease payments together with the present value of minimum lease payments as of December 31, 2021 and December 31, 2020 are as follows:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Minimum lease payments</u>	<u>Present value of payments</u>	<u>Minimum lease payments</u>	<u>Present value of payments</u>
Less than one year	153,443,781	143,655,076	170,010,968	167,856,691
One to five years	222,238,546	200,590,920	289,210,002	256,677,780
More than five years	237,984,656	130,253,386	274,059,989	155,551,432
Total	613,666,983	474,499,382	733,280,959	580,085,903
Less: financial charges	(139,167,601)	--	(153,195,056)	--
Balance at the end of year	<u>474,499,382</u>	<u>474,499,382</u>	<u>580,085,903</u>	<u>580,085,903</u>

**c. Subleased assets**

The Group sub-leases asset, AM1 Building in King Khalid International Airport in Riyadh. The management has classified this lease as finance lease. Furthermore, the Group 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>2021</u>	<u>2020</u>
Net subleased assets at beginning of the year	23,482,995	25,385,157
Increase due to finance income	591,510	725,310
Lease payments received during the year	--	(2,627,472)
Net subleased assets at end of the year	<u>24,074,505</u>	<u>23,482,995</u>
Less: Current portion of net subleased assets	<u>(17,600,070)</u>	<u>(14,190,822)</u>
Non-Current portion of net subleased assets	<u>6,474,435</u>	<u>9,292,173</u>

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**9. RIGHT -OF-USE ASSETS, LEASE LIABILITIES AND SUBLEASED ASSETS (continued)****c. Subleased assets (continued)**

At December 31, the sublease assets are presented in the consolidate statement of financial position as follows:

	<u>2021</u>	<u>2020</u>
Current portion of subleased assets	17,600,070	14,190,822
Non-current portion of subleased assets	6,474,435	9,292,173
	<u>24,074,505</u>	<u>23,482,995</u>

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Minimum lease payments</u>	<u>Present value of payments</u>	<u>Minimum lease payments</u>	<u>Present value of payments</u>
Less than one year	18,118,182	17,600,070	14,568,900	14,190,822
One to five years	8,339,625	6,474,435	11,675,475	9,292,173
Total	26,457,807	24,074,505	26,244,375	23,482,995
Less: financial charges	(2,383,302)	--	(2,761,380)	--
Balance at the end of year	<u>24,074,505</u>	<u>24,074,505</u>	<u>23,482,995</u>	<u>23,482,995</u>

Lease receivables as at December 31 are as follows:

**2021**

	<u>Future Minimum Lease Payment</u>	<u>Interest</u>	<u>Present Value of Minimum Lease Payment</u>
Commercial building lease as at December 31, 2021	26,457,807	2,383,302	24,074,505

**2020**

	<u>Future Minimum Lease Payment</u>	<u>Interest</u>	<u>Present Value of Minimum Lease Payment</u>
Commercial building lease as at December 31, 2020	26,244,375	2,761,380	23,482,995

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**9. RIGHT -OF-USE ASSETS, LEASE LIABILITIES AND SUBLEASED ASSETS (continued)****d. Operating lease**

The Group 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 December 31, 2021 was SR. 2.1 million (December 31, 2020: SR. 3.1 million).

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

**2021**

Less than one year	8,416,000
One to five years	42,080,000
More than five years	16,832,000
	<u>67,328,000</u>

**2020**

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

iii. Amount recognized in consolidated statement of profit or loss

**2021**

Interest on lease liabilities	<u>20,275,058</u>
Income from sub-leasing right of use assets	<u>591,510</u>
Rent expense relating to short term lease	<u>8,015,792</u>
Rent relating to lease of low value assets	<u>--</u>

**2020**

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

**10. EQUITY ACCOUNTED INVESTEE****a. Investment in associate**

The Group has a 40% shareholding in Saudi French Company for Duty Free Operations and Management. (Limited liability Company), a Company incorporated in kingdom of Saudi Arabia, During the previous year ended December 31, 2020 the Group has fully impaired its investment in equity accounted investment.

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

b. The movement in the investment in equity accounted investee for the year ended December 31 is as follows:

	<u>2021</u>	<u>2020</u>
Opening balance	--	11,588,345
Share in net loss	--	(8,361,611)
Impairment loss	--	(3,125,930)
Share of other comprehensive loss	--	(100,804)
Closing balance	<u>--</u>	<u>--</u>

c. Below is the summary of the financial information of the investee as at December 31, 2021 and December 31, 2020.

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, 2021 is based on management draft financial statements.

*Share in net assets*

	<u>2021</u>	<u>2020</u>
Non current assets	<u>10,557,485</u>	17,289,177
Current assets	<u>92,470,627</u>	58,893,222
Total assets	<u>103,028,112</u>	<u>76,182,399</u>
Non current liabilities	<u>2,521,799</u>	2,026,300
Current liabilities	<u>89,627,998</u>	67,093,657
Total liabilities	<u>92,149,797</u>	<u>69,119,957</u>
<b>Net assets</b>	<u>10,878,315</u>	<u>7,062,442</u>

Group's share in net assets

Carrying value of investment

*Share in profit / (loss)*

	<u>2021</u>	<u>2020</u>
Revenue	<u>165,123,492</u>	98,075,233
Net Profit / (loss) for the year	<u>3,730,066</u>	(20,904,027)
Other adjustment	<u>--</u>	<u>--</u>
Revised net Profit / (loss) for the year	<u>3,730,066</u>	(20,904,027)
Other comprehensive loss	<u>--</u>	(252,009)
Group's share of loss for the year (40%)	<u>--</u>	(8,361,611)
Impairment loss	<u>--</u>	(3,125,930)
Group's share of other comprehensive loss (40%)	<u>--</u>	(100,804)



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**11. FINANCIAL ASSETS AT AMORTIZED COST**

Financial assets at amortized cost as of December 31, 2021 and December 31, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Margin deposits on guarantees and bonds	<u>4,230,000</u>	<u>17,497,223</u>

**12. INVENTORIES**

a. Inventories as December 31, 2021 and December 31, 2020 comprises of the following:

	<u>2021</u>	<u>2020</u>
Retail items	53,563,514	82,058,542
Catering items	19,871,308	27,084,037
Spare parts	8,331,456	8,500,097
Packing and other materials	<u>10,517,605</u>	<u>12,331,731</u>
	<u>92,283,883</u>	<u>129,974,407</u>
Provision for obsolete inventories	<u>(25,672,305)</u>	<u>(14,010,975)</u>
	<u>66,611,578</u>	<u>115,963,432</u>

b. Movement in provision for obsolete inventories as December 31, 2021 and December 31, 2020 for the year was as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	14,010,975	11,087,867
Charge for the year	<u>11,661,330</u>	<u>2,923,108</u>
Balance at end of the year	<u>25,672,305</u>	<u>14,010,975</u>

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 as December 31, 2021 and December 31, 2020 comprise of the following:

	Note	<u>2021</u>	<u>2020</u>
Trade receivables – related parties	23 c	582,816,290	688,838,692
Trade receivables – third parties		<u>208,577,769</u>	<u>200,463,671</u>
		<u>791,394,059</u>	<u>889,302,363</u>
Less: Allowance for expected credit losses	13 c	<u>(126,596,732)</u>	<u>(88,705,847)</u>
		<u>664,797,327</u>	<u>800,596,516</u>

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

- Trade receivables disclosed above are classified as loans and receivables and are measured at amortized cost.
- The Group does not have any collateral over receivables and are unsecured.
- On December 31, 2021 79% of the trade receivables is due from Government or semi-Government entities (December 31, 2020: 82%)

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>	Total
<b>December 31, 2021</b>	<u>498,619,823</u>	<u>42,403,530</u>	<u>250,370,706</u>	<u>791,394,059</u>
December 31, 2020	<u>270,201,081</u>	<u>169,194,344</u>	<u>449,906,938</u>	<u>889,302,363</u>

c. The movement in allowance for expected credit losses against trade and other receivables at December 31, 2021 and December 31, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	88,705,847	51,625,753
Charged for the year	37,894,043	39,033,865
Reversal during the year	--	(1,835,469)
Write-off during the year	<u>(3,158)</u>	<u>(118,302)</u>
Balance at end of the year	<u>126,596,732</u>	<u>88,705,847</u>

**14. PREPAYMENTS AND OTHER CURRENT ASSETS**

Prepayments and other current assets at December 31, 2021 and December 31, 2020 comprise of the following:

	<u>2021</u>	<u>2020</u>
Advances to suppliers	42,288,101	44,255,115
Prepayments	39,988,245	17,913,157
Unbilled receivables	30,803,773	12,342,885
VAT input tax	2,645,444	7,946,128
Margin deposits with banks	19,398,222	8,005,337
Advances to employees	<u>1,353,089</u>	<u>394,015</u>
	<u>136,476,874</u>	<u>90,856,637</u>

Unbilled receivables represent billing not yet approved by customers. As at December 31, 2021 and December 31, 2020 the unbilled receivables balances was having aging of less than one year.

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**15. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents at December 31, 2021 and December 31, 2020 comprise of the following:

	<u>2021</u>	<u>2020</u>
Cash at bank - current accounts	175,886,157	257,189,516
Cash in hand	576,210	264,383
	<u>176,462,367</u>	<u>257,453,899</u>

The carrying value of bank balances (included above) represents its maximum exposure to credit risk without taking into account any collateral and other credit enhancements. Moreover, none of the bank balances was impact at the reporting date.

The Group has an account in HSBC Bank Egypt. The account is in the name of Saudi Arabian Airlines. The account is fully controlled by the Group. The balance as of the account as of December 31, 2021 was EGP 1.9 million (December 31, 2020: EGP 1.3 million).

**16. SHORT-TERM BORROWING**

During the year ended December 31,2020, the Group entered into a revolving facility agreement amounting to SR 300 million with Saudi British Bank (SABB) to meet its working capital requirements. The loan carried commission at commercial rates. During the year ended December 31, 2021 the Group has settled the borrowing and there is nil balance outstanding in respect of short term borrowing.

Short-term borrowing at December 31, 2021 and December 31, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Short-term borrowing	--	300,000,000

**17. SHARE CAPITAL**

At December 31, 2021, the authorized, issued and paid-up capital is SR 820,000,000 divided into 82,000,000 equal shares at SR 10 each. (December 31, 2020: SR 820 million consists of 82 million shares of SR 10 each).

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

**Shareholders as December 31,2021**

<u>Name of Shareholders</u>	<u>No. of shares</u>	<u>Amount</u>	<u>Percentage of shareholding</u>
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.70%
Abdulmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.40%
General public	45,014,744	450,147,440	54.90%
	<u>82,000,000</u>	<u>820,000,000</u>	<u>100.00%</u>

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**17. SHARE CAPITAL continued)**

Shareholders as December 31, 2020

<u>Name of Shareholders</u>	<u>No. of shares</u>	<u>Amount</u>	<u>Percentage of shareholding</u>
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.70%
Strategic Catering Company Limited	481,618	4,816,180	0.59%
Abdulmohsen 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>

During the year ended December 31, 2021, a shareholder (Strategic Catering Company Limited) sold its shares to General public. The related legal formalities has been completed.

The shareholders are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Group.

**18. STATUTORY RESERVE**

In accordance with the Group's bylaws approved by the General Assembly meeting dated April 17, 2017 and the new Saudi Arabian Regulations for Companies, the Group sets aside 10% of its profit each year as statutory reserve until such reserve equals to 30% of the share capital.

During the year ended December 31,2021 the Group transferred the surplus amount of statutory reserve that exceeded 30% of its statutory reserve amounting to SR 107.8 million to the accumulated losses account. The transfer was approved by the General Assembly meeting dated May 04, 2021. Below is the movement as of statutory reserve at December 31, 2021 and December 31, 2020:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	353,835,879	353,835,879
Transfer to Accumulated losses	(107,835,879)	--
Balance at end of the year	<u>246,000,000</u>	<u>353,835,879</u>

**19. DIVIDENDS**

The movement in the dividends payable for the year ended December 31, 2021 and December 31, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	1,260,985	1,422,759
Declared during the year	--	112,934,489
Paid during the year	(80,055)	(113,096,263)
Balance at end of the year	<u>1,180,930</u>	<u>1,260,985</u>

No dividend was announced during the year ended December 31,2021 until reporting date.

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**20. EMPLOYEES BENEFITS**

	Notes	2021	2020
Present value of defined benefit obligation	20 a	148,197,674	155,086,931
Accrued bonus - long term	20 b	7,500,000	10,520,100
		<u>155,697,674</u>	<u>165,607,031</u>

**a. Defined benefit obligations**

The Group operates an approved unfunded employees end of service benefit plan (EOSB) for its employees as required by the Saudi Arabia Labor law.

An independent actuarial exercise has been conducted by the Group as of December 31, 2021 and December 31, 2020 to ensure the adequacy of provision employees end of service benefits in accordance with the rules stated under Saudi Arabian labor law by using the projected credit method as required under international accounting standards 19 : Employees Benefits.

**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.

	2021	2020
Balance at January 1	155,086,931	172,719,112
<b>Current service cost included in consolidated statement of profit or loss</b>		
Service cost	9,100,263	17,267,581
Finance cost	2,744,377	3,478,573
	<u>11,844,640</u>	<u>20,746,154</u>
<b>Included in other comprehensive income</b>		
- Financial assumptions	(11,184,394)	(4,373,099)
- Experience adjustment	12,797,994	2,226,463
Actuarial loss / (gain):	<u>1,613,600</u>	<u>(2,146,636)</u>
<b>Other</b>		
Benefits paid	(20,347,497)	(36,231,699)
Balance as at December 31	<u>148,197,674</u>	<u>155,086,931</u>

**ii) Actuarial assumptions**

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

	2021	2020
Discount rate %	2.00%	1.92%
Future salary growth %	1.00%	1.92%
Retirement age	60 years	60 years

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**20. EMPLOYEES BENEFITS (continued)****a. Defined benefit obligations (continued)**

Assumptions relating to future mortality is based on published statistics and mortality tables. The weighted average duration defined benefit obligations was 4.79 years (December 31, 2020 4.81 years)

**iii) Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2021		2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(141,461,985)	155,643,309	(148,006,354)	162,922,795
Future salary growth (1% movement)	156,464,689	(140,585,706)	163,693,347	(147,163,332)

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 December 31, 2021 and December 31, 2020 is as follows:

	2021	2020
Balance at January 1	10,520,100	4,031,202
Accrued during the year	--	10,500,000
Benefits paid	--	(3,317,577)
Reversal	(3,020,100)	(693,525)
	<u>7,500,000</u>	<u>10,520,100</u>

**21. ACCRUED ZAKAT AND INCOME TAX**

Accrued zakat and income tax at December 31, 2021 and December 31, 2020 comprise of the following:

	2021	2020
Zakat payable	20,075,409	18,645,913
Income (refund)	(7,127,198)	(7,127,198)
	<u>12,948,211</u>	<u>11,518,715</u>

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**21. ACCRUED ZAKAT AND INCOME TAX (continued)****a. Zakat and income tax provision**

i) The movement summary accrual for the year ended December 31, 2021 and December 31, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	18,645,913	29,696,293
Charge for the year	20,075,409	18,645,913
Adjustment related to prior years	(362,821)	(218,332)
Payments during the year	(18,283,092)	(29,477,961)
Balance at December 31	<u>20,075,409</u>	<u>18,645,913</u>

ii) The movement in income tax for the year ended December 31, 2021 and December 31, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of the year	(7,127,198)	4,485,885
Charge for the year	--	--
Adjustment related to prior year	--	417,288
Payments during the year	--	(12,030,371)
Balance at December 31	<u>(7,127,198)</u>	<u>(7,127,198)</u>

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

	<u>2021</u>	<u>2020</u>
Zakat charge for the year	20,075,409	18,645,913
Zakat prior year adjustment	(362,821)	(218,332)
	<u>19,712,588</u>	<u>18,427,581</u>
Income tax charge of the year	--	--
Income tax prior year adjustment	--	417,288
	<u>--</u>	<u>417,288</u>
Total Zakat and income tax charge for the year	<u>19,712,588</u>	<u>18,844,869</u>

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**21. ACCRUED ZAKAT AND INCOME TAX (continued)****b. Zakat components**

	<u>2021</u>	<u>2020</u>
Non-current assets	868,682,866	1,027,939,300
Non-current liabilities	486,541,980	577,836,243
Total equity	872,518,744	860,076,885
Profit / (loss) before Zakat and income tax	<u>33,768,047</u>	<u>(315,841,530)</u>

**c. Zakat assessments**

The Group has submitted its Zakat and tax declarations for the years from 2009 to 2018. It has received queries from ZATCA in respect of all these years and has provided responses for the years 2009 to 2020. ZATCA issued an assessment for 2015 to 2018 on December 22, 2020 claiming additional Zakat and tax penalties and the Group has submitted its objection against the ZATCA's assessment. Post submission of the objection, the ZATCA held a hearing with the Group's representatives to discuss the assessment and objection points. The ZATCA issued a revised assessment. Group has escalated the case to the General Secretariat of Tax Committees ("GSTC"). ZATCA issued an assessment for 2019 and 2020 claiming additional Zakat and tax penalties, the Group has submitted its objection against ZATCA's assessment and is in process of submitting the information required by ZATCA after the preliminary hearing. For Zakat and tax declaration for 2008, ZATCA issued an assessment claiming additional Zakat and tax with delay penalty, the Group settled the amount under protest and filed an objection through a letter dated October 11, 2010. Since the Group did not receive any notification from ZATCA on its objection the Group escalated the objection to the General Secretariat of Tax Committees in January 2021.

The Group has submitted its Zakat and tax declaration for the year 2020. The Group has obtained a certificate until April 30, 2022.

**22. TRADE AND OTHER PAYABLES**

Trade and other payables at December 31, 2021 and December 31, 2020 comprise the following:

	<u>Note</u>	<u>December 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Trade payables – third parties		185,714,765	229,570,542
Trade payables – related parties	23 c	26,787,908	26,124,556
Accrued expenses and other credit balances		201,283,468	132,755,989
Dividend payable	19	1,180,930	1,260,985
		<u>414,967,071</u>	<u>389,712,072</u>

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**Notes to the Consolidated Financial Statements** (continued)

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**23. RELATED PARTIES TRANSACTIONS ANA BALANCES**

- a. Related parties includes the Group's shareholders, associated companies, directors and key management personnel. Terms and conditions of these transactions at agreed rates are approved by the Group's management. Transactions are mainly includes 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.

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

<u>Name</u>	<u>Relationship</u>
Saudi Arabian Airlines Corporation	Shareholder
Saudi Private Aviation	Fellow subsidiary
Saudi Royal fleet	Fellow subsidiary
Saudia Aerospace Engineering Industries	Fellow subsidiary
Prince Sultan Aviation Academy	Fellow subsidiary
Flyadeal	Fellow subsidiary
Al Salam Aircraft Company	Fellow subsidiary
Saudi Ground Services Company	Fellow subsidiary
Saudi French Company for Duty Free Operations and Management	Associate
Saudi Airlines Real Estate Development Company	Fellow subsidiary
Alhokair Company Joint Stock Company	Fellow subsidiary
Newrest Company Holding S.L.	Fellow subsidiary
Saudi Airline Cargo Company	Fellow Subsidiary

- b. Transactions with key management personnel

Key management personnel compensation comprised the following:

	<u>2021</u>	<u>2020</u>
Short term employee benefits	8,939,922	6,477,965
Post-employment benefits	149,850	248,599
Termination benefits	682,960	438,094
	<u>9,772,732</u>	<u>7,164,658</u>

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**23. RELATED PARTIES TRANSACTIONS ANA BALANCES (continued)**

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

**i) Sale of goods and services [included under trade and other receivables (note 13)]:**

	<u>Relationship</u>	<u>Transactions values for the year</u>		<u>Closing balances</u>	
		<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>2021</u>	<u>2020</u>
Saudi Arabian Airlines Corporation	Shareholder	960,565,757	768,110,278	472,553,062	585,765,573
Saudi Private Aviation	Fellow subsidiary	32,474,219	26,963,143	17,151,960	17,806,926
Saudi Royal fleet	Fellow subsidiary	28,123,666	25,396,578	49,122,210	41,382,061
Saudia Aerospace Engineering Industries	Fellow subsidiary	3,264,969	1,477,189	8,622,808	5,364,566
Prince Sultan Aviation Academy	Fellow subsidiary	11,730	--	49,901	38,171
Flyadeal	Fellow subsidiary	5,710,023	798,972	1,464,864	495,995
Al Salam Aircraft Company	Fellow subsidiary	583,624	818,315	804,565	220,941
Saudi Ground Services Company	Fellow subsidiary	27,034,394	24,463,111	18,417,884	16,567,740
Saudi Airlines Cargo Company	Fellow subsidiary	7,649,426	7,929,169	8,737,860	11,159,362
Alhokair Company Joint Stock Company	Fellow subsidiary	56,376	16,096	--	(58,831)
Saudi French Company for Duty Free Operations and Management	Associate	2,958,218	1,880,188	4,811,787	9,165,574
Saudi Airlines Real Estate Development Company	Fellow subsidiary	148,774	529,910	1,079,389	930,614
<b>Total</b>				<u>582,816,290</u>	<u>688,838,692</u>

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**23. RELATED PARTIES TRANSACTIONS AND BALANCES (continued)**

c. Significant related parties' transactions and balances arising there from are as follows: (continued)

**ii) Purchase of goods, rentals and services provided [included in trade and other payables (note 22)]**

	Relationship	Transactions values for the year		Closing balances	
		December 31, 2021	December 31, 2020	2021	2020
Saudi Airlines Real Estate Development Company	Fellow subsidiary	4,727,471	12,617,487	23,788,449	22,110,575
Saudi Arabian Airlines Corporation	Shareholder	560,416	5,406,913	450,293	810,664
Saudia Aerospace Engineering Industries	Fellow subsidiary	247,861	247,861	1,091,285	843,425
Saudi Airlines Cargo Company	Fellow subsidiary	169,035	1,673,768	758,959	1,191,796
Saudi Ground Services Company	Fellow subsidiary	2,031,469	2,355,686	481,306	819,453
Alhokair Company Joint Stock Company	Fellow subsidiary	--	82,821	217,616	187,207
Newrest Company Holding S.L.	Fellow subsidiary	182,504	3,030,066	--	161,436
<b>Total</b>				<b>26,787,908</b>	<b>26,124,556</b>

**24. REVENUE**

	2021	2020
In-flight catering	797,420,325	569,914,365
Non-airlines	250,445,865	199,433,183
Business lounge	109,231,754	72,577,387
Retail revenue	43,138,058	64,667,672
<b>Other operating revenues</b>		
Camp facilities sales (staff feeding & accommodation)	11,276,004	17,857,005
Exclusivity purchase income & services to suppliers	995,864	2,124,030
	<b>1,212,507,870</b>	<b>926,573,642</b>

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**25. COST OF SALES**

	Note	2021	2020
Cost of materials and goods		345,325,252	328,665,219
Personnel costs		235,899,956	220,918,952
Depreciation on property, plant and equipment	6 c	71,229,649	83,048,580
Depreciation on right-of-use assets	9 a	75,941,292	76,176,623
Rent and maintenance of production units		17,683,262	27,473,718
<b>Other operating costs:</b>			
Manpower and transportation cost		32,499,999	32,354,010
Supplies and expandable items		28,892,272	24,613,118
Communication and utilities		20,680,119	20,635,535
Other operational costs		52,510,907	70,454,066
		<b>880,662,708</b>	<b>884,339,821</b>

During the year the Group has written off SR 1.4 million from the inventory (December 31, 2020: Nil amount).

**26. OTHER INCOME**

	2021	2020
Management fee income	2,571,239	1,519,947
Medical ex - gratia income	2,400,000	2,400,000
Foreign currency exchange gain	74,234	--
Others	1,391,492	1,117,159
	<b>6,436,965</b>	<b>5,037,106</b>

**27. GENERAL AND ADMINISTRATIVE EXPENSES**

	Note	2021	2020
Employees costs		128,412,837	144,328,660
Service agreement fee		20,032,121	17,718,216
Professional and technical fee		12,771,733	12,651,867
Depreciation on right-of-use assets	9 a	9,295,767	10,698,838
Depreciation on property, plant and equipment	6 c	8,443,824	9,495,865
Utilities		7,047,762	7,400,643
Marketing and promotional		5,068,664	15,455,913
Board of Directors' fee		3,798,750	3,679,764
Insurance		3,612,173	4,167,659
Travelling		3,445,967	3,747,794
Depreciation on investment property	8	1,958,841	1,955,427
Amortization of intangible assets	7	686,050	729,456
Repairs and maintenance		280,788	2,774,702
Stationery and printing		121,929	136,922
Other		31,353,301	21,389,108
		<b>236,330,507</b>	<b>256,330,834</b>

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**28. OTHER EXPENSES**

	<u>2021</u>	<u>2020</u>
Banks commission	933,492	552,106
Foreign currency exchange loss	--	698,915
Loss on sale of property, plant and equipment	<u>2,767,350</u>	<u>275,882</u>
	<b><u>3,700,842</u></b>	<b><u>1,526,903</u></b>

**29. FINANCE INCOME**

	<u>2021</u>	<u>2020</u>
Finance income on sublease assets	<u>591,510</u>	<u>725,310</u>

**30. FINANCE COSTS**

	Note	<u>2021</u>	<u>2020</u>
Interest from lease liabilities	9 b	20,275,131	26,912,213
Interest on employees' end-of-service benefits	20 a	2,744,377	3,478,573
Interest on short-term borrowings		<u>4,160,690</u>	<u>4,003,307</u>
		<b><u>27,180,198</u></b>	<b><u>34,394,093</u></b>

**31. EARNINGS PER SHARE****a. Basic earnings / (loss) per share**

The calculation of basic earnings / (loss) 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>2021</u>	<u>2020</u>
Profit / (loss) for the year	<u>14,055,459</u>	<u>(334,686,399)</u>

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

	<u>2021</u>	<u>2020</u>
Weighted-average number of ordinary shares during the year	<u>82,000,000</u>	<u>82,000,000</u>

**iii. Earnings per share – basic**

	<u>2021</u>	<u>2020</u>
Earnings / (loss) per share	<u>0.17</u>	<u>(4.08)</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.

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**32. OPERATING SEGMENTS****A. Information about reportable segments****December 31, 2021**

	<u>Inflight</u>	<u>Retail</u>	<u>Catering and facilities</u>	<u>Total reportable segments</u>	<u>Overheads</u>	<u>Head office</u>	<u>Total</u>
External revenue	938,015,025	43,138,059	231,354,786	1,212,507,870	--	--	1,212,507,870
Inter-segment revenue	116,963,557	--	76,807,217	193,770,774	--	--	193,770,774
Segment revenue	<u>1,054,978,582</u>	<u>43,138,059</u>	<u>308,162,003</u>	<u>1,406,278,644</u>	--	--	<u>1,406,278,644</u>
Segment profit / (loss) before zakat and tax	250,967,681	(36,138,419)	32,340,185	247,169,447	(213,401,400)	--	33,768,047
Depreciation and amortization	109,015,847	9,229,655	9,672,745	127,918,247	39,637,176	--	167,555,423
<b>Assets:</b>							
Segment assets	1,128,482,748	125,140,666	179,102,743	1,432,726,157	--	--	1,432,726,157
Other assets	--	--	--	--	--	497,904,925	497,904,925
<b>Total</b>	<b><u>1,128,482,748</u></b>	<b><u>125,140,666</u></b>	<b><u>179,102,743</u></b>	<b><u>1,432,726,157</u></b>	<b><u>--</u></b>	<b><u>497,904,925</u></b>	<b><u>1,930,631,082</u></b>
<b>Liabilities:</b>							
Segment liabilities	537,485,560	62,128,288	70,560,853	670,174,701	--	--	670,174,701
Other liabilities	--	--	--	--	--	387,937,637	387,937,637
	<u>537,485,560</u>	<u>62,128,288</u>	<u>70,560,853</u>	<u>670,174,701</u>	<u>--</u>	<u>387,937,637</u>	<u>1,058,112,338</u>

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**32. OPERATING SEGMENTS (continued)****A. Information about reportable segments (continued)****December 31, 2020**

	<b>Inflight</b>	<b>Retail</b>	<b>Catering and facilities</b>	<b>Total reportable segments</b>	<b>Overheads</b>	<b>Head office</b>	<b>Total</b>
External revenue	652,072,724	64,610,182	209,890,736	926,573,642	--	--	926,573,642
Inter-segment revenue	94,892,570	(8,306)	80,062,022	174,946,286	--	--	174,946,286
Segment revenue	<b>746,965,294</b>	<b>64,601,876</b>	<b>289,952,758</b>	<b>1,101,519,928</b>	--	--	<b>1,101,519,928</b>
Segment profit / (loss) before zakat and tax	38,543,086	(64,396,159)	(46,988,902)	(72,841,975)	(242,999,555)	--	(315,841,530)
Depreciation and amortization	109,892,524	12,936,929	15,046,847	137,876,300	44,228,179	--	182,104,479
Impairment loss	--	--	(22,900,000)	(22,900,000)	--	--	(22,900,000)
<b>Assets:</b>							
Segment assets	1,348,476,364	149,536,385	214,018,173	1,712,030,922	--	--	1,712,030,922
Other assets	--	--	--	--	--	594,969,684	594,969,684
<b>Total</b>	<b>1,348,476,364</b>	<b>149,536,385</b>	<b>214,018,173</b>	<b>1,712,030,922</b>	--	<b>594,969,684</b>	<b>2,307,000,606</b>
<b>Liabilities:</b>							
Segment liabilities	734,994,278	84,947,451	96,489,704	916,431,433	--	--	916,431,433
Other liabilities	--	--	--	--	--	530,492,288	530,492,288
	<b>734,994,278</b>	<b>84,947,451</b>	<b>96,489,704</b>	<b>916,431,433</b>	--	<b>530,492,288</b>	<b>1,446,923,721</b>

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SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

**32. OPERATING SEGMENTS (continued)****B. Reconciliations of information on reportable segments to IFRS measures****I. Revenue**

	<b>2021</b>	<b>2020</b>
Total revenue for reportable segments	<b>1,406,278,644</b>	1,101,519,928
Elimination of intersegment revenue	<b>(193,770,774)</b>	(174,946,286)
<b>Total revenue</b>	<b>1,212,507,870</b>	<b>926,573,642</b>

**II. Profit**

	<b>2021</b>	<b>2020</b>
Total profit / (loss) for reportable segments	<b>247,169,447</b>	(72,841,975)
Overheads	<b>(213,401,400)</b>	(242,999,555)
<b>Total profit / (loss)</b>	<b>33,768,047</b>	<b>(315,841,530)</b>

**III. Assets**

	<b>2021</b>	<b>2020</b>
Total assets for reportable segments	<b>1,432,726,157</b>	1,712,030,922
Head office	<b>497,904,925</b>	594,969,684
<b>Total assets</b>	<b>1,930,631,082</b>	<b>2,307,000,606</b>

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

**IV. Liabilities**

	<b>2021</b>	<b>2020</b>
Total liabilities for reportable segments	<b>670,174,701</b>	916,431,433
Head office	<b>387,937,637</b>	530,492,288
<b>Total liabilities</b>	<b>1,058,112,338</b>	<b>1,446,923,721</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 Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

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**32. OPERATING SEGMENTS (continued)****B. Reconciliations of information on reportable segments to IFRS measures***V. Geographical information*

Revenue	December 31, 2021	December 31, 2020
Kingdom of Saudi Arabia	1,180,158,431	910,774,024
Egypt – Cairo	32,349,439	15,799,618
<b>Total revenue</b>	<b>1,212,507,870</b>	<b>926,573,642</b>

**C. Major customer**

Revenue from one customer of the Group's Airline segment represented approximately 69% (December 31, 2020: 58%) of the Group's total revenue.

**33. CAPITAL MANAGEMENT**

The Group's objective when managing capital is to safeguard the Group'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 Group 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 Group may, for example, opt for short term or long term loans. No change were made in the objectives, policies on processes for managing the capital during the years ended December 31, 2021 and December 31, 2020.

The Group monitors return on capital employed and makes adjustment to it in the light of changes in economic conditions.

The Group monitors capital using a debt equity percentage.

	2021	2020
Total liabilities	1,058,112,338	1,446,923,721
Less: cash and cash equivalents	(176,462,367)	(257,453,899)
<b>Net debt</b>	<b>881,649,971</b>	<b>1,189,469,822</b>
Total equity	872,518,744	860,076,885
<b>Net debt to total equity percentage</b>	<b>101%</b>	<b>138%</b>

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**Notes to the Consolidated Financial Statements** (continued)

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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 Nil million (December 31, 2020 SR: 22.9).

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:

- Estimated revenue and EBITDA Growth for future five years based on expected sales volume and price growth for these years.
- 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:

	2022	2021
Budgeted gross margin	43.6%	23% to 88%
Compounded annual revenue growth rate	13.5%	3% to 44%
Budgeted EBITDA margins	1.2% - 10.9%	-10% to 43%
Discount rate	9.94%	10.18%
Terminal growth rate	2.80%	2.64%

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 Consolidated Financial Statements** (continued)

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**34. IMPAIRMENT LOSSES (continued)**

Sensitivity analysis

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

	2021		2020	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	--	--	29,167,973	14,346,331
Terminal growth (1% movement)	--	--	16,287,375	27,720,801

**35. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT****a. Measurement of fair values**

Except for the investment property, the fair values of the Group's financial assets and liabilities approximate their carrying amounts.

**b. Financial risk management**

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

The Group'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 Group's financial performance.

The Board of Directors has put in place appropriate structures to ensure risk governance and monitoring across the Group. The Group'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 Group'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.

**Risk management framework**

The Board of Directors has put in place appropriate structures to ensure risk governance and monitoring across the Group. The Group'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 Group'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.

**Credit risk**

Credit risk reflects the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. 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 Consolidated Financial Statements** (continued)

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

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

	December 31, 2021	December 31, 2020
<b>Financial assets</b>		
Due from related parties	582,816,290	688,838,692
Trade receivables	208,577,769	200,463,671
Balances with banks	175,886,157	257,189,516
Unbilled receivables	30,803,773	12,342,885
Margin deposits with banks	19,398,222	8,005,337
Subleased assets	24,074,505	23,482,995
Financial asset at amortized cost	4,230,000	17,497,223
	<b>1,045,786,716</b>	<b>1,207,820,319</b>

Credit risk on receivable and bank balances is limited as:

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

**Concentration Risk**

As at December 31, 2021, 5 largest customers account for approximately 71% (December 31, 2020: 78%) 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 Group maintain flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. The Group has a credit facility in place whereby during the year ended December 31, 2020 the Group availed short term borrowing facility of SR 300 million 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. However, the Group settled the short term borrowing facility in December 2021.

*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.

December 31, 2021	Carrying amount	Total	Less than one year	More than one year
<b>Liabilities</b>				
Trade and other payables	414,741,714	414,741,714	414,741,714	--
Lease liabilities	474,499,382	613,666,983	153,443,781	460,223,202

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

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

<u>December 31, 2020</u>	<u>Carrying amount</u>	<u>Total</u>	<u>Less than one year</u>	<u>More than one year</u>
Liabilities				
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	733,280,959	170,010,968	563,269,991

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.

**Fair value of assets and liabilities**

The Group does not have any assets measured at FVTPL or FVOCI at December 31, 2021 and December 31, 2020. The following table shows the carrying amount of the financial assets and financial liabilities at December 31, 2021 and December 31, 2020:

**Financial assets classified as amortised cost**

<u>Carrying value:</u>	<u>2021</u>	<u>2020</u>
Trade and other receivables	664,797,327	800,596,516
Balances with banks	175,886,157	257,189,516
Other receivables	50,201,995	20,348,222
Sub-leased assets	24,074,505	23,482,995
Financial asset at amortized cost	4,230,000	17,497,223
	<u>919,189,984</u>	<u>1,119,114,472</u>

**Financial liabilities as at amortised cost**

<u>Carrying amount:</u>	<u>2021</u>	<u>2020</u>
Trade and other payables	414,967,071	389,712,072
Short-term borrowing	--	300,000,000
Lease liabilities	474,499,382	580,085,903
	<u>889,466,453</u>	<u>1,269,797,975</u>

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

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)

**Notes to the Consolidated Financial Statements** (continued)

For the year ended December 31, 2021

(Expressed in Saudi Arabian Riyals)

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

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices.

**Commission rate risk**

Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market commission rates. As at December 31, 2021 and December 31, 2020 the Group is not exposed to significant commission rate risk as its special commission bearing assets and liabilities carry fixed rates.

**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, UAE Dirhams and Swiss Franc. The Group has foreign suppliers and also operates in Cairo and therefore exposed to foreign exchange risk. The Group's management monitors such fluctuations and manages its effect on the consolidated financial statements accordingly.

Following is the exposure classified into separate foreign currencies:

	<u>2021</u>	<u>2020</u>
<b>Trade Payable:</b>		
US Dollar	1,303,159	263,091
Egyptian Pound	10,719,675	15,891,612
Euro	1,390,218	527,013
British Pound	815,494	868,208
UAE Dirhams	62,317	318,582
Swiss Franc	13,165	7,738

Following is the exposure classified into separate foreign currencies:

	<u>Average Rate</u>		<u>Spot Rate</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Foreign currency per Saudi Riyal				
US Dollar	3.752	3.750	3.750	3.753
Egyptian Pound	0.239	0.231	0.240	0.238
Euro	4.426	4.459	4.266	4.586
British Pound	5.100	4.913	5.076	5.124
Swiss Franc	4.177	4.205	4.112	4.241
UAE Dirhams	1.021	1.021	1.021	1.021

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**Notes to the Consolidated Financial Statements** (continued)

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(Expressed in Saudi Arabian Riyals)

**35. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)****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. 0.02 million (December 31, 2020 = SR. 0.4 million).

**Equity price risk**

The Group is not exposed to other price risk such as equity risk and commodity risk as the Group is neither involved in investment in trading securities nor the commodities.

**Cash flow and interest rate risk**

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

**36. COMMITMENTS AND CONTINGENCIES**

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

	<b>December 31, 2021</b>	December 31, 2020
Capital commitments	<u>67,869,798</u>	<u>91,004,160</u>
Letter of guarantees	<u>60,823,906</u>	<u>63,274,273</u>

Letters of guarantee are issued by a bank on behalf of the Group to a supplier and promises to meet any financial obligations to the supplier in the event of default and this requires the Group to place cash with the bank. As at December 31, 2021, the Group fully paid the amount against letters of guarantee, hence no further financial charges are payable.

The Group had a revised credit facility with SABB effective from January 2021 for the bank guarantee issued on behalf of the Group to a supplier with the year-to-date issued amount of SR 37.2 million.

**37. FAIR VALUE OF FINANCIAL INSTRUMENTS**

As at the reporting date, the management of the Group believes that the carrying values of the Groups' financial assets and net investment in finance lease approximate their respective fair values.

The Groups' management determines the policies and procedures for both recurring fair value measurement and for non-recurring measurement.

**38. SUBSEQUENT EVENTS**

There have been no significant subsequent events since the period-end, that would require disclosures or adjustments in these consolidated financial statements, except as disclosed in notes 3 "Significant matters –COVID 19 Pandemic Impact" which describes the emerging developments and related impact on the Group due to COVID19.

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**Notes to the Consolidated Financial Statements** (continued)

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**39. DATE OF AUTHORISATION FOR ISSUE**

These consolidated financial statements were approved by the Board of Directors on 22 March 2022, corresponding 19 Shaban 1443H.

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Authorized Board of Directors  
Member

