



**EUROPEAN
INTERNATIONAL
UNIVERSITY**



COVER PAGE AND DECLARATION

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Dina Shubair

Saudi Airlines Catering

Company Financial Analysis



Introduction

Saudi Airlines Catering Company (SACC) was established in 1981. Since inception, the company has been expanding their products and services in the local and international markets. Today, they focus on 9 business sectors and always striving to enter into additional complimentary business areas to achieve higher revenues and therefore increased profits.

- In-flight Catering
- In-flight Sales
- Lounges Retail
- Catering
- Remote Sites
- Railway Services
- Business & Industry (Offices / Hospitals / Clinics)
- Commercial Laundry
- Hajj & Umrah Catering

WHO OWNS SACC

Investor	Equities	%
Government of Saudi Arabia	29,274,000	35.7%
Abdulmohsen Al Hokair Group	7,708,000	9.4%
The Vanguard Group, Inc	1,264,795	1.54%
Black Rock Fund Advisors	991,245	1.21%
Dimensional Funds Advisors LP	289,459	0.35%
Robeco Institutional Assets Management	271,611	0.33%
Qatar Insurance Company	225,000	0.27%
Sands Capital Management LLC	215,240	0.26%
SSGA Funds Management Inc	193,422	0.24%
Black Rock Advisors (UK)	178,454	0.22%

Financial Ratios

	Current
Market Cap (M SAR)	6,297.60
Shares Outstanding ((M))	82.00
EPS (SAR) (TTM)	1.71
Book Value (BV) (SAR) (Latest announcement)	11.60


Financial Reports

SAUDI AIRLINES CATERING COMPANY (A Saudi Joint Stock Company)


STATEMENT OF CASH FLOWS For the year ended December 31, 2018 (Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities			
Profit for the year		459,280,884	481,737,979
<i>Adjustments for:</i>			
Zakat and tax		37,114,177	41,669,319
Depreciation	7 & 9	62,387,898	56,286,987
Amortization	8	1,023,915	1,198,904
(Reversal) / allowance for doubtful debts, net	13	(12,818,781)	(15,683,701)
Provision / (reversal) of slow-moving inventory, net	12	9,246,193	(3,983,676)
Finance income	28	(1,478,314)	(2,966,542)
Finance cost	19	5,256,820	4,845,600
Share of loss in equity accounted investees	10	5,406,251	10,115,526
Loss on sale of property, plant and equipment	27	105,341	171,470
Employees' benefits service cost	19	14,860,779	12,010,400
Provision for accrued bonus - long term	19	2,400,000	--
		<u>582,785,163</u>	<u>585,402,266</u>
<i>Changes in:</i>			
Inventories		(24,293,155)	19,533,738
Trade and other receivables		(82,480,609)	(108,550,589)
Prepayments and other assets		(66,696,926)	16,887,763
Trade and other payables		<u>66,658,533</u>	<u>(34,773,501)</u>
Cash generated from operating activities		475,973,006	478,499,677
Payment of accrued bonus - long term		--	(3,789,782)
Employees' benefits paid	19	(19,401,260)	(16,487,400)
Zakat & income tax paid	20	(37,994,250)	(37,579,584)
Net cash from operating activities		<u>418,577,496</u>	<u>420,642,911</u>
Cash flows from investing activities			
Interest income received		1,531,319	1,436,785
Proceeds from sale of investments	11	40,000,000	86,251,529
Proceed from finance assets - letter of guarantee		3,628,878	8,638,106
Additions to property, plant and equipment and investment property	7	(92,791,185)	(89,918,144)
Acquisition of equity accounted investee	10	--	(30,757,600)
Net cash used in investing activities		<u>(47,630,988)</u>	<u>(24,349,324)</u>
Cash flow from financing activities			
Dividends paid	18	(325,241,423)	(446,456,974)
Net cash used in financing activities		<u>(325,241,423)</u>	<u>(446,456,974)</u>
Net increase/(decrease) in cash and cash equivalents		45,705,085	(50,163,387)
Cash and cash equivalents at beginning of the year		101,547,658	151,711,045
Cash and cash equivalents at end of the year	15	<u>147,252,743</u>	<u>101,547,658</u>

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



Chief Financial Officer



Chief Executive Officer



Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2018
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2017		820,000,000	340,714,074	99,875,473	1,260,589,547
Total comprehensive income					
Profit for the year		--	--	481,737,979	481,737,979
Other comprehensive loss		--	--	(12,973,100)	(12,973,100)
Total comprehensive income		--	--	468,764,879	468,764,879
<u>Transactions with owners of the Company</u>					
Contributions and distributions					
Dividends declared	18	--	--	(446,409,475)	(446,409,475)
Transfer to statutory reserve		--	13,121,805	(13,121,805)	--
Balance at December 31, 2017		<u>820,000,000</u>	<u>353,835,879</u>	<u>109,109,072</u>	<u>1,282,944,951</u>
Balance at January 1, 2018		<u>820,000,000</u>	<u>353,835,879</u>	<u>109,109,072</u>	<u>1,282,944,951</u>
Total comprehensive income					
Profit for the year		--	--	459,280,884	459,280,884
Other comprehensive income		--	--	4,580,697	4,580,697
Total comprehensive income		--	--	463,861,581	463,861,581
<u>Transactions with owners of the Company</u>					
Contributions and distributions					
Dividends declared	18	--	--	(445,351,075)	(445,351,075)
Balance at December 31, 2018		<u>820,000,000</u>	<u>353,835,879</u>	<u>127,619,578</u>	<u>1,301,455,457</u>

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



Chief Financial Officer



Chief Executive Officer



Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Revenue	23	2,035,757,930	1,952,564,940
Cost of sales	24	<u>(1,339,278,458)</u>	<u>(1,229,772,985)</u>
Gross profit		696,479,472	722,791,955
Reversal of impairment of trade receivables	13	12,818,781	15,683,701
General and administrative expenses	26	(214,449,367)	(207,274,828)
Other expenses	27	(1,624,719)	(2,845,620)
Other income	25	12,355,651	7,046,674
Operating profit		505,579,818	535,401,882
Finance income	28	1,478,314	2,966,542
Finance costs	19	(5,256,820)	(4,845,600)
Net finance costs		(3,778,506)	(1,879,058)
Share of loss of equity accounted investee	10	(5,406,251)	(10,115,526)
Profit before zakat and income tax		496,395,061	523,407,298
Zakat and income tax expense	20	(37,114,177)	(41,669,319)
Profit for the year		459,280,884	481,737,979
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	19	4,690,707	(12,973,100)
Share of other comprehensive loss of associate	10	(110,010)	--
Other comprehensive gain/(loss) for the year		4,580,697	(12,973,100)
Total comprehensive income for the year		463,861,581	468,764,879
Earnings per share			
Basic earnings per share	29	5.60	5.87
Diluted earnings per share	29	5.60	5.87

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



Chief Financial Officer



Chief Executive Officer



Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

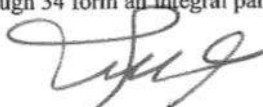
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	December 31, <u>2018</u>	December 31, <u>2017</u>
Assets			
Property, plant and equipment	7	586,708,910	554,462,015
Intangible assets	8	258,269	1,282,184
Investment property	9	38,337,434	40,286,383
Equity accounted investee	10	15,125,813	20,642,074
Other financial asset	11	<u>29,991,692</u>	<u>73,620,570</u>
Non-current assets		<u>670,422,118</u>	<u>690,293,226</u>
Inventories	12	125,027,878	109,980,916
Trade and other receivables	13	950,225,547	854,926,157
Prepayments and other assets	14	192,857,373	126,213,452
Cash and cash equivalents	15	<u>147,252,743</u>	<u>101,547,658</u>
Current assets		<u>1,415,363,541</u>	<u>1,192,668,183</u>
Total assets		<u>2,085,785,659</u>	<u>1,882,961,409</u>
Equity			
Share capital	16	820,000,000	820,000,000
Statutory reserve	17	353,835,879	353,835,879
Retained earnings		<u>127,619,578</u>	<u>109,109,072</u>
Total equity		<u>1,301,455,457</u>	<u>1,282,944,951</u>
Liabilities			
Employee benefits	19	<u>167,423,832</u>	<u>168,998,200</u>
Non-current liabilities		<u>167,423,832</u>	<u>168,998,200</u>
Zakat and income tax liabilities	20	30,310,014	31,190,087
Trade and other payables	21	<u>586,596,356</u>	<u>399,828,171</u>
Current liabilities		<u>616,906,370</u>	<u>431,018,258</u>
Total liabilities		<u>784,330,202</u>	<u>600,016,458</u>
Total equity and liabilities		<u>2,085,785,659</u>	<u>1,882,961,409</u>

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



Chief Financial Officer



Chief Executive Officer

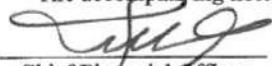


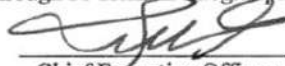
Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

	<i>Note</i>	<u>2019</u>	<u>2018</u>
Cash flows from operating activities			
Profit for the year		463,933,403	459,280,884
<i>Adjustments for:</i>			
Zakat and tax		39,134,091	37,114,177
Depreciation on property, plant and equipment and investment in property	6 & 8	76,917,741	62,387,898
Depreciation on right-of-use assets	9A	81,854,770	--
Amortization	7	297,170	1,023,915
Bad debt write off		296,621	--
Provision of slow-moving inventory, net	12	8,595,571	9,246,193
Allowance / (reversal) of expected credit losses, net	13	7,112,344	(12,818,781)
Finance income	28	(1,337,128)	(1,478,314)
Finance cost	29	34,296,036	5,256,820
Share of loss in equity accounted investees	10	3,355,121	5,406,251
Loss on sale of property, plant and equipment	27	506,880	105,341
Employees' benefits service cost	19	17,890,880	14,860,779
Provision for accrued bonus - long term	19	1,810,092	2,400,000
		<u>734,663,592</u>	<u>582,785,163</u>
<i>Changes in:</i>			
Trade and other receivables		64,989,223	(82,480,609)
Inventories		(37,359,651)	(24,293,155)
Prepayments and other assets		64,823,466	(63,068,048)
Trade and other payables		(27,015,284)	66,658,533
Cash generated from operating activities		<u>800,101,346</u>	<u>479,601,884</u>
Payment of accrued bonus - long term		(178,890)	--
Employees' benefits paid	19	(20,598,118)	(19,401,260)
Zakat & income tax paid	20	(35,261,927)	(37,994,250)
		<u>744,062,411</u>	<u>422,206,374</u>
Net cash from operating activities			
Cash flows from investing activities			
Interest income received		--	1,531,319
Payments received for sublease		4,251,844	--
Proceeds from sale of investment	10	--	40,000,000
Proceeds from disposal of property, plant and equipment		5,980	--
Additions to property, plant and equipment	6	(63,496,018)	(92,791,185)
Additions to intangibles assets	7	(1,885,091)	--
Net cash used in investing activities		<u>(61,123,285)</u>	<u>(51,259,866)</u>
Cash flow from financing activities			
Payments of lease liabilities		(81,259,734)	--
Dividends paid	18	(560,028,592)	(325,241,423)
Net cash used in financing activities		<u>(641,288,326)</u>	<u>(325,241,423)</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		41,650,800	45,705,085
		<u>147,252,743</u>	<u>101,547,658</u>
Cash and cash equivalents at end of the year	15	<u>188,903,543</u>	<u>147,252,743</u>

The accompanying notes 1 through 35 form an integral part of these financial statements.


Chief Financial Officer



Chief Executive Officer



Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2019
(Expressed in Saudi Arabian Riyals)

	<i>Note</i>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2018		820,000,000	353,835,879	109,109,072	1,282,944,951
Total comprehensive income					
Profit for the year		--	--	459,280,884	459,280,884
Other comprehensive income		--	--	4,580,697	4,580,697
Total comprehensive income		--	--	463,861,581	463,861,581
Transactions with owners of the Company					
Contributions and distributions					
Dividends declared	18	--	--	(445,351,075)	(445,351,075)
Balance at December 31, 2018		<u>820,000,000</u>	<u>353,835,879</u>	<u>127,619,578</u>	<u>1,301,455,457</u>
Balance at January 1, 2019		<u>820,000,000</u>	<u>353,835,879</u>	<u>127,619,578</u>	<u>1,301,455,457</u>
Impact of adoption of IFRS 16	4	--	--	(17,583,849)	(17,583,849)
Total comprehensive income					
Profit for the year		--	--	463,933,403	463,933,403
Other comprehensive loss		--	--	(3,931,700)	(3,931,700)
Total comprehensive income		--	--	460,001,703	460,001,703
Transactions with owners of the Company					
Contributions and distributions					
Dividends declared	18	--	--	(438,221,370)	(438,221,370)
Balance at December 31, 2019		<u>820,000,000</u>	<u>353,835,879</u>	<u>131,816,062</u>	<u>1,305,651,941</u>

The accompanying notes 1 through 35 form an integral part of these financial statements.


Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2019</u>	<u>2018</u>
Revenue	23	2,156,266,255	2,035,757,930
Cost of sales	24	(1,369,334,227)	(1,339,278,458)
Gross profit		786,932,028	696,479,472
Allowance for / (reversal of) expected credit losses	13	(7,112,344)	12,818,781
General and administrative expenses	26	(245,538,680)	(214,449,367)
Other expenses	27	(3,851,112)	(1,624,719)
Other income	25	8,951,631	12,355,651
Operating profit		539,381,523	505,579,818
Finance income	28	1,337,128	1,478,314
Finance costs	29	(34,296,036)	(5,256,820)
Net finance costs		(32,958,908)	(3,778,506)
Share in loss of equity accounted investee	10	(3,355,121)	(5,406,251)
Profit before zakat and income tax		503,067,494	496,395,061
Zakat and income tax expense	20	(39,134,091)	(37,114,177)
Profit for the year		463,933,403	459,280,884
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of defined benefit liability	19	(3,749,353)	4,690,707
Share of other comprehensive loss of associate	10	(182,347)	(110,010)
Other comprehensive (loss)/gain for the year		(3,931,700)	4,580,697
Total comprehensive income for the year		460,001,703	463,861,581
Earnings per share			
Basic earnings per share	30	5.66	5.60
Diluted earnings per share	30	5.66	5.60

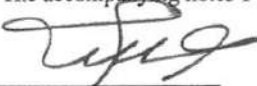
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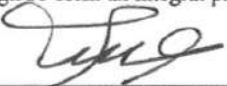

Chief Financial Officer
Chief Executive Officer
Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at December 31, 2019
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Assets			
Property, plant and equipment	6	560,160,540	586,708,910
Right-of-use assets	9A	529,745,770	--
Subleased assets	9C	12,858,734	--
Intangible assets	7	1,846,190	258,269
Investment property	8	36,388,484	38,337,434
Equity accounted investee	10	11,588,345	15,125,813
Financial assets at amortized costs	11	19,754,026	29,991,692
Non-current assets		<u>1,172,342,089</u>	<u>670,422,118</u>
Subleased assets	9C	12,526,423	--
Inventories	12	153,791,958	125,027,878
Trade and other receivables	13	868,141,260	950,225,547
Prepayments and other assets	14	108,559,751	192,857,373
Cash and cash equivalents	15	188,903,543	147,252,743
Current assets		<u>1,331,922,935</u>	<u>1,415,363,541</u>
Total assets		<u>2,504,265,024</u>	<u>2,085,785,659</u>
Equity			
Share capital	16	820,000,000	820,000,000
Statutory reserve	17	353,835,879	353,835,879
Retained earnings		131,816,062	127,619,578
Total equity		<u>1,305,651,941</u>	<u>1,301,455,457</u>
Liabilities			
Lease liabilities	9B	416,501,275	--
Employees' benefits	19	176,750,314	167,423,832
Non-current liabilities		<u>593,251,589</u>	<u>167,423,832</u>
Lease liabilities	9B	117,364,903	--
Zakat and income tax liabilities	20	34,182,178	30,310,014
Trade and other payables	21	453,814,413	586,596,356
Current liabilities		<u>605,361,494</u>	<u>616,906,370</u>
Total liabilities		<u>1,198,613,083</u>	<u>784,330,202</u>
Total equity and liabilities		<u>2,504,265,024</u>	<u>2,085,785,659</u>

The accompanying notes 1 through 35 form an integral part of these financial statements.


Chief Financial Officer

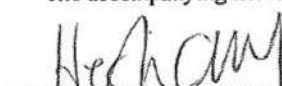

Chief Executive Officer


Authorized Board of Directors
Member

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

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

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


Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors
Member

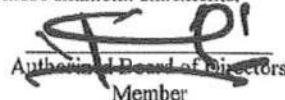
SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2020
(Expressed in Saudi Arabian Riyals)

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

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


Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors
Member

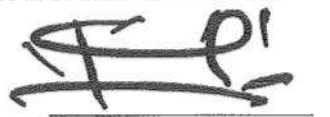
SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2020
(Expressed in Saudi Arabian Riyals)

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

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


Chief Financial Officer



Chief Executive Officer


Authorized Board of Directors
Member

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

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

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


Chief Financial Officer

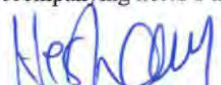

Chief Executive Officer



Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at December 31, 2021
(Expressed in Saudi Arabian Riyals)

	Note	2021	2020
Assets			
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
Non-current assets		868,682,866	1,027,939,300
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
Current assets		1,061,948,216	1,279,061,306
TOTAL ASSETS		1,930,631,082	2,307,000,606
Equity and liabilities			
Equity			
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)
Total equity		872,518,744	860,076,885
Liabilities			
Lease liabilities	9 b	330,844,306	412,229,212
Employees benefits	20	155,697,674	165,607,031
Non-current liabilities		486,541,980	577,836,243
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
Current liabilities		571,570,358	869,087,478
Total liabilities		1,058,112,338	1,446,923,721
TOTAL EQUITY AND LIABILITIES		1,930,631,082	2,307,000,606

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

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)

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

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)

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

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

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
Total Assets	1,882,961,409	2,085,785,659	2,504,265,024	2,307,000,606	1,930,631,082
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
Total Liabilities	600,016,458	784,330,202	1,198,613,083	1,446,923,721	1,058,112,338

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	19,712,588
Gross Profit	722,791,955	696,479,472	786,932,028	42,233,821	331,845,162
Net Profit	481,737,979	459,280,884	463,933,403	(334,686,399)	14,055,459

Performance Evaluation

a. Profitability:

Profitability is a measure of an organization's profit relative to its expenses. Organizations that are more efficient will realize more profit as a percentage of its expenses than a less-efficient organization, which must spend more to generate the same profit ("Definition of Profitability - Gartner Finance Glossary", 2022). The company's gross revenues witnessed a continuous remarkable increase from 2017 (SAR 1,952 M) until 2019 (SAR 2,156 M). In 2020, and due to the Corona Pandemic, the company's revenues took a dive down to SAR 926 M. In the meanwhile, their profits reflected a different disappointing image. Although there was an increase in sales of 4.26% in 2018 over 2017 there was a drop in the gross profits of 5.54%. The main cause of the drop in profits is due to the increased Cost of Sales. The cost of sales in 2017 was 62.9% of Revenues while in the 2018 the cost of sales amounted to 65.8% of Revenues, an increase of SAR 110 M. In addition, the Administrative & General Expenses in 2017 amounted to 10.6% of the Revenues while in 2018 the Admin & Gen Expenses amounted to 20.7% of the Revenues, an increase of SAR 11 M.

In 2019, the sales again increased to SAR 2,156 M and the net profits increased from SAR 459 M to SAR 464 M. The 2019 profits represent 21.52% of the Revenues while the 2018 profits represent 22.56% of the Revenues. Although the margins are very healthy by any standards, the ratios have dropped by a small margin of 1%, despite the fact that the Cost of Sales / Revenues Ratio has improved from 65.8% to 63.5%.

The reason behind the drop in ratio Profits/Sales is because of the following factors:

1. The Administrative & General Expenses increased from 10.53% in 2018 to 11.38% in 2019 of the total Revenues.
2. The Finance Cost increased from 0.26% in 2018 to 1.59% in 2019 of the total Revenues.
3. The Other income decreased from 0.61% in 2018 to 0.4% in 2019 of the total Revenues.

In 2020, the revenues dropped drastically due to the Covid-19 Pandemic from SAR 2,156 million in 2019 to SAR 926 million in 2020. With the drop in Revenues the fixed costs formed a bigger ratio from the revenues and other expenses increased due to many deficiencies and obstacles. Consequently, the profits in 2020 dropped and turned into losses due to the following reasons:

1. The decrease in Revenues
2. The Ratio Cost of Revenue / Revenues increased from 63.5% in 2019 to 95.4% in 2020
3. Although the revenues dropped yet the General & Admin Expenses increased from SAR 246 M to SAR 256 M in 2020.
4. Again, and despite the drop in Revenues, the Finance Cost remained the same at SAR 34M.
5. The Share of Loss in Equity accounted Investee increased from SAR 3,355,12 in 2019 to SAR 8,361,611 in 2020.

In 2021, the Revenues witnessed a modest increase from 2020 due to the revival from the Covid-19 Pandemic from SAR 926 million in 2020 to SAR 1,213 million in 2021. Consequently, there was some minor profit posted on the financials amounting to SAR 14 million. Here are some of the figures that resulted in the generated profits from 2020:

1. The cost of revenue remained the same as 2020 and amounted to 72.6% of the Revenues.
2. The other income increased from SAR 5,037,196 in 2020 to Sar 6,434,965 in 2021.
3. The general & administrative expenses decreased from SAR 256 million in 2020 to SAR 236 million in 2021 despite the increase in revenues.
4. The finance cost decreased to SAR 27 million in 2021 in comparison to SAR 34 million in 2020.
5. The share of loss in equity accounted investee became zero as there was no losses in 2021.

b. Efficiency:

Efficiency is about making the best possible use of resources. Efficient firms maximize outputs from given inputs, and so minimize their costs. By improving efficiency, a business can reduce its costs and improve its competitiveness ("Efficiency and productivity - Efficiency - GCSE Business Revision - Other - BBC Bitesize", 2022). There are many key factors to measure the efficiency of a company from their financials. Some of the most important factors are:

1 - Net profit margin

Regardless of the business volume and the overall revenues, profits are important for the survival and the sustainability of any company. Profit ratios which are defined by the ratio of Net Profits / Revenues are evaluated by the type of industry, the size of the company, and the general market conditions. High net profit margins indicate good business efficiency. An average profit margin of 7.5% across industries is considered an acceptable margin. On average, 5% is considered low, 10% healthy and 20% high, but extraordinarily large corporations typically get by on thinner margins.

In the case of SACC, the profit ratio in 2017, 2018, and 2019 were above 20% which was excellent by any standards. The high profit ratio is due to the market positioning and conditions. SACC plays a monopoly in the Saudi Arabian market because it is owned mainly by the government of Saudi Arabia, and it is the only company that provides such products and services in the country to the major airline carrier. However, and due to the Covid-19 Pandemic, the profits suffered tremendously in 2020 and the suffering continued to 2021 where the ratio dropped to negative in 2020 and to 1.16% in 2021. Such conditions forced all companies, governmental and private, to slow down operations and sometimes to close completely.

2 – Accounts Receivables Turnover

The Accounts Receivables, or the amount of money that your clients owe you, affect your business drastically in terms of liquidity and cashflow. Most businesses, although they may achieve great revenues, suffer from the lack of cash to operate their businesses, therefore, they end up failing to execute projects on hand or stopping to deliver products and services causing Loss of Business.

The **Accounts Receivables Turnover** can be measured by dividing total net sales by accounts receivable, which is the number of receivables paid during a fixed period. An efficient business has a high turnover, meaning sales are quickly converted to cash that can be used to pay bills and grow the business. A high accounts receivable turnover also indicates that the company enjoys a high-quality customer base that is able to pay their debts quickly. Also, a high ratio can suggest that the company follows a conservative credit policy

In the case of SACC the Accounts Receivables Turnover measured as follows:

$$2018 \quad 2,035,757,930 / 950,225,547 = 2.14$$

$$2019 \quad 2,156,266,255 / 868,141,260 = 2.48$$

$$2020 \quad 926,573,642 / 800,596,516 = 1.16$$

$$2021 \quad 1,212,507,870 / 664,797,327 = 1.82$$

The result of this formula is expressed as the number of times net credit sales have been collected during that time period. The ratios above are quite below industry standards especially in the case of SACC because most of their sales are cash sales and money is collected on delivery of goods or services. In general, a good Accounts Receivables Turnover is above 5.

3 – Accounts Payable Turnover

The accounts payable turnover ratio measures how quickly you pay your suppliers. It can be measured as a numerical ratio and is calculated by dividing total purchases by your accounts payable balance for that time period. An increasing ratio means the company has plenty of cash available to pay off its short-term debt in a timely manner. As a result, an increasing accounts payable turnover ratio could be an indication that the company managing its debts and cash flow effectively. Paying suppliers on time leads to long-term business efficiencies and enhances strong supplier relationships.

In the case of SACC, the Accounts Payable Turnover Ratios are as follows:

$$2018 \quad 1,339,278,458 / 586,596,356 = 2.28$$

$$2019 \quad 1,369,334,227 / 453,814,413 = 3.02$$

$$2020 \quad 884,339,821 / 389,712,072 = 2.27$$

$$2021 \quad 880,662,708 / 414,967,071 = 2.12$$

The ratio of less than 4 is considered rather low. Again, the market conditions and the monopoly that SACC enjoys forces suppliers to wait and to continue to extend credit. However, suppliers may shy away from extending credit to SACC if they find better paying customers.

c. Short-term Solvency

Ratios used to judge the adequacy of liquid assets for meeting short-term obligations as they come due, including (1) the current ratio, (2) the acid test ratio, (3) the inventory turnover ratio, and (4) the accounts receivable turnover ratio ("Short-term solvency ratios", 2022). The Short-term solvency, is measured by the current ratio, is the capability of a company to pay its short term (up to one year). The ratio is a rough indicator of whether cash on hand plus the cash to be collected from accounts receivable and from selling inventory will be enough to pay off the financial obligations or liabilities that will come due in the next period of one year or less.

The current Ratio is measure as follows:

$$\text{Current ratio} = \text{Current assets} \div \text{Current liabilities}$$

SACC is expected to maintain a minimum 2 to 1 current ratio, which means its current assets should be twice its current liabilities. Therefore, and in measuring the Current Ratio of SACC:

$$2018 \quad 1,415,363,541 / 616,906,370 = 2.29$$

$$2019 \quad 1,331,922,935 / 605,361,494 = 2.20$$

$$2020 \quad 1,279,061,306 / 869,087,478 = 1.47$$

$$2021 \quad 1,061,948,216 / 571,570,358 = 1.86$$

It is obvious that in 2018 and 2019 SACC had a healthy Current Ratio, where in 2020, after the Covid-19 Pandemic started when the Revenues dropped and the company showed a loss, the Current Ratio dropped below the allowable value therefore creating a risky situation in the suppliers' prospective. However, the curve turned around and started heading upward in 2021 to be able to cross the 2 lines.

d. Long-term Solvency

The Long-term Solvency is usually measured by the Long-Term Solvency Ratio which measures the ability of a company to pay off its liabilities on the long term. It is a measure of the company's health in the future

The best way to calculate the Long-Term Solvency ratio is to divide SACC Income after Zakat and tax, and add back depreciation, by the sum of its liabilities (short-term and long-term).

$$2018 \quad (459,280,884+62,387,898) / 784,330,202 = 0.67$$

$$2019 \quad (463,933,403+76,917,741) / 1,198,613,083 = 0.45$$

$$2020 \quad (-334,686,399+94,499,872) / 1,446,923,721 = -0.17$$

$$2021 \quad (14,055,459+79,673,473) / 1,058,112,338 = 0.09$$

Although the long-term Solvency ratio vary from industry to industry, but in general, a solvency ratio of less than 0.2 or 0.3 is considered good. The lower the SACC's solvency ratio, the greater the probability that the company will default on its long-term debt obligations.

As shown above, SACC's Long-term Solvency ratio was healthy in 2018 and 2019, but again in 2020 it was negative and therefore it must have created a scare amongst debtors. In 2021, the ration started to regain its historically healthy position, but it fell short.

e. Market-Based Ratios

Market value ratios are used to evaluate the current share price of a publicly held company's stock.

Below are six ratios that are used to evaluate stocks. These include:

1. the working capital ratio
2. the quick ratio
3. earnings per share (EPS)
4. price-earnings (P/E)
5. debt-to-equity
6. return on equity (ROE)

1. The working capital ratio = Current Assets / Current Liabilities

$$2018 \quad 1,415,363,541 / 616,906,370 = 2.29$$

$$2019 \quad 1,331,922,935 / 605,361,494 = 2.20$$

$$2020 \quad 1,279,061,306 / 869,087,478 = 1.47$$

$$2021 \quad 1,061,948,216 / 571,570,358 = 1.86$$

2. The quick ratio = (Current Assets – Inventory) / Current Liabilities

$$2018 \quad (1,415,363,541 - 125,027,878) / 616,906,370 = 2.09$$

$$2019 \quad (1,331,922,935 - 153,791,958) / 605,361,494 = 1.95$$

$$2020 \quad (1,279,061,306 - 115,963,432) / 869,087,478 = 1.34$$

$$2021 \quad (1,061,948,216 - 66,611,578) / 571,570,358 = 1.74$$

3. Earnings per share ratio =

Total Earnings / Total number of issued common shares

2018 $459,280,884 / 82,000,000 = 5.61$

2019 $463,933,403 / 82,000,000 = 5.66$

2020 $-334,686,399 / 82,000,000 = -4.08$

2021 $14,055,459 / 82,000,000 = 0.17$

4. Price - Earnings (P/E) ratio = Share Price / Earnings per Share

2021 $P/E \text{ Ratio} = (\text{Book Value}) 11.6 / 0.17 = 68.24$

Current Market Share Price = SAR 76.80

Current Book Value Share price = SAR 11.60

$P/E \text{ (Market Price)} = 76.8 / 0.91 = 84.40$

$P/E \text{ (Book Value)} = 11.6 / 0.91 = 12.75$

5. Debt to Equity Ratio =

(Short Term Debt + Long Term Debt + Other Fixed Payments) / Shareholders' Equity

2018 $784,330,202 / 1,301,455,457 = 0.60$

2019 $1,198,613,083 / 1,305,651,941 = 0.92$

2020 $1,446,923,721 / 860,076,885 = 1.68$

2021 $1,058,112,238 / 872,518,744 = 1.21$

6. Return on Equity (ROE) =

Company's Net Income / Average Shareholders' Equity

2018 $459,280,884 / 1,301,455,457 = 0.35$

2019 $463,933,403 / 1,305,651,941 = 0.36$

2020 $-334,686,399 / 860,076,885 = -0.39$

2021 $14,055,459 / 872,518,744 = 0.02$

Each of these measures is used in a different way, but when combined, they offer a financial evaluation. In addition, market value ratios give management an idea of what a firm's investors think of its performance and future prospects.

2 – Recommendations for Improvement

- 1 – SACC should increase sales in general – Globalize / add new products and services.
- 2 – SACC should increase Other Income above 1% of gross revenues
- 3 – They should also increase Selling Prices.
- 4 – The Cost of Sales should be reduced by maintaining it below 60% of gross revenues.
- 5 – They should reduce the General and administrative expenses below 10% of gross revenues.
- 6 – They should simultaneously reduce the finance cost below 0.25% of gross revenues by seeking government low interest loans.
- 7 - Recover Outstanding Debts
- 8 – Reduce or Re-arrange Expenses
- 9 – Pay the suppliers on time to maintain good relationships and to obtain additional discounts. The Accounts Payable turnover should remain above 4.
- 10 – The Current Ratio Should always have a 2 to 1 ratio or above.
- 11 – Improve Cash Flow
- 12 – Keep track of the Receivables Collection. Accounts Receivables Turnover should remain above 5.
- 13 – Improve on the Long-term Solvency and maintain it above 30%.

3 - A New Investment Project

Project Definition

Since SACC is specialized in the inflight and airport lounges catering service, it is worth assessing the opportunities in servicing international airlines outside Saudi Arabia. Inflight catering businesses are privatized in most advanced countries, especially those who are servicing the SKY-TEAM partners. SACC will have to bid for the management of Duty-Free lounges in other Gulf and European airports and to provide the catering service for their respective airlines. Such investments require heavy investments in vehicles, trucks, human resources, international office facilities, and equipment.

In the meanwhile, and since SACC can only capitalize 40% through own capital valued at SAR 1,061,948,216 x 40% = SAR 42,477,928 in 2021 without involving any additional costly financing, they will have to approach a few airports at a time and depend on the future profits to expand further into additional airports.

a. NPV Versus WACC

The net present value (NPV) of the project is the estimate of its value based on the projected cash flows and the weighted average cost of capital. If you have a higher WACC, the projected cash flows will be discounted at a higher rate, reducing the net present value, and the opposite is true.

On the other hand, SACC Weighted Average Cost of Capital (WACC) represents its mixed cost of capital from all sources, such as common shares, debts, and preferred stocks. The cost of each type of capital is weighted by its percentage of total capital and they are combined together.

NPV Method is the most optimum method for capital budgeting. Consider the cash flow during the entire project duration and the risks of such cash flow through the cost of capital. It is consistent with maximizing the value to the company. The obvious advantage of the net present value method is that it takes into account the basic idea that the value of future dollar is less than today's dollar. Within every period, the cash flows are discounted by another period of capital cost.

However, there are advantages of using WACC because it is simple, easy, and facilitate easy decision-making process. However, it has limited scope of application and rigid assumptions that hinder he evaluation.

In conclusion, using NPV is the favorable choice because it considers the time value of money, facilitates the translation of future cash flows into today's dollars. In addition, it provides a solid number that managers can use to easily evaluate the initial outlay of funds against the present value of the returns.

b. Use SACC Own Cash or Retained Earnings

SACC cash balance increases and decreases based on the incoming cash and outgoing cash, the revenues they collect and the expenses they pay. But retained earnings are only impacted by SACC's net income or loss and distributions paid out to shareholders.

Retained earnings are the portion of SACC's cumulative profit that is held or retained and saved for future use. Retained earnings are usually used for funding new investments or expansion projects or to pay dividends to shareholders.

Maintaining SACC company earnings increases their balance sheet, which has a direct effect to shareholders' equity and corresponding stock value. Retained profit makes SACC look better on paper with more money in their accounts, therefore attracting further investments.

If SACC maintains excess profits, it will boosts the liquidity. This allows stability with a financial safety net for any unexpected financial obligations. If the market takes a turn for the worse, SACC has money in the bank to access without taking on new liabilities.

SACC can reinvest their earnings into the company and drive growth. Retained profits can be brought forward for many years to provide funding for re-investments.

Although it may seem that retaining profit seems like a good way to increase company value and save money for reinvestment purposes, it is not always the most feasible solution. It is worth

considering the cost of borrowing. Paying interest might be more advantageous when borrowing money rather than relying on growth rates of existing profits.

Another factor to consider is that retaining profit isn't always the most popular option among a company's shareholders. Shareholders often prefer to receive higher dividends rather than see the money reinvested to increase stock value. This can potentially make your company less attractive to investors, although this will depend on their investment habits.

In conclusion, there are advantages and disadvantages to retained profits. Advantages include the ability to increase value and save funding for emergencies. Yet the disadvantages of retained profit include potentially scaring shareholders by retaining money that could be used for dividends. The most feasible solution will depend on the financial obligations and future goals.

4. Should SACC pay Return Earnings or Not?

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	<u>(80,055)</u>	<u>(113,096,263)</u>
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.

SACC Shareholders endorsed the payment of SAR 3.8 million in board remuneration for 2020, and approved the transactions and contracts concluded with other companies.

The decision to retain the earnings or to pay dividends to the shareholders is usually left to the company's management. A growing company may not pay dividends at all or pay very small amounts because it may prefer to use retained earnings to finance expansion ventures.

According to the SACC Annual Financial Report 20/21, the company did not pay any dividends during the 2020 / 2021 period. Presumably, that is due to the severe recession in 2020 due to the Covid-19 Pandemic.

In general, there are advantages of using the retained earnings either to pay dividends or for expansion purposes. It is a cheap source of money, unlike loans, there are no interest payments or management fees. Using retained earnings is easy and fast. There are no conditions on how you spend the money, and there is no waiting for a lender to process your application. Retaining earnings can increase your future earnings. SACC will be spending to make the company more profitable, and unlike a loan.

Similarly, there are drawbacks to using retained earnings. If shareholders get the impression that you are depending too much on earnings or not utilizing the money effectively, they may feel

cheated and deprived from their dividend income. Managers may resolve to spend the money simply because it is there, and easy to waste it. If you, at a later date require outside capital, you may not have developed the relationships with investors and financial institutions to secure financing. If SACC issues more shares to raise money, that action dilutes the current owners' equity. With more shareholders, there may be more pressure later to issue large dividends instead of re-investing earnings.

Conclusion

As a conclusion and based on the value of retained earnings at the end of 2021, it is advisable for SACC not to pay any retained earnings in order to improve future earnings and make additional investments to increase the revenues and to reduce the percentage of expenses. However, and as soon as the financial situation improves, it will be beneficial to pay retained earnings as dividends in order to regain investors' trust and to increase the stock market value to attract more investors.

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