

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

**CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

For the three months ended March 31, 2020

with

**INDEPENDENT AUDITORS' REPORT**



**KPMG Al Fozan & Partners**  
**Certified Public Accountants**  
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License No. 46/11/323 issued 11/3/1992

# Independent auditors' report on review of condensed interim financial statements

To the Shareholders of Saudi Airlines Catering Company

## Introduction

We have reviewed the accompanying March 31, 2020 condensed interim financial statements of Saudi Airlines Catering Company ("the Company") which comprises:

- the condensed statement of financial position as at March 31, 2020;
- the condensed statement of profit or loss and other comprehensive income for the three month period ended March 31, 2020;
- the condensed statement of changes in equity for the three month period ended March 31, 2020;
- the condensed statement of cash flows for the three-month period ended March 31, 2020; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying March 31, 2020 condensed interim financial statements of **Saudi Airlines Catering Company** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

Ebrahim Oboud Baeshen  
License No. 382



Jeddah, 28 Ramadan 1441H  
Corresponding to 21 May 2020

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

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

**CONDENSED STATEMENT OF FINANCIAL POSITION**

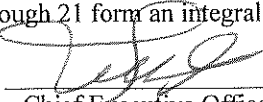
As at March 31, 2020

(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	March 31, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
<b>Assets</b>			
Property, plant and equipment	5	546,667,018	560,160,540
Right-of-use assets	6	531,143,956	529,745,770
Subleased assets	6	10,887,520	12,858,734
Intangible assets		1,663,826	1,846,190
Investment property		35,901,247	36,388,484
Equity accounted investee	7	6,264,399	11,588,345
Financial assets at amortized costs		18,954,026	19,754,026
<b>Non-current assets</b>		<u>1,151,481,992</u>	<u>1,172,342,089</u>
Subleased assets	6	12,065,306	12,526,423
Inventories		166,198,361	153,791,958
Trade and other receivables	8	925,382,040	868,141,260
Prepayments and other assets		169,440,801	108,559,751
Cash and cash equivalents		408,520,298	188,903,543
<b>Current assets</b>		<u>1,681,606,806</u>	<u>1,331,922,935</u>
<b>Total assets</b>		<u>2,833,088,798</u>	<u>2,504,265,024</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	10	820,000,000	820,000,000
Statutory reserve	11	353,835,879	353,835,879
Retained earnings		34,437,527	131,816,062
<b>Total equity</b>		<u>1,208,273,406</u>	<u>1,305,651,941</u>
<b>Liabilities</b>			
Lease liabilities	6	403,451,551	416,501,275
Employees benefits		163,151,631	176,750,314
<b>Non-current liabilities</b>		<u>566,603,182</u>	<u>593,251,589</u>
Short-term borrowing	9	300,000,000	--
Lease liabilities	6	146,445,351	117,364,903
Zakat and income tax liabilities	13	38,745,089	34,182,178
Trade and other payables		573,021,770	453,814,413
<b>Current liabilities</b>		<u>1,058,212,210</u>	<u>605,361,494</u>
<b>Total liabilities</b>		<u>1,624,815,392</u>	<u>1,198,613,083</u>
<b>Total equity and liabilities</b>		<u>2,833,088,798</u>	<u>2,504,265,024</u>

The accompanying notes 1 through 21 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)

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


For the three months period ended March 31, 2020  
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2020</u> <u>(Unaudited)</u>	<u>2019</u> <u>(Unaudited)</u>
Revenue	15	452,701,197	521,630,840
Cost of sales	16	<u>(333,543,473)</u>	<u>(329,758,058)</u>
<b>Gross profit</b>		<b>119,157,724</b>	<b>191,872,782</b>
Allowance of expected credit losses, net	8(b,c)	<u>(20,333,425)</u>	<u>(5,064,007)</u>
General and administrative expenses		<u>(64,280,897)</u>	<u>(66,309,585)</u>
Other expenses		<u>(680,451)</u>	<u>(718,544)</u>
Other income		<u>1,079,010</u>	<u>1,654,352</u>
<b>Operating profit</b>		<b><u>34,941,961</u></b>	<b><u>121,434,998</u></b>
Finance income	6	<u>195,141</u>	<u>345,238</u>
Finance cost		<u>(7,394,413)</u>	<u>(8,773,229)</u>
<b>Net finance costs</b>		<b><u>(7,199,272)</u></b>	<b><u>(8,427,991)</u></b>
Share of (loss) / profit in equity accounted investee	7	<u>(2,191,747)</u>	<u>178,820</u>
Impairment loss in equity accounted investee	7	<u>(3,132,199)</u>	<u>--</u>
<b>Profit before zakat and income tax</b>		<b>22,418,743</b>	<b>113,185,827</b>
Zakat and income tax expense	13	<u>(6,862,789)</u>	<u>(9,659,747)</u>
<b>Profit for the period</b>		<b><u>15,555,954</u></b>	<b><u>103,526,080</u></b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement of defined benefit liability		<u>--</u>	<u>--</u>
Share of other comprehensive gain of associate		<u>--</u>	<u>--</u>
<b>Other comprehensive income for period</b>		<b><u>--</u></b>	<b><u>--</u></b>
<b>Total comprehensive income for the period</b>		<b><u>15,555,954</u></b>	<b><u>103,526,080</u></b>
<b>Earnings per share</b>			
Basic earnings per share	17	<u>0.19</u>	<u>1.26</u>
Diluted earnings per share	17	<u>0.19</u>	<u>1.26</u>

The accompanying notes 1 through 21 form an integral part of these financial statements.

  
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Authorized Board of Directors  
Member

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


**CONDENSED STATEMENT OF CHANGES IN EQUITY**


For the three month period ended March 31, 2020

(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
<b><u>As at March 31, 2020</u></b>					
Balance at January 1, 2020 (Audited)		820,000,000	353,835,879	131,816,062	1,305,651,941
<b><u>Total comprehensive income</u></b>					
Profit for the period		--	--	15,555,954	15,555,954
Other comprehensive income		--	--	--	--
<b>Total comprehensive income</b>		--	--	<b>15,555,954</b>	<b>15,555,954</b>
<b><u>Transactions with owners of the Company</u></b>					
<b>Contributions and distributions</b>					
Dividends declared	12	--	--	(112,934,489)	(112,934,489)
<b>Balance at March 31, 2020 (Unaudited)</b>		<b>820,000,000</b>	<b>353,835,879</b>	<b>34,437,527</b>	<b>1,208,273,406</b>
<b><u>As at March 31, 2019</u></b>					
Balance at January 1, 2019 (Audited)		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)
<b><u>Total comprehensive income</u></b>					
Profit for the period		--	--	103,526,080	103,526,080
Other comprehensive income		--	--	--	--
<b>Total comprehensive income</b>		--	--	<b>103,526,080</b>	<b>103,526,080</b>
<b><u>Transactions with owners of the Company</u></b>					
<b>Contributions and distributions</b>					
Dividends declared	12	--	--	(105,141,497)	(105,141,497)
<b>Balance at March 31, 2019 (Unaudited)</b>		<b>820,000,000</b>	<b>353,835,879</b>	<b>108,420,312</b>	<b>1,282,256,191</b>

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**SAUDI AIRLINES CATERING COMPANY**  
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**STATEMENT OF CASH FLOWS**

For the three month period ended March 31, 2020  
(Expressed in Saudi Arabian Riyals)

	<i>Note</i>	<b>2020</b> <b>(Unaudited)</b>	<b>2019</b> <b>(Unaudited)</b>
<b>Cash flows from operating activities</b>			
Profit for the period		15,555,954	103,526,080
<i>Adjustments for:</i>			
Zakat and tax	13	6,862,789	9,659,747
Depreciation on property, plant and equipment and investment in property		20,704,802	16,435,714
Depreciation on right-of-use assets		24,620,104	20,463,692
Amortization		182,364	52,160
Construction in progress write off	5	1,994,148	--
Bad debt direct write off		--	296,621
Allowance of expected credit losses, net	8(b,c)	20,333,425	5,064,007
Provision for slow-moving inventory, net		2,107,978	6,649,450
Finance income		(195,141)	(345,238)
Interest cost		7,394,413	8,773,229
Share of loss / (profit) in equity accounted investees	7	2,191,747	(178,820)
Impairment loss in equity accounted investee	7	3,132,199	--
Loss on sale of property, plant and equipment		295,409	32,470
Employees' benefits service cost		4,272,869	4,302,453
Provision / (reversal) for accrued bonus - long term		656,769	(666,784)
		<u>110,109,829</u>	<u>174,064,781</u>
<i>Changes in:</i>			
Inventories		(14,514,381)	(1,386,747)
Trade and other receivables		(77,574,205)	(77,805,925)
Prepayments and other assets		(64,198,502)	52,705,619
Trade and other payables		5,169,615	21,588,595
Cash (used in) / generated from operating activities		<u>(41,007,644)</u>	<u>169,166,323</u>
Payment of accrued bonus - long term		--	(178,890)
Employees' benefits paid		(19,405,019)	(4,517,804)
Zakat & income tax paid	13	(2,299,878)	--
<b>Net cash (used in) / from operating activities</b>		<u>(62,712,541)</u>	<u>164,469,629</u>
<b>Cash flows from investing activities</b>			
Payments received for sublease		2,627,472	--
Additions to property, plant and equipment		(9,052,750)	(9,890,866)
Proceeds from disposal of property, plant and equipment		39,150	--
<b>Net cash used in investing activities</b>		<u>(6,386,128)</u>	<u>(9,890,866)</u>
<b>Cash flow from financing activities</b>			
Proceeds from short-term borrowing		300,000,000	--
Payments of lease liabilities		(11,113,709)	(17,219,874)
Dividends paid	12	(170,867)	(120,667,640)
<b>Net cash from / (used in) financing activities</b>		<u>288,715,424</u>	<u>(137,887,514)</u>
<b>Net change in cash and cash equivalents</b>		<u>219,616,755</u>	<u>16,691,249</u>
Cash and cash equivalents at beginning of the period		<u>188,903,543</u>	<u>147,252,743</u>
<b>Cash and cash equivalents at end of the period</b>		<u>408,520,298</u>	<u>163,943,992</u>

The accompanying notes 1 through 21 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)

### NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the three month period ended March 31, 2020

(Expressed in Saudi Arabian Riyals)

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#### 1. REPORTING ENTITY

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

The main objectives of the Company are the 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)
Dammam	2050082998	Jumada Al-Thani 1, 1433H (April 23, 2012)
Makkah	4031084114	Jumada Al-Atwal 23, 1435H (March 25, 2014)
Jeddah	4030227251	Jumada Al-Thani 1, 1433H (April 23, 2012)
Jeddah	4030285290	Muharram 2, 1437H (October 16, 2015)
Riyadh	1010336558	Jumada Al-Thani 1, 1433H (April 23, 2012)

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

Saudi Airlines Catering Company  
Al Saeb Al Jomhi Street  
Prince Sultan Bin Abdulaziz Road, Almohammadya District (5)  
P. O. Box 9178, Jeddah 21413  
Kingdom of Saudi Arabia

#### 2. BASIS OF PREPARATIONS

##### a) *Statement of compliance*

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended December 31, 2019 ("last annual Financial Statements"). They do not include all of the information required for a complete set of IFRS Financial Statements however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual Financial Statements.

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the three month period ended March 31, 2020  
(Expressed in Saudi Arabian Riyals)

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

*a. Basis of Measurement*

These financial statements have been prepared 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 financial statements are prepared using the accrual basis of accounting and going concern concept.

*b. Functional and presentation currency*

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

*a. Use of judgments and estimates*

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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 measures across the globe to counter possible adverse implications. The Company is closely monitoring the situation and has activated its business continuity planning and other risk management practices to manage the potential business disruption COVID-19 outbreak may have on its operations and financial performance. Since mid-March, the COVID-19 outbreak in the Kingdom of Saudi Arabia has caused significant disruptions with the temporary airports closures mandated by the government. These recent developments have resulted in suspending the primary operations and activities of the Company during the period ending March 31, 2020 and may continue to have a financial impact on the Company. The uncertainties caused by COVID-19, have required the Company to update the inputs and assumptions used for the determination of expected credit losses (“ECLs”) as at 31 March 2020. For interim reporting, in particular for Q1 2020, management adopted the use of an overlays approach and the main focus was on those customers that may be most vulnerable to the impact of COVID 19. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closures. Therefore, the Company has estimated the potential impact of the current economic volatility in the determination of the reported amounts of the Company’s financial and non-financial assets and these are considered to represent management’s best assessment based on information available. 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.



**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the three month period ended March 31, 2020  
(Expressed in Saudi Arabian Riyals)

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

*b. New Standards, Amendments to Standards and Interpretations*

A number of new standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Company has not adopted the new or amended standards in preparing these condensed interim financial statements.

The following forthcoming amended standards and interpretations are not expected to have a significant impact on the Company's condensed interim financial statements.

- Classification of liabilities as current or non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

**4. OPERATING SEGMENTS**

**A. Basis for segmentation**

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

The following summary describes the operations of each reportable segment:

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

The Company'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 CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three month period ended March 31, 2020  
(Expressed in Saudi Arabian Riyals)

**4. OPERATING SEGMENTS (continued)**

**b. Information about reportable segments**

**March 31, 2020 (Unaudited)**

	<u>Inflight</u>	<u>Retail</u>	<u>Catering and facilities</u>	<u>Total reportable segments</u>	<u>All other segments</u>	<u>Head office</u>	<u>Total</u>
External revenue	340,728,149	35,691,908	73,411,644	449,831,701	2,869,496	--	452,701,197
Inter-segment revenue	12,329,061	--	1,565,779	13,894,840	59,907,738	--	73,802,578
Segment revenue	<b>353,057,210</b>	<b>35,691,908</b>	<b>74,977,423</b>	<b>463,726,541</b>	<b>62,777,234</b>	--	<b>526,503,775</b>
Segment profit / (loss) before Zakat and tax	138,127,777	(18,947,068)	14,911,628	134,092,337	(111,673,594)	--	22,418,743
Depreciation and amortization	26,413,552	5,160,268	2,861,643	34,435,463	11,071,807	--	45,507,270
<b>Assets:</b>							
Segment assets	1,349,879,773	183,636,647	176,486,110	1,710,002,530	392,439,755	--	2,102,442,285
Other assets	--	--	--	--	--	730,646,513	730,646,513
<b>Total</b>	<b>1,349,879,773</b>	<b>183,636,647</b>	<b>176,486,110</b>	<b>1,710,002,530</b>	<b>392,439,755</b>	<b>730,646,513</b>	<b>2,833,088,798</b>
<b>Liabilities:</b>							
Segment liabilities	603,227,413	95,391,294	45,700,400	744,319,107	284,782,757	--	1,029,101,864
Other liabilities	--	--	--	--	--	595,713,528	595,713,528
<b>Total</b>	<b>603,227,413</b>	<b>95,391,294</b>	<b>45,700,400</b>	<b>744,319,107</b>	<b>284,782,757</b>	<b>595,713,528</b>	<b>1,624,815,392</b>

**SAUDI AIRLINES CATERING COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**

For the three month period ended March 31, 2020  
(Expressed in Saudi Arabian Riyals)

**4. OPERATING SEGMENTS (continued)**

**b. Information about reportable segments**

March 31, 2019 (Unaudited)

	<u>Inflight</u>	<u>Retail</u>	<u>Catering and facilities</u>	<u>Total reportable segments</u>	<u>All other segments</u>	<u>Head office</u>	<u>Total</u>
External revenue	418,063,497	38,892,473	44,131,565	501,087,535	20,543,305	--	521,630,840
Inter-segment revenue	12,980,127	--	1,425,132	14,405,259	77,867,710	--	92,272,969
Segment revenue	431,043,624	38,892,473	45,556,697	515,492,794	98,411,015	--	613,903,809
Segment profit / (loss) before zakat and tax	213,028,591	9,447	(6,503,453)	206,534,585	(93,348,758)	--	113,185,827
Depreciation and amortization	23,640,866	813,788	4,952,732	29,407,386	7,544,180	--	36,951,566

December 31, 2019 (Audited)

Assets:							
Segment assets	1,193,205,347	162,322,774	156,002,167	1,511,530,288	346,891,052	--	1,858,421,340
Other assets	--	--	--	--	--	645,843,684	645,843,684
Total	1,193,205,347	162,322,774	156,002,167	1,511,530,288	346,891,052	645,843,684	2,504,265,024
Liabilities:							
Segment liabilities	444,995,950	70,369,381	33,712,813	549,078,144	210,081,921	--	759,160,065
Other liabilities	--	--	--	--	--	439,453,018	439,453,018
Total	444,995,950	70,369,381	33,712,813	549,078,144	210,081,921	439,453,018	1,198,613,083

SAUDI AIRLINES CATERING COMPANY  
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**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)**  
For the three month period ended March 31, 2020  
(Expressed in Saudi Arabian Riyals)

4. **OPERATING SEGMENTS (continued)**

c. Reconciliations of information on reportable segments to primary statements

*I. Revenue*

	March 31, <u>2020</u>	March 31, <u>2019</u>
Total revenue for reportable segments	463,726,541	515,492,794
Revenue for other segments	62,777,234	98,411,015
Elimination of intersegment revenue	<u>(73,802,578)</u>	<u>(92,272,969)</u>
<b>Total revenue</b>	<u><b>452,701,197</b></u>	<u><b>521,630,840</b></u>

*II. Profit*

	March 31, <u>2020</u>	March 31, <u>2019</u>
Total profit for reportable segments	134,092,337	206,534,585
Profit for other segments	<u>(111,673,594)</u>	<u>(93,348,758)</u>
<b>Total profit</b>	<u><b>22,418,743</b></u>	<u><b>113,185,827</b></u>

*III. Assets*

	March 31, <u>2020</u>	December 31, <u>2019</u>
Total assets for reportable segments	1,710,002,530	1,511,530,288
Assets for other segments	392,439,755	346,891,052
Other unallocated amounts (Head office)	<u>730,646,513</u>	<u>645,843,684</u>
<b>Total assets</b>	<u><b>2,833,088,798</b></u>	<u><b>2,504,265,024</b></u>

Other unallocated amounts principally related to cash and cash equivalents, investment securities and prepayment and other current assets. Right of use assets and subleased assets have been allocated to their related segments.

*IV. Liabilities*

	March 31, <u>2020</u>	December 31, <u>2019</u>
Total liabilities for reportable segments	744,319,107	549,078,144
Liabilities for other segments	284,782,757	210,081,921
Other unallocated amounts (Head office)	<u>595,713,528</u>	<u>439,453,018</u>
<b>Total liabilities</b>	<u><b>1,624,815,392</b></u>	<u><b>1,198,613,083</b></u>

Head office amounts are principally related to trade and other payables, current zakat and tax liabilities and employee benefits. Lease liability has been allocated to its related segment.

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4. **OPERATING SEGMENTS (continued)**

*V. Geographical information*

-- Revenue	March 31, <u>2020</u>	March 31, <u>2019</u>
Kingdom of Saudi Arabia	441,342,040	506,950,429
<i>All foreign countries</i>		
Egypt – Cairo	<u>11,359,157</u>	<u>14,680,411</u>
<b>Total revenue</b>	<u><u>452,701,197</u></u>	<u><u>521,630,840</u></u>

c. **Major customer**

Revenue from one customer of the Company's Airline segment represented approximately 59% of the Company's total revenues.

5. **PROPERTY, PLANT AND EQUIPMENT**

a. **Reconciliation and carrying amount**

	Land	Building & leasehold improvements	Equipment	Motor vehicles	Under construction	Total
<b><u>Cost:</u></b>						
Balance at January 1, 2020	33,786,058	307,857,426	214,069,352	122,635,369	92,812,798	771,161,003
Additions	--	1,280,837	713,526	106,765	6,951,622	9,052,750
Disposal	--	--	(4,468,607)	(215,500)	--	(4,684,107)
Write off	--	--	--	--	(1,994,148)	(1,994,148)
Transfer from capital work under construction	--	2,541,223	2,278,776	--	(4,819,999)	--
Balance at March 31, 2020 (Unaudited)	<u><u>33,786,058</u></u>	<u><u>311,679,486</u></u>	<u><u>212,593,047</u></u>	<u><u>122,526,634</u></u>	<u><u>92,950,273</u></u>	<u><u>773,535,498</u></u>
<b><u>Accumulated depreciation:</u></b>						
Balance at January 1, 2020	--	53,313,043	116,985,366	40,702,054	--	211,000,463
Charge for the period	--	8,943,872	7,807,625	3,466,068	--	20,217,565
Disposals	--	--	(4,134,048)	(215,500)	--	(4,349,548)
Balance at March 31, 2020 (Unaudited)	<u><u>--</u></u>	<u><u>62,256,915</u></u>	<u><u>120,658,943</u></u>	<u><u>43,952,622</u></u>	<u><u>--</u></u>	<u><u>226,868,480</u></u>
<b><u>Carrying amounts:</u></b>						
At March 31, 2020 (unaudited)	<u><u>33,786,058</u></u>	<u><u>249,422,571</u></u>	<u><u>91,934,104</u></u>	<u><u>78,574,012</u></u>	<u><u>92,950,273</u></u>	<u><u>546,667,018</u></u>
At December 31, 2019 (audited)	<u><u>33,786,058</u></u>	<u><u>254,544,383</u></u>	<u><u>97,083,986</u></u>	<u><u>81,933,315</u></u>	<u><u>92,812,798</u></u>	<u><u>560,160,540</u></u>

b. **Capital work in progress status**

Capital work under construction mainly includes construction works at New Jeddah Airport – International Alfursan Lounges and Riyadh Alfursan Lounges.

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

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**6. RIGHT -OF-USE ASSETS & LEASES**

**A. Right -of-use assets**

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

	Commercial Building Lease	Land Lease	Residential Lease	Vehicles Lease	Total
<b><u>Cost:</u></b>					
Balance at January 1, 2020 (audited)	400,178,454	59,814,366	136,844,270	14,763,450	611,600,540
Addition**	26,018,290	---	---	---	26,018,290
Balance at March 31, 2020 (Unaudited)	<u>426,196,744</u>	<u>59,814,366</u>	<u>136,844,270</u>	<u>14,763,450</u>	<u>637,618,830</u>
<b><u>Accumulated depreciation:</u></b>					
Balance at January 1, 2020	65,153,375	2,757,836	10,250,167	3,693,392	81,854,770
Charge for the period	20,444,755	689,459	2,562,542	923,348	24,620,104
Balance at March 31, 2020 (Unaudited)	<u>85,598,130</u>	<u>3,447,295</u>	<u>12,812,709</u>	<u>4,616,740</u>	<u>106,474,874</u>
<b><u>Carrying amounts:</u></b>					
At March 31, 2020 (unaudited)	<u>340,598,614</u>	<u>56,367,071</u>	<u>124,031,561</u>	<u>10,146,710</u>	<u>531,143,956</u>
At December 31, 2019 (audited)	<u>335,025,079</u>	<u>57,056,530</u>	<u>126,594,103</u>	<u>11,070,058</u>	<u>529,745,770</u>

\*\*The addition during the period related to Riyadh Terminal 5 Shop and Al-Haramain Contracts.

**B. Lease Liabilities**

Movement in lease liabilities over the period is as follows:

	March 31, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Lease liability at beginning of the period/year	533,866,178	587,483,042
Additions to lease liability	20,806,987	---
Increase in Lease Liability due to finance cost	6,337,446	27,642,870
Lease payment during the period	<u>(11,113,709)</u>	<u>(81,259,734)</u>
Lease liability at end of the period/year	<u>549,896,902</u>	<u>533,866,178</u>
Less: Current portion of lease liability	<u>(146,445,351)</u>	<u>(117,364,903)</u>
Non-Current portion of lease liability	<u>403,451,551</u>	<u>416,501,275</u>

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

**C. Subleased Assets**

Movement in subleased assets over the period is as follows:

	<b>March 31, 2020 <u>(Unaudited)</u></b>	<b>December 31, 2019 <u>(Audited)</u></b>
Net subleased assets at beginning of the period/year	25,385,157	28,299,873
Increase due to finance income	195,141	1,337,128
Lease received during the period	<u>(2,627,472)</u>	<u>(4,251,844)</u>
Net subleased assets at end of the period/year	<u>22,952,826</u>	<u>25,385,157</u>
Less; Current portion of net subleased assets	<u>(12,065,306)</u>	<u>(12,526,423)</u>
Non-Current portion of net subleased assets	<u>10,887,520</u>	<u>12,858,734</u>

**7. EQUITY ACCOUNTED INVESTEE**

a. Investment in associate

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

b. The balances of the investment in associate as at March 31, 2020 and December 31, 2019 are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>		<u>Carrying value</u>	
		<u>March 31, 2020 <u>(Unaudited)</u></u>	<u>December 31, 2019 <u>(Audited)</u></u>	<u>March 31, 2020 <u>(Unaudited)</u></u>	<u>December 31, 2019 <u>(Audited)</u></u>
Saudi French Company For Duty Free Operations and Management (Limited Liability Company)	Kingdom of Saudi Arabia	<u>40%</u>	<u>40%</u>	<u>6,264,399</u>	<u>11,588,345</u>

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

	<u>Note</u>	<b>March 31, 2020 <u>(Unaudited)</u></b>	<b>December 31, 2019 <u>(Audited)</u></b>
Opening balance		11,588,345	15,125,813
Share in net loss	7d	(2,191,747)	(3,355,121)
Share in other comprehensive loss		--	(182,347)
Impairment loss	7e	<u>(3,132,199)</u>	--
Ending balance		<u>6,264,399</u>	<u>11,588,345</u>

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

d. Below is the summary of the financial information of the investee as at March 31, 2020 and December 31, 2019:

The invested Company does not issue quarterly reviewed interim financial statements, accordingly the financial data below and the share of profit for the three month period ended March 31, 2020 is based on internal management reporting.

<i>i) Share in net assets</i>	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Non current assets	147,725,918	158,408,508
Current assets	89,951,340	78,753,777
Total assets	<u>237,677,258</u>	<u>237,162,285</u>
Non current liabilities	138,256,527	109,334,455
Current liabilities	75,929,235	98,856,968
Total liabilities	<u>214,185,762</u>	<u>208,191,423</u>
<b>Net assets</b>	<u>23,491,496</u>	<u>28,970,862</u>
Company's share in net assets (40%)	9,396,598	11,588,345
Impairment loss	<u>(3,132,199)</u>	--
Carrying value of the investment	<u>6,264,399</u>	<u>11,588,345</u>
<i>ii) Share in (loss) / profit</i>	<b>Three months ended March 31, 2020 (Unaudited)</b>	<b>Three months ended March 31, 2019 (Unaudited)</b>
Revenue	55,298,075	70,454,701
Net (loss) / profit for the period	<u>(5,479,367)</u>	<u>447,049</u>
Company's share of (loss) / profit for the period (40%)	<u>(2,191,747)</u>	<u>178,820</u>



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

e. Impairment of associate

As at March 31, 2020, the management performed an impairment study of investment due to the incurred losses to date as a result of the impact of the lockdown of airports following COVID-19 outbreak and accordingly recognized an impairment of SAR 3.1 million. Management will continue to monitor the situation and the performance of the associate and will update the impairment study accordingly at each reporting period.

**8. TRADE AND OTHER RECEIVABLES**

a. Trade and other receivables comprise the following:

	<u>Note</u>	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Trade receivables due from related parties (net of purser provision)	14 c	722,776,499	652,808,496
Trade receivables – third parties		<u>270,764,496</u>	<u>263,063,165</u>
		<b>993,540,995</b>	<b>915,871,661</b>
Less: Allowance for expected credit losses	8 b	<u>(68,158,955)</u>	<u>(47,730,401)</u>
		<b>925,382,040</b>	<b>868,141,260</b>

- Trade receivables disclosed above are classified as loans and receivables and are measured at amortized cost.
- The Company does not have any collateral over receivables and are unsecured. Unimpaired trade receivables are expected on the basis of past experience, to be fully recoverable.
- 78% of the trade receivables is due from government or semi-government entities (December 31, 2019: 74%)

b. Movement summary in expected credit losses provision for receivables are as follows:

	<b>March 31, 2020 (Unaudited)</b>	<b>December 31, 2019 (Audited)</b>
Balance at beginning of the period/year	47,730,401	40,502,850
Charged for the period/year	20,428,554	7,242,993
Write-off during the period/year	--	(15,442)
Balance at end of the period/year	<u>68,158,955</u>	<u>47,730,401</u>

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

c. Movement summary in allowance for related parties balance (purser account) is as follows:

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
Balance at beginning of the period/year	3,895,352	4,026,001
Charged for the period/year	134,870	243,876
Reversal during the period/year	<u>(229,999)</u>	<u>(374,525)</u>
Balance at end of the period/year	<u>3,800,223</u>	<u>3,895,352</u>

**9. SHORT-TERM BORROWING**

As at March 31, the Company had the following short-term borrowing:

	<b>March 31, 2020 (Unaudited)</b>
Islamic Banking Facilities (Murabaha)	<u>300,000,000</u>

The Company obtained short term borrowing during period ended 31 March 2020 amounting to SR 300 million from Saudi British Bank (SABB) to meet the working capital requirements of the Company. The loan carries commission at normal commercial rates, SIBOR + 0.75% p.a.

**10. SHARE CAPITAL**

a. Share capital

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
In issue at beginning of the period/year (number of shares)	82,000,000	82,000,000
Issued for cash	--	--
In issue at March 31, 2020 and December 31, 2019– fully paid (number of shares)	<u>82,000,000</u>	<u>82,000,000</u>
Issued – par value SR 10	<u>820,000,000</u>	<u>820,000,000</u>

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**10. SHARE CAPITAL (continued)**

- b. At March 31, 2020 and December 31, 2019 the shareholders and their percentage interests in the share capital of the Company are as follows:

<u>Shareholder</u>	<u>No. of shares</u>	<u>Value in SR</u>	<u>%</u>
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	7,041,379	70,413,790	8.6
Abdulmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.4
General public	37,973,365	379,733,650	46.3
	<u>82,000,000</u>	<u>820,000,000</u>	<u>100</u>

- c. Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

**11. STATUTORY RESERVE**

In accordance with the new Company's bylaws approved by the General Assembly meeting dated April 17, 2017 and the new Saudi Arabian Regulations for Companies, the Company sets aside 10% of its profit each year as statutory reserve until such reserve equals to 30% of the share capital.

The Company has transferred an amount in excess of 30% to the statutory reserve in previous years.

**12. DIVIDENDS**

- a. i The following dividends were declared by the Company during the period ended March 31, 2020.

	2020 <u>(Unaudited)</u>
February 17, 2020: SR. 1.40 per ordinary share (Income tax adjusted)	<u>112,934,489</u>

- ii The following dividends were declared by the Company during the period ended March 31, 2019.

	2019 <u>(Unaudited)</u>
February 27, 2019: SR 1.30 per ordinary share (Income tax adjusted)	<u>105,141,497</u>

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**12. DIVIDENDS (continued)**

b. The movement in the dividends payable during the period / year is as follows:

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
Balance at beginning of the period / year	1,422,759	123,229,981
Declared during the period / year	112,934,489	438,221,370
Paid during the period / year	<u>(170,867)</u>	<u>(560,028,592)</u>
Balance at end of the period / year	<u><b>114,186,381</b></u>	<u>1,422,759</u>

On 20<sup>th</sup> March 2020, the Board of Directors had issued a resolution to postpone the date of distribution of the 2019 4<sup>th</sup> quarter dividends to the Company's shareholders until further notice considering the financial impact on the Company due to the lockdown and travelling restrictions imposed by the Authorities.

**13. ZAKAT AND INCOME TAX LIABILITIES**

The following is the breakdown of the Zakat and income tax liability as at March 31, 2020 and December 31, 2019:

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
Zakat payable	36,228,739	29,696,293
Income tax payable	<u>2,516,350</u>	<u>4,485,885</u>
Zakat and income tax liabilities	<u><b>38,745,089</b></u>	<u>34,182,178</u>

**a. Zakat and income tax provision**

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

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
Balance at beginning of the period / year	29,696,293	28,259,464
Charge for the period / year	6,532,446	29,696,293
Adjustment related to prior years	--	176,917
Payments during the period / year	--	<u>(28,436,381)</u>
Balance at end of the period / year	<u><b>36,228,739</b></u>	<u>29,696,293</u>

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

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

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
Balance at beginning of the period / year	4,485,885	2,050,550
Charge for the period / year	330,343	9,085,638
Adjustment related to prior period / year	--	175,243
Payments during the period / year	<u>(2,299,878)</u>	<u>(6,825,546)</u>
Balance at end of the period / year	<u>2,516,350</u>	<u>4,485,885</u>

iii) Charge of the period ended March 31, 2020 and year ended December 31, 2019 is as follows:

	<u>2020 (Unaudited)</u>	<u>2019 (Audited)</u>
Zakat charge for the period / year	6,532,446	29,696,293
Zakat prior year adjustment	--	176,917
	<u>6,532,446</u>	<u>29,873,210</u>
Income tax charge of the period / year	330,343	9,085,638
Income tax prior year adjustment	--	175,243
	<u>330,343</u>	<u>9,260,881</u>
<b>Total Zakat and income tax of the period/year</b>	<u>6,862,789</u>	<u>39,134,091</u>

**b. Zakat assessments**

The Company has submitted its Zakat and tax declarations for the years from 2009 to 2018. It has received queries from GAZT in respect of all these year and has has provided responses for the years 2009 to 2013 and is currently waiting for GAZT's reply to these responses.

The Company has requested for an extension to respond to the queries received for the years 2014 to 2018 due to COVID 19. The Company has obtained a certificate until April 30, 2021.

**14. RELATED PARTIES DISCLOSURES**

a. Related parties include the Company's shareholders, associated companies and directors and key management personnel of the Company. Terms and conditions of these transactions at agreed rates are approved by the Company's management.

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

b. Transactions with key management personnel

Key management personnel compensation comprised the following:

	<b>March 31,</b> <b><u>2020</u></b>	<b>March 31,</b> <b><u>2019</u></b>
Short term employee benefits	1,544,806	1,475,528
Post employment benefits	36,450	36,450
Termination benefits	105,556	79,838
<b>Total</b>	<b><u>1,686,812</u></b>	<b><u>1,591,816</u></b>

c. Related parties' transactions and balances

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

i) Sale of goods and services (under trade and other receivables):

	<b>Relationship</b>	<b>Transactions values for the three months ended</b>		<b>Balances</b>	
		<b>March 31, <u>2020</u></b>	<b>March 31, <u>2019</u></b>	<b>March 31, <u>2020</u></b> (Unaudited)	<b>December 31, <u>2019</u></b> (Audited)
Saudi Arabian Airlines Corporation*	Shareholders / fellow subsidiaries	298,743,913	434,264,157	655,756,398	598,827,070
Saudi Ground Services Company	Fellow subsidiary	10,324,267	8,832,709	43,327,000	33,004,466
Saudi Airlines Cargo Company	Fellow subsidiary	1,866,944	3,482,842	12,866,973	11,197,020
Saudi French Company for Duty Free Operations and Management	Associate	836,778	1,145,160	9,795,330	8,958,552
Saudi Airlines Real Estate Development Company	Fellow subsidiary	193,127	37,900	997,066	803,940
Alhokair Company Joint Stock Company	Shareholders	16,284	203,491	<u>33,732</u>	<u>17,448</u>
<b>Total</b>				<b><u>722,776,499</u></b>	<b><u>652,808,496</u></b>

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

**ii) Purchase of goods (under trade and other payables)**

	<u>Relationship</u>	<u>Transactions values for the three months ended</u>		<u>Balances</u>	
		<u>March 31, 2020</u>	<u>March 31, 2019</u>	<u>March 31, 2020 (Unaudited)</u>	<u>December 31, 2019 (Audited)</u>
Saudi Airlines Real Estate Development Company	Fellow subsidiary	--	21,800	9,896,323	16,133,360
Saudi Ground Services Company	Fellow subsidiary	535,843	--	6,962,006	6,504,477
Saudi Arabian Airlines Corporation*	Shareholders/ fellow subsidiaries	904,743	2,252,149	1,890,957	986,213
Alhokair Company Joint Stock Company	Shareholders	82,821	104,386	187,207	104,386
Newrest Company Holding S.L.	Shareholders	2,753,302	1,267,876	(29,850)	2,778,232
Saudi Airlines Cargo Company	Fellow subsidiary	51,572	--	331,240	279,668
Gulfwest Company Limited	Common shareholders	--	1,064,472	--	1,245,670
<b>Total</b>				<b>19,237,883</b>	<b>28,032,006</b>

\*Transactions with Saudi Arabian Airlines Corporation includes transaction with the entities which are wholly owned by Saudi Arabian Airlines. The entities include Saudi Arabian Airlines Corporation, Saudi Private Aviation, Saudi Royal VIP, Saudia Royal Fleet, Saudia Aerospace Engineering, Saudia Medical Service, Prince Sultan Aviation and Flyadeal.

Furthermore, Gulfwest Company Limited is no more a related party for Saudi Airline Catering Company and is reclassified to third party payables.

**15. REVENUE**

	<u>2020</u>	<u>2019</u>
In-flight catering revenue	304,716,229	376,277,320
Non-airlines revenue	74,344,488	52,389,079
Retail revenue	35,762,599	38,901,473
Business lounge revenue	34,841,280	41,659,398
<b>Other operating revenues</b>		
Camp facilities sales (staff feeding & accommodation)	3,284,309	6,547,481
Exclusivity purchase income & services to suppliers	(247,708)	5,856,089
	<b>452,701,197</b>	<b>521,630,840</b>

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16. **COST OF SALES**

	<u>2020</u>	<u>2019</u>
Cost of materials and goods	153,691,143	158,101,403
Depreciation	39,695,479	31,417,846
Personnel costs	75,049,791	77,593,690
Rent and maintenance of production units	13,594,324	12,844,187
<b>Other operating costs</b>		
Manpower and transportation cost	15,513,524	16,845,542
Supplies and expandable items	7,931,285	8,611,863
Communication and utilities	8,419,792	6,745,597
Other operational costs	19,648,135	17,597,930
	<u>333,543,473</u>	<u>329,758,058</u>

17. **EARNINGS PER SHARE**

a. *Basic earnings per share*

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted average number of ordinary shares outstanding.

i. *Profit attributable to ordinary shareholders (basic)*

Particulars	<u>2020</u>	<u>2019</u>
Profit for the period	<u>15,555,954</u>	<u>103,526,080</u>

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

Particulars	<u>2020</u>	<u>2019</u>
Weighted-average number of ordinary shares at March 31	<u>82,000,000</u>	<u>82,000,000</u>

b. *Diluted earnings per share*

There were no diluted shares during the period, accordingly, the diluted earnings per share will be the same as the basic earnings per share.

18. **CAPITAL MANAGEMENT**

The Company's objective when managing capital is to safeguard the Company's ability as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its businesses.

The Company manages the Capital structure in the context of economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may, for example, opt for short term or loan term loans.



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**18. CAPITAL MANAGEMENT (continued)**

The Company monitors return on capital employed and makes adjustment to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may obtain short term or loan term loans. The Company monitors capital using a debt equity ratio.

	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Total liabilities	1,624,815,392	1,198,613,083
Less: cash and cash equivalents	<u>(408,520,298)</u>	<u>(188,903,543)</u>
<b>Net debt</b>	<u>1,216,295,094</u>	<u>1,009,709,540</u>
Total equity	<u>1,208,273,406</u>	<u>1,305,651,941</u>
<b>Net debt to total equity ratio</b>	<u>101%</u>	<u>77%</u>

**19. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT**

**Measurement of fair values**

Except for the investment property, the fair values of the Company's financial assets and liabilities approximate their carrying amounts.

**Financial risk management**

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

The Company's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Company's financial performance.

**Risk management framework**

The Board of Directors has put in place appropriate structures to ensure risk governance and monitoring across the Company. The Company's overall financial risk management focuses on the unpredictability of financial markets and the clients' payment behavior and seeks to minimize potential adverse effects on the Company's financial performance.

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

**Cash flow and interest rate risk**

As the Company has no significant interest-bearing assets, the Company's income and associated operating cash inflows are substantially independent of changes in market interest rates. The Company obtained short-term borrowing which has a fixed interest rate.

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

**Credit risk**

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

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

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
<b>Financial assets</b>		
Due from related parties	726,576,722	656,703,848
Trade receivables	270,764,496	263,063,165
Balances with banks	407,449,885	188,174,435
Other receivables	27,051,660	27,355,520
Investment in sub-lease	22,952,826	25,385,157
Financial asset at amortized cost	18,954,026	19,754,026
	<u>1,473,749,615</u>	<u>1,180,436,151</u>

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 accounts are held with banks within Saudi Arabia and Cairo.
- The Company currently does not obtain security / collaterals from its customers.

As at March 31, 2020, 5 largest customers (December 31, 2019: 5 largest customers) account for approximately 73% (31 December 2019: 71%) of gross outstanding trade receivables.

**Fair value of assets and liabilities**

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

**Financial assets classified as amortised cost**  
**Carrying value:**

	<b>March 31, 2020 (Unaudited)</b>	December 31, 2019 (Audited)
Due from related parties	722,776,499	652,808,496
Trade and other receivables	202,605,541	215,332,764
Balances with banks	407,449,885	188,174,435
Other receivables	27,051,660	27,335,520
Investment in sub-lease	22,952,826	25,385,157
Financial asset at amortized cost	18,954,026	19,754,026
	<u>1,401,790,437</u>	<u>1,128,790,398</u>

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

**Financials liabilities as at amortised cost**

<u>Carrying amount:</u>	March 31, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade and other payables	571,839,535	451,870,275
Short-term borrowing	300,000,000	--
Lease liabilities	549,896,902	533,866,178
	<u>1,421,736,437</u>	<u>985,736,453</u>

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

**Currency risk**

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

**Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Company maintain flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. The Company does have any credit facilities in place and obtained short-term borrowing to support working capital and management also monitor risk to a shortage of funds by reviewing short-term cash forecasts on a continuous basis and by undertaking mid-term cash forecasts during the year.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements and Zakat & tax and VAT liabilities.

<u>March 31, 2020</u>	<i>Carrying amount</i>	<i>Total</i>	<i>less than one year</i>	<i>More than one year</i>
<b>Liabilities</b>				
Trade and other payables	571,839,535	571,839,535	571,839,535	--
Short term borrowing	300,000,000	300,000,000	300,000,000	--
Lease liabilities	549,896,902	549,896,902	146,445,351	403,451,551
<u>December 31, 2019</u>	<i>Carrying amount</i>	<i>Total</i>	<i>less than one year</i>	<i>More than one year</i>
<b>Liabilities</b>				
Trade and other payables	451,870,275	451,870,275	451,870,275	--
Lease liabilities	533,866,178	533,866,178	117,364,903	416,501,275

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.

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**20. COMMITMENTS AND CONTINGENCIES**

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

	<b>March 31, 2020 (Unaudited)</b>	March 31, <u>2019</u> (Unaudited)
Capital commitments	<u>89,213,815</u>	<u>137,241,853</u>
Letter of guarantees	<u>59,745,859</u>	<u>48,251,757</u>

Letters of guarantee are issued by a bank on behalf of the Company to a supplier and promises to meet any financial obligations to the supplier in the event of default and this requires the Company to place cash with the bank. As at March 31, 2020, the Company fully paid the amount against letters of guarantee, hence no further financial charges are payable.

The Company had a revised credit facility with SABB effective from January 2020 for the bank guarantee issued on behalf of the Company to a supplier with the year-to-date issued amount of SR 33,970,834.

**21. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were approved by the Board of Directors on 28 Ramadan 1441H, corresponding to 21 May 2020.



Chief Financial Officer



Chief Executive Officer



Authorized Board of Directors  
Member