

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine months periods ended September 30, 2020
with
INDEPENDENT AUDITOR'S REPORT



KPMG Al Fozan & Partners
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License No. 46/11/323 issued 11/3/1992

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of Saudi Airlines Catering Company

Introduction

We have reviewed the accompanying September 30, 2020 condensed interim financial statements of Saudi Airlines Catering Company ("the Company") which comprises:

- the condensed statement of financial position as at September 30, 2020;
- the condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended September 30, 2020;
- the condensed statement of changes in equity for the nine-month period ended September 30, 2020;
- the condensed statement of cash flows for the nine-month period ended September 30, 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 September 30, 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


Nasser Ahmed Al Shutaily
License No. 454



Jeddah, 24 Rabi Al Awal 1442H
Corresponding to 10 November 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 member firms affiliated with KPMG International Cooperative, a Swiss entity.

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

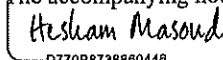
CONDENSED STATEMENT OF FINANCIAL POSITION


As at September 30, 2020

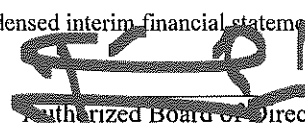
(Expressed in Saudi Arabian Riyals)

		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
	Note		
Assets			
Property, plant and equipment	5	503,733,055	560,160,540
Right-of-use assets	6	514,958,821	529,745,770
Subleased assets	6	10,817,410	12,858,734
Intangible assets		1,299,098	1,846,190
Investment property		35,100,808	36,388,484
Equity accounted investee	7	--	11,588,345
Financial assets at amortized costs		17,497,223	19,754,026
Non-current assets		1,083,406,415	1,172,342,089
Subleased assets	6	12,493,427	12,526,423
Inventories		150,053,211	153,791,958
Trade and other receivables	8	910,079,068	868,141,260
Prepayments and other assets		100,510,185	108,559,751
Cash and cash equivalents		237,090,809	188,903,543
Current assets		1,410,226,700	1,331,922,935
Total assets		2,493,633,115	2,504,265,024
Equity and liabilities			
Equity			
Share capital	10	820,000,000	820,000,000
Statutory reserve	11	353,835,879	353,835,879
(Accumulated losses) /retained earnings		(215,804,952)	131,816,062
Total equity		958,030,927	1,305,651,941
Liabilities			
Lease liabilities	6	399,504,500	416,501,275
Employees benefits		161,351,403	176,750,314
Non-current liabilities		560,855,903	593,251,589
Short-term borrowing	9	300,000,000	--
Lease liabilities	6	174,454,479	117,364,903
Zakat and income tax liabilities	13	7,711,222	34,182,178
Trade and other payables	14	492,580,584	453,814,413
Current liabilities		974,746,285	605,361,494
Total liabilities		1,535,602,188	1,198,613,083
Total equity and liabilities		2,493,633,115	2,504,265,024

The accompanying notes 1 through 22 form an integral part of these condensed interim financial statements.


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Chief Financial Officer


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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 (UNAUDITED)

For the three months and nine-month periods ended September 30, 2020

(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Revenue	16	154,776,869	585,237,866	720,626,968	1,651,397,384
Cost of sales	17	(181,540,004)	(355,006,824)	(668,898,163)	(1,036,595,977)
Gross (loss) / profit		(26,763,135)	230,231,042	51,728,805	614,801,407
Other income		391,989	1,337,925	2,364,129	4,906,333
General and administrative expenses		(57,135,094)	(63,380,208)	(183,132,390)	(180,774,669)
Allowance of expected credit losses, net		(8,672,068)	(5,886,679)	(55,450,574)	(19,787,954)
Other expenses	8(b,c)	(375,117)	(883,618)	(1,074,668)	(2,282,544)
Operating (loss) / profit		(92,553,425)	161,418,462	(185,564,698)	416,862,573
Finance income	6	179,353	336,493	553,152	1,031,180
Finance cost		(10,040,234)	(8,414,601)	(25,424,990)	(25,735,538)
Net finance costs		(9,860,881)	(8,078,108)	(24,871,838)	(24,704,358)
Share of (loss) / profit of equity accounted investee	7	--	159,489	(11,277,781)	1,432,962
Impairment loss in equity accounted investees	7	--	--	(310,564)	--
(Loss) / profit before zakat and income tax		(102,414,306)	153,499,843	(222,024,881)	393,591,177
Zakat and income tax expense	13	(4,050,300)	(11,481,546)	(12,661,644)	(30,978,982)
(Loss) / profit for the period		(106,464,606)	142,018,297	(234,686,525)	362,612,195
Other comprehensive (loss) / income		--	--	--	--
Items that will not be reclassified to profit or loss		--	--	--	--
Remeasurement of defined benefit liability		--	--	--	--
Share of other comprehensive gain of associate		--	--	--	--
Other comprehensive (loss) / gain for period		(106,464,606)	142,018,297	(234,686,525)	362,612,195
Total comprehensive (loss) / income for the period		(212,879,212)	295,517,140	(469,373,106)	725,204,390
(Loss)/ earnings per share					
Basic (loss)/ earnings per share	18	(1.30)	1.73	(2.86)	4.42
Diluted (loss)/ earnings per share	18	(1.30)	1.73	(2.86)	4.42

The accompanying notes 1 through 22 form an integral part of these condensed interim financial statements.

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Chief Financial Officer

Chief Executive Officer

A Member of the Board of Directors

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

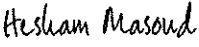
CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended September 30, 2020

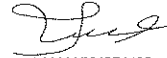
(Expressed in Saudi Arabian Riyals)


	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>(Accumulated loss) / Retained earnings</u>	<u>Total</u>
As at September 30, 2020					
Balance at January 1, 2020 (Audited)		820,000,000	353,835,879	131,816,062	1,305,651,941
<u>Total comprehensive income</u>					
Loss for the period		--	--	(234,686,525)	(234,686,525)
Other comprehensive (loss) / income		--	--	--	--
Total comprehensive loss		--	--	(234,686,525)	(234,686,525)
<u>Transactions with owners of the Company</u>					
Contributions and distributions					
Dividends declared	12	--	--	(112,934,489)	(112,934,489)
Balance at September 30, 2020 (Unaudited)		<u>820,000,000</u>	<u>353,835,879</u>	<u>(215,804,952)</u>	<u>958,030,927</u>
As at September 30, 2019					
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)
Total comprehensive income					
Profit for the period		--	--	362,612,195	362,612,195
Other comprehensive income		--	--	--	--
Total comprehensive income		--	--	362,612,195	362,612,195
<u>Transactions with owners of the Company</u>					
Contributions and distributions					
Dividends declared	12	--	--	(317,731,769)	(317,731,769)
Balance at September 30, 2019 (Unaudited)		<u>820,000,000</u>	<u>353,835,879</u>	<u>154,916,155</u>	<u>1,328,752,034</u>

The accompanying notes 1 through 22 form an integral part of these condensed interim financial statements.

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Chief Financial Officer



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Chief Executive Officer


Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS (UNAUDITED)
For the nine-month period ended September 30, 2020
(Expressed in Saudi Arabian Riyals)

	Note	2020 (Unaudited)	2019 (Unaudited)
Cash flows from operating activities			
(Loss) / profit for the period		(234,686,525)	362,612,195
<i>Adjustments for:</i>			
Zakat and tax	13	12,661,644	30,978,982
Depreciation on property, plant and equipment and investment in property		73,367,441	55,264,892
Depreciation on right-of-use assets	6	63,608,680	61,391,077
Amortization		547,092	114,805
Construction in progress write off	5	20,956,062	--
Bad debt direct write off		--	296,621
Allowance of expected credit losses, net	8(b,c)	55,450,574	19,787,954
Provision for slow-moving inventory, net		1,640,292	854,039
Finance income		(553,152)	(1,031,180)
Finance cost		25,424,990	25,735,538
Share of loss / (profit) in equity accounted investees	7	11,277,781	(1,432,962)
Impairment loss in equity accounted investees	7	310,564	--
Gain on sale of property, plant and equipment		(34,624)	180,093
Employees' benefits service cost		12,818,607	12,907,359
Provision for accrued bonus - long term		3,264,075	984,466
		<u>46,053,501</u>	<u>568,643,879</u>
<i>Changes in:</i>			
Inventories		2,098,455	(30,836,968)
Trade and other receivables		(97,388,382)	(172,446,913)
Prepayments and other assets		6,188,916	45,859,127
Trade and other payables		<u>(79,820,933)</u>	<u>64,173,839</u>
Cash (used in) / generated from operating activities		<u>(122,868,443)</u>	<u>475,392,964</u>
Payment of accrued bonus - long term		(3,337,677)	(178,890)
Employees' benefits paid		(30,774,010)	(14,669,827)
Zakat & income tax paid	13	<u>(39,132,600)</u>	<u>(35,261,927)</u>
Net cash (used in) / from operating activities		<u>(196,112,730)</u>	<u>425,282,320</u>
Cash flows from investing activities			
Payments received from sublease	6	2,627,472	4,251,844
Additions to property, plant and equipment		(37,011,352)	(40,511,683)
Additions to investment property		(178,041)	--
Additions to intangibles		--	(130,675)
Proceeds from disposal of property, plant and equipment		615,675	--
Net cash used in investing activities		<u>(33,946,246)</u>	<u>(36,390,514)</u>
Cash flow from financing activities			
Proceeds from short-term borrowing		300,000,000	--
Payments of lease liabilities	6	(21,469,971)	(64,378,573)
Dividends paid	12	<u>(283,787)</u>	<u>(399,072,286)</u>
Net cash generated from / (used in) financing activities		<u>278,246,242</u>	<u>(463,450,859)</u>
Net change in cash and cash equivalents		<u>48,187,266</u>	<u>(74,559,053)</u>
Cash and cash equivalents at beginning of the period		<u>188,903,543</u>	<u>147,252,743</u>
Cash and cash equivalents at end of the period		<u>237,090,809</u>	<u>72,693,690</u>

The accompanying notes 1 through 22 form an integral part of these condensed interim financial statements.

Chief Financial Officer

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Hesham Masoud

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Chief Executive Officer

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Authorized Board of Directors
Member

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SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the nine month period ended September 30, 2020

(Expressed in Saudi Arabian Riyals)

1. REPORTING ENTITY

Saudi Airlines Catering Company (the "Company") is a Saudi Joint Stock Company domiciled in the Kingdom of Saudi Arabia. The Company was registered as a Saudi limited liability company on Muharram 20, 1429H (January 29, 2008) under commercial registration 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>
Rabigh	4602006306
Medina	4650055980
Dammam	2050082998
Makkah	4031084114
Jeddah	4030227251
Jeddah	4030285290
Riyadh	1010336558

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 nine month period ended September 30, 2020

(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATIONS (continued)

a. *Basis of Measurement*

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

b. *Functional and presentation currency*

These condensed interim 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 condensed interim 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 ended September 30, 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 30 September 2020. For interim reporting, in particular for this quarter, 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 nine month period ended September 30, 2020

(Expressed in Saudi Arabian Riyals)

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.

Effective date	New standards or amendments
1 January 2021	IFRS 17 Insurance Contracts
1 January 2022	Classification of liabilities as Current or Non-current (Amendments to IAS1)
Available for optional adoption / effective date deferred indefinitely	Sales or Contributions of Assets between an Investor and its Associates 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:

Reportable segments	Operations
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 nine month period ended September 30, 2020
(Expressed in Saudi Arabian Riyals)

4. OPERATING SEGMENTS (continued)

b. Information about reportable segments

September 30, 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	498,960,604	56,918,312	149,793,457	705,672,373	14,954,595	--	720,626,968
Inter-segment revenue	21,476,456	(8,306)	3,029,946	24,498,096	107,203,062	--	131,701,158
Segment revenue	520,437,060	56,910,006	152,823,403	730,170,469	122,157,657	--	852,328,126
Segment (loss) / profit before Zakat and tax	94,633,902	(39,976,191)	5,701,525	60,359,236	(282,384,117)	--	(222,024,881)
Depreciation and amortization	81,394,269	10,909,223	8,905,522	101,209,014	36,314,199	--	137,523,213
Assets:							
Segment assets	1,188,139,569	161,633,629	155,339,857	1,505,113,055	345,418,319	--	1,850,531,374
Other assets	--	--	--	--	--	643,101,741	643,101,741
Total	1,188,139,569	161,633,629	155,339,857	1,505,113,055	345,418,319	643,101,741	2,493,633,115
Liabilities:							
Segment liabilities	570,106,203	90,153,676	43,191,143	703,451,022	269,146,284	--	972,597,306
Other liabilities	--	--	--	--	--	563,004,882	563,004,882
Total	570,106,203	90,153,676	43,191,143	703,451,022	269,146,284	563,004,882	1,535,602,188

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the nine month period ended September 30, 2020
(Expressed in Saudi Arabian Riyals)

4. OPERATING SEGMENTS (continued)

b. Information about reportable segments (continued)

September 30, 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	1,317,883,899	127,209,888	151,430,541	1,596,524,328	54,873,056	--	1,651,397,384
Inter-segment revenue	44,707,797	--	4,534,480	49,242,277	246,989,700	--	296,231,977
Segment revenue	1,362,591,696	127,209,888	155,965,021	1,645,766,605	301,862,756	--	1,947,629,361
Segment profit / (loss) before zakat and tax	692,304,255	(14,028,260)	4,220,445	682,496,440	(288,905,263)	--	393,591,177

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
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the nine month period ended September 30, 2020

(Expressed in Saudi Arabian Riyals)

4. OPERATING SEGMENTS (continued)

c. Reconciliations of information on reportable segments to primary statements

I. Revenue

	September 30, <u>2020</u>	September 30, <u>2019</u>
Total revenue for reportable segments	730,170,469	1,645,766,605
Revenue for other segments	122,157,657	301,862,756
Elimination of intersegment revenue	<u>(131,701,158)</u>	<u>(296,231,977)</u>
Total revenue	<u>720,626,968</u>	<u>1,651,397,384</u>

II. Profit

	September 30, <u>2020</u>	September 30, <u>2019</u>
Total profit for reportable segments	60,359,236	682,496,440
Loss for other segments	<u>(282,384,117)</u>	<u>(288,905,263)</u>
Total (loss) / profit	<u>(222,024,881)</u>	<u>393,591,177</u>

III. Assets

	September 30, <u>2020</u>	December 31, <u>2019</u>
Total assets for reportable segments	1,505,113,055	1,511,530,288
Assets for other segments	345,418,319	346,891,052
Other unallocated amounts (Head office)	<u>643,101,741</u>	<u>645,843,684</u>
Total assets	<u>2,493,633,115</u>	<u>2,504,265,024</u>

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

IV. Liabilities

	September 30, <u>2020</u>	December 31, <u>2019</u>
Total liabilities for reportable segments	703,451,022	549,078,144
Liabilities for other segments	269,146,284	210,081,921
Other unallocated amounts (Head office)	<u>563,004,882</u>	<u>439,453,018</u>
Total liabilities	<u>1,535,602,188</u>	<u>1,198,613,083</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)

c. Reconciliations of information on reportable segments to primary statements (continued)

V. Geographical information

	September 30, 2020	September 30, 2019
– Revenue		
Kingdom of Saudi Arabia	706,191,615	1,600,857,129
<i>All foreign countries</i>		
Egypt – Cairo	14,435,353	50,540,255
Total revenue	720,626,968	1,651,397,384

d. Major customer

Revenue from one customer of the Company represented approximately 57% (2019: 63%) 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
Cost:						
Balance at January 1, 2020	33,786,058	307,857,426	214,069,352	122,635,369	92,812,798	771,161,003
Additions	--	1,580,422	2,205,677	106,764	33,118,489	37,011,352
Disposal	--	--	(4,787,795)	(8,893,067)	--	(13,680,862)
Write off	--	--	--	--	(20,956,062)	(20,956,062)
Transfer from capital work under construction	--	23,227,444	15,786,283	--	(39,013,727)	--
Balance at September 30, 2020 (Unaudited)	33,786,058	332,665,292	227,273,517	113,849,066	65,961,498	773,535,431
Accumulated depreciation:						
Balance at January 1, 2020	--	53,313,043	116,985,366	40,702,054	--	211,000,463
Charge for the period	--	34,493,963	27,084,290	10,323,471	--	71,901,724
Disposals	--	--	(4,431,219)	(8,668,592)	--	(13,099,811)
Balance at September 30, 2020 (Unaudited)	--	87,807,006	139,638,437	42,356,933	--	269,802,376
Carrying amounts:						
At September 30, 2020 (Unaudited)	33,786,058	244,858,286	87,635,080	71,492,133	65,961,498	503,733,055
At December 31, 2019 (Audited)	33,786,058	254,544,383	97,083,986	81,933,315	92,812,798	560,160,540

b. Capital work in progress status

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

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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
Cost:					
Balance at January 1, 2020 (audited)	400,178,454	59,814,366	136,844,270	14,763,450	611,600,540
Additions	26,127,831	--	--	--	26,127,831
Lease modifications	23,464,146	--	--	--	23,464,146
Terminations	(4,265,445)	--	--	--	(4,265,445)
Balance at September 30, 2020 (Unaudited)	<u>445,504,986</u>	<u>59,814,366</u>	<u>136,844,270</u>	<u>14,763,450</u>	<u>656,927,072</u>
Accumulated depreciation:					
Balance at January 1, 2020 (audited)	65,153,375	2,757,836	10,250,167	3,693,392	81,854,770
Charge for the period	55,643,774	2,068,377	7,495,446	2,770,044	67,977,641
Lease modifications	(4,368,961)	--	--	--	(4,368,961)
Terminations	(3,495,199)	--	--	--	(3,495,199)
Balance at September 30, 2020 (Unaudited)	<u>112,932,989</u>	<u>4,826,213</u>	<u>17,745,613</u>	<u>6,463,436</u>	<u>141,968,251</u>
Carrying amounts:					
At September 30, 2020 (Unaudited)	<u>332,571,997</u>	<u>54,988,153</u>	<u>119,098,657</u>	<u>8,300,014</u>	<u>514,958,821</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>

- Additions during the period relate to Riyadh Terminal 5 Shop, Al-Haramain Contracts and Riyadh STC Cafeterias.
- Lease modifications relate to the modification of Jeddah Unit Building and Riyadh TR2 Welcome Lounge contracts.
- Terminations during the period relate to Flyadeal and Jeddah STC Cafeteria contracts. Saudi Real Estate & Development contract (SV City NC-08) contract ended in quarter 3, 2020 and the liability was transferred to payables.

b. Lease Liabilities

Movement in lease liabilities over the period is as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Lease liability at beginning of the period/year	533,866,178	587,483,042
Additions to lease liability	20,878,079	--
Increase in lease liability due to finance cost	17,945,213	27,642,870
Adjustment IFRS 16	25,566,854	--
Retirement of lease liability	(2,827,374)	--
Lease payment during the period	(21,469,971)	(81,259,734)
Lease liability at end of the period/year	<u>573,958,979</u>	<u>533,866,178</u>
Less: Current portion of lease liability	<u>(174,454,479)</u>	<u>(117,364,903)</u>
Non-Current portion of lease liability	<u>399,504,500</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:

	September 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Net subleased assets at beginning of the period/year	25,385,157	28,299,873
Increase due to finance income	553,152	1,337,128
Lease payments received during the period	(2,627,472)	(4,251,844)
Net subleased assets at end of the period/year	23,310,837	25,385,157
Less: Current portion of net subleased assets	(12,493,427)	(12,526,423)
Non-Current portion of net subleased assets	10,817,410	12,858,734

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 September 30, 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>September 30, 2020 (Unaudited)</u>	<u>December 31, 2019 (Audited)</u>	<u>September 30, 2020 (Unaudited)</u>	<u>December 31, 2019 (Audited)</u>
Saudi French Company for Duty Free Operations and Management (Limited Liability Company)	Kingdom of Saudi Arabia	40%	40%	--	11,588,345

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

	<u>Note</u>	September 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Opening balance		11,588,345	15,125,813
Share in net loss	7d	(11,277,781)	(3,355,121)
Share in other comprehensive loss		--	(182,347)
Impairment loss	7e	(310,564)	--
Ending balance		--	11,588,345

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7. EQUITY ACCOUNTED INVESTEE (continued)

- d. Below is the summary of the financial information of the investee as at September 30, 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 nine month period ended September 30, 2020 is based on internal management reporting.

<i>i) <u>Share in net assets</u></i>	September 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Non current assets	123,561,732	158,408,508
Current assets	68,737,550	78,753,777
Total assets	<u>192,299,282</u>	<u>237,162,285</u>
Non current liabilities	109,605,828	109,334,455
Current liabilities	105,555,034	98,856,968
Total liabilities	<u>215,160,862</u>	<u>208,191,423</u>
Net assets	<u>(22,861,580)</u>	<u>28,970,862</u>
Company's share in net liabilities (40%)	--	11,588,345
Carrying value of the investment	<u>--</u>	<u>11,588,345</u>
<i>ii) <u>Share in (loss) / profit</u></i>	September 30, 2020 <u>(Unaudited)</u>	September 30, 2019 <u>(Unaudited)</u>
Revenue	72,111,276	239,637,360
Net (loss) / profit for the period	<u>(51,832,442)</u>	<u>3,582,405</u>
Company's share of (loss) / profit for the period	<u>(11,277,781)</u>	<u>1,432,962</u>

e. Business continuation of equity accounted investee

For the nine-period ended September 30, 2020, the investee reported a loss of SR 51.8 million and the Company's share in the loss was SR 20.7 million which exceeded the cost of investment of the Company in the associate. The Company accounted for SR 11.3 million share of loss along with the impairment of SR 0.3 million to fully impair the carrying value of total cost of investment.

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8. TRADE AND OTHER RECEIVABLES

a. Trade and other receivables comprise the following:

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade receivables due from related parties	15 c	754,349,612	656,703,848
Trade receivables – third parties		262,805,783	263,063,165
		<u>1,017,155,395</u>	<u>919,767,013</u>
Less: total expected credit losses allowances	8 b & c	(107,076,327)	(51,625,753)
		<u>910,079,068</u>	<u>868,141,260</u>

- 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 the expected credit loss allowance for receivables (excluding purser account) are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period/year	47,730,401	40,502,850
Charged for the period/year	55,560,233	7,242,993
Write-off during the period/year	--	(15,442)
Balance at end of the period/year	<u>103,290,634</u>	<u>47,730,401</u>

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period/year	3,895,352	4,026,001
Charged for the period/year	1,315,132	243,876
Reversal during the period/year	(1,424,791)	(374,525)
Balance at end of the period/year	<u>3,785,693</u>	<u>3,895,352</u>

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9. SHORT-TERM BORROWING

The Company obtained short term borrowing based on the revolving agreement during period ended 30 September 2020 amounting to SR 300 million from Saudi British Bank (SABB) to meet the working capital requirements of the Company. The loan carried commission at commercial rates. The borrowing was initially payable on September 15, 2020 which was rolled over to December 14, 2020.

10. SHARE CAPITAL

At September 30, 2020, the authorized, issued and paid-up share capital of SR 820 million consists of 82 million fully paid shares of SR 10 each (31 December 2019: SR 820 million consists of 82 million shares of SR 10 each).

The shareholders and their percentage interests in the share capital of the Company are as follows:

September 30, 2020

<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	4,441,379	44,413,790	5.4
Abdulmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.4
General public	40,573,365	405,733,650	49.5
	<u>82,000,000</u>	<u>820,000,000</u>	<u>100</u>

December 31, 2019

<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>

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10. SHARE CAPITAL (continued)

b. 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.

12. DIVIDENDS

- a. i The following dividends were declared by the Company during the period ended September 30, 2020.

<u>Description</u>	<u>September 30, 2020 (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 September 30, 2019.

<u>Description</u>	<u>September 30, 2019 (Unaudited)</u>
February 27, 2019: SR 1.30 per ordinary share (Income tax adjusted)	105,141,497
May 09, 2019: SR 1.30 per ordinary share (Income tax adjusted)	104,278,586
August 06, 2019: SR 1.35 per ordinary share (Income tax adjusted)	<u>108,311,686</u>
	<u>317,731,769</u>

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

	<u>September 30, 2020 (Unaudited)</u>	<u>December 31, 2019 (Audited)</u>
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>(283,787)</u>	<u>(560,028,592)</u>
Balance at end of the period / year	<u>114,073,461</u>	<u>1,422,759</u>

On 20th March 2020, the Board of Directors had issued a resolution to postpone the date of distribution of the 2019 4th 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. Subsequent to September 30, 2020, the Board of Directors had issued a resolution on October 18, 2020 to distribute the 2019 4th quarter dividends on October 27, 2020.

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13. ZAKAT AND INCOME TAX LIABILITIES

The following is the breakdown of the Zakat and income tax liability as at September 30, 2020 and December 31, 2019:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Zakat payable	12,462,687	29,696,293
Income tax (advance) / payable	(4,751,465)	4,485,885
Zakat and income tax liabilities	<u>7,711,222</u>	<u>34,182,178</u>

a. Zakat and income tax provision

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period / year	29,696,293	28,259,464
Charge for the period / year	12,462,687	29,696,293
Adjustment related to prior years	(218,332)	176,917
Payments during the period / year	(29,477,961)	(28,436,381)
Balance at end of the period / year	<u>12,462,687</u>	<u>29,696,293</u>

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period / year	4,485,885	2,050,550
Charge for the period / year	--	9,085,638
Adjustment related to prior period / year	417,289	175,243
Payments during the period / year	(9,654,639)	(6,825,546)
Balance at end of the period / year	<u>(4,751,465)</u>	<u>4,485,885</u>

iii) Charge of the period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	<u>2020</u> (Unaudited)	<u>2019</u> (Audited)
Zakat charge for the period / year	12,462,687	29,696,293
Zakat prior year adjustment	(218,332)	176,917
	<u>12,244,355</u>	<u>29,873,210</u>
Income tax charge of the period / year	--	9,085,638
Income tax prior year adjustment	417,289	175,243
	<u>417,289</u>	<u>9,260,881</u>
Total Zakat and income tax of the period/year	<u><u>12,661,644</u></u>	<u><u>39,134,091</u></u>

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13. ZAKAT AND INCOME TAX LIABILITIES (continued)

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 2018 and is currently waiting for GAZT's reply to these responses. For Zakat and tax declaration for 2008, GAZT issued an assessment claiming additional Zakat and tax with delay penalty, the Company settled the amount under protest and filed an objection through a letter dated October 11, 2010. Since the Company did not receive any notification from GAZT on its objection the Company escalated the objection to the General Secretariat of Tax Committees in January 2020.

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

14. TRADE AND OTHER PAYABLES

	<u>Note</u>	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Trade payables – third parties		209,219,753	253,728,178
Trade payables – related parties	15 c	23,873,405	28,032,006
Accrued expenses		145,413,964	170,631,470
Dividend payable		114,073,462	1,422,759
		<u>492,580,584</u>	<u>453,814,413</u>

15. 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.

b. Transactions with key management personnel

Key management personnel compensation comprised the following:

	<u>Three-month</u> <u>period ended</u> <u>September 30,</u> <u>2020</u>	<u>Three-month</u> <u>period ended</u> <u>September 30,</u> <u>2019</u>	<u>Nine-month</u> <u>period ended</u> <u>September 30,</u> <u>2020</u>	<u>Nine-month</u> <u>period ended</u> <u>September 30,</u> <u>2019</u>
Short term employee benefits	1,568,304	1,924,974	4,400,300	5,180,177
Post employment benefits	48,600	36,450	121,500	145,034
Termination benefits	117,745	569,944	319,097	716,959
Total	<u>1,734,649</u>	<u>2,531,368</u>	<u>4,840,897</u>	<u>6,042,170</u>

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15. RELATED PARTIES DISCLOSURES (continued)

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):

	Relationship	Transactions values for the nine months ended		Balances	
		September 30, 2020	September 30, 2019	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Saudi Arabian Airlines Corporation*	Shareholders / fellow subsidiaries	624,474,964	1,350,377,203	687,779,332	602,722,422
Saudi Ground Services Company	Fellow subsidiary	18,302,414	32,735,851	40,342,554	33,004,466
Saudi Airlines Cargo Company	Fellow subsidiary	5,830,969	11,100,469	14,691,210	11,197,020
Saudi French Company for Duty Free Operations and Management	Associate	1,446,662	3,934,864	10,319,601	8,958,552
Saudi Airlines Real Estate Development Company	Fellow subsidiary	412,975	252,284	1,216,915	803,940
Alhokair Company Joint Stock Company	Shareholders	16,096	48,262	--	17,448
Total				754,349,612	656,703,848

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

	Relationship	Transactions values for the nine months ended		Balances	
		September 30, 2020	September 30, 2019	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Saudi Airlines Real Estate Development Company	Fellow subsidiary	--	148,640	9,896,323	16,133,360
Saudi Ground Services Company	Fellow subsidiary	1,841,762	522,997	8,267,925	6,504,477
Saudi Arabian Airlines Corporation*	Shareholders/ fellow subsidiaries	3,861,055	3,232,534	4,975,797	986,213
Alhokair Company Joint Stock Company	Shareholders	82,821	3,889,826	196,232	104,386
Newrest Company Holding S.L.	Shareholders	2,921,717	104,386	53,087	2,778,232
Saudi Airlines Cargo Company	Fellow subsidiary	217,076	6,993,992	484,041	279,668
Gulfwest Company Limited	Common shareholders	--	17,461	--	1,245,670
Total				23,873,405	28,032,006

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15. RELATED PARTIES DISCLOSURES (continued)

c. Related parties' transactions and balances (continued)

*Transactions with Saudi Arabian Airlines Corporation includes transaction with the entities which are wholly owned by Saudi Arabian Airlines. The entities include 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.

16. REVENUE

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
In-flight catering revenue	89,216,823	413,262,859	449,107,897	1,185,161,162
Retail revenue	5,745,634	44,967,977	56,975,802	127,209,888
Business lounge revenue	9,618,593	44,923,569	46,889,116	134,251,729
Non-airlines revenue	43,674,167	74,670,466	152,694,382	176,338,882
Other operating revenues				
Camp facilities sales (staff feeding & accommodation)	4,894,197	6,245,797	13,083,102	19,134,456
Exclusivity purchase income & services to suppliers	1,627,455	1,167,198	1,876,669	9,301,267
	<u>154,776,869</u>	<u>585,237,866</u>	<u>720,626,968</u>	<u>1,651,397,384</u>

17. COST OF SALES

	Three-month period ended September 30, 2020	Three-month period ended September 30, 2019	Nine-month period ended September 30, 2020	Nine-month period ended September 30, 2019
Cost of materials and goods	54,397,375	175,012,079	253,425,478	503,758,121
Personnel costs	48,104,706	77,691,028	167,994,560	229,063,071
Rent and maintenance of production units	9,288,625	11,666,163	16,152,160	51,087,830
Depreciation	36,184,152	34,338,651	119,595,028	98,085,226
Other costs				
Manpower and transportation cost	6,511,956	20,539,142	26,979,578	55,704,169
Supplies and expandable items	7,321,872	8,563,454	18,452,547	25,881,267
Communication and utilities	2,358,927	8,460,811	16,548,652	23,813,238
Other operational costs	17,372,391	18,735,496	49,750,160	49,203,055
	<u>181,540,004</u>	<u>355,006,824</u>	<u>668,898,163</u>	<u>1,036,595,977</u>

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18. (LOSS) / EARNINGS PER SHARE

a. Basic (loss) / earnings per share

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

i. (Loss) / profit attributable to ordinary shareholders (basic)

Particulars	Three-month period ended September 30, <u>2020</u>	Three-month period ended September 30, <u>2019</u>	Nine-month period ended September 30, <u>2020</u>	Nine-month period ended September 30, <u>2019</u>
(Loss) / profit for the period, attributable to the owners of the Company	<u>(106,464,606)</u>	<u>142,018,297</u>	<u>(234,686,525)</u>	<u>362,612,195</u>

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

Particulars	Three-month period ended September 30, <u>2020</u>	Three-month period ended September 30, <u>2019</u>	Nine-month period ended September 30, <u>2020</u>	Nine-month period ended September 30, <u>2019</u>
Issued ordinary shares at January 1	82,000,000	82,000,000	82,000,000	82,000,000
Effect of shares issued	--	--	--	--
Weighted-average number of ordinary shares at September 30	<u>82,000,000</u>	<u>82,000,000</u>	<u>82,000,000</u>	<u>82,000,000</u>

b. Diluted (loss) / earnings per share

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

19. 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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19. 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 percentage.

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Total liabilities	1,535,602,188	1,198,613,083
Less: cash and cash equivalents	(237,090,809)	(188,903,543)
Net debt	1,298,511,379	1,009,709,540
 Total equity	 958,030,927	 1,305,651,941
 Net debt to total equity percentage	 136%	 77%

20. 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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20. 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:

	September 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Financial assets		
Trade and other receivables	1,017,155,395	919,767,013
Balances with banks	236,813,114	188,174,435
Other receivables	18,259,600	27,355,520
Subleased assets	23,310,837	25,385,157
Financial asset at amortized cost	17,497,223	19,754,026
	<u>1,313,036,169</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 September 30, 2020, 5 largest customers (December 31, 2019: 5 largest customers) account for approximately 74% (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 September 30, 2020 and December 31, 2019. The Company does not have any assets measured at FVTPL or FVOCI at September 30, 2020 and December 31, 2019.

Financial assets classified as amortised cost

<u>Carrying value:</u>	September 30, 2020 <u>(Unaudited)</u>	December 31, 2019 <u>(Audited)</u>
Trade and other receivables	910,079,068	868,141,260
Balances with banks	236,813,114	188,174,435
Other receivables	18,259,600	27,335,520
Investment in sub-lease	23,310,837	25,385,157
Financial asset at amortized cost	17,497,223	19,754,026
	<u>1,205,959,842</u>	<u>1,128,790,398</u>

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

Fair value of assets and liabilities (continued)

Financials liabilities as at amortised cost

<u>Carrying amount:</u>	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade and other payables	492,477,311	451,870,275
Short-term borrowing	300,000,000	--
Lease liabilities	573,958,979	533,866,178
	<u>1,366,436,290</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>September 30, 2020</u>	<i>Carrying amount</i>	<i>Total</i>	<i>less than one year</i>	<i>More than one year</i>
Liabilities				
Trade and other payables	492,477,311	492,477,311	492,477,311	--
Short term borrowing	300,000,000	300,000,000	300,000,000	--
Lease liabilities	573,958,979	573,958,979	174,454,479	399,504,500

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

Liquidity risk (continued)

<u>December 31, 2019</u>	<i>Carrying amount</i>	<i>Total</i>	<i>less than one year</i>	<i>More than one year</i>
Liabilities				
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.

21. COMMITMENTS AND CONTINGENCIES

As at September 30, the Company had the following commitments and contingencies:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Capital commitments	<u>97,479,560</u>	<u>126,662,919</u>
Letter of guarantees	<u>61,245,153</u>	<u>49,504,466</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 September 30, 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 35 million.

22. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were approved by the Board of Directors on 17 Rabi Al Awal 1442H, corresponding to 3 November 2020.

DocuSigned by:
Hesham Masoud
D770B8738860446...

Chief Financial Officer

DocuSigned by:
[Signature]
733020F545F4405...

Chief Executive Officer

[Signature]

Authorized Board of Directors
Member

