

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three and six months periods ended June 30, 2018

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 Interim Financial Statements

To the Shareholders
Saudi Airlines Catering Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia.

Introduction

We have reviewed the accompanying June 30, 2018 condensed interim financial statements of Saudi Airlines Catering Company ("the Company") which comprises:

- the condensed statement of financial position as at June 30, 2018 ;
- the condensed statement of profit or loss and other comprehensive income for the three and six months periods ended June 30, 2018;
- the condensed statement of changes in equity for the six months period ended June 30, 2018;
- the condensed statement of cash flows for the six months period ended June 30, 2018; 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.

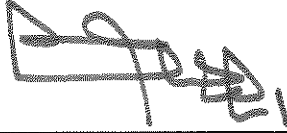
Scope of review

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.

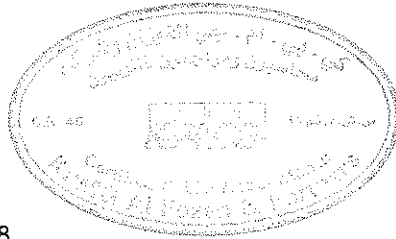
Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2018 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, Dhul Qadah 23, 1439H
Corresponding to August 5, 2018

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

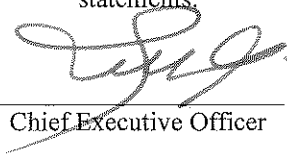
As at June 30, 2018

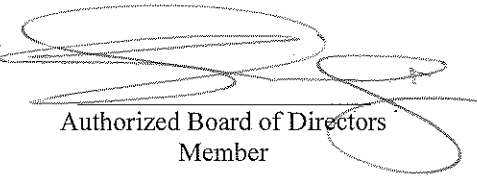
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>June 30,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Assets			
Property, plant and equipment	5	567,273,991	554,462,015
Intangible assets		682,732	1,282,184
Investment property		39,311,908	40,286,383
Equity accounted investee	6	18,221,135	20,642,074
Other financial assets	7	30,190,934	73,620,570
Non-current assets		<u>655,680,700</u>	<u>690,293,226</u>
Other financial assets	7	40,000,000	--
Inventories		116,381,881	109,980,916
Trade and other receivables	8	993,097,494	854,926,157
Prepayments and other assets		158,834,643	126,213,452
Cash and cash equivalents		162,989,943	101,547,658
Current assets		<u>1,471,303,961</u>	<u>1,192,668,183</u>
Total assets		<u>2,126,984,661</u>	<u>1,882,961,409</u>
Equity			
Share capital	9	820,000,000	820,000,000
Statutory reserve	10	353,835,879	353,835,879
Retained earnings		136,429,005	109,109,072
Total equity		<u>1,310,264,884</u>	<u>1,282,944,951</u>
Liabilities			
Employees' benefits		168,979,808	168,998,200
Non-current liabilities		<u>168,979,808</u>	<u>168,998,200</u>
Zakat and income tax liabilities	12	17,018,610	31,190,087
Trade and other payables		630,721,359	399,828,171
Current liabilities		<u>647,739,969</u>	<u>431,018,258</u>
Total liabilities		<u>816,719,777</u>	<u>600,016,458</u>
Total equity and liabilities		<u>2,126,984,661</u>	<u>1,882,961,409</u>

The accompanying notes 1 through 21 form an integral part of these condensed interim 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 and six months periods ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>Three-month period ended June 30, 2018</u>	<u>Three-month period ended June 30, 2017</u>	<u>Six-month period ended June 30, 2018</u>	<u>Six-month period ended June 30, 2017</u>
Revenue	14	561,963,762	551,106,432	1,093,031,928	1,084,990,322
Cost of sales	15	(372,536,843)	(354,836,301)	(728,283,612)	(721,731,908)
Gross profit		189,426,919	196,270,131	364,748,316	363,258,414
Other income		3,264,972	919,087	4,773,875	2,361,691
General and administrative expenses		(55,110,058)	(50,491,560)	(112,568,533)	(102,255,415)
Other expenses		(161,603)	(1,031,237)	(838,009)	(1,444,804)
(Reversal) / impairment of trade receivables		(6,295,193)	(850,662)	7,696,498	14,161,937
Operating profit		131,125,037	144,815,759	263,812,147	276,081,823
Finance income		413,345	494,181	754,095	1,657,564
Finance cost		(1,218,300)	(1,211,400)	(2,436,600)	(2,422,800)
Net finance costs		(804,955)	(717,219)	(1,682,505)	(765,236)
Share of loss in equity accounted investee	6	(139,378)	--	(2,420,939)	--
Profit before zakat and income tax		130,180,704	144,098,540	259,708,703	275,316,587
Zakat and income tax expense	12	(9,896,662)	(13,082,232)	(19,173,623)	(22,914,399)
Profit for the period		120,284,042	131,016,308	240,535,080	252,402,188
Other comprehensive income		--	--	--	--
Items that will not be reclassified to profit or loss		--	--	--	--
Remeasurement of defined benefit liability		--	--	--	--
Other comprehensive income for period		120,284,042	131,016,308	240,535,080	252,402,188
Earnings per share					
Basic earnings per share	16	1.47	1.60	2.93	3.08
Diluted earnings per share	16	1.47	1.60	2.93	3.08

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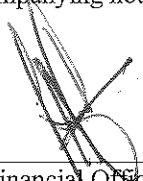
CONDENSED STATEMENT OF CHANGES IN EQUITY


For the six-month period ended June 30, 2018

(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance at January 1, 2017		820,000,000	340,714,074	99,875,473	1,260,589,547
Total comprehensive income					
Profit for the period		--	--	252,402,188	252,402,188
Other comprehensive income		--	--	--	--
Total comprehensive income		--	--	252,402,188	252,402,188
<u>Transactions with owners of the Company</u>					
Contributions and distributions					
Dividends	11	--	--	(205,127,217)	(205,127,217)
Transfer to statutory reserve		--	13,121,805	(13,121,805)	--
Balance at June 30, 2017		<u>820,000,000</u>	<u>353,835,879</u>	<u>134,028,639</u>	<u>1,307,864,518</u>
Balance at January 1, 2018		820,000,000	353,835,879	109,109,072	1,282,944,951
Total comprehensive income					
Profit for the period		--	--	240,535,080	240,535,080
Other comprehensive income		--	--	--	--
Total comprehensive income		--	--	240,535,080	240,535,080
<u>Transactions with owners of the Company</u>					
Contributions and distributions					
Dividends	11	--	--	(213,215,147)	(213,215,147)
Balance at June 30, 2018		<u>820,000,000</u>	<u>353,835,879</u>	<u>136,429,005</u>	<u>1,310,264,884</u>

The accompanying notes 1 through 21 form an integral part of these condensed interim 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 CASH FLOWS
For the six-month period ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Cash flows from operating activities			
Profit for the period		240,535,080	252,402,188
<i>Adjustments for:</i>			
Zakat and tax	12	19,173,623	22,914,399
Depreciation		30,917,293	27,252,814
Amortization		599,452	599,453
Reversal of allowance for doubtful debts, net	8	(7,696,498)	(14,161,937)
Provision for slow-moving inventory, net		6,234,025	714,537
Finance income		(754,095)	(1,657,564)
Interest cost		2,436,600	2,422,800
Share of loss in equity accounted investees	6	2,420,939	--
Loss on sale of property, plant and equipment		33,350	149,602
Employees' benefits service cost		6,607,750	6,363,984
Provision for accrued bonus - long term		1,200,000	--
		<u>301,707,519</u>	<u>297,000,276</u>
<i>Changes in:</i>			
Inventories		(12,634,990)	(1,125,773)
Trade and other receivables		(130,474,839)	30,576,008
Prepayments and other assets		(32,581,915)	(16,816,706)
Trade and other payables		122,055,943	9,265,863
Other financial assets - letter of guarantee		3,429,636	7,942,106
Cash generated from operating activities		<u>251,501,354</u>	<u>326,841,774</u>
Payment of accrued bonus - long term		--	(3,386,156)
Employees' benefits paid		(10,262,742)	(4,182,093)
Interest income received		714,819	--
Zakat & income tax paid	12	<u>(33,345,100)</u>	<u>(32,663,274)</u>
Net cash from operating activities		<u>208,608,331</u>	<u>286,610,251</u>
Cash flows from investing activities			
Additions to property, plant and equipment and investment property	5	<u>(42,788,144)</u>	<u>(59,980,617)</u>
Net cash used in investing activities		<u>(42,788,144)</u>	<u>(59,980,617)</u>
Cash flow from financing activities			
Dividends paid	11	<u>(104,377,902)</u>	<u>(205,220,370)</u>
Net cash used in financing activities		<u>(104,377,902)</u>	<u>(205,220,370)</u>
Net change in cash and cash equivalents		<u>61,442,285</u>	<u>21,409,264</u>
Cash and cash equivalents at beginning of the period		<u>101,547,658</u>	<u>151,711,045</u>
Cash and cash equivalents at end of the period		<u>162,989,943</u>	<u>173,120,309</u>

The accompanying notes 1 through 21 form an integral part of these condensed interim 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
For the six-month period ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

1. REPORTING ENTITY

Saudi Airlines Catering Company (the "Company") is domiciled in Jeddah, Saudi Arabia. The Company is listed on the Saudi Arabia Stock Market "Tadawul".

The main objectives of the Company are 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, 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 is registered and operating under Commercial Registration number 4030175741 dated Muharram 20, 1429H (January 29, 2008).

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 Jamari Street
Prince Sultan Bin Abdulaziz Road, Almohammadya District (5)
P. O. Box 9178, Jeddah 21413
Kingdom of Saudi Arabia

2. BASIS OF PREPARATION

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, 2017 ("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
For the six-month period ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATION (continued)

a) *Statement of compliance (continued)*

The Company has started to apply IFRS 15 and IFRS 9 starting from January 1, 2018. Changes to significant accounting policies are described in Note 3.b and 3.c respectively.

According to the announcement of the Capital Market Authority (CMA) dated October 16, 2016, the Company has to apply the cost method for the measurement of the property, plant and equipment, investment properties and intangible assets for 3 years from the date of applying IFRS.

b) *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.

c) *Functional and presentation currency*

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

3. 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 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 in the period in which the estimates are revised and in future periods affected.

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, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9 which are described in Notes 3.b and 3.c.

b. *IFRS 15 Revenue from Contracts with Customers*

The Company has started to adopt IFRS 15 for the first time from the period started January 1, 2018.

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Company recognizes revenue when a customer obtains controls of the goods at a point in time i.e. on delivery and acknowledgment of goods, which is in line with the requirements of IFRS 15. Accordingly, there is no material effect of adopting 'IFRS 15 Revenue from Contracts with Customers' on the recognition of Revenue of the Company.

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six-month period ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. *IFRS 15 Revenue from Contracts with Customers (continued)*

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Company's sale of goods are set out below.

Type of Product	Nature, timing of satisfaction on performance obligations, significant payment terms	Nature of change in accounting policy
Inflight Catering, Airline Equipment, Business Lounges, Onboard & Ground Retails, Remote & Camp management, Business & Industries catering, Security Services, Laundry Services and Hajj & Umrah	<p>Revenue from catering and other services is recognised when the services are rendered to the customer. Invoices are generated and revenue is recognized at that point in time. Credit invoices are usually payable within 30-90 days. Invoice is generated and recognized as revenue net off applicable discounts which relate to the items sold. No customer loyalty points are offered to customers and therefore there is no deferred revenue to be recognized for the items sold.</p> <p>For contracts that permit the customer to return an item, under IFRS 15 revenue is recognized to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for actual returns.</p>	No impact

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognized at the date of initial application (i.e. January 01, 2018). Accordingly, the information presented for previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

There is no impact of adopting IFRS 15 on the Company's Condensed Statement of Profit or Loss for the six month period ended June 30, 2018.

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six-month period ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. IFRS 9 Financial Instruments

The Company has started to adopt IFRS 9 for the first time from the period started January 1, 2018.

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the accounting policies related to financial liabilities and derivatives financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on the initial recognition, a financial asset is classified as measured at amortised cost; FVOCI-debt investment; FVOCI-equity investment; or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

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

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

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

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

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six-month period ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. IFRS 9 Financial Instruments (Continued)

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

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

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

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

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

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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six-month period ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. IFRS 9 Financial Instruments (continued)

The effect of adopting IFRS 9 on the carrying amounts in financial assets at 1 January 2018 relates solely to the new impairment requirements, as described further below.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the class of the Company's financial assets as at January 1, 2018.

	Original Classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
Trade Receivables	Loans and Receivables	Amortised Cost	854,926,157	869,792,668
Cash and bank balances	Loans and Receivables	Amortised Cost	101,547,658	101,547,658
Total			956,473,815	971,340,326

ii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investment in equity instruments. Under IFRS9, credit losses are recognised earlier than IAS 39.

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

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

The Company measures loss allowances at an amount equal to lifetime ECLs.

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

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

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
For the six-month period ended June 30, 2018
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c. IFRS 9 Financial Instruments (continued)

Measurement of ECLs

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

Credit-impaired financial assets

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

iii) Transition

The Company has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are not recognised in retained earnings as at 1 January 2018 as amount was not material. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The designation and revocation of previous designations of certain financial assets.
- The designation of certain investments in equity instruments not held for trading as at FVOCI.

d. Impairment

i. Non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Companies of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. *Impairment (continued)*

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Intangible assets with indefinite useful lives are tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

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 lounge
Retail	Onboard and ground
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.

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4. OPERATING SEGMENTS (continued)

B. Information about reportable segments

At June 30, 2018

	<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 revenues	903,934,491	89,920,691	67,784,510	1,061,639,692	31,392,236	--	1,093,031,928
Inter-segment revenue	25,983,607	--	2,795,721	28,779,328	149,943,894	--	178,723,222
Segment revenue	929,918,098	89,920,691	70,580,231	1,090,419,020	181,336,130	--	1,271,755,150
Segment profit / (loss) before zakat and tax	445,432,363	1,516,993	1,332,436	448,281,792	(188,573,089)	--	259,708,703
Depreciation and amortization	14,502,019	1,552,376	3,334,443	19,388,838	12,127,907	--	31,516,745
Assets:							
Segment assets	1,013,659,019	137,897,424	132,527,904	1,284,084,347	294,239,284	--	1,578,323,631
Other assets	--	--	--	--	--	548,661,030	548,661,030
Total	1,013,659,019	137,897,424	132,527,904	1,284,084,347	294,239,284	548,661,030	2,126,984,661
Liabilities:							
Segment liabilities	303,214,606	47,948,805	22,971,484	374,134,895	143,147,161	--	517,282,056
Other liabilities	--	--	--	--	--	299,437,721	299,437,721
Total	303,214,606	47,948,805	22,971,484	374,134,895	143,147,161	299,437,721	816,719,777

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4. OPERATING SEGMENTS (continued)

B. Information about reportable segments

At June 30, 2017

	<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 revenues	854,545,443	153,960,954	58,965,380	1,067,471,777	17,518,545	--	1,084,990,322
Inter-segment revenue	22,996,830	32,805	15,282,270	38,311,905	120,986,888	--	159,298,793
Segment revenue	877,542,273	153,993,759	74,247,650	1,105,783,682	138,505,433	--	1,244,289,115
Segment profit / (loss) before zakat and tax	325,686,192	23,228,054	(6,323,017)	342,591,229	(67,274,642)	--	275,316,587
Depreciation and amortization	12,052,324	1,325,483	3,325,883	16,703,690	11,148,577	--	27,852,267
Assets:							
Segment assets	920,270,525	125,192,923	120,318,097	1,165,781,545	265,808,306	--	1,431,589,851
Other assets	--	--	--	--	--	498,112,842	498,112,842
Total	920,270,525	125,192,923	120,318,097	1,165,781,545	265,808,306	498,112,842	1,929,702,693
Liabilities:							
Segment liabilities	230,863,044	36,507,500	17,490,143	284,860,687	108,990,097	--	393,850,784
Other liabilities	--	--	--	--	--	227,987,391	227,987,391
Total	230,863,044	36,507,500	17,490,143	284,860,687	108,990,097	227,987,391	621,838,175

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4. OPERATING SEGMENTS (continued)

C. Reconciliations of information on reportable segments to IFRS measures

I. Revenue

	June 30, <u>2018</u>	June 30, <u>2017</u>
Total revenue for reportable segments	1,090,419,020	1,105,783,682
Revenue for other segments	181,336,130	138,505,433
Elimination of intersegment revenue	<u>(178,723,222)</u>	<u>(159,298,793)</u>
Total revenue	<u>1,093,031,928</u>	<u>1,084,990,322</u>

II. Profit

	June 30, <u>2018</u>	June 30, <u>2017</u>
Total profit for reportable segments	448,281,792	342,591,229
Profit for other segments	<u>(188,573,089)</u>	<u>(67,274,642)</u>
Total profit	<u>259,708,703</u>	<u>275,316,587</u>

III. Assets

	June 30, <u>2018</u>	June 30, <u>2017</u>
Total assets for reportable segments	1,284,084,347	1,165,781,545
Assets for other segments	294,239,284	265,808,306
Other unallocated amounts	<u>548,661,030</u>	<u>498,112,842</u>
Total assets	<u>2,126,984,661</u>	<u>1,929,702,693</u>

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

IV. Liabilities

	June 30, <u>2018</u>	June 30, <u>2017</u>
Total liabilities for reportable segments	374,134,895	284,860,687
Liabilities for other segments	143,147,161	108,990,097
Other unallocated amounts	<u>299,437,721</u>	<u>227,987,391</u>
Total liabilities	<u>816,719,777</u>	<u>621,838,175</u>

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

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4. OPERATING SEGMENTS (continued)

V. Geographical information

	June 30, 2018	June 30, 2017
– Revenue		
Kingdom of Saudi Arabia	1,055,543,749	1,041,188,568
<i>All foreign countries</i>		
Egypt – Cairo	37,488,179	43,801,754
Total revenue	1,093,031,928	1,084,990,322

D. Major customer

Revenue from one customer of the Company's Airline segment represented approximately 68% of the Company's total revenues.

5. PROPERTY, PLANT AND EQUIPMENT

A. Reconciliation and carrying amount

	Land	Leasehold improvements	Equipment	Motor vehicles	Under construction	Total
Cost:						
Balance at January 1, 2018	33,786,058	298,617,972	170,921,526	104,211,437	101,670,266	709,207,259
Additions	--	513,468	717,604	645,000	40,912,072	42,788,144
Write off	--	(45,913,928)	(1,818,399)	(4,686,459)	--	(52,418,786)
Transfer from capital work under construction	--	217,816	3,133,066	12,855	(3,363,737)	--
Balance at June 30, 2018	33,786,058	253,435,328	172,953,797	100,182,833	139,218,601	699,576,617
Accumulated depreciation:						
Balance at January 1, 2018	--	46,527,816	75,406,829	32,810,599	--	154,745,244
Charge for the year	--	11,888,906	12,521,759	5,532,153	--	29,942,818
Write off	--	(45,913,928)	(1,797,970)	(4,673,538)	--	(52,385,436)
Balance at June 30, 2018	--	12,502,794	86,130,618	33,669,214	--	132,302,626
Carrying amounts:						
At June 30, 2018	33,786,058	240,932,534	86,823,179	66,513,619	139,218,601	567,273,991
At December 31, 2017	33,786,058	252,090,156	95,514,697	71,400,838	101,670,266	554,462,015

Capital work under construction represents construction works on welcome lounges at King Khalid International Airport (Terminals 2 and 5) in Riyadh and Alfursan Lounges at King Abdulaziz International Airport in Jeddah.

6. EQUITY ACCOUNTED INVESTEE

A. Investment in associate

On May 10, 2017, the Company invested an amount of SR 30,757,600 in Saudi French Company for Duty Free Operations and Management representing 40% of its share capital.

The Company started to record its share in the losses of the associate from May 10, 2017.

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6. EQUITY ACCOUNTED INVESTEE (continued)

B. The balance of the investment in associate as at June 30, 2018 and December 31, 2017 is as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>		<u>Carrying value</u>	
		<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Saudi French Company For Duty Free Operations and Management (limited liability company)	Kingdom of Saudi Arabia	<u>40%</u>	<u>40%</u>	<u>18,221,135</u>	<u>20,642,074</u>

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Opening balance	20,642,074	--
Capital contribution	--	30,757,600
Share in net loss	<u>(2,420,939)</u>	<u>(10,115,526)</u>
Ending balance	<u>18,221,135</u>	<u>20,642,074</u>

D. Below is the summary of the financial information of the investee as at June 30, 2018 and December 31, 2017:

The invested Company does not issue quarterly reviewed interim financial statements, accordingly the financial data below and the share of loss for the six months ended June 30, 2018 is based on internal management reporting.

i) Share in net assets

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Non current assets	28,829,955	26,055,824
Current assets	<u>108,232,189</u>	<u>95,903,343</u>
Total assets	<u>137,062,144</u>	<u>121,959,167</u>
Non current liabilities	985,428	550,029
Current liabilities	<u>90,523,879</u>	<u>69,803,954</u>
Total liabilities	<u>91,509,307</u>	<u>70,353,983</u>
Net assets	<u>45,552,837</u>	<u>51,605,184</u>
Company's share in net assets (40%)	<u>18,221,135</u>	<u>20,642,074</u>

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6. EQUITY ACCOUNTED INVESTEE (continued)

ii) Share in loss

	Six months ended June 30, <u>2018</u>	From May 10, 2017 to December 31, <u>2017</u>
Revenue	130,397,492	106,170,470
Net loss for the period	(6,052,348)	(25,288,816)
Company's share of loss for the period (40%)	<u>(2,420,939)</u>	<u>(10,115,526)</u>

7. OTHER FINANCIAL ASSETS

	Note	June 30, <u>2018</u>	December 31, <u>2017</u>
Financial assets measured at amortized cost:			
Investment in Saudi British Bank Sukuk	7-A	40,000,000	40,000,000
Letters of guarantee		<u>30,190,934</u>	<u>33,620,570</u>
		<u>70,190,934</u>	<u>73,620,570</u>

A. Investment in Saudi British Bank Sukuk

The Saudi British Bank (SABB) Sukuk ("Sukuk II") carries a return SIBOR plus a margin of 1.4 percent calculated semi-annually. The Sukuk II due date to be liquidated is in 2020 but Saudi Airline Catering Company has the option to redeem the Sukuk in 2018 by serving a call option notice. The Company has purchased the investment in Sukuk II for an amount of SR 40,000,000.

Management has decided to exercise the call option during the current year ending December 31, 2018 and accordingly has reclassified the investment from non-current assets to current assets.

8. TRADE AND OTHER RECEIVABLES

A. Trade and other receivables at June 30, 2018 and December 31, 2017 comprise the following:

	Note	June 30, <u>2018</u>	December 31, <u>2017</u>
Trade receivables due from related parties	13	784,828,740	709,560,524
Trade receivables – third parties		<u>258,475,953</u>	<u>203,269,330</u>
		<u>1,043,304,693</u>	<u>912,829,854</u>
Impairment losses	8-B	<u>(50,207,199)</u>	<u>(57,903,697)</u>
		<u>993,097,494</u>	<u>854,926,157</u>

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8. TRADE AND OTHER RECEIVABLES (continued)

B. Movements summary in impairment losses provision for receivables are as follows:

	June 30, 2018	December 31, 2017
Balance at beginning of the period / year	57,903,697	74,337,398
Charged for the period / year	--	16,116,230
Write-off during the period / year	--	(750,000)
Reversal during the period / year	(7,696,498)	(31,799,931)
Balance at end of the period / year	<u>50,207,199</u>	<u>57,903,697</u>

9. SHARE CAPITAL

A. Share capital

	June 30, 2018	December 31, 2017
In issue at January 1, 2018 and 2017 (number of shares)	82,000,000	82,000,000
Issued for cash	--	--
In issue at June 30, 2018 and December 31, 2017– fully paid (number of shares)	<u>82,000,000</u>	<u>82,000,000</u>
Issued - par value SAR 10	<u>820,000,000</u>	<u>820,000,000</u>

B. The shareholders and their percentage interests in the share capital of the Company as at June 30, 2018 and December 31, 2017 are as follows:

As at June 30, 2018

<u>Shareholders</u>	<u>No. of shares</u>	<u>Value in SR</u>	<u>%</u>
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	7,641,379	76,413,790	9.3
Alhokair Company Joint Stock Company	7,111,256	71,112,560	8.7
General public	37,973,365	379,733,650	46.3
	<u>82,000,000</u>	<u>820,000,000</u>	<u>100</u>

As at December 31, 2017

<u>Shareholders</u>	<u>No. of shares</u>	<u>Value in SR</u>	<u>%</u>
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	7,641,379	76,413,790	9.3
Alhokair Company Joint Stock Company	7,111,256	71,112,560	8.7
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.

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10. 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. The excess amount will be reversed after approval of the AGM.

11. DIVIDENDS

A. i The following dividends were declared by the Company during the period ended June 30, 2018.

	June 30, 2018
SR 1.30 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	104,673,521
SR 1.35 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	<u>108,541,626</u>
	<u>213,215,147</u>

ii The following dividends were declared by the Company during the period ended June 30, 2017.

	June 30, 2017
SR 1.30 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	104,674,258
SR 1.25 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	<u>100,452,959</u>
	<u>205,127,217</u>

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

	June 30, 2018	December 31, 2017
Balance at beginning of the period/year	3,120,329	3,167,828
Declared during the period/year	213,215,147	446,409,475
Paid during the period/year	<u>(104,377,902)</u>	<u>(446,456,974)</u>
Balance at end of the period/year	<u>111,957,574</u>	<u>3,120,329</u>

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12. ZAKAT AND INCOME TAX LIABILITIES

The following is the breakdown of the zakat and income tax liability as at June 30, 2018 and December 31, 2017:

	June 30, 2018	December 31, 2017
Zakat payable	14,574,457	29,522,917
Income tax payable	2,444,153	1,667,170
Zakat and Income Tax liabilities	<u>17,018,610</u>	<u>31,190,087</u>

A. Zakat and Income Tax provision

i) The movement in Zakat provision is as follows:

	Six months ended June 30, 2018	Year ended December 31, 2017
Balance at beginning of the period/year	29,522,917	26,716,426
Charge for the period/year	14,574,457	29,522,916
Adjustment related to prior period/year	(426,233)	3,455,137
Payments during the period/year	<u>(29,096,684)</u>	<u>(30,171,562)</u>
Balance at end of the period/year	<u>14,574,457</u>	<u>29,522,917</u>

ii) The movement in Income Tax provision is as follows:

	Six months ended June 30, 2018	Year ended December 31, 2017
Balance at beginning of the period/year	1,667,170	383,926
Charge for the period/year	4,768,724	9,041,633
Adjustment related to prior period/year	256,675	(350,367)
Payments during the period/year	<u>(4,248,416)</u>	<u>(7,408,022)</u>
Balance at end of the period/year	<u>2,444,153</u>	<u>1,667,170</u>

iii) Charge of the six months period ended June 30, 2018 and year ended December 31, 2017 is as follows:

	2018	2017
Zakat charge for the period/year	14,574,457	29,522,916
Zakat prior year adjustment	<u>(426,233)</u>	<u>3,455,137</u>
	<u>14,148,224</u>	<u>32,978,053</u>
Income Tax charge of the period/year	4,768,724	9,041,633
Income Tax prior year adjustments	<u>256,675</u>	<u>(350,367)</u>
	<u>5,025,399</u>	<u>8,691,266</u>
Total Zakat and Income Tax charge of the period /year	<u>19,173,623</u>	<u>41,669,319</u>

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12. ZAKAT AND INCOME TAX LIABILITIES (continued)

B. Zakat components

	June 30, 2018	December 31, 2017
Non-current assets	655,680,700	690,293,226
Non-current liabilities	168,979,808	168,998,200
Shareholders' equity	1,310,264,884	1,282,944,951
Net income	<u>240,535,080</u>	<u>468,764,879</u>

C. Zakat assessments

The Company has submitted its Zakat and Tax declarations for the years from 2009 to 2014 and paid the amounts due according to the declarations and received queries from GAZT which it has responded to and currently waiting for GAZT review of these responses.

The Company has also submitted its Zakat and Tax declarations for the years 2015, 2016 and 2017 which are currently under review by GAZT. The Company has a valid certificate till April 30, 2019.

13. RELATED PARTIES

A. Transactions with key management personnel

Key management personnel compensation comprised the following:

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
Short term employee benefits	1,547,107	1,334,138	2,999,814	2,630,803
Post employment benefits	36,450	36,450	72,900	72,900
Termination benefits	186,858	79,102	268,587	159,117
Total	<u>1,770,415</u>	<u>1,449,690</u>	<u>3,341,301</u>	<u>2,862,820</u>

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13. RELATED PARTIES (continued)

B. Related parties' transactions and balances

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

	Transaction values for the <u>Six months ended</u>		<u>Balances</u>	
	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
i) <u>Sale of goods and services (under trade and other receivables)</u>				
<i>Parent of the Company:</i>				
Saudi Arabian Airlines Corporation	768,996,981	739,589,000	707,296,472	637,615,143
<i>Shareholder:</i>				
Alhokair Company Joint Stock Company	115,314	--	159,645	93,175
<i>Affiliates:</i>				
Saudi Airlines Cargo Company	7,280,106	11,154,000	20,600,247	29,128,050
Saudi Ground Services Company	21,091,889	28,253,000	35,084,680	25,611,471
Saudi French Company for Duty Free Operations and Management	4,514,571	2,120,840	21,173,416	16,658,845
Saudi Airlines Real Estate Development Company	60,439	8,884	514,280	453,840
Total			784,828,740	709,560,524
ii) <u>Purchase of goods (under trade and other payables)</u>				
<i>Parent of the Company:</i>				
Saudi Arabian Airlines Corporation	1,950	3,404,481	9,760,226	9,766,970
<i>Shareholders:</i>				
Newrest Company Holding S.L.	3,000,408	5,822,471	(9,911)	35,168
Alhokair Company Joint Stock Company	--	144,615	307,140	307,140
<i>Affiliates:</i>				
Saudi Airlines Real Estate Development Company	--	7,659,000	11,844,844	21,155,603
Saudi Airlines Cargo Company	--	--	7,455,197	7,455,197
Saudi Ground Services Company	--	--	215,194	215,194
Gulfwest Company Limited	2,907,351	2,559,311	1,791,259	873,931
Total			31,363,949	39,809,203

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14. REVENUE

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
In-flight catering revenue	412,642,693	381,918,055	798,308,235	750,785,502
Retail revenue	44,984,005	79,355,888	89,915,892	153,960,954
Business lounge revenue	47,194,517	40,476,773	90,375,170	76,610,100
Non-airlines revenue	42,015,338	35,146,659	85,225,463	74,992,918
Other operating revenues				
Transfer of airline equipment charges	7,196,255	8,840,869	14,926,673	18,057,423
Camp facilities sales (staff feeding & accommodation)	6,974,802	5,111,521	13,120,703	9,820,509
Exclusivity purchase income & services to suppliers	956,152	256,667	1,159,792	762,916
	561,963,762	551,106,432	1,093,031,928	1,084,990,322

15. COST OF SALES

	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
Cost of materials and goods	196,376,270	210,000,209	385,670,702	428,370,625
Personnel costs	74,880,211	61,718,596	142,900,561	124,187,143
Rent and maintenance of production units	35,606,163	31,454,131	73,262,500	62,698,921
Depreciation	12,839,095	11,448,482	25,612,729	22,882,667
Other operating costs				
Manpower and transportation cost	18,033,546	17,076,974	32,812,900	35,283,539
Supplies and expandable items	8,612,609	7,898,651	16,650,675	16,399,881
Communication and utilities	6,732,464	4,699,451	12,327,193	9,486,837
Other operational costs	19,456,485	10,539,807	39,046,352	22,422,295
	372,536,843	354,836,301	728,283,612	721,731,908

16. 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	Three-month period ended June 30, 2018	Three-month period ended June 30, 2017	Six-month period ended June 30, 2018	Six-month period ended June 30, 2017
Profit for the period, attributable to the owners of the Company	120,284,042	131,016,308	240,535,080	252,402,188

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16. EARNINGS PER SHARE (continued)

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

Particulars	Three-month period ended <u>June 30, 2018</u>	Three-month period ended <u>June 30, 2017</u>	Six-month period ended <u>June 30, 2018</u>	Six-month period ended <u>June 30, 2017</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 June 30	<u>82,000,000</u>	<u>82,000,000</u>	<u>82,000,000</u>	<u>82,000,000</u>

B. Diluted earnings per share

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

17. CAPITAL MANAGEMENT

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

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

The Company monitors return on capital employed and makes adjustment to it in the light of changes in economic conditions. 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.

	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Total liabilities	816,719,777	600,016,458
Less: cash and cash equivalents	(162,989,943)	(101,547,658)
Net debt	<u>653,729,834</u>	<u>498,468,800</u>
 Total equity	 <u>1,310,264,884</u>	 <u>1,282,944,951</u>
 Net debt to total equity ratio	 <u>50%</u>	 <u>39%</u>

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18. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Measurement of fair values

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

B. FINANCIAL RISK MANAGEMENT

The Company 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. Financial risk management is carried out by a Head office finance, which identify, evaluate and take actions on financial risks where appropriate.

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

Cash flow and interest rate risk

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

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:

	June 30, 2018	December 31, 2017
Financial assets		
Other financial asset	70,190,934	73,620,570
Trade receivables	244,422,981	152,436,997
Due from related parties	748,674,513	702,489,160
Other receivables	53,977,752	29,831,007
Balances with banks	162,156,891	100,402,166
	<u>1,279,423,071</u>	<u>1,058,779,900</u>

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

Credit risk on receivable and bank balances is limited as:

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

Concentration Risk

As at June 30, 2018, 5 largest customers (December 31, 2017: 5 largest customers) account for approximately 77% (31 December 2017: 78%) of gross outstanding trade receivables

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. The Company maintain flexibility in funding by maintaining sufficient availability of cash and cash equivalent instruments. The Company don't have any credit facilities in place and monitor risk to a shortage of funds by reviewing short-term cash forecasts on a continuous basis and by undertaking mid-term cash forecasts during the year.

Fair value of assets and liabilities

The following table shows the carrying amount and fair values of the financial assets and financial liabilities, including their levels and fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

<u>June 30, 2018</u>	<u>Carrying amount</u>		<u>Fair value</u>			
	<u>Held to Maturity</u>	<u>Loans and receivables</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Financial assets:</u>						
Other financial assets	70,190,934	--	--	--	--	--
Trade and other receivables	--	244,422,981	--	--	--	--
Due from related parties	--	748,674,513	--	--	--	--
Other receivables	--	53,977,752	--	--	--	--
Balances with banks and in hand	--	162,156,891	--	--	--	--
	<u>70,190,934</u>	<u>1,209,232,137</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

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

Fair value of assets and liabilities (continued)

	<u>Carrying amount</u>	<u>Fair value</u>			
<u>30 June 2018</u>	<u>Loans and receivables</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial liabilities:</i>					
Trade and other payables	630,721,359	--	--	--	--
	<u>630,721,359</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

	Carrying amount		Fair value			
31 December 2017	Held to Maturity	Loans and receivables	Level 1	Level 2	Level 3	Total
<i>Financial assets:</i>						
Other financial assets	73,620,570	--	--	--	--	--
Trade and other receivables		152,436,997	--	--	--	--
Due from related parties	--	702,489,160	--	--	--	--
Other receivables	--	29,831,007	--	--	--	--
Balances with banks and in hand	--	101,547,658	--	--	--	--
	73,620,570	986,304,822	--	--	--	--

	<u>Carrying amount</u>	<u>Fair value</u>			
<u>31 December 2017</u>	<u>Loans and receivables</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<i>Financial liabilities:</i>					
Trade and other payables	399,828,171	--	--	--	--
	<u>399,828,171</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

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

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.

<u>June 30, 2018</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	<u>630,721,359</u>	<u>630,721,359</u>	<u>630,721,359</u>	<u>--</u>
 <u>December 31, 2017</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	<u>399,828,171</u>	<u>399,828,171</u>	<u>399,828,171</u>	<u>--</u>

The inflows / (outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to financial liabilities which are not usually closed out before contractual maturity.

19. COMMITMENTS AND CONTINGENCIES

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

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Capital commitments	<u>78,791,256</u>	<u>81,276,277</u>
Letter of guarantees	<u>41,669,422</u>	<u>46,777,858</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 June 30, 2018, the Company fully paid the amount against letters of guarantee, hence no further financial charges are payable.

The Company had a credit facility with SABB from April 2018 for the new bank guarantee issued on behalf of the company to a supplier with the year-to-date issued amount of SR. 7,162,370.

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20. NEW STANDARDS OR AMENDMENTS AND FORTHCOMING REQUIREMENTS

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below.

A. New Standards

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
Annual reporting periods beginning on or after January 1, 2019, early adoption is permitted	IFRS 16 – Leases	<p>IFRS 16 changes fundamentally the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting.</p> <p>Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases.</p> <p>Sale-and-leaseback is effectively eliminated as an off-balance sheet financing structure.</p>

21. DATE OF AUTHORISATION FOR ISSUE

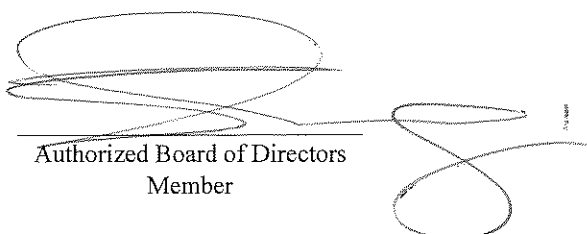
These financial statements were approved by the Board of Directors on Dhul Qadah 23, 1439H, corresponding to August 5, 2018.



Chief Financial Officer



Chief Executive Officer



Authorized Board of Directors
Member