

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

**CONDENSED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
(UNAUDITED)**

For the three-month and six-month period ended June 30, 2021
with

INDEPENDENT AUDITOR'S REPORT



KPMG Professional Services

Zahran Business Center
Prince Sultan Street
P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب. 55078
جدة 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

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

To the Shareholders of Saudi Airlines Catering Company

Introduction

We have reviewed the accompanying June 30, 2021 condensed consolidated interim financial statements ("the financial statements") of Saudi Airlines Catering Company ("the Company") and its subsidiary ("the Group") which comprises:

- the condensed consolidated statement of financial position as at June 30, 2021;
- the condensed consolidated statement of profit or loss and other comprehensive income for the three-month and six-month period ended June 30, 2021;
- the condensed consolidated statement of changes in equity for the six-month period ended June 30, 2021;
- the condensed consolidated statement of cash flows for the six-month period ended June 30, 2021; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated 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 consolidated 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.

KPMG Professional Services a professional closed joint stock company registered in the Kingdom of Saudi Arabia with the paid-up capital of SAR 15,000,000. Previously known as KPMG Al Fozan & Partners Certified Public Accountants. A member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited.

كي بي إم جي للاستشارات المهنية شركة مساهمة مغلقة مسجلة في المملكة العربية السعودية (15000000 ريال سعودي) مع رأس المال المدفوع بالكامل أو المبرر اسم الشركة من الاسم السابق شركة ك. بي إم جي. فزان وشركاه محاسبين معتمدين قانونياً. هي "7" رقم القائي بتاريخ 2021/03/02. وهي شركة عضو غير شريك في شبكة شركات كي بي إم جي. الشبكة والشعبة لكّي بي إم جي العالمية، شركة مسجلة في "إيطاليا".

Commercial Registration of the headquarter in Riyadh is 1010425464



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

To the Shareholders of Saudi Airlines Catering Company (continued)

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying June 30, 2021 condensed consolidated interim financial statements of **Saudi Airlines Catering Company and its subsidiary** are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454

Jeddah August 17, 2021
Corresponding to Muharram 9, 1443H



SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at June 30, 2021
(Expressed in Saudi Arabian Riyals)

	Note	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets			
Property, plant and equipment	5	424,997,426	455,888,624
Right-of-use assets	6	459,429,695	509,533,448
Subleased assets	6	7,866,222	9,292,173
Intangible assets		752,006	1,116,734
Investment property		33,631,677	34,611,098
Financial assets at amortized costs		14,204,000	17,497,223
Non-current assets		940,881,026	1,027,939,300
Subleased assets	6	15,929,298	14,190,822
Inventories		91,105,009	115,963,432
Trade and other receivables	8	712,989,827	800,596,516
Prepayments and other assets		79,904,730	90,856,637
Cash and cash equivalents		314,344,853	257,453,899
Current assets		1,214,273,717	1,279,061,306
TOTAL ASSETS		2,155,154,743	2,307,000,606
Equity and liabilities			
Equity			
Share capital	10	820,000,000	820,000,000
Statutory reserve	11	246,000,000	353,835,879
Accumulated losses		(253,382,219)	(313,758,994)
Total equity		812,617,781	860,076,885
Liabilities			
Lease liabilities	6	350,288,395	412,229,212
Employees benefits		166,931,641	165,607,031
Non-current liabilities		517,220,036	577,836,243
Short-term borrowing	9	300,000,000	300,000,000
Lease liabilities	6	220,560,679	167,856,691
Zakat and income tax liabilities	13	2,159,561	11,518,715
Trade and other payables	14	302,596,686	389,712,072
Current liabilities		825,316,926	869,087,478
Total liabilities		1,342,536,962	1,446,923,721
TOTAL EQUITY AND LIABILITIES		2,155,154,743	2,307,000,606

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

Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

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

For the three and six months periods ended June 30, 2021

(Expressed in Saudi Arabian Riyals)

	Note	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Revenue	16	257,100,665	113,148,902	513,361,154	565,850,099
Cost of sales	17	(203,340,701)	(153,814,686)	(407,897,044)	(487,358,159)
Gross profit / (loss)		53,759,964	(40,665,784)	105,464,110	78,491,940
Other income		1,795,105	893,130	1,938,711	1,972,140
General and administrative expenses		(57,863,231)	(61,716,398)	(116,822,692)	(125,997,295)
Allowance of expected credit losses	8(b)	(4,360,423)	(26,445,081)	(12,988,956)	(46,778,506)
Other expenses		(333,011)	(19,100)	(3,178,343)	(699,551)
Operating loss		(7,001,596)	(127,953,233)	(25,587,170)	(93,011,272)
Finance income	6	149,347	178,658	312,525	373,799
Finance cost		(5,988,596)	(7,990,343)	(13,398,549)	(15,384,756)
		(12,840,845)	(135,764,918)	(38,673,194)	(108,022,229)
Share of loss of equity accounted investee	7	--	(9,086,034)	--	(11,277,781)
Impairment gain/ (loss) in equity accounted investees	7	--	2,821,635	--	(310,564)
Loss before zakat and income tax		(12,840,845)	(142,029,317)	(38,673,194)	(119,610,574)
Zakat and income tax expense	13	(4,599,711)	(1,748,555)	(8,785,910)	(8,611,344)
Loss for the period		(17,440,556)	(143,777,872)	(47,459,104)	(128,221,918)
Other comprehensive income		--	--	--	--
Total comprehensive loss for the period		(17,440,556)	(143,777,872)	(47,459,104)	(128,221,918)
Loss per share					
Basic loss per share	18	(0.21)	(1.75)	(0.58)	(1.56)
Diluted loss per share	18	(0.21)	(1.75)	(0.58)	(1.56)

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

DocuSigned by:

Hesham Masoud

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Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six-months period ended June 30, 2021
(Expressed in Saudi Arabian Riyals)

	Note	Share capital	Statutory reserve	(Accumulated loss)	Total
<u>As at June 30, 2021 (Unaudited)</u>					
Balance at January 1, 2021		820,000,000	353,835,879	(313,758,994)	860,076,885
Statutory reserve transfer	11	--	(107,835,879)	107,835,879	--
<u>Total comprehensive loss</u>					
Loss for the period		--	--	(47,459,104)	(47,459,104)
Other Comprehensive income		--	--	--	--
<u>Total comprehensive loss</u>		--	--	(47,459,104)	(47,459,104)
Balance at June 30, 2021 (Unaudited)		<u>820,000,000</u>	<u>246,000,000</u>	<u>(253,382,219)</u>	<u>812,617,781</u>
<u>As at June 30, 2020 (Unaudited)</u>					
Balance at January 1, 2020		820,000,000	353,835,879	131,816,062	1,305,651,941
<u>Total comprehensive loss</u>					
Loss for the period		--	--	(128,221,918)	(128,221,918)
Other comprehensive income		--	--	--	--
<u>Total comprehensive loss</u>		--	--	(128,221,918)	(128,221,918)
<u>Transactions with owners of the Company</u>					
Contributions and distributions					
Dividends declared	12	--	--	(112,934,489)	(112,934,489)
Balance at June 30, 2020 (Unaudited)		<u>820,000,000</u>	<u>353,835,879</u>	<u>(109,340,345)</u>	<u>1,064,495,534</u>

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

DocuSigned by:

Hesham Masoud

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Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six-months period ended June 30, 2021
(Expressed in Saudi Arabian Riyals)

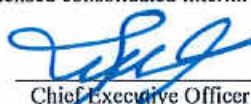
	<u>Note</u>	<u>2021</u> (Unaudited)	<u>2020</u> (Unaudited)
Cash flows from operating activities			
Loss for the period		(47,459,104)	(128,221,918)
<i>Adjustments for:</i>			
Zakat and tax	13	8,785,910	8,611,344
Depreciation on property, plant and equipment and investment in property		41,074,398	50,228,732
Depreciation on right-of-use assets	6	42,863,040	46,398,136
Amortization		364,728	364,728
Construction in progress write off	5	86,000	11,798,669
Allowance of expected credit losses, net	8(b)	12,988,956	46,778,506
Provision for slow-moving inventory, net		2,860,226	2,074,331
Inventory obsolescence written-off		1,396,184	--
Finance income		(312,525)	(373,799)
Finance cost		13,398,549	15,384,756
Share of loss in equity accounted investees	7	--	11,277,781
Impairment loss in equity accounted investee	7	--	310,564
Loss on sale of property, plant and equipment		2,753,843	310,931
Employees' benefits service cost		7,171,534	8,545,738
Provision for accrued bonus - long term		4,500,000	1,969,269
		<u>90,471,739</u>	<u>75,457,768</u>
<i>Changes in:</i>			
Inventories		20,602,013	(6,765,928)
Trade and other receivables		74,617,734	(74,730,152)
Prepayments and other assets		14,245,131	(35,350,627)
Trade and other payables		(89,568,542)	(10,482,489)
Cash generated from / (used in) operating activities		<u>110,368,075</u>	<u>(51,871,428)</u>
Employees' benefits paid		(11,638,919)	(26,551,420)
Zakat & income tax paid	13	(18,145,063)	(2,299,878)
Net cash generated from / (used in) operating activities		<u>80,584,093</u>	<u>(80,722,726)</u>
Cash flows from investing activities			
Payments received for sublease	6	--	2,627,472
Additions to property, plant and equipment		(12,290,520)	(11,493,393)
Additions to investment property		--	(178,041)
Additions to intangible assets		--	--
Proceeds from disposal of property, plant and equipment		246,898	41,650
Net cash used in investing activities		<u>(12,043,622)</u>	<u>(9,002,312)</u>
Cash flow from financing activities			
Proceeds from short-term borrowing		--	300,000,000
Payments of lease liabilities	6	(11,622,653)	(16,212,668)
Dividends paid	12	(26,864)	(261,177)
Net cash (used in) / generated from financing activities		<u>(11,649,517)</u>	<u>283,526,155</u>
Net change in cash and cash equivalents		<u>56,890,954</u>	<u>193,801,117</u>
Cash and cash equivalents at beginning of the period		<u>257,453,899</u>	<u>188,903,543</u>
Cash and cash equivalents at end of the period		<u>314,344,853</u>	<u>382,704,660</u>

The accompanying notes 1 through 22 form an integral

part of these condensed consolidated interim financial statements.

Hesham Masoud
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Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the six months period ended June 30, 2021
(Expressed in Saudi Arabian Riyals)

1. REPORTING ENTITY

Saudi Airlines Catering Company (the "Company" or the "Parent 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 Company has investment in the fully owned / controlled subsidiary 'SACC Catering Company' (the "subsidiary"), collectively referred to as (the "Group"). The authorised share capital of the subsidiary is SR 5 million. The principal business activity of the subsidiary is mainly to provide catering services as per commercial registration. The subsidiary has not yet commenced commercial operations, however, during the period ended June 30, 2021, an amount of SR 5 million was injected by shareholder.

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

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

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

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the six months period ended June 30, 2021
(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATIONS

a) Statement of compliance

These condensed consolidated interim financial statements ("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 Chartered and Professional 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, 2020 ("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. In addition, results for the interim period ended June 30, 2021 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2021.

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 and subsidiary's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES

a. Use of judgments and estimates

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

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

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

For the six months period ended June 30, 2021
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Use of judgments and estimates (continued)

Impact of COVID-19

The coronavirus ("COVID-19") pandemic has spread across various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support and precautionary measures across the globe to counter possible adverse implications. The Company's operations and financial performance was significantly impacted by the disruptions and temporary airports closures mandated by government which has resulted in suspending the primary operations and activities of the Company during most of the year ended December 31, 2020. Although partially and gradually the airports were open and the flights resumed with most of the countries under specific health precautionary measures, there continue to be a significant impact through the period ended June 30, 2021 and may continue to have a financial impact on the Company subsequent to the period end. The uncertainties caused by COVID-19 have required the Company to update the inputs and assumptions used for the determination of expected credit losses ("ECL") as at June 30, 2021. In addition, 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. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closures. Markets however remain volatile and the recorded amounts remain sensitive to both the duration of the temporary closures and consequential severity of the economic impact.

The Company continues to closely monitor the situation to manage the exposure and adverse impact on its operations. Management believes that the Company's financial position remains solid and have the sufficient resources to enable it to continue its operations and to meets its contractual liabilities in the near future. Refer to note 20 for more details on the financial risks.

b. Business combination

The Company accounts for business combinations (other than business combinations under common control) using the acquisition method when control is transferred to the Company. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on bargain purchase is recognised in the statement of profit or loss and other comprehensive income immediately. Transaction costs are expensed as incurred, except related to the issue of debt or equity securities.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss and other comprehensive income.

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)

For the six months period ended June 30, 2021
(Expressed in Saudi Arabian Riyals)

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 stores
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 CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended June 30, 2021
(Expressed in Saudi Arabian Riyals)

4. OPERATING SEGMENTS (continued)

b. Information about reportable segments

June 30, 2021 (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	390,075,681	19,587,376	98,735,804	508,398,861	4,962,293	--	513,361,154
Inter-segment revenue	12,283,665	--	1,476,525	13,760,190	64,783,391	--	78,543,581
Segment revenue	<u>402,359,346</u>	<u>19,587,376</u>	<u>100,212,329</u>	<u>522,159,051</u>	<u>69,745,684</u>	<u>--</u>	<u>591,904,735</u>
Segment profit / (loss) before Zakat and tax	134,586,875	(16,457,878)	18,866,876	136,995,873	(175,669,067)	--	(38,673,194)
Depreciation and amortization	54,039,482	4,888,977	4,817,052	63,745,511	20,556,657	--	84,302,168
Assets:							
Segment assets	1,026,865,023	139,693,959	134,254,485	1,300,813,467	298,532,260	--	1,599,345,727
Other assets	--	--	--	--	--	555,809,016	555,809,016
Total	<u>1,026,865,023</u>	<u>139,693,959</u>	<u>134,254,485</u>	<u>1,300,813,467</u>	<u>298,532,260</u>	<u>555,809,016</u>	<u>2,155,154,743</u>
Liabilities:							
Segment liabilities	498,428,992	78,819,009	37,760,891	615,008,892	235,307,580	--	850,316,472
Other liabilities	--	--	--	--	--	492,220,490	492,220,490
Total	<u>498,428,992</u>	<u>78,819,009</u>	<u>37,760,891</u>	<u>615,008,892</u>	<u>235,307,580</u>	<u>492,220,490</u>	<u>1,342,536,962</u>

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

For the six months period ended June 30, 2021
(Expressed in Saudi Arabian Riyals)

4. OPERATING SEGMENTS (continued)

b. Information about reportable segments (continued)

June 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	398,873,481	51,159,477	107,157,096	557,190,054	8,660,045	--	565,850,099
Inter-segment revenue	16,507,553	(8,306)	2,148,970	18,648,217	81,725,051	--	100,373,268
Segment revenue	415,381,034	51,151,171	109,306,066	575,838,271	90,385,096	--	666,223,367
Segment profit / (loss) before Zakat and tax	96,989,914	(22,369,924)	12,091,204	86,711,194	(206,321,768)	--	(119,610,574)
Depreciation and amortization	59,874,550	7,502,008	5,718,425	73,094,983	23,896,613	--	96,991,596

December 31, 2020 (Audited)

Assets:							
Segment assets	1,099,214,912	149,536,385	143,713,661	1,392,464,958	319,565,964	--	1,712,030,922
Other assets	--	--	--	--	--	594,969,684	594,969,684
Total	1,099,214,912	149,536,385	143,713,661	1,392,464,958	319,565,964	594,969,684	2,307,000,606
Liabilities:							
Segment liabilities	537,183,521	84,947,451	40,696,927	662,827,899	253,603,535	--	916,431,434
Other liabilities	--	--	--	--	--	530,492,287	530,492,287
Total	537,183,521	84,947,451	40,696,927	662,827,899	253,603,535	530,492,287	1,446,923,721

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4. OPERATING SEGMENTS (continued)

c. Reconciliations of information on reportable segments to primary statements

I. Revenue

	June 30, 2021	June 30, 2020
Total revenue for reportable segments	522,159,051	575,838,271
Revenue for other segments	69,745,684	90,385,096
Elimination of intersegment revenue	<u>(78,543,581)</u>	<u>(100,373,268)</u>
Total revenue	<u>513,361,154</u>	<u>565,850,099</u>

II. Loss

	June 30, 2021	June 30, 2020
Total profit for reportable segments	136,995,873	86,711,194
Loss for other segments	<u>(175,669,067)</u>	<u>(206,321,768)</u>
Total loss	<u>(38,673,194)</u>	<u>(119,610,574)</u>

III. Assets

	June 30, 2021	December 31, 2020
Total assets for reportable segments	1,300,813,467	1,392,464,958
Assets for other segments	298,532,260	319,565,964
Other unallocated amounts (Head office)	<u>555,809,016</u>	<u>594,969,684</u>
Total assets	<u>2,155,154,743</u>	<u>2,307,000,606</u>

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

IV. Liabilities

	June 30, 2021	December 31, 2020
Total liabilities for reportable segments	615,008,892	662,827,899
Liabilities for other segments	235,307,580	253,603,535
Other unallocated amounts (Head office)	<u>492,220,490</u>	<u>530,492,287</u>
Total liabilities	<u>1,342,536,962</u>	<u>1,446,923,721</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

	June 30, 2021	June 30, 2020
– Revenue		
Kingdom of Saudi Arabia	513,068,354	552,495,020
All foreign countries		
Egypt – Cairo	292,800	13,355,079
Total revenue	513,361,154	565,850,099

d. Major customer

Revenue from one customer of the Company represented approximately 71% (2020: 57%) 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, 2021	33,786,058	336,862,168	230,810,009	118,454,370	38,244,651	758,157,256
Additions	--	782,265	990,174	425,394	10,092,687	12,290,520
Disposals	--	(6,870,263)	(13,429,272)	(1,048,643)	--	(21,348,178)
Expensed	--	--	--	--	(86,000)	(86,000)
Transfer from capital work under construction	--	3,185,331	4,359,996	--	(7,545,327)	--
Balance at June 30, 2021 (Unaudited)	<u>33,786,058</u>	<u>333,959,501</u>	<u>222,730,907</u>	<u>117,831,121</u>	<u>40,706,011</u>	<u>749,013,598</u>
Accumulated depreciation:						
Balance at January 1, 2021	--	112,430,498	152,897,124	36,941,010	--	302,268,632
Charge for the period	--	18,544,621	14,115,167	7,435,189	--	40,094,977
Disposals	--	(4,107,096)	(13,191,698)	(1,048,643)	--	(18,347,437)
Balance at June 30, 2021 (Unaudited)	<u>--</u>	<u>126,868,023</u>	<u>153,820,593</u>	<u>43,327,556</u>	<u>--</u>	<u>324,016,172</u>
Carrying amounts:						
At June 30, 2021 (Unaudited)	<u>33,786,058</u>	<u>207,091,478</u>	<u>68,910,314</u>	<u>74,503,565</u>	<u>40,706,011</u>	<u>424,997,426</u>
At December 31, 2020 (Audited)	<u>33,786,058</u>	<u>224,431,670</u>	<u>77,912,885</u>	<u>81,513,360</u>	<u>38,244,651</u>	<u>455,888,624</u>

During the period the major disposal items related to the building and service facilities of Private Aviation Lounge at King Khaled International Airport Riyadh, furnitures and equipments of management staffs in Saudia City accomodation and camp accomodation.

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

b. Capital work in progress status

Capital work in progress represents construction works at Alfursan Lounge at King Abdulaziz International Airport (New Airport), King Abdullah Economic City Laundry Plant, Jeddah Unit and Riyadh Unit Building modifications.

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
<u>Cost:</u>					
Balance at January 1, 2021	454,745,050	59,814,366	145,445,614	14,763,450	674,768,480
Additions	4,057,272	--	--	--	4,057,272
Lease modifications	(9,671,069)	--	--	--	(9,671,069)
Terminations	(2,342,289)	--	--	--	(2,342,289)
Balance at June 30, 2021	<u>446,788,964</u>	<u>59,814,366</u>	<u>145,445,614</u>	<u>14,763,450</u>	<u>666,812,394</u>
<u>Accumulated depreciation:</u>					
Balance at January 1, 2021	132,444,452	5,515,672	19,888,124	7,386,784	165,235,032
Charge for the period	34,190,663	1,378,918	5,446,763	1,846,696	42,863,040
Lease modifications	--	--	--	--	--
Terminations	(715,373)	--	--	--	(715,373)
Balance at June 30, 2021	<u>166,919,742</u>	<u>6,894,590</u>	<u>25,334,887</u>	<u>9,233,480</u>	<u>207,382,699</u>
<u>Carrying amounts:</u>					
At June 30, 2021	<u>280,869,222</u>	<u>52,919,776</u>	<u>120,110,727</u>	<u>5,529,970</u>	<u>459,429,695</u>
At December 31, 2020	<u>322,300,598</u>	<u>54,298,694</u>	<u>125,557,490</u>	<u>7,376,666</u>	<u>509,533,448</u>

- Additions during the period relate to Riyadh Terminal 5 New Shop contract.
- Lease modifications relate to the reduction of Darzan Contract from the contract end year of 2026 to 2023.
- Terminations during the period relate to Alfursan Cairo Terminal 2 (Transit Hotel) contract.

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

b. *Lease Liabilities*

Movement in lease liabilities over the period is as follows:

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Lease liabilities at beginning of the period/ year	580,085,903	533,866,178
Additions to lease liabilities	4,057,272	26,736,747
Increase in lease liabilities due to finance cost	10,933,943	26,912,213
Lease modification	(10,937,488)	33,119,514
Retirement of lease liabilities	(1,667,903)	(2,827,374)
Lease payment during the period/ year	(11,622,653)	(37,721,375)
Lease liabilities at end of the period/ year	570,849,074	580,085,903
Less: Current portion of lease liabilities	(220,560,679)	(167,856,691)
Non-Current portion of lease liabilities	350,288,395	412,229,212

c. *Subleased Assets*

Movement in subleased assets over the period is as follows:

	June 30, 2021 <u>(Unaudited)</u>	December 31, 2020 <u>(Audited)</u>
Net subleased assets at beginning of the period/ year	23,482,995	25,385,157
Increase due to finance income	312,525	725,310
Lease payments received during the period/ year	--	(2,627,472)
Net subleased assets at end of the period/ year	23,795,520	23,482,995
Less: Current portion of net subleased assets	(15,929,298)	(14,190,822)
Non-Current portion of net subleased assets	7,866,222	9,292,173

7. EQUITY ACCOUNTED INVESTEE

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

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7. EQUITY ACCOUNTED INVESTEE (continued)

The balances of the investment in associate as at June 30, 2021 and December 31, 2020 are as follows:

Name	Country of incorporation	Effective ownership interest (%)		Carrying value	
		June 30, 2021 (Unaudited)	December 31, 2020 (Audited)	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Saudi French Company for Duty Free Operations and Management (Limited Liability Company)	Kingdom of Saudi Arabia	40%	40%	--	--

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Opening balance	--	11,588,345
Share in net loss	--	(8,361,611)
Share in other comprehensive loss	--	(100,804)
Impairment loss	--	(3,125,930)
Ending balance	--	--

The invested Company does not issue quarterly reviewed interim financial statements, accordingly the financial data below and the share of profit for the six months ended June 30, 2020 and 2021 are based on internal management reporting.

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7. EQUITY ACCOUNTED INVESTEE (continued)

Below is the summary of the financial information of the investee as at June 30, 2021 and December 31, 2020:

<i>i) Share in net assets</i>	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Non current assets	13,416,081	17,289,177
Current assets	65,791,597	58,893,222
Total assets	79,207,678	76,182,399
Non current liabilities	2,026,300	2,026,300
Current liabilities	65,428,912	67,093,657
Total liabilities	67,455,212	69,119,957
Net assets	11,752,466	7,062,442
Company's share in net liabilities (40%)	--	--
Carrying value of the investment	--	--
<i>ii) Share in (loss) / profit</i>	June 30, 2021 (Unaudited)	June 30, 2020 (Unaudited)
Revenue	98,075,233	58,525,858
Net income / (loss) for the period	4,380,173	(28,194,452)
Other adjustment	--	--
Revised net income / (loss) for the period	4,380,173	(28,194,452)
Other comprehensive loss	--	--
Company's share of loss for the year (40%)	--	(11,277,781)
Impairment loss	--	--
Company's share of other comprehensive loss (40%)	--	(11,277,781)

Business continuation of equity accounted investee

During 2020, the Company fully impaired the carrying value of the total cost of investment.

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8. TRADE AND OTHER RECEIVABLES

- a. Trade and other receivables comprise the following:

	<u>Note</u>	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade receivables due from related parties	15 c	601,052,253	688,838,692
Trade receivables – third parties		213,632,377	200,463,671
		<u>814,684,630</u>	<u>889,302,363</u>
Less: total expected credit losses allowances	8 b	(101,694,803)	(88,705,847)
		<u>712,989,827</u>	<u>800,596,516</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.
- 80% of the trade receivables is due from government or semi-government entities (December 31, 2020: 82%).

- b. Movement summary in the expected credit loss allowance for receivables are as follows:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period/ year	88,705,847	51,625,753
Charged for the period/ year	12,988,956	39,033,865
Reversal during the period/ year	--	(1,835,469)
Write-off during the period/ year	--	(118,302)
Balance at end of the period/ year	<u>101,694,803</u>	<u>88,705,847</u>

9. SHORT-TERM BORROWING

The Company obtained short term borrowing based on the revolving agreement during period ended June 30, 2021 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 September 12, 2021.

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10. SHARE CAPITAL

At June 30, 2021, the authorized, issued and paid-up capital is SR. 820,000,000 divided into 82,000,000 equal shares at SR. 10 each. (December 31, 2020: SR 820 million consists of 82 million shares of SR 10 each).

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

June 30, 2021 (unaudited)

<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
Abdulmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.4
General public	45,014,744	450,147,440	54.9
	<u>82,000,000</u>	<u>820,000,000</u>	<u>100</u>

December 31, 2020 (audited)

<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	481,618	4,816,180	0.59
Abdulmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.40
General public	44,533,126	445,331,260	54.31
	<u>82,000,000</u>	<u>820,000,000</u>	<u>100</u>

During the period ended June 30, 2021 Strategic Catering Company Limited has sold its remaining shares to the general public, the related legal formalities has been completed.

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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11. STATUTORY RESERVE

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

The Company transferred the surplus amount of statutory reserve that exceeded 30% of its statutory reserve amounting to SR. 107,835,879 to the accumulated losses account approved by the General Assembly meeting dated May 04, 2021. Below is the movement as at June 2021:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period/ year	353,835,879	353,835,879
Transfer to Accumulated losses	<u>(107,835,879)</u>	<u>--</u>
Balance at end of the period/ year	<u>246,000,000</u>	<u>353,835,879</u>

12. DIVIDENDS

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period / year	1,260,985	1,422,759
Declared during the period / year	--	112,934,489
Paid during the period / year	<u>(26,864)</u>	<u>(113,096,263)</u>
Balance at end of the period / year	<u>1,234,121</u>	<u>1,260,985</u>

13. ZAKAT AND INCOME TAX LIABILITIES

The following is the breakdown of the Zakat and income tax liability as at June 30, 2021 and December 31, 2020:

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Zakat payable	9,286,759	18,645,913
Income tax (advance) / payable	<u>(7,127,198)</u>	<u>(7,127,198)</u>
Net zakat and income tax liabilities	<u>2,159,561</u>	<u>11,518,715</u>

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13. ZAKAT AND INCOME TAX LIABILITIES (continued)

a. Zakat and income tax provision

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period / year	18,645,913	29,696,293
Charge for the period / year	9,286,759	18,645,913
Adjustment related to prior years	(500,849)	(218,332)
Payments during the period / year	(18,145,064)	(29,477,961)
Balance at end of the period / year	<u>9,286,759</u>	<u>18,645,913</u>

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

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Balance at beginning of the period / year	(7,127,198)	4,485,885
Charge for the period / year	--	--
Adjustment related to prior period / year	--	417,288
Payments during the period / year	--	(12,030,371)
Balance at end of the period / year	<u>(7,127,198)</u>	<u>(7,127,198)</u>

iii) Charge of the period ended June 30, 2021 and year ended December 31, 2020 is as follows:

	2021 (Unaudited)	2020 (Audited)
Zakat charge for the period / year	9,286,759	18,645,913
Zakat prior year adjustment	(500,849)	(218,332)
	<u>8,785,910</u>	<u>18,427,581</u>
Income tax charge of the period / year	--	--
Income tax prior year adjustment	--	417,288
	<u>--</u>	<u>417,288</u>
Total Zakat and income tax of the period/year	<u>8,785,910</u>	<u>18,844,869</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 ZATCA in respect of all these years and has provided responses for the years 2009 to 2018. ZATCA issued an assessment for 2015 to 2018 on December 22, 2020 claiming additional Zakat and tax penalties amounting to approximately 16 million and the Company has submitted its objection against the ZATCA's assessment. Post submission of the objection, the ZATCA held a hearing with the Company's representatives to discuss the assessment and objection points. The ZATCA issued a revised assessment. Company has escalated the case to the General Secretariat of Tax Committees ("GSTC"). For Zakat and tax declaration for 2008, ZATCA 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 ZATCA on its objection the Company escalated the objection to the General Secretariat of Tax Committees in January 2021.

The Company has submitted its Zakat and tax declaration for the year 2020. The Company has obtained a certificate until April 30, 2022.

14. TRADE AND OTHER PAYABLES

		June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
	Note		
Trade payables – third parties		132,959,840	229,570,542
Trade payables – related parties	15 c	24,731,049	26,124,556
Accrued expenses		143,671,676	132,755,989
Dividend payable	12	1,234,121	1,260,985
		<u>302,596,686</u>	<u>389,712,072</u>

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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. Transactions are mainly represented in sale of goods and services.

All outstanding balances with these related parties are priced on mutually agreed terms and are to be settled in cash.

- b. Transactions with key management personnel

Key management personnel compensation comprised the following:

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Short term employee benefits	2,131,717	1,287,190	3,825,349	2,831,996
Post employment benefits	36,450	36,450	81,000	72,900
Termination benefits	131,532	95,796	235,537	201,352
Total	2,299,699	1,419,436	4,141,886	3,106,248

- 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 six months ended		Balances	
		June 30, 2021	June 30, 2020	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Saudi Arabian Airlines Corporation*	Shareholders/ fellow subsidiaries	471,553,605	469,031,048	555,151,226	651,074,233
Saudi Ground Services Company	Fellow subsidiary	12,928,187	13,504,694	22,557,287	16,567,740
Saudi Airlines Cargo Company	Fellow subsidiary	4,103,463	3,603,070	15,262,825	11,159,362
Saudi French Company for Duty Free Operations and Management	Associate	1,011,379	1,099,768	7,083,298	9,165,574
Saudi Airlines Real Estate Development Company	Fellow subsidiary	75,659	367,458	1,006,273	930,614
Alhokair Company Joint Stock Company	Shareholders	55,766	29,386	(8,656)	(58,831)
Total				601,052,253	688,838,692

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15. RELATED PARTIES DISCLOSURES (continued)

c. Related parties' transactions and balances (continued)

ii) Purchase of goods, rentals and services provided (under trade and other payables)

	<u>Relationship</u>	<u>Transactions values for the six months ended</u>		<u>Balances</u>	
		<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2021 (Unaudited)</u>	<u>December 31, 2020 (Audited)</u>
Saudi Airlines Real Estate Development Company	Fellow subsidiary	249,650	--	22,298,408	22,110,575
Saudi Arabian Airlines Corporation*	Shareholders/ fellow subsidiaries	577,336	785,477	1,310,638	1,654,089
Saudi Airlines Cargo Company	Fellow subsidiary	127,790	51,572	717,714	1,191,796
Saudi Ground Services Company	Fellow subsidiary	285,647	1,180,580	217,082	819,453
Alhokair Company Joint Stock Company	Shareholders	--	82,821	187,207	187,207
Newrest Company Holding S.L.	Shareholders	182,504	2,753,302	--	161,436
Total				24,731,049	26,124,556

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

16. REVENUE

	<u>Three-month period ended June 30, 2021</u>	<u>Three-month period ended June 30, 2020</u>	<u>Six-month period ended June 30, 2021</u>	<u>Six-month period ended June 30, 2020</u>
In-flight catering revenue	167,437,336	55,174,845	329,738,891	359,891,074
Retail revenue	11,613,269	15,467,569	19,587,376	51,230,168
Business lounge revenue	21,441,572	2,429,243	40,144,589	37,270,523
Non-airlines revenue	53,317,250	34,675,727	117,575,256	109,020,215
Other operating revenues				
Camp facilities sales (staff feeding & accommodation)	3,291,238	4,904,596	5,362,661	8,188,905
Exclusivity purchase income & services to suppliers	--	496,922	952,381	249,214
	257,100,665	113,148,902	513,361,154	565,850,099

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17. COST OF SALES

	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Cost of materials and goods	77,423,498	45,336,960	146,173,498	199,028,103
Personnel costs	58,098,899	44,840,063	118,604,423	119,889,854
Rent and maintenance of production units	1,396,184	(6,730,789)	8,954,519	6,863,535
Depreciation	37,046,184	43,715,397	73,860,911	83,410,876
Other costs				
Manpower and transportation cost	6,980,428	4,954,098	12,748,627	20,467,622
Supplies and expandable items	6,920,666	3,199,390	13,494,509	11,130,675
Communication and utilities	4,041,935	5,769,933	8,632,494	14,189,725
Other operational costs	11,432,907	12,729,634	25,428,063	32,377,769
	<u>203,340,701</u>	<u>153,814,686</u>	<u>407,897,044</u>	<u>487,358,159</u>

18. LOSS PER SHARE

a. Basic loss 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 attributable to ordinary shareholders (basic)

Particulars	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
Loss for the period, attributable to the owners of the Company	<u>(17,440,556)</u>	<u>(143,777,872)</u>	<u>(47,459,104)</u>	<u>(128,221,918)</u>

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

Particulars	Three-month period ended June 30, 2021	Three-month period ended June 30, 2020	Six-month period ended June 30, 2021	Six-month period ended June 30, 2020
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 (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.

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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 long term loans.

The Company monitors return on capital employed and makes adjustment to it in the light of changes in economic conditions. The Company already obtained short-term loan amounting to SR 300 million.

The Company monitors capital using a debt equity percentage.

	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Total liabilities	1,342,536,962	1,446,923,721
Less: cash and cash equivalents	(314,344,853)	(257,453,899)
Net debt	1,028,192,109	1,189,469,822
 Total equity	 812,617,781	 860,076,885
 Net debt to total equity percentage	 127%	 138%

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.

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

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.

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, 2021 (Unaudited)	December 31, 2020 (Audited)
Financial assets		
Trade receivables and other receivables	814,684,630	889,302,363
Cash at bank	313,806,063	257,189,516
Other receivables	19,644,929	20,348,222
Subleased assets	23,795,520	23,482,995
Financial asset at amortized cost	14,204,000	17,497,223
	<u>1,186,135,142</u>	<u>1,207,820,319</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 June 30, 2021, 5 largest customers (December 31, 2020: 5 largest customers) account for approximately 75% (31 December 2020: 78%) of gross outstanding trade receivables.

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

Fair value of assets and liabilities

The following table shows the carrying amount of the financial assets and financial liabilities at June 30, 2021 and December 31, 2020. The Company does not have any assets measured at FVTPL or FVOCI at June 30, 2021 and December 31, 2020.

Financial assets classified as amortised cost

<u>Carrying value:</u>	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade and other receivables	712,989,827	800,596,516
Cash and cash equivalents	314,344,853	257,453,899
Other receivables	19,644,929	20,348,222
Investment in sub-lease	23,795,520	23,482,995
Financial asset at amortized cost	14,204,000	17,497,223
	<u>1,084,979,129</u>	<u>1,119,378,855</u>

Financial liabilities as at amortised cost

<u>Carrying amount:</u>	June 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Trade and other payables	302,596,686	389,712,072
Short-term borrowing	300,000,000	300,000,000
Lease liabilities	570,849,074	580,085,903
	<u>1,173,445,760</u>	<u>1,269,797,975</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.

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

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>June 30, 2021</u> <u>(unaudited)</u>	<u>Carrying amount</u>	<u>Total</u>	<u>less than one</u> <u>year</u>	<u>More than one</u> <u>year</u>
Liabilities				
Trade and other payables	302,596,686	302,596,686	302,596,686	--
Short term borrowing	300,000,000	300,000,000	300,000,000	--
Lease liabilities	570,849,074	570,849,074	220,560,679	350,288,395
<u>December 31, 2020</u> <u>(audited)</u>	<u>Carrying amount</u>	<u>Total</u>	<u>Less than one</u> <u>year</u>	<u>More than one</u> <u>year</u>
Liabilities				
Trade and other payables	389,712,072	389,712,072	389,712,072	--
Short-term borrowing	300,000,000	300,000,000	300,000,000	--
Lease liabilities	580,085,903	580,085,903	167,856,691	412,229,212

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 June 30, 2021 and December 31, 2020 the Company had the following commitments and contingencies:

	<u>June 30,</u> <u>2021</u> <u>(Unaudited)</u>	<u>December 31,</u> <u>2020</u> <u>(Audited)</u>
Capital commitments	<u>82,745,642</u>	<u>91,004,160</u>
Letter of guarantees	<u>66,442,713</u>	<u>63,274,273</u>

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21. COMMITMENTS AND CONTINGENCIES (continued)

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, 2021, 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 2021 for the bank guarantee issued on behalf of the Company to a supplier with the year-to-date issued amount of SR 41.6 million.

22. DATE OF AUTHORISATION FOR ISSUE

These condensed consolidated interim financial statements were approved by the Board of Directors on August 11, 2021, corresponding to Muharram 3, 1443H.

DocuSigned by:

Hesham Masoud
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Chief Financial Officer

Chief Executive Officer

Authorized Board of Directors
Member