

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
For the three and nine month periods ended September 30, 2019
with
INDEPENDENT AUDITORS' REPORT



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Independent auditors' report on review of condensed interim financial statements

To the Shareholders of Saudi Airlines Catering Company

Introduction

We have reviewed the accompanying September 30, 2019 condensed interim financial statements of Saudi Airlines Catering Company ("the Company") which comprises:

- the condensed statement of financial position as at September 30, 2019 ;
- the condensed statement of profit or loss and other comprehensive income for the three and nine month periods ended September 30, 2019;
- the condensed statement of changes in equity for the nine month period ended September 30, 2019;
- the condensed statement of cash flows for the nine month period ended September 30, 2019; and
- the notes to the condensed interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying September 30, 2019 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, Rabi Al Awal 13, 1441H
Corresponding to November 10, 2019

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

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)


CONDENSED STATEMENT OF FINANCIAL POSITION


As at September 30, 2019


(Expressed in Saudi Arabian Riyals)

	<i>Note</i>	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Assets			
Property, plant and equipment	5	558,674,583	586,708,910
Right-of-use assets	3b	550,209,463	--
Subleased assets	3b	13,943,449	--
Intangible assets		274,139	258,269
Investment property		36,875,721	38,337,434
Equity accounted investee	6	16,558,775	15,125,813
Financial assets at amortized costs		20,904,026	29,991,692
Non-current assets		<u>1,197,440,156</u>	<u>670,422,118</u>
Subleased assets	3b	11,135,760	--
Inventories		155,010,807	125,027,878
Trade and other receivables	7	1,092,901,786	950,225,547
Prepayments and other assets		126,374,091	192,857,373
Cash and cash equivalents		72,693,690	147,252,743
Current assets		<u>1,458,116,134</u>	<u>1,415,363,541</u>
Total assets		<u>2,655,556,290</u>	<u>2,085,785,659</u>
Equity			
Share capital	8	820,000,000	820,000,000
Statutory reserve	9	353,835,879	353,835,879
Retained earnings		154,916,155	127,619,578
Total equity		<u>1,328,752,034</u>	<u>1,301,455,457</u>
Liabilities			
Lease liabilities	3b	417,442,751	--
Employees benefits		171,212,091	167,423,832
Non-current liabilities		<u>588,654,842</u>	<u>167,423,832</u>
Lease liabilities	3b	126,652,104	--
Zakat and income tax liabilities	11	26,027,069	30,310,014
Trade and other payables		585,470,241	586,596,356
Current liabilities		<u>738,149,414</u>	<u>616,906,370</u>
Total liabilities		<u>1,326,804,256</u>	<u>784,330,202</u>
Total equity and liabilities		<u>2,655,556,290</u>	<u>2,085,785,659</u>

The accompanying notes 1 through 20 form an integral part of these financial statements.


Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and nine months periods ended September 30, 2019
(Expressed in Saudi Arabian Riyals)

	<i>Note</i>	Three-month period ended September 30, 2019 (Unaudited)	Three-month period ended September 30, 2018 (Unaudited)	Nine-month period ended September 30, 2019 (Unaudited)	Nine-month period ended September 30, 2018 (Unaudited)
Revenue	13	585,237,866	551,257,701	1,651,397,384	1,549,539,001
Cost of sales	14	(355,006,824)	(347,232,692)	(1,036,595,977)	(980,765,676)
Gross profit		230,231,042	204,025,009	614,801,407	568,773,325
Other income		1,337,925	394,420	4,906,333	5,168,295
General and administrative expenses		(63,380,208)	(52,379,396)	(180,774,669)	(164,947,929)
(Allowance) / reversal of expected credit losses, net		(5,886,679)	3,090,271	(19,787,954)	10,786,769
Other expenses	7(b,c)	(883,618)	(1,095,471)	(2,282,544)	(1,933,480)
Operating profit		161,418,462	154,034,833	416,862,573	417,846,980
Finance income		336,493	361,338	1,031,180	1,115,433
Finance cost		(8,414,601)	(1,218,300)	(25,735,538)	(3,654,900)
Net finance costs		(8,078,108)	(856,962)	(24,704,358)	(2,539,467)
Share of profit / (loss) in equity accounted investee	6	159,489	(112,459)	1,432,962	(2,533,398)
Profit before zakat and income tax		153,499,843	153,065,412	393,591,177	412,774,115
Zakat and income tax expense	11	(11,481,546)	(10,493,302)	(30,978,982)	(29,666,925)
Profit for the period		142,018,297	142,572,110	362,612,195	383,107,190
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability		--	--	--	--
Share of other comprehensive gain of associate					
Other comprehensive income for period					
Total comprehensive income for the period		142,018,297	142,572,110	362,612,195	383,107,190
Earnings per share					
Basic earnings per share	16	1.73	1.74	4.42	4.67
Diluted earnings per share	16	1.73	1.74	4.42	4.67

The accompanying notes 1 through 20 form an integral part of these financial statements.

Chief Financial Officer

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Authorized Board of Directors Member

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine month period ended September 30, 2019

(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, 2019 (Audited)		820,000,000	353,835,879	127,619,578	1,301,455,457
Impact of adoption of IFRS 16	3b	--	--	(17,583,849)	(17,583,849)
<u>Total comprehensive income</u>					
Profit for the period		--	--	362,612,195	362,612,195
Other comprehensive income		--	--	--	--
Total comprehensive income		--	--	362,612,195	362,612,195
<u>Transactions with owners of the Company</u>					
<u>Contributions and distributions</u>					
Dividends declared	10	--	--	(317,731,769)	(317,731,769)
Balance at September 30, 2019 (Unaudited)		<u>820,000,000</u>	<u>353,835,879</u>	<u>154,916,155</u>	<u>1,328,752,034</u>
Balance at January 1, 2018 (Audited)		820,000,000	353,835,879	109,109,072	1,282,944,951
<u>Total comprehensive income</u>					
Profit for the period		--	--	383,107,190	383,107,190
Other comprehensive income		--	--	--	--
Total comprehensive income		--	--	383,107,190	383,107,190
<u>Transactions with owners of the Company</u>					
<u>Contributions and distributions</u>					
Dividends declared	10	--	--	(325,148,122)	(325,148,122)
Balance at September 30, 2018 (Unaudited)		<u>820,000,000</u>	<u>353,835,879</u>	<u>167,068,140</u>	<u>1,340,904,019</u>

The accompanying notes 1 through 20 form an integral part of these financial statements.


Chief Financial Officer


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SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

STATEMENT OF CASH FLOWS

For the nine month period ended September 30, 2019


(Expressed in Saudi Arabian Riyals)

	<i>Note</i>	2019 (Unaudited)	2018 (Unaudited)
Cash flows from operating activities			
Profit for the period		362,612,195	383,107,190
<i>Adjustments for:</i>			
Zakat and tax	11	30,978,982	29,666,925
Depreciation on property, plant and equipment and investment in property		55,264,892	46,955,813
Depreciation on right-of-use assets	3b	61,391,077	--
Amortization		114,805	887,182
Bad debt direct write off		296,621	--
Allowance / (reversal) of expected credit losses, net	7(b,c)	19,787,954	(10,786,769)
Provision for slow-moving inventory, net		854,039	6,382,006
Finance income		(1,031,180)	(1,115,433)
Interest cost		25,735,538	3,654,900
Share of (profit) / loss in equity accounted investees	6	(1,432,962)	2,533,398
Loss on sale of property, plant and equipment		180,093	63,780
Employees' benefits service cost		12,907,359	9,911,625
Provision for accrued bonus - long term		984,466	1,800,000
		<u>568,643,879</u>	<u>473,060,617</u>
<i>Changes in:</i>			
Inventories		(30,836,968)	(18,110,953)
Trade and other receivables		(172,446,913)	(135,630,340)
Prepayments and other assets		45,859,127	(105,509,490)
Trade and other payables		64,173,839	174,264,408
Cash generated from operating activities		<u>475,392,964</u>	<u>388,074,242</u>
Payment of accrued bonus - long term		(178,890)	--
Employees' benefits paid		(14,669,827)	(11,424,067)
Interest income received		--	714,819
Zakat & income tax paid	11	<u>(35,261,927)</u>	<u>(35,669,675)</u>
Net cash from operating activities		<u>425,282,320</u>	<u>341,695,319</u>
Cash flows from investing activities			
Payments received for sublease		4,251,844	--
Additions to property, plant and equipment and investment property		(40,511,683)	(71,828,032)
Additions to intangibles		(130,675)	--
Net cash used in investing activities		<u>(36,390,514)</u>	<u>(71,828,032)</u>
Cash flow from financing activities			
Payments of lease liabilities		(64,378,573)	--
Dividends paid	10	<u>(399,072,286)</u>	<u>(324,354,175)</u>
Net cash used in financing activities		<u>(463,450,859)</u>	<u>(324,354,175)</u>
Net change in cash and cash equivalents		<u>(74,559,053)</u>	<u>(54,486,888)</u>
Cash and cash equivalents at beginning of the period		<u>147,252,743</u>	<u>101,547,658</u>
Cash and cash equivalents at end of the period		<u>72,693,690</u>	<u>47,060,770</u>

The accompanying notes 1 through 20 form an integral part of these financial statements.


Chief Financial Officer


Chief Executive Officer


Authorized Board of Directors
Member

SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2019

(Expressed in Saudi Arabian Riyals)

1. REPORTING ENTITY

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

The main objectives of the Company are the provision of cooked and non-cooked food to private and public sectors, provision of sky sales, operation and management of duty free zones in Saudi Arabian airports and ownership, operation and management of restaurants at airports and other places, and the ownership, operation and management of central laundries.

The Company mainly provides catering services to Saudi Arabian Airlines and other foreign airlines in the airports of Jeddah, Riyadh, Dammam and Madinah in Saudi Arabia and to Saudia's flights operating from Cairo International Airport.

The Company also has the following branches, which are operating under separate Commercial registrations:

<u>Branch location</u>	<u>C.R.</u>	<u>Date</u>
Rabigh	4602006306	Rajab 16, 1436H (May 5, 2015)
Medina	4650055980	Jumada Al-Thani 1, 1433H (April 23, 2012)
Dammam	2050082998	Jumada Al-Thani 1, 1433H (April 23, 2012)
Makkah	4031084114	Jumada Al-Atwal 23, 1435H (March 25, 2014)
Jeddah	4030227251	Jumada Al-Thani 1, 1433H (April 23, 2012)
Jeddah	4030285290	Muharram 2, 1437H (October 16, 2015)
Riyadh	1010336558	Jumada Al-Thani 1, 1433H (April 23, 2012)

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

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

2. BASIS OF PREPARATIONS**a) *Statement of compliance***

These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended December 31, 2018 ("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.

The Company has started to apply IFRS 16 Leases effective from January 1, 2019. Changes to significant accounting policies are described in Note 3 b.

SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2019

(Expressed in Saudi Arabian Riyals)

2. BASIS OF PREPARATIONS (continued)

a. *Statement of compliance (continued)*

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 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, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16 which are described in Notes 3 b.

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

The Company has adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies. The Company has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported in the last annual financial statements, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

SAUDI AIRLINES CATERING COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the nine months ended September 30, 2019
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. New Standards, Amendments to Standards and Interpretations

i. Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 Determining Whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied, only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which it is a lessee, the Company has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii. As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most leases - i.e. these leases are on-statement of financial position.

The Company decided to apply recognition exemptions to short-term leases. For leases of other assets, which were classified as operating under IAS 17, the Company recognised right-of-use assets and lease liabilities.

The carrying amounts of right of use assets and lease liabilities are as below:

Balances at 1 January 2019

<u>Rights-of-use assets:</u>	<u>January 1, 2019</u>
Present value of lease liability	587,483,042
<u>Adjustment for:</u>	
Prepaid lease	29,711,821
Accrued liabilities	(1,759,437)
Transferred to subleased assets	(3,834,886)
	<u>611,600,540</u>
<u>Lease liabilities:</u>	
Discounted future payments	587,483,042

Balances at September 30, 2019

	<u>September 30, 2019</u>
Net rights of use of assets	550,209,463
Lease liabilities	544,094,855

SAUDI AIRLINES CATERING COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the nine months ended September 30, 2019

(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b New Standards, Amendments to Standards and Interpretations (continued)

ii. As a lessee (continued)

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which includes the amount of the initial measurement of the lease liability adjusted to any lease payments made at or before the commencement date, less any lease incentives received, also any initial direct costs incurred by the lessee along with estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset is also accounted and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Company's accounting policies. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as its discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

iii. Transition

Previously, the Company classified property leases as operating leases under IAS 17. At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application, or;
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Company applied this approach to all other leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b New Standards, Amendments to Standards and Interpretations (continued)

iii. Transition (continued)

For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

iv. As a lessor

As on transition date, the Company has assessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17 and concluded that the sub-lease is a finance lease under IFRS 16, except where the Company has accounted the head lease as a short-term lease.

The Company has sub-lease contracts for residential building and commercial building lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Company; otherwise it was classified as an operating lease. When the Company is an intermediate lessor, it accounts for its interest in the head lease and sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of use asset arising from the head lease, not with the reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption of short-term lease under IFRS 16, then it classifies the sub-lease as an operating lease. If an arrangement contains lease and non-lease components, the Company applies the respective other standard to allocate the consideration in the contract.

In Finance leases, the company recognizes receivable at an amount equal to the net subleased assets. In an operating lease, the Company recognizes lease payments received as income on a straight line basis over the lease term.

v. Impact on financial statements of the transition

On transition to IFRS 16, the Company recognized additional right-of-use assets, and additional lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	1 January 2019
Right-of-use assets presented	611,600,540
Property and equipment owned	(14,562,737)
Subleased assets	28,299,872
Lease liabilities	(587,483,042)
Receivable adjustment for subleased assets	(9,686,099)
Receivables	(29,711,821)
Accruals	1,759,438
Impairment of Rights of use assets	(17,800,000)
Impact on Retained earnings	17,583,849

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its adjusted incremental borrowing rates at 1 January 2019.

SAUDI AIRLINES CATERING COMPANY
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NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)
For the nine months ended September 30, 2019
(Expressed in Saudi Arabian Riyals)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b New Standards, Amendments to Standards and Interpretations (continued)

v. Impact on financial statements of the transition (continued)

The following is the reconciliation between the operating lease commitment as at December 31, 2018 and lease liabilities recognized as at January 1, 2019.

	1 January 2019
Operating lease commitment at 31 December 2018 as disclosed in the Company's financial statements	1,178,088,996
Discounted using the incremental borrowing rate at 1 January 2019	890,277,367
Short term leases	(32,307,222)
Extension and termination option reasonably certain to be exercised	(270,487,103)
Lease liabilities recognised at 1 January 2019	<u>587,483,042</u>

vi. Impact for the period

The Company has recognised depreciation and interest costs, instead of operating lease expense. During the nine months ended September 30 2019, the Company recognised SR 61.4 million of depreciation charges and SR 21 million of interest costs from these leases.

Furthermore, during the assessment, the Company identified a leased property which is vacant and not used nor sub leased. Management is currently negotiating with the lessor to exit and terminate the contract related to this vacant property. Management has formed a provision of SR 17.8 million for the expected cash out flows on termination of the contract. Movement in lease liabilities and subleased assets over the nine months periods ended September 30, 2019 are as follows:

Lease liabilities

Lease liability as at 1 January 2019	587,483,042
Increase in Lease Liability due to finance cost	20,990,386
Lease payment made during the period	(64,378,573)
Lease liability as at 30 September 2019	544,094,855
<u>Less: Current portion of lease liability</u>	<u>(126,652,104)</u>
Non-current portion of lease liability	<u>417,442,751</u>

Subleased assets

Net subleased assets as at 1 January 2019	28,299,873
Increase due to finance income	1,031,180
Lease receipts during the period	(4,251,844)
Net subleased assets as at 30 September 2019	25,079,209
<u>Less: Current portion of net subleased assets</u>	<u>(11,135,760)</u>
Non-current portion of net subleased assets	<u>13,943,449</u>

The Company received amounting to SR 4.3 million receipt during the nine months ended September 30, 2019 from the leased out assets.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c New standards and amendments issued but not yet effective

Standards and amendments issued but not yet effective up to the date of issuance of the Company's condensed consolidated interim financial statements are listed below. The Company is currently assessing the implications of the below mentioned standards and amendments on its condensed consolidated interim financial statements, however, it expects that the impact, if any, would not be material to the condensed consolidated interim financial statements.

Effective for annual periods beginning on or after	New Standards or amendments
1 January 2020	Amendments to References to Conceptual Framework in IFRS Standards
	Definition of a Business (Amendments to IFRS 3)
	Definition of Material (Amendments to IAS 1 and IAS 8)
1 January 2021	IFRS 17 Insurance Contracts
Available for optional adoption/effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

4. OPERATING SEGMENTS

A. Basis for segmentation

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

The following summary describes the operations of each reportable segment:

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

The Company's Board reviews the internal management reports of each strategic division at least quarterly.

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4. OPERATING SEGMENTS (continued)

b. Information about reportable segments

September 30, 2019 (Unaudited)

	<u>Inflight</u>	<u>Retail</u>	<u>Catering and facilities</u>	<u>Total reportable segments</u>	<u>All other segments</u>	<u>Head office</u>	<u>Total</u>
External revenue	1,317,883,899	127,209,888	151,430,541	1,596,524,328	54,873,056	--	1,651,397,384
Inter-segment revenue	44,707,797	--	4,534,480	49,242,277	246,989,700	--	296,231,977
Segment revenue	1,362,591,696	127,209,888	155,965,021	1,645,766,605	301,862,756	--	1,947,629,361
Segment profit / (loss) before zakat and tax	692,304,255	(14,028,260)	4,220,445	682,496,440	(288,905,263)	--	393,591,177
Depreciation and amortization	72,933,564	2,643,833	6,823,068	82,400,465	34,370,309	--	116,770,774
Assets:							
Segment assets	1,265,290,987	172,129,251	165,426,794	1,602,847,032	367,847,935	--	1,970,694,967
Other assets	--	--	--	--	--	684,861,323	684,861,323
Total	1,265,290,987	172,129,251	165,426,794	1,602,847,032	367,847,935	684,861,323	2,655,556,290
Liabilities:							
Segment liabilities	492,588,083	77,895,357	37,318,385	607,801,825	232,550,095	--	840,351,920
Other liabilities	--	--	--	--	--	486,452,336	486,452,336
Total	492,588,083	77,895,357	37,318,385	607,801,825	232,550,095	486,452,336	1,326,804,256

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4. OPERATING SEGMENTS (continued)

b. Information about reportable segments

September 30, 2018 (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 revenues	1,247,819,526	137,779,400	113,795,201	1,499,394,127	50,144,874	--	1,549,539,001
Inter-segment revenue	39,380,731	--	4,215,018	43,595,749	238,708,085	--	282,303,834
Segment revenue	1,287,200,257	137,779,400	118,010,219	1,542,989,876	288,852,959	--	1,831,842,835
Segment profit / (loss) before zakat and tax	686,154,051	6,379,066	4,875,798	697,408,915	(284,634,800)	--	412,774,115
Depreciation and amortization	21,304,476	2,323,027	5,002,869	28,630,372	19,212,623	--	47,842,995
Assets:							
Segment assets	1,007,217,239	137,021,089	131,685,692	1,275,924,020	292,820,218	--	1,568,744,238
Other assets	--	--	--	--	--	545,174,302	545,174,302
Total	1,007,217,239	137,021,089	131,685,692	1,275,924,020	292,820,218	545,174,302	2,113,918,540
Liabilities:							
Segment liabilities	286,988,634	45,382,913	21,742,207	354,113,754	135,486,904	--	489,600,658
Other liabilities	--	--	--	--	--	283,413,863	283,413,863
Total	286,988,634	45,382,913	21,742,207	354,113,754	135,486,904	283,413,863	773,014,521

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4. OPERATING SEGMENTS (continued)

c. Reconciliations of information on reportable segments to primary statements

I. Revenue

	September 30, <u>2019</u>	September 30, <u>2018</u>
Total revenue for reportable segments	1,645,766,605	1,542,989,876
Revenue for other segments	301,862,756	288,852,959
Elimination of intersegment revenue	<u>(296,231,977)</u>	<u>(282,303,834)</u>
Total revenue	<u>1,651,397,384</u>	<u>1,549,539,001</u>

II. Profit

	September 30, <u>2019</u>	September 30, <u>2018</u>
Total profit for reportable segments	682,496,440	697,408,915
Profit for other segments	<u>(288,905,263)</u>	<u>(284,634,800)</u>
Total profit	<u>393,591,177</u>	<u>412,774,115</u>

III. Assets

	September 30, <u>2019</u>	September 30, <u>2018</u>
Total assets for reportable segments	1,602,847,032	1,275,924,020
Assets for other segments	367,847,935	292,820,218
Other unallocated amounts	<u>684,861,323</u>	<u>545,174,302</u>
Total assets	<u>2,655,556,290</u>	<u>2,113,918,540</u>

Other unallocated amounts principally related to cash and cash equivalents, investment securities and prepayment and other currents assets. Right of use assets and subleased assets have been allocated based on the segment it reports.

IV. Liabilities

	September 30, <u>2019</u>	September 30, <u>2018</u>
Total liabilities for reportable segments	607,801,825	354,113,754
Liabilities for other segments	232,550,095	135,486,904
Other unallocated amounts	<u>486,452,336</u>	<u>283,413,863</u>
Total liabilities	<u>1,326,804,256</u>	<u>773,014,521</u>

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

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4. OPERATING SEGMENTS (continued)

V. Geographical information

	September 30, 2019	September 30, 2018
– Revenue		
Kingdom of Saudi Arabia	1,600,857,129	1,488,493,928
<i>All foreign countries</i>		
Egypt – Cairo	50,540,255	61,045,073
Total revenue	1,651,397,384	1,549,539,001

c. Major customer

Revenue from one customer of the Company's Airline segment represented approximately 62% 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, 2019	33,786,058	257,549,100	181,582,096	93,733,541	170,726,195	737,376,990
Additions	--	3,098,223	6,232,530	303,991	30,876,939	40,511,683
Disposal	--	(174,026)	(2,789,226)	(459,390)	--	(3,422,642)
Adjustment for finance lease (note 3b)	--	(17,651,803)	--	--	--	(17,651,803)
Transfer from capital work under construction	--	61,348,630	24,590,907	25,270,367	(111,209,904)	--
Balance at September 30, 2019 (Unaudited)	33,786,058	304,170,124	209,616,307	118,848,509	90,393,230	756,814,228
Accumulated depreciation:						
Balance at January 1, 2019	--	24,418,526	97,279,850	28,969,704	--	150,668,080
Charge for the period	--	24,412,484	20,793,789	9,920,791	--	55,127,064
Disposals	--	(157,006)	(2,626,153)	(459,390)	--	(3,242,549)
Adjustment for finance lease (note 3b)	--	(4,412,950)	--	--	--	(4,412,950)
Balance at September 30, 2019 (Unaudited)	--	44,261,054	115,447,486	38,431,105	--	198,139,645
Carrying amounts:						
At September 30, 2019 (unaudited)	33,786,058	259,909,070	94,168,821	80,417,404	90,393,230	558,674,583
At December 31, 2018 (audited)	33,786,058	233,130,574	84,302,246	64,763,837	170,726,195	586,708,910

b. Capital work in progress status

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

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

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5. PROPERTY, PLANT AND EQUIPMENT (continued)**c. Subleased assets adjustment in property, plant and equipment**

As result of the adoption of IFRS 16 and as explained under note 3b, the Company transferred some assets that are subleased to other parties from the property, plant and equipment.

The cost and accumulated depreciation of the transferred assets are as follows:

	September 30, 2019 (Unaudited)
Cost of the asset sub-leased	17,651,803
Accumulated depreciation as at January 1, 2019	(3,089,065)
Depreciation reversed for the nine months ended September 30, 2019	(1,323,885)
Total Right of use assets	<u>13,238,853</u>

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.

b. The balances of the investment in associate as at September 30, 2019 and December 31, 2018 are as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>		<u>Carrying value</u>	
		<u>September 30, 2019 (Unaudited)</u>	<u>December 31, 2018 (Audited)</u>	<u>September 30, 2019 (Unaudited)</u>	<u>December 31, 2018 (Audited)</u>
Saudi French Company For Duty Free Operations and Management (Limited Liability Company)	Kingdom of Saudi Arabia	40%	40%	16,558,775	15,125,813

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Opening balance	15,125,813	20,642,074
Share in net profit / (loss)	1,432,962	(5,406,251)
Share in other comprehensive loss	--	(110,010)
Ending balance	<u>16,558,775</u>	<u>15,125,813</u>

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6. EQUITY ACCOUNTED INVESTEE (continued)

d. Below is the summary of the financial information of the investee as at September 30, 2019 and December 31, 2018:

The invested Company does not issue quarterly reviewed interim financial statements, accordingly the financial data below and the share of profit for the nine month periods ended September 30, 2019 is based on internal management reporting.

i) Share in net assets

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Non current assets	27,227,979	31,405,421
Current assets	89,904,878	79,893,590
Total assets	<u>117,132,857</u>	<u>111,299,011</u>
Non current liabilities	1,573,695	819,847
Current liabilities	74,162,224	72,664,632
Total liabilities	<u>75,735,919</u>	<u>73,484,479</u>
Net assets	<u>41,396,938</u>	<u>37,814,532</u>
Company's share in net assets (40%)	<u>16,558,775</u>	<u>15,125,813</u>

ii) Share in profit / (loss)

	Nine months ended September 30, 2019 (Unaudited)	Nine months ended September 30, 2018 (Unaudited)
Revenue	239,637,360	195,643,030
Net profit / (loss) for the period	<u>3,582,405</u>	<u>(6,333,495)</u>
Company's share of profit / (loss) for the period (40%)	<u>1,432,962</u>	<u>(2,533,398)</u>

The Company has a call option by which it has the right to purchase 11% of the total shares of the associate from one of the shareholders subject to fulfilling legal requirements and obtaining certain approvals. If the Company succeeded to fulfill all the requirements and purchased the 11% shares, its shares in the investee will reach 51% and accordingly will have control over the investee and will then start consolidating.

At the date of the financial statements, the Company was unable to practice the call option due to legal formalities and accordingly was unable to obtain control and management continued to account for this investment as an associate.

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7. TRADE AND OTHER RECEIVABLES

a. Trade and other receivables at September 30, 2019 and December 31, 2018 comprise the following:

	<u>Note</u>	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade receivables due from related parties (net of purser provision)	12 c	887,363,586	722,310,992
Trade receivables – third parties		<u>265,897,159</u>	<u>268,417,405</u>
		1,153,260,745	990,728,397
Less: Allowance for expected credit losses	7 b	<u>(60,358,959)</u>	<u>(40,502,850)</u>
		1,092,901,786	950,225,547

- Trade receivables disclosed above are classified and measured as financial assets at amortized cost.
- The Company does not have any collateral over receivables and the vast majority are, therefore, unsecured, but the Company has no history of significant write off.
- 80% of the trade receivables is due from government or semi-government entities (December 31, 2018: 72%)

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of the period/year	40,502,850	53,427,618
Charged for the period/year	19,856,109	--
Write-off during the period/year	--	(538,781)
Reversal during the period/year	--	(12,385,987)
Balance at end of the period/year	<u>60,358,959</u>	<u>40,502,850</u>

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of the period/year	4,026,001	4,476,079
Charged for the period/year	266,672	388,045
Write-off during the period/year	(15,442)	(17,284)
Reversal during the period/year	<u>(319,385)</u>	<u>(820,839)</u>
Balance at end of the period/year	3,957,846	4,026,001

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8. SHARE CAPITAL**a. Share capital**

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
In issue at beginning of the period/year (number of shares)	82,000,000	82,000,000
Issued for cash	--	--
In issue at September 30, 2019 and December 31, 2018– fully paid (number of shares)	82,000,000	82,000,000
Issued – par value SR 10	820,000,000	820,000,000

- b. At September 30, 2019 and December 31, 2018 the shareholders and their percentage interests in the share capital of the Company are as follows:

September 30, 2019 (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
Strategic Catering Company Limited	7,041,379	70,413,790	8.6
Alhokair Company Joint Stock Company	7,711,256	77,112,560	9.4
General public	37,973,365	379,733,650	46.3
	82,000,000	820,000,000	100

December 31, 2018 (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	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
	82,000,000	820,000,000	100

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.

9. STATUTORY RESERVE

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

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

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10. DIVIDENDS

- a. i The following dividends were declared by the Company during the period ended September 30, 2019.

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

- ii The following dividends were declared by the Company during the period ended September 30, 2018.

	2018 (Unaudited)
March 27, 2018: SR 1.30 per ordinary share (Income tax adjusted)	104,673,521
May 05, 2018: SR 1.35 per ordinary share (Income tax adjusted)	108,541,626
August 02, 2018: SR 1.35 per ordinary share (Income tax adjusted)	111,932,975
	<u>325,148,122</u>

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of the period / year	123,229,981	3,120,329
Declared during the period / year	317,731,769	445,351,075
Paid during the period / year	<u>(399,072,286)</u>	<u>(325,241,423)</u>
Balance at end of the period / year	<u>41,889,464</u>	<u>123,229,981</u>

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11. ZAKAT AND INCOME TAX LIABILITIES

The following is the breakdown of the Zakat and income tax liability as at September 30, 2019 and December 31, 2018:

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Zakat payable	23,406,695	28,259,464
Income tax payable	2,620,374	2,050,550
Zakat and income tax liabilities	<u>26,027,069</u>	<u>30,310,014</u>

a. Zakat and income tax provision

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of the period / year	28,259,464	29,522,917
Charge for the period / year	23,406,695	28,259,464
Adjustment related to prior years	176,917	(426,233)
Payments during the period / year	<u>(28,436,381)</u>	<u>(29,096,684)</u>
Balance at end of the period / year	<u>23,406,695</u>	<u>28,259,464</u>

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Balance at beginning of the period / year	2,050,550	1,667,170
Charge for the period / year	7,220,127	9,024,271
Adjustment related to prior period / year	175,243	256,675
Payments during the period / year	<u>(6,825,546)</u>	<u>(8,897,566)</u>
Balance at end of the period / year	<u>2,620,374</u>	<u>2,050,550</u>

iii) Charge of the period ended September 30, 2019 and year ended December 31, 2018 is as follows:

	<u>2019</u> (Unaudited)	<u>2018</u> (Audited)
Zakat charge for the period / year	23,406,695	28,259,464
Zakat prior year adjustment	<u>176,917</u>	<u>(426,233)</u>
	<u>23,583,612</u>	<u>27,833,231</u>
Income tax charge of the period / year	7,220,127	9,024,271
Income tax prior year adjustment	<u>175,243</u>	<u>256,675</u>
	<u>7,395,370</u>	<u>9,280,946</u>
Total Zakat and income tax of the period/year	<u>30,978,982</u>	<u>37,114,177</u>

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11. ZAKAT AND INCOME TAX LIABILITIES (continued)

b. Zakat components

	September 30, 2019 <u>(Unaudited)</u>	December 31, 2018 <u>(Audited)</u>
Non-current assets	1,197,440,156	670,422,118
Non-current liabilities	588,654,842	167,423,832
Shareholders' equity	1,328,752,034	1,301,455,457
Profit before Zakat and income tax	<u>393,591,177</u>	<u>496,395,061</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 to 2018 which are currently under review by GAZT. The Company has obtained a certificate until April 30, 2020.

12. RELATED PARTIES DISCLOSURES

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

b. Transactions with key management personnel

Key management personnel compensation comprised the following:

	Three-month period ended September 30, <u>2019</u>	Three-month period ended September 30, <u>2018</u>	Nine-month period ended September 30, <u>2019</u>	Nine-month period ended September 30, <u>2018</u>
Short term employee benefits	1,924,974	1,641,835	5,180,177	4,641,649
Post employment benefits	36,450	36,450	145,034	109,350
Termination benefits	569,944	84,417	716,959	353,004
Total	<u>2,531,368</u>	<u>1,762,702</u>	<u>6,042,170</u>	<u>5,104,003</u>

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12. RELATED PARTIES DISCLOSURES (continued)

c. Related parties' transactions and balances

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

		Transaction values for the nine months ended		Balances	
	Relationship	September 30, 2019	September 30, 2018	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
i) <u>Sale of goods and services (under trade and other receivables)</u>					
Saudi Arabian Airlines Corporation*	Shareholders/ fellow subsidiaries	1,350,377,203	1,191,268,039	825,071,010	663,009,364
Saudi Ground Services Company	Fellow subsidiary	32,735,851	33,178,342	37,040,623	32,527,902
Saudi Airlines Cargo Company	Fellow subsidiary	11,100,469	10,970,122	13,270,497	14,176,765
Saudi French Company for Duty Free Operations and Management	Associate	3,934,864	7,610,324	11,326,238	12,338,822
Saudi Airlines Real Estate Development Company	Fellow subsidiary	252,284	88,363	642,962	418,052
Alhokair Company Joint Stock Company	Shareholders	48,262	142,727	12,256	(159,913)
Total				887,363,586	722,310,992
ii) <u>Purchase of goods (under trade and other payables)</u>					
Saudi Airlines Real Estate Development Company	Fellow subsidiary	148,640	--	11,096,360	21,150,466
Saudi Ground Services Company	Fellow subsidiary	522,997	--	1,945,835	1,422,838
Gulfwest Company Limited	Common shareholders	3,232,534	6,807,417	1,099,299	829,168
Saudi Arabian Airlines Corporation*	Shareholders/ fellow subsidiaries	3,889,826	1,710,815	1,090,654	4,606,589
Alhokair Company Joint Stock Company	Shareholders	104,386	27,213	104,386	--
Newrest Company Holding S.L.	Shareholders	6,993,992	8,444,636	86,314	(29,850)
Saudi Airlines Cargo Company	Fellow subsidiary	17,461	--	20,789	7,455,197
Total				15,443,637	35,434,408

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

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13. REVENUE

	Three-month period ended September 30, <u>2019</u>	Three-month period ended September 30, <u>2018</u> (Restated, Note 15)	Nine-month period ended September 30, <u>2019</u>	Nine-month period ended September 30, <u>2018</u> (Restated, Note 15)
In-flight catering revenue	413,262,859	392,511,239	1,185,161,162	1,110,995,519
Retail revenue	44,967,977	47,863,508	127,209,888	137,779,400
Business lounge revenue	44,923,569	46,019,068	134,251,729	136,394,238
Non-airlines revenue	74,670,466	55,664,521	176,338,882	140,889,984
Other operating revenues				
Camp facilities sales (staff feeding & accommodation)	6,245,797	7,632,178	19,134,456	20,752,881
Exclusivity purchase income & services to suppliers	1,167,198	1,567,187	9,301,267	2,726,979
	<u>585,237,866</u>	<u>551,257,701</u>	<u>1,651,397,384</u>	<u>1,549,539,001</u>

14. COST OF SALES

	Three-month period ended September 30, <u>2019</u>	Three-month period ended September 30, <u>2018</u> (Restated, Note 15)	Nine-month period ended September 30, <u>2019</u>	Nine-month period ended September 30, <u>2018</u> (Restated, Note 15)
Cost of materials and goods	175,012,079	178,189,083	503,758,121	484,786,847
Personnel costs	77,691,028	79,242,147	229,063,071	220,497,416
Rent and maintenance of production units	11,666,163	32,884,270	51,087,830	106,146,770
Depreciation	34,338,651	13,125,189	98,085,226	38,737,918
Other operating costs				
Manpower and transportation cost	20,539,142	18,880,176	55,704,169	51,035,144
Supplies and expandable items	8,563,454	9,457,471	25,881,267	25,643,571
Communication and utilities	8,460,811	6,171,645	23,813,238	18,963,413
Other operational costs	18,735,496	9,282,711	49,203,055	34,954,597
	<u>355,006,824</u>	<u>347,232,692</u>	<u>1,036,595,977</u>	<u>980,765,676</u>

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15. RESTATEMENT TO PRIOR PERIODS

The Company has adopted IFRS 15 from January 1, 2018 but has not recorded the impact of the adoption in the interim financial statements as at September 30, 2018, accordingly management has restated the comparative figures in this financial statements. The restatement did not have any impact on the gross profit or the total comprehensive income of the period ended September 30, 2018 nor on the financial position and cashflows for the period as follows:

Nine months ended September 30, 2018

	As per IFRS 15	As per old policy	Impact of restatement
Revenue	1,549,539,001	1,720,755,318	(171,216,317)
Cost of Sales	(980,765,676)	(1,151,981,993)	171,216,317
Gross profit	568,773,325	568,773,325	--

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 September 30, <u>2019</u>	Three-month period ended September 30, <u>2018</u>	Nine-month period ended September 30, <u>2019</u>	Nine-month period ended September 30, <u>2018</u>
Profit for the period, attributable to the owners of the Company	142,018,297	142,572,110	362,612,195	383,107,190

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

Particulars	Three-month period ended September 30, <u>2019</u>	Three-month period ended September 30, <u>2018</u>	Nine-month period ended September 30, <u>2019</u>	Nine-month period ended September 30, <u>2018</u>
Issued ordinary shares at January 1	82,000,000	82,000,000	82,000,000	82,000,000
Effect of shares issued	--	--	--	--
Weighted-average number of ordinary shares at September 30	82,000,000	82,000,000	82,000,000	82,000,000

b. *Diluted earnings per share*

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

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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.

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Total liabilities	1,326,804,256	784,330,202
Less: cash and cash equivalents	(72,693,690)	(147,252,743)
Net debt	1,254,110,566	637,077,459
 Total equity	 1,328,752,034	 1,301,455,457
 Net debt to total equity ratio	 94%	 49%

18. FINANCIAL INSTRUMENTS – FAIR VALUES**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. Credit risk

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

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

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Financial assets		
Other financial asset	20,904,026	29,991,692
Trade receivables	265,897,159	268,417,405
Due from related parties	891,321,432	726,336,993
Other receivables	27,530,848	22,687,824
Balances with banks	71,239,641	145,997,345
	1,276,893,106	1,193,431,259

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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.

As at September 30, 2019, 5 largest customers (December 31, 2018: 5 largest customers) account for approximately 77% (31 December 2018: 75%) of gross outstanding trade receivables.

Fair value of assets and liabilities

The following table shows the carrying amount of the financial assets and financial liabilities at September 30, 2019 and December 31, 2018. The Company does not have any assets measured at FVTPL or FVOCI at September 30, 2019 and December 31, 2018.

Financial assets at amortised cost**Carrying value:**

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Other financial assets	20,904,026	29,991,692
Trade and other receivables	205,538,200	227,914,555
Due from related parties	887,363,586	722,310,992
Other receivables	27,530,848	22,687,824
Balances with banks	71,239,641	145,997,345
	<u>1,212,576,301</u>	<u>1,148,902,408</u>

Financial liabilities at amortised cost**Carrying amount:**

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
Trade and other payables	<u>585,470,241</u>	<u>586,596,356</u>

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

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19. COMMITMENTS AND CONTINGENCIES

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

	September 30, 2019 (Unaudited)	September 30, 2018 (Unaudited)
Capital commitments	<u>124,263,143</u>	<u>74,851,587</u>
Letter of guarantees	<u>44,271,382</u>	<u>42,303,555</u>

Letters of guarantee are issued by a bank on behalf of the Company to a supplier and promises to meet any financial obligations to the supplier in the event of default and this requires the Company to place cash with the bank. As at September 30, 2019, 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 18,441,357

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors on Rabi Al Awal 8, 1441H, corresponding to November 5, 2019.



Chief Financial Officer



Chief Executive Officer

Authorized Board of Directors
Member