1. REPORTING ENTITY

Saudi Airlines Catering Company (the "Company") is domiciled in Saudi Arabia. The Company's registered office is at Catering HQ – SW/10-22/3, P.O. Box 9178, Jeddah 21413, Kingdom of Saudi Arabia ("KSA"). The Company was registered as a Saudi limited liability company on Muharram 20, 1429H (January 29, 2008) under commercial registration number 4030175741. The share capital of the Company, amounting to Saudi Arabian Riyals ("SR") 100,767,000 was divided into 1,007,670 shares of SR 100 each. The Company was established as a wholly owned subsidiary of Saudi Arabian Airlines Corporation ("Saudia") whose contribution to the share capital was made up of SR 500,000 cash and SR 100,267,000 of net assets of its catering division transferred effective on January 1, 2008.

On April 22, 2008, Saudia sold 493,758 shares representing 49% of the total share capital of the Company to the Strategic Catering Company Limited. The formalities of the transaction were completed on Rajab 19, 1429H (July 22, 2008).

On December 26, 2010, the shareholders resolved to amend the Articles of Association to reflect the sale of 3% of Saudia's shares in the Company to Saudi Airlines Company Limited, Saudia Private Aviation Company Limited and Saudia Real Estate and Development Company Limited which are wholly owned subsidiaries of Saudia.

Furthermore, the shareholders decided to convert the Company from a limited liability company to a closed joint stock company and divide the capital of the Company, which amounted to SR 100,767,000 into 10,076,700 ordinary shares of SR 10 each instead of 1,007,670 shares of SR 100 each. The Company obtained the approval of the Minister of Commerce and Industry for the above sale and conversion on 29/1/1432H (January 4, 2011) and obtained the amended Commercial Registration on 10/3/1432H (February 13, 2011).

On March 19, 2011 the shareholders resolved to increase the share capital by SR 719,233,000 by transferring SR 658,791,392 from the retained earnings, SR 13,718,428 from general reserve and SR 46,723,180 from statutory reserve. The Company finalized the related formalities and obtained the amended commercial registration on Jamada Al Awal 26, 1432H (April 30, 2011).

During the period from June 18, 2012 (Rajab 28, 1433H) to June 24, 2012 (Shaban 4, 1433H), the Company sold 24.6 million shares through an initial public offering representing 30% of the Company's share capital at SR 54 per share including the nominal value amounting to SR 10 per share and an issue premium of SR 44 per share. Thus, the Company converted into a public joint stock company and commenced trading on the Tadawul in the Kingdom of Saudi Arabia on July 9, 2012. Following the sale of stock, the Company is owned as follows:

	Stock	Value	Percentage
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7%
Strategic Catering Company Limited	28,126,000	281,260,000	34.3%
Public Shareholders	24,600,000	246,000,000	30.0%
	82,000,000	820,000,000	100%

The Company has obtained the amended commercial registration and the amended By-laws reflecting the public offering.

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

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

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

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

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

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

2. BASIS OF ACCOUNTING

A. Statement of compliance

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") (hereafter referred to as "IFRS as endorsed in KSA").

Up to and including the year ended December 31, 2016, the Company prepared and presented its statutory Financial Statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia issued by SOCPA and the requirements of the Saudi Arabian Regulations for Companies and the Company's By-laws in so far as they relate to the preparation and presentation of the Financial Statements. In these Financial Statements, the term "SOCPA Standards" refers to SOCPA Standards before the adoption of International Financial Reporting Standards ("IFRS").

For financial periods commencing January 1, 2017, the applicable regulations require the Company to prepare and present its Financial Statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by SOCPA. As part of this requirement, the Company has prepared these Financial Statements.

As required by the Capital Market Authority ("CMA") through its circular dated October 16, 2016 the Company needs to apply the cost model to measure the property, plant and equipment, investment property and intangible assets upon adopting the IFRS for three years period starting from the IFRS adoption date.

These Financial Statements are prepared in accordance with IFRS 1 First time Adoption of International Financial Reporting Standards. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect.

An explanation of how the transition to IFRS's has affected the reported financial position and financial performance of the Company is provided in note 28. This note includes reconciliations of equity and total comprehensive income for comparative periods and of equity at the date of transition reported under previous GAAP to those reported for those periods and at the date of transitions under IFRSs.

At the date of authorization of these financial statements, various Standards and Interpretations (including amendments thereto) were in issue but not yet effective. Management is still accessing the likely impact of the adoption of these Standards and Interpretations in future periods. (Refer note 33).

2. BASIS OF ACCOUNTING (CONTINUED)

B. Basis of Measurement

These financial statements have been prepared under the historical cost basis, except financial assets measured at fair value through profit & loss which are stated at fair value. 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 currency.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Use of judgments and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in future periods affected.

Assumptions and estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed.

Impairment of trade accounts receivable and amounts due from related parties

An estimate of the collectible amount of trade receivables and amounts due from related parties is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due.

At the reporting date, gross trade receivables and amounts due from related parties were SR 203 million (December 31, 2016: SR 175 million and January 1, 2016: SR 140 million) and SR 702 million (December 31, 2016: SR 622 million and January 1, 2016: SR 450 million) respectively with allowance for impairment of trade receivables amounting to SR 51 million (December 31, 2016: SR 66 million and January 1, 2016: 36 million) respectively. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

Inventories obsolescence provision

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.

At the reporting date, gross inventories were SR 114 million (December 31, 2016: SR 134 million and January 1, 2016: SR 129 million) with provision for obsolete and slow-moving inventories amounting to SR 4.3 million (December 31, 2016: SR 8.3 million and January 1, 2016: SR 8 million). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

Defined Benefit Obligation

The cost of end of service benefit plans and the present value of end of service benefit obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

B. Investments in Associates

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Company investments in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised, nor individually tested for impairment.

The profit or loss reflects the Company's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

C. Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

D. Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements as it has primary responsibility for providing goods or services and assumes the inventory and credit risk. The following specific recognition criteria must also be met before revenue is recognised:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Revenue (continued)

Catering revenue

Revenue from catering and other services is recognised when the services are rendered to the customer.

Sales of goods

Revenue from the sales of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably, usually on delivery of the goods. Revenue from the sales of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss and other comprehensive income due to its non-operating nature.

E. Employee benefits

i. Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

ii. Defined benefit plans

Provision is made for amounts payable to employees under the Saudi Labour Law and employee contracts. This liability, which is unfunded, represents the amount payable to each employee on a going concern basis.

The Company provides end of service benefits to employees. These benefits are unfunded. The cost of providing benefits is determined using the projected unit credit method as amended by IAS 19.

Remeasurements, comprising of actuarial gains and losses, excluding amounts included in net interest on the defined benefit liability (excluding amounts included in interest on the defined benefit liability) are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment, and
- The date that the Company recognises related restructuring costs

Interest is calculated by applying the discount rate to the defined benefit liability. The Company recognises the following changes in the defined benefit obligation under 'cost of sales', and 'general and administration expenses' in the income statement:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Interest expense or income

iii. Other long-term employee benefits

The Company's obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value if the impact is material. Remeasurements are recognised in profit or loss in the period in which they arise.

iv. Termination benefits

Termination benefits are expensed at the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

F. Zakat and income tax

The Company is subject to Regulations of Saudi General Authority of Zakat and Income Tax ("GAZT") in the Kingdom of Saudi Arabia. Zakat and income tax are provided on an accruals basis. The Zakat charge is computed on the Zakat base. Income tax is computed on adjusted net income. The amount of Zakat and income tax is the best estimate of the Zakat and income tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using Zakat and tax rates enacted or substantially enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans of the Company and the reversal of temporary differences. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with GAZT regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

G. Segment information

A segment is a distinguishable component of the Company that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

H. Contingencies

Contingent liabilities are not recognised in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements, but are disclosed when an inflow of economic benefits is probable.

I. Finance income and finance cost

Interest income or expense is recognised using the effective interest method. Dividend income is recognised in profit or loss on the date on which the Company right to receive payment is established.

J. Operating profit

Operating profit is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity accounted investees and income taxes.

K. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

The Company determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to sales.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
  Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

The Company classifies all other assets as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

M. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of items of property, plant and equipment at January 1, 2016, the Company's date of transition to IFRS, was determined with reference to its cost at that date.

Expenditure on maintenance and repairs of items of Property, plant and equipment is expensed, while expenditure for betterment is capitalised.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in the profit or loss.

Capital work-in-progress represents all costs relating directly to on-going construction projects and are capitalised as a separate component of property, plant and equipment. On completion, the cost of construction is transferred to the appropriate category. Capital work-in-progress is not depreciated.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

iii. Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over the estimated useful lives, and is generally recognised in profit or loss. Land is not depreciated.

The estimated useful lives of the principal classes of assets are as follows:

Leasehold improvements	2-30 years
Equipment	3-15 years
Motor Vehicles	7-10 Years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits arising from items of property and equipment.

O. Investment property

An investment property is a property held either to earn rental income or to increase in value or both, but not for the purpose of selling it through the ordinary activities of the Company. And it is not used in the production or supply of goods or services or for administrative purposes. Investment properties are initially recognized at cost and transaction costs are included in the initial measurement and are subsequently measured using the cost model (at historical cost after deducting accumulated depreciation – except land carried at cost – and accumulated impairment losses).

P. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangibles comprise software, which have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. The estimated useful lives of intangible assets are 5 years.

Q. Non-derivative financial instruments

i. Non-derivative financial assets and financial liabilities – Recognition and derecognition

The Company initially recognises loans and receivables, deposits and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

ii. Non-derivative financial assets – Measurement

Loan and receivables and held to maturity financial assets

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest method and net of any impairment loss, if any.

Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

iii. Non-derivative financial liabilities

Non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

R. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares recognised as a deduction from equity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Impairment

i. Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired incudes:
- default or delinquency by a debtor;
- indication that a debtor or issuer will enter bankruptcy;
- restructuring of the amount due to the Company on the terms that Company would not consider otherwise; or
- disappearance from an active market for a security because of financial difficulties.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial asset at amortized cost

The Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by Companying together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

ii. Non-financial assets

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

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

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

T. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

U. Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

V. Leases

i. Determining whether an arrangement contains a lease

At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Company the right to control the use of the underlying asset.

At inception or on reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Company's incremental borrowing rate.

ii. Leased assets

Leases of property, plant and equipment that transfer to the Company substantially all of the risk and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Company's statement of financial position.

iii. Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

4. OPERATING SEGMENTS

A. Basis for segmentation

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

The following summary describes the operations of each reportable segment:

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

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

4. OPERATING SEGMENTS (CONTINUED)

B. Information about reportable segments

31 December 2017

	Inflight	Retail	Catering and Facilities	Total reportable segments	All other segments	Head office	Total
External revenues	1,778,952,116	261,503,197	119,889,814	2,160,345,127	63,049,221	–	2,223,394,348
Inter-segment revenue	46,399,516	32,805	3,914,868	50,347,189	283,315,605	–	333,662,794
Segment revenue	1,825,351,632	261,536,002	123,804,682	2,210,692,316	346,364,826	–	2,557,057,142
Segment profit/(loss) before zakat and tax	846,178,734	30,961,744	2,766,509	879,906,987	(356,499,689)	–	523,407,298
Depreciation and amortization	25,759,854	2,897,364	6,616,891	35,274,109	22,211,782	–	57,485,891
Assets:							
Segment assets	897,173,262	122,050,788	117,298,312	1,136,522,362	260,828,011	–	1,397,350,373
Other assets	–	–	–	–	–	485,611,036	485,611,036
Total	897,173,262	122,050,788	117,298,312	1,136,522,362	260,828,011	485,611,036	1,882,961,409
Liabilities:							
Segment liabilities	222,761,538	35,226,369	16,876,374	274,864,281	105,165,388	–	380,029,669
Other liabilities	–	–	–	–	–	219,986,789	219,986,789
Total	222,761,538	35,226,369	16,876,374	274,864,281	105,165,388	219,986,789	600,016,458

31 December 2016

	Inflight	Retail	Catering and Facilities	Total revenue for reportable segments	All other segments	Head office	Total
External revenues	1,797,997,620	269,159,400	147,299,198	2,214,456,218	42,194,050	–	2,256,650,268
Inter-segment revenue	26,945,923	–	80,279	27,026,202	295,664,824	–	322,691,026
Segment revenue	1,824,943,543	269,159,400	147,379,477	2,241,482,420	337,858,874	–	2,579,341,294
Segment profit/(loss) before zakat and tax	609,127,785	49,433,703	(8,083,083)	650,478,405	(97,867,073)	–	552,611,332
Depreciation and amortization	17,206,064	1,789,545	3,829,914	22,825,523	16,492,153	–	39,317,676
Assets:							
Segment assets	827,834,854	96,340,249	101,809,057	1,025,984,160	238,877,659	–	1,264,861,819
Other assets	–	–	–	–	–	616,923,533	616,923,533
Total	827,834,854	96,340,249	101,809,057	1,025,984,160	238,877,659	616,923,533	1,881,785,352
Liabilities:							
Segment liabilities	219,719,127	6,479,598	18,204,506	244,403,231	99,835,396	–	344,238,627
Other liabilities	–	–	–	–	–	276,957,178	276,957,178
Total	219,719,127	6,479,598	18,204,506	244,403,231	99,835,396	276,957,178	621,195,805

C. Reconciliations of information on reportable segments to IFRS measures

I. Revenue

	December 31, 2017	December 31, 2016
Total revenue for reportable segments	2,210,692,316	2,241,482,420
Revenue for other segments	346,364,826	337,858,874
Elimination of intersegment revenue	(333,662,794)	(322,691,026)
Total revenue	2,223,394,348	2,256,650,268

II. Profit

	December 31, 2017	December 31, 2016
Total profit for reportable segments	879,906,987	650,478,405
Profit for other segments	(356,499,689)	(97,867,073)
Total profit	523,407,298	552,611,332

III. Assets

	December 31, 2017	December 31, 2016
Total assets for reportable segments	1,136,522,362	1,025,984,160
Assets for other segments	260,828,011	238,877,659
Other unallocated amounts	485,611,036	616,923,533
Total assets	1,882,961,409	1,881,785,352

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

IV. Liabilities

	December 31, 2017	December 31, 2016
Total liabilities for reportable segments	274,864,281	244,403,231
Liabilities for other segments	105,165,388	99,835,396
Other unallocated amounts	219,986,789	276,957,178
Total liabilities	600,016,458	621,195,805

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

V. Geographical information

Revenue	December 31, 2017	December 31, 2016
Kingdom of Saudi Arabia	2,134,844,560	2,168,733,113
All foreign countries		
Egypt – Cairo	88,549,788	87,917,155
Total revenue	2,223,394,348	2,256,650,268

D. Major customer

Revenue from one customer of the Company's Airline segment represented approximately 65% 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, 2016	33,786,058	38,260,036	101,822,414	76,057,118	296,757,239	546,682,865
Additions	–	996,357	4,844,302	573,502	100,910,061	107,324,222
Disposals	–	(1,713,675)	(13,046,995)	(8,032,229)	–	(22,792,899)
Transfer from capital work under construction	–	191,399,146	38,779,585	32,523,981	(262,702,712)	–
Balance at December 31, 2016	33,786,058	228,941,864	132,399,306	101,122,372	134,964,588	631,214,188
Additions	**–**	**1,374,056**	**19,818,698**	**3,350,888**	**59,515,164**	**84,058,806**
Disposal	**–**	**(206,068)**	**(4,915,630)**	**(944,037)**	**–**	**(6,065,735)**
Transfer from capital work under construction	**–**	**68,508,120**	**23,619,152**	**682,214**	**(92,809,486)**	**–**
Balance at December 31, 2017	**33,786,058**	**298,617,972**	**170,921,526**	**104,211,437**	**101,670,266**	**709,207,259**
Accumulated depreciation:						
Balance at January 1, 2016	–	18,979,597	50,504,866	21,887,767	–	91,372,230
Charge for the year	–	9,694,433	18,839,480	8,811,216	–	37,345,129
Disposals	–	(1,713,675)	(12,890,900)	(8,011,063)	–	(22,615,638)
Balance at December 31, 2016	–	26,960,355	56,453,446	22,687,920	–	106,101,721
Charge for the year	**–**	**19,739,343**	**23,731,729**	**11,066,716**	**–**	**54,537,788**
Disposals	**–**	**(171,882)**	**(4,778,346)**	**(944,037)**	**–**	**(5,894,265)**
Balance at December 31, 2017	**–**	**46,527,816**	**75,406,829**	**32,810,599**	**–**	**154,745,244**
Carrying amounts:						
At December 31, 2017	**33,786,058**	**252,090,156**	**95,514,697**	**71,400,838**	**101,670,266**	**554,462,015**
At December 31, 2016	**33,786,058**	**201,981,509**	**75,945,860**	**78,434,452**	**134,964,588**	**525,112,467**
At January 1, 2016	**33,786,058**	**19,280,439**	**51,317,548**	**54,169,351**	**296,757,239**	**455,310,635**

Capital work under construction represents construction works on welcome lounges at King Khalid International Airport (Terminals 1, 2 and 5) in Riyadh.

B. Depreciation for the year ended December 31 was allocated as follows:

	Note	2017	2016
Cost of sales	22	**47,570,477**	32,507,287
General and administrative expenses	24	**6,967,311**	4,837,842
		54,537,788	37,345,129

6. INTANGIBLE ASSET

A. Intangible Asset

Intangible asset represents system software that the Company implemented during 2015.

B. Reconciliation and carrying amount

	December 31, 2017	December 31, 2016	January 1, 2016
Cost			
Balance at January 1	**3,820,824**	2,951,574	2,951,574
Additions	**–**	869,250	–
Balance at December 31	**3,820,824**	3,820,824	2,951,574
Accumulated amortization			
Balance at January 1	**1,339,736**	208,497	–
Amortisation	**1,198,904**	1,131,239	208,497
Balance at December 31	**2,538,640**	1,339,736	208,497
Carrying amounts	**1,282,184**	2,481,088	2,743,077

C. Amortization

The amortisation is included in 'General and administrative expenses'.

7. INVESTMENT PROPERTY

A. The investment propery is represented in part of a building constructed by the Company and is being leased to a related party in Dammam.

B. Reconciliation and carrying amount

	December 31, 2017	December 31, 2016	January 1, 2016
Cost			
Balance at January 1	**37,017,552**	–	–
Additions	**5,859,338**	37,017,552	
Balance at December 31	**42,876,890**	37,017,552	–
Accumulated depreciation			
Balance at January 1	**841,308**	–	–
Charge for the year	**1,749,199**	841,308	–
Balance at December 31	**2,590,507**	841,308	–
Carrying amounts	**40,286,383**	36,176,244	–

8. 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 recorded its share in the losses of the associate from May 10, 2017 until December 31, 2017.

B. The balance of the investment in associate as at December 31 is as follows:

		Effective ownership interest (%)		Carrying value	
Name	Country of incorporation	**December 31, 2017**	December 31, 2016	**December 31, 2017**	December 31, 2016
Saudi French Company For Duty Free Operations and Management (limited liability company)	Kingdom of Saudi Arabia	**40%**	–	**20,642,074**	–

8. EQUITY-ACCOUNTED INVESTEE (CONTINUED)

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

	December 31, 2017
Capital contribution	**30,757,600**
Share in net loss	**(10,115,526)**
	20,642,074

D. Below is the summary of the financial information of the investee at December 31:

i. Share in net assets

	December 31, 2017
Non current assets	**26,055,824**
Current assets	**95,903,343**
Total assets	**121,959,167**
Non current liabilities	**550,029**
Current liabilities	**69,803,954**
Total liabilities	**70,353,983**
Net assets	**51,605,184**
Company's share in net assets (40%)	**20,642,074**

ii. Share in loss

	December 31, 2017
Revenue	**106,170,470**
Net loss for the period	**(25,288,816)**
Company's share of loss for the period (40%)	**(10,115,526)**

iii) Impairment test of associate

The recoverable amount of this equity accounted investee is estimated using discounted cash flows. The fair value measurement was categorized as a level 3 fair value based on the inputs in the valuation technique used.

The key assumptions used in the estimation of the recoverable amount are set out below. The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and have been based on historical data from both external and internal sources.

	2017
Discount rate	**7%**
Terminal value growth rate	**0%**
Budgeted EBITDA growth rate (average of next five years)	**(2%)**

The management of the Company has assessed in detail the carrying value of Saudi French Company for Duty Free Operations and Management as at December 31, 2017 on the basis of above assumptions.

9. FINANCIAL ASSETS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Financial assets measured at amortized cost:				
Investment in Saudi British Bank Sukuk	9-A	**40,000,000**	40,000,000	40,000,000
Letters of guarantee		**33,620,570**	42,258,676	14,807,413
		73,620,570	82,258,676	54,807,413
Financial assets measured at fair value through profit and loss				
Investments in mutual fund	9-B	**–**	84,721,772	205,170,874
		–	84,721,772	205,170,874

A. INVESTMENT IN SAUDI BRITISH BANK SUKUK

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

B. INVESTMENT IN MUTUAL FUNDS:

- The investment represented units of a mutual fund (Al-Sunbullah), denominated in Saudi Arabian Riyals. The investment was disposed in the current year.

- The movement in the mutual fund is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	**84,721,772**	205,170,874	203,512,809
Disposal of investment	**(86,251,529)**	(125,000,000)	–
Unrealized fair value gain	**1,529,757**	4,550,898	1,658,065
	–	84,721,772	205,170,874

- The Company measured fair value of the investment in mutual funds based on quoted prices in an active market. The Company considers the carrying values of other financial assets and liabilities to be a reasonable approximation of fair value.

10. INVENTORIES

A. Inventories comprise the following:

	December 31, 2017	December 31, 2016	January 1, 2016
Catering items	**28,344,428**	24,465,968	9,762,477
Retails items (formerly Skysales)	**78,296,188**	90,688,451	83,787,801
Spare parts	**4,535,592**	3,798,394	3,873,824
Packing and other materials	**3,143,816**	14,900,949	31,765,805
	114,320,024	133,853,762	129,189,907
Provision for slow-moving and obsolete inventories	**(4,339,108)**	(8,322,784)	(7,928,220)
	109,980,916	125,530,978	121,261,687

10. INVENTORIES (CONTINUED)

B. Movement in provision for slow moving and obsolete inventories for the year was as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	**8,322,784**	7,928,220	6,169,063
Charge for the year	**1,850,871**	4,544,816	3,375,569
Utilised during the year	**(5,743,586)**	(3,674,518)	(1,521,942)
Write-off during the year	**(90,961)**	(475,734)	(94,470)
Balance at end of the year	**4,339,108**	8,322,784	7,928,220

- Provision for slow-moving and obsolete inventories is based on the nature of inventories, sales expectations, historic trends and other qualitative factors.

11. TRADE AND OTHER RECEIVABLES

A. Trade and other receivables at December 31 comprise the following:

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Trade receivables due from related parties	20	**702,489,160**	621,822,428	449,931,201
Trade receivables – third parties		**203,269,330**	174,586,634	139,766,614
		905,758,490	796,409,062	589,697,815
Impairment losses (third parties)	11-c	**(50,832,333)**	(65,717,195)	(36,302,216)
		854,926,157	730,691,867	553,395,599

- 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 the vast majority are, therefore, unsecured. Unimpaired trade receivables are expected, on the basis of past experience to be fully recoverable.

B. The ageing analysis of trade receivable is as follows:

	Up to three months	Above three and up to six months	Above six months	Total
December 31, 2017	**512,517,608**	**306,895,194**	**86,345,688**	**905,758,490**
December 31, 2016	276,573,098	139,797,236	380,038,728	796,409,062
January 1 , 2016	220,912,545	44,814,302	323,970,968	589,697,815

C. Movements summary in impairment losses provision for receivables from third parties for the year ended December 31 are as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	**65,717,195**	36,302,216	53,196,829
Charged for the year	**16,116,230**	36,217,522	14,774,074
Write-off during the year	**(750,000)**	–	–
Reversal during the year	**(30,251,092)**	(6,802,543)	(31,668,687)
Balance at end of the year	**50,832,333**	65,717,195	36,302,216

In determining the recoverability of a trade receivable, the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. This is based on historical pattern behaviour and extensive analysis of customer's credit risk, including underlying customer's credit ratings if they are available. Accordingly, management believes that there is no further credit allowance required in excess of the provision for impairment of receivables.

12. PREPAYMENTS AND OTHER ASSETS

Prepayments and other assets at December 31 comprise the following

	December 31, 2017	December 31, 2016	January 1, 2016
Prepayments	**92,318,604**	88,509,663	94,244,584
Unbilled receivables	**28,413,467**	42,933,873	26,372,844
Margin deposits with banks	**1,417,540**	4,177,771	3,983,516
Advances to suppliers	**1,628,106**	1,245,189	570,914
Advances to employees	**2,435,735**	3,659,829	3,117,415
Others	**–**	2,574,890	1,879,232
	126,213,452	143,101,215	130,168,505

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	December 31, 2017	December 31, 2016	January 1, 2016
Cash at bank – current accounts	**100,402,166**	150,269,912	302,442,075
Cash in hand	**1,145,492**	1,441,133	1,806,040
	101,547,658	151,711,045	304,248,115

14. SHARE CAPITAL

A. Share capital

	December 31, 2017	December 31, 2016	January 1, 2016
In issue at January 1, 2017 (number of shares)	**82,000,000**	82,000,000	82,000,000
Issued for cash	**–**	–	–
In issue at December 31, 2017 – fully paid (number of shares)	**82,000,000**	82,000,000	82,000,000
Issued – par value SAR 10	**820,000,000**	820,000,000	820,000,000

B. At December 31, the shareholders and their percentage interests in the share capital of the Company are as follows:

	December 31, 2016		
Shareholder	No. of shares	Value in SR	%
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7
Strategic Catering Company Limited	18,949,714	189,497,140	23.1
General public	33,776,286	337,762,860	41.2
	82,000,000	820,000,000	100.0

14. SHARE CAPITALS (CONTINUED)

B. At December 31, the shareholders and their percentage interests in the share capital of the Company are as follows: (continued)

During the year ended December 31, 2017, Strategic Catering Company Limited sold 11,308,335 of its shares to the Alhokair Company Joint Stock Company and general public. The new capital structure is as follows:

	December 31, 2017		
Shareholder	No. of shares	Value in SR	%
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.

15. STATUTORY RESERVE

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

The company has transferred an amount in excess of 30% to the statutory reserve. The excess amount will be reversed after approval of the AGM in 2018.

16. DIVIDENDS

A. The following dividends were declared and paid by the Company during the year ended December 31, 2017.

	2017
SR 1.30 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	**104,674,258**
SR 1.25 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	**100,452,959**
SR 1.50 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	**120,372,941**
SR 1.50 per ordinary share after Zakat and before tax deduction (Income tax adjusted)	**120,909,317**
	446,409,475

B. The movement in the dividends payable for the year ended December 31 is as follows:

	December 31, 2017	December 31, 2016
Balance at beginning of the year	**3,167,828**	2,881,530
Declared during the year	**446,409,475**	564,703,839
Paid during the year	**(446,456,974)**	(564,417,541)
Balance at end of the year	**3,120,329**	3,167,828

17. EMPLOYEES' BENEFITS

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Employees' end-of-service benefits	17.A	**168,998,200**	155,656,500	137,162,600
Accrued bonus – long term	17.B	**–**	7,616,142	8,470,711
		168,998,200	163,272,642	145,633,311

A. Defined benefit obligations

i. Movement in defined benefit liability

The following table shows a reconciliation from the opening balances to the closing balances for the employees' end-of- service benefits.

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at January 1	**155,656,500**	137,162,600	117,238,600
Included in profit or loss current service cost			
Service cost	**12,010,400**	9,911,600	8,960,000
Interest cost	**4,845,600**	4,158,400	2,999,100
	16,856,000	14,070,000	11,959,100
Included in OCI			
Actuarial loss arising from:	**12,973,100**	11,555,800	17,044,400
– Demographic assumptions	**–**	845,700	(1,413,300)
– Financial assumptions	**(2,779,500)**	(867,900)	(12,169,100)
– Experience adjustment	**15,752,600**	11,578,000	30,626,800
Remeasurement loss:	**12,973,100**	11,555,800	17,044,400
Other			
Benefits paid	**(16,487,400)**	(7,131,900)	(9,079,500)
Employees' end-of- service benefits	**168,998,200**	155,656,500	137,162,600

ii. Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	December 31, 2017	December 31, 2016	January 1, 2016
Discount rate	**3.30%**	3.50%	3.40%
Future salary growth	**2.25%**	2.75%	2.75%
Voluntary turnover rate	**11% to 18%**	11% to 18%	11% to 18%
In-voluntary turnover rate	**3%**	3%	3%
Retirement age	**60 years**	60 years	60 years

iii. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	December 31, 2017		December 31, 2016	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	**164,574,500**	**(173,688,500)**	160,138,700	(151,431,300)
Future salary growth (0.5% movement)	**164,509,000**	**(173,714,400)**	160,149,900	(151,381,100)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

B. Accrued bonus – long term

The movement in accrued bonus-long term during the year was as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at January 1	**7,616,142**	8,470,711	6,855,646
Provision for the year	**–**	2,810,000	3,753,745
Transfer to short term bonus	**(3,826,360)**	–	–
Benefits paid	**(3,789,782)**	(3,664,569)	(2,138,680)
	–	7,616,142	8,470,711

18. ZAKAT AND INCOME TAX LIABILITIES

The following is the breakdown of the zakat and income tax liability as at December 31, 2017, December 31, 2016 and January 1, 2016:

	December 31, 2017	December 31, 2016	January 1, 2016
Zakat payable	**29,522,917**	26,716,426	32,624,846
Income tax payable	**1,667,170**	383,926	2,485,097
Zakat and income tax liabilities as at December 31	**31,190,087**	27,100,352	35,109,943

A. Zakat and income tax provision

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

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	**26,716,426**	32,624,846	36,298,829
Charge for the year	**29,522,916**	26,716,426	32,624,849
Adjustment related to prior years	**3,455,137**	(4,569,900)	(2,707,918)
Payments during the year	**(30,171,562)**	(28,054,946)	(33,590,914)
Balance at end of the year	**29,522,917**	26,716,426	32,624,846

ii. The movement in Income tax provision is as follows:

	December 31, 2017	December 31, 2016	January 1, 2016
Balance at beginning of the year	**383,926**	2,485,097	3,996,947
Charge for the year	**9,041,633**	10,182,979	11,889,065
Adjustment related to prior year	**(350,367)**	1,176,340	34,698
Payments during the year	**(7,408,022)**	(13,460,490)	(13,435,613)
Balance at end of the year	**1,667,170**	383,926	2,485,097

iii. Charge of the year ended December 31 is as follows:

	December 31, 2017	December 31, 2016
Zakat charge for the year	**29,522,916**	26,716,426
Zakat prior year adjustment	**3,455,137**	(4,569,900)
	32,978,053	22,146,526
Income tax charge of the year	**9,041,633**	10,182,979
Income tax prior year adjustments	**(350,367)**	1,176,340
	8,691,266	11,359,319
Total Zakat and income tax charge of the year	**41,669,319**	33,505,845

B. Zakat components

	December 31, 2017	December 31, 2016	January 1, 2016
Non-current assets	**690,293,226**	646,028,475	512,861,125
Non-current liabilities	**168,998,200**	163,272,642	145,633,311
Shareholders' equity	**1,282,944,951**	1,260,589,547	1,317,743,669
Net income	**468,764,879**	507,549,687	698,500,954

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 and 2016 which are currently under review by GAZT. The Company has a valid certificate till April 30, 2018.

19. TRADE AND OTHER PAYABLES

Trade payables at December 31 comprise the following:

	Note	December 31, 2017	December 31, 2016	January 1, 2016
Trade payables due to related parties	20	**39,809,203**	6,272,066	15,559,769
Other trade payables		**181,873,105**	178,179,760	173,258,903
Accrued expenses		**178,145,863**	246,370,985	139,800,280
		399,828,171	430,822,811	328,618,952

20. RELATED PARTIES DISCLOSURES

A. Related parties include the Company's shareholders and their relatives upto the fourth generation, associated companies and directors and key management personnel of the company. Terms and conditions of these transactions are approved by the company's management.

B. Transactions with key management personnel

Key management personnel compensation comprised the following:

	December 31, 2017	December 31, 2016
Short term employee benefits	**5,775,814**	5,850,885
Post employment benefits	**145,800**	145,800
Termination benefits	**339,819**	642,063
Total Related Party transactions and balances	**6,261,433**	6,638,748

C. Related parties' transactions and balances

Significant related parties transactions for the year ended December 31 and balances arising-there from are described as under:

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

	Transaction values for the year ended December 31, 2017		Balance outstanding as at December 31, 2017		
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	January 1, 2016
Parent of the Company:					
Saudi Arabian Airlines Corporation	**1,553,406,820**	1,452,244,000	**630,543,779**	561,458,670	393,551,551
Shareholder:					
Alhokair Company Joint Stock Company	**11,595**	–	**93,175**	–	367,949
Affiliates:					
Saudi Airlines Cargo Company	**17,433,516**	16,967,000	**29,128,050**	29,993,080	21,772,503
Saudi Ground Services Company	**57,423,404**	48,614,000	**25,611,471**	30,370,678	34,239,198
Saudi French Company for Duty Free Operations and Management	**21,226,426**	–	**16,658,845**	–	–
Saudi Airlines Real Estate Development Company	**72,022**	39,000	**453,840**	–	–
Total			**702,489,160**	621,822,428	449,931,201

20. RELATED PARTIES DISCLOSURES (CONTINUED)

C. Other related party transactions and balances (continued)

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

	Transaction values for the year ended December 31, 2017		Balance outstanding as at December 31, 2017		
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016	January 1, 2016
Parent of the Company:					
Saudi Arabian Airlines Corporation	**8,317,109**	5,422,000	**9,766,970**	–	–
Shareholders:					
Newrest Company Holding S.L.	**11,779,983**	17,515,976	**35,168**	204,726	52,904
Alhokair Company Joint Stock Company	**191,325**	149,415	**307,140**	63,035	–
Affiliates:					
Saudi Airlines Real Estate Development Company	**16,252,858**	7,698,000	**21,155,603**	4,520,926	15,506,865
Saudi Airlines Cargo Company	**–**	–	**7,455,197**	–	–
Saudi Ground Services Company	**71,830**	–	**215,194**	–	–
Gulfwest Company Limited	**3,545,045**	986,202	**873,931**	1,483,379	–
Total			**39,809,203**	6,272,066	15,559,769

21. REVENUE

	2017	2016
In-flight catering revenue	**1,564,006,241**	1,578,603,654
Retail revenue	**261,503,197**	269,159,400
Business lounge revenue	**169,773,018**	155,416,911
Non-airlines revenue	**164,457,456**	198,531,405
Other operating revenues		
Transfer of airline equipment charges	**42,503,588**	37,300,418
Camp facilities sales (staff feeding & accommodation)	**18,308,385**	15,928,081
Exclusivity purchase income & services to suppliers	**2,842,463**	1,710,399
	2,223,394,348	2,256,650,268

22. COST OF SALES

	Note	2017	2016
Cost of materials and goods		**894,312,241**	918,011,500
Personnel costs		**258,753,141**	234,645,855
Rent and maintenance of production units		**126,876,905**	119,850,897
Depreciation	5.B	**47,570,477**	32,507,287
Other operating costs			
Manpower and transportation cost		**74,040,270**	84,591,746
Supplies and expandable items		**32,556,695**	46,043,320
Communication and utilities		**21,894,522**	18,394,886
Other operational costs		**44,598,142**	36,854,010
		1,500,602,393	1,490,899,501

23. OTHER INCOME

	2017	2016
Management fee income	**1,911,986**	–
Medical ex-gratia income	**1,780,000**	1,710,000
Commission Income	**633,535**	–
Scrap Sales	**500,061**	943,366
Others	**2,221,092**	2,361,145
	7,046,674	**5,014,511**

24. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	2017	2016
Personnel Costs		**119,887,957**	102,257,936
Rent		**21,054,942**	19,047,718
Service agreement fee		**10,267,786**	7,137,118
Management fee		**10,007,867**	15,343,249
Depreciation and Amortization	5,6,7	**9,915,414**	6,810,389
Marketing and promotional		**6,540,566**	9,009,456
Utilities		**5,694,480**	7,555,550
Professional and technical fee		**5,047,742**	3,837,361
Travelling		**4,171,112**	5,159,646
Board of Directors' fee		**3,029,932**	2,166,265
Insurance		**3,007,110**	3,865,169
Stationary and printing		**501,353**	479,898
Repairs and maintenance		**260,036**	77,879
Allowance (reversal) for doubtful debts, net		**(15,683,701)**	26,629,082
Others		**7,888,531**	6,485,779
Total general and administrative expenses		**191,591,127**	215,862,495

25. OTHER EXPENSES

	2017	2016
Bank commissions	**1,476,710**	1,207,167
Foreign currency exchange loss	**1,197,440**	2,648,088
Loss on sale of property, plant and equipment	**171,470**	160,741
	2,845,620	4,015,996

26. FINANCE INCOME

	2017	2016
Interest income on held-to-maturity investments	**1,436,785**	1,332,047
Other interest income	**1,529,757**	4,550,898
Finance income	**2,966,542**	5,882,945
Finance income recognised in profit or loss	**2,966,542**	5,882,945

27. 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)

	2017	2016
Profit for the year, attributable to the owners of the Company	**468,764,879**	507,549,687

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

	2017	2016
Issued ordinary shares at January 1	**82,000,000**	82,000,000
Effect of shares issued	**–**	–
Weighted-average number of ordinary shares at December 31	**82,000,000**	82,000,000

B. Diluted earnings per share

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

28. EXPLANATION OF TRANSITION TO IFRS

The Company is preparing its financial statements in accordance with IFRS for the first time and consequently has applied IFRS 1 First-time Adoption of International Financial Reporting Standards. The Company's date of transition is January 1, 2016. The accounting policies stated in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2017, the comparative information presented for the year ended December 31, 2016 and in the preparation of the opening IFRS statement of financial position at January 1, 2016.

IFRS 1 First-Time Adoption of International Financial Reporting Standards allows first-time adopters certain exemptions from the retrospective application of certain IFRS. The Company has applied the following exemptions:

Estimates

The estimates at January 1, 2016 and at December 31, 2016 are consistent with those made for the same dates in accordance with previous GAAP (after adjustments to reflect any differences in accounting policies) apart from Post-employment benefits where application of previous GAAP did not require estimation.

The estimates used by the Company to present these amounts in accordance with IFRS reflect conditions at January 1, 2016, the date of transition to IFRS and as of December 31, 2016.

An explanation of how the transition from SOCPA standards to IFRS has affected the Company's financial position and financial performance is set out in the following tables and the notes that accompany the tables.

I. Reconciliation of the Statement of financial position

	December 31, 2016				January 1, 2016			
	SOCPA	Effect of transition to IFRS	Notes	IFRS	SOCPA	Effect of transition to IFRS	Notes	IFRS
Assets								
Property, plant and equipment	563,769,799	(38,657,332)	28.1 (a & b)	525,112,467	458,053,712	(2,743,077)	28.1 (a&b)	455,310,635
Intangible assets	–	2,481,088	28.1 (a)	2,481,088	–	2,743,077	28.1 (a)	2,743,077
Investment property	–	36,176,244	28.1 (b)	36,176,244	–	–	28.1 (b)	–
Financial assets	82,258,676	–		82,258,676	54,807,413	–		54,807,413
Non-current assets	646,028,475	–		646,028,475	512,861,125	–		512,861,125
Inventories	149,070,060	*(23,539,082)	28.1 (c)	125,530,978	142,376,394	*(21,114,707)	28.1 (c)	121,261,687
Financial assets	84,721,772	–		84,721,772	205,170,874	–		205,170,874
Trade and other receivables	730,691,867	–		730,691,867	553,395,599	–		553,395,599
Cash and cash equivalents	151,711,045	–		151,711,045	304,248,115	–		304,248,115
Prepayments and other current assets	143,101,215	–		143,101,215	130,168,505	–		130,168,505
Current assets	1,259,295,959	(23,539,082)		1,235,756,877	1,335,359,487	(21,114,707)		1,314,244,780
Total assets	**1,905,324,434**	**(23,539,082)**		**1,881,785,352**	**1,848,220,612**	**(21,114,707)**		**1,827,105,905**
Equity								
Share capital	820,000,000	–		820,000,000	820,000,000	–		820,000,000
Statutory reserve	340,714,074	–		340,714,074	286,600,187	–		286,600,187
Retained earnings	100,375,473	(500,000)	28.1 (d)	99,875,473	211,560,179	(416,667)	28 (d)	211,143,512
Total equity	1,261,089,547	(500,000)		1,260,589,547	1,318,160,366	(416,667)		1,317,743,699
Liabilities								
Employee benefits	163,272,642	–		163,272,642	145,633,311	–		145,633,311
Non-current liabilities	163,272,642	–		163,272,642	145,633,311	–		145,633,311
Current zakat and income tax liabilities	27,100,352	–		27,100,352	35,109,943	–		35,109,943
Trade and other payables	453,861,893	(23,039,082)	28.1(c & d)	430,822,811	349,316,992	(20,698,040)	28.1 (c & d)	328,618,952
Current liabilities	480,962,245	(23,039,082)	28.1(c & d)	457,923,163	384,426,935	(20,698,040)	28.1 (c & d)	363,728,895
Total liabilities	644,234,887	(23,039,082)		621,195,805	530,060,246	(20,698,040)		509,362,206
Total equity and liabilities	**1,905,324,434**	**(23,539,082)**		**1,881,785,352**	**1,848,220,612**	**(21,114,707)**		**1,827,105,905**

* This represents the correction of a balance sheet classification and is not an impact of the move to IFRS. Refer to 28.1 (c) for further details.

28. EXPLANATION OF TRANSITION TO IFRS (CONTINUED)

Estimates (continued)

II. Reconciliation of the Statement of Profit or loss and other comprehensive income for the year ended December 31, 2016

	SOCPA	Effect of transition to IFRS	Notes	IFRS
Revenue	2,256,650,268	–		2,256,650,268
Cost of sales	(1,500,678,362)	9,778,861	28.1 (f)	(1,490,899,501)
Gross profit	755,971,906	9,778,861		765,750,767
Other income	5,014,511	–		5,014,511
General and administrative expenses	(221,714,501)	5,852,006		(215,862,495)
Other expenses	(4,015,996)	–		(4,015,996)
Finance income	5,882,945	–		5,882,945
Interest cost	–	(4,158,400)	28.1 (f)	(4,158,400)
Profit before zakat and tax	**541,138,865**	**11,472,467**		**552,611,332**
Zakat and income tax	–	(33,505,845)	28.1 (e)	(33,505,845)
Profit	**541,138,865**	**(22,033,378)**		**519,105,487**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit liability	–	(11,555,800)	28.1 (f)	(11,555,800)
Other comprehensive income	–	–		–
Total comprehensive income	**541,138,865**	**(33,589,178)**		**507,549,687**

I. Reconciliation of retained earnings for the year ended December 31, 2016

	Amount
Closing balance of retained earnings as at December 31, 2016 under SOCPA	100,375,473
IFRS Adjustments:	
For the opening statement of financial position as at January 1, 2016	
Impact of straight-lining of lease rentals, now charged	(416,667)
For the statement of financial position as at December 31, 2016	
Charge of deferred rent payable accounted under straight-line basis	(83,333)
Impact of transitioning to IFRS	(500,000)
Closing balance of retained earnings as at December 31, 2016 under IFRS	99,875,473

Notes to the reconciliations

a) Within property, plant and equipment, an amount of SR 2,481,088 as at December 31, 2016 (Jan 1, 2,743,077) has been reclassified from property, plant and equipment to Intangible assets representing software that were previously classified as part of property, plant and equipment under SOCPA.

b) Within property, plant and equipment, an amount of SR 36,176,244 as at December 31, 2016 (Jan 1, 2016: SR Nil) has been reclassified from property, plant and equipment to Investment property representing building that were previously classified as part of property, plant and equipment under SOCPA. 2016: SR

c) Within inventories, an amount of SR 23,539,082 as at December 31, 2016 (Jan 1, 2016: SR 21,114,707) relating to consignment stock was recorded with an offsetting amount recorded in trade and other payables in the SOCPA financial statements. The effect of these amounts has been adjusted by reversing the consignment stock and related liabilities.

d) According to IFRS, lease payments under operating leases must be recognised as an expense in the income statement over the term of lease on a straight-line basis. Previously, lease expenses were recognised in the income statement when paid. The impact in profit and loss for the year ended December 31, 2016 was SR 83,333 and the cumulative impact up to January 1, 2016 was SR 416,667.

e) Previously under SOCPA, Zakat and income tax for mixed status companies was presented in equity. Under IFRS, Zakat and tax should be presented in the income statement.

f) In the SOCPA financial statements the movement in the employees end of service benefits liability was classified to cost of sales and general and administrative expenses. In the IFRS financial statements, actuarial gains and losses are required to be reported in other comprehensive income, the service cost is allocated to cost of sales and general and administrative expenses and interest cost is allocated to finance cost.

29. 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.

	December 31, 2017	December 31, 2016	January 1, 2016
Total liabilities	**600,016,458**	621,195,805	509,362,206
Less: cash and cash equivalents	**(101,547,658)**	(151,711,045)	(304,248,115)
Net debt	**498,468,800**	469,484,760	205,114,091
Total equity	**1,282,944,951**	1,260,589,547	1,317,743,699
Net debt to total equity ratio	**39%**	37%	16%

30. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

A. Measurement of fair values

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

B. FINANCIAL RISK MANAGEMENT

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

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

Risk management framework

The Board of Directors has put in place appropriate structures to ensure risk governance and monitoring across the Company. The Company's overall financial risk management focuses on the unpredictability of financial markets and the clients' payment behavior and seeks to minimize potential adverse effects on the Company's financial performance. Financial risk management is carried out by a Head office finance and Company controlling, which identify, evaluate and take actions on financial risks where appropriate.

30. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

C. Financial Risk Management (continued)

Cash flow and interest rate risk

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

Credit risk

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

The Company have a policy to provide 100 percent of all receivables, which are more than 90 days overdue. This policy excludes Saudia airlines Corporation Company and other government entities. Due to proper monitoring and appropriate provisioning, management does not expect any additional losses from non-performance by clients.

As at December 31, the ageing of trade and other receivables that were past due and not impaired was as follows:

	2017
Less than 90 days	**42,277,607**
More than 90 to one year	**25,110,200**
More than one year	**22,149,789**

Management believes that the unimpaired amounts that are past due by more than 90 days are still collectible in full, based on historical payments behaviour and extensive analysis of customers credit risk, including underlying customers' credit ratings if they are available.

Liquidity risk

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

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.

December 31, 2017	Carrying amount	Total	Less than one year	More than one year
Liabilities				
Trade and other payables	**399,828,171**	**399,828,171**	**399,828,171**	**–**

December 31, 2016	Carrying amount	Total	Less than one year	More than one year
Liabilities				
Trade and other payables	430,822,811	430,822,811	430,822,811	–

January 1, 2016	Carrying amount	Total	Less than one year	More than one year
Liabilities				
Trade and other payables	328,618,952	328,618,952	328,618,952	–

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.

31. OPERATING LEASES

A. Leases as lessee

Operating lease payments represent rentals paid by the Company for the premises of the business units, offices and residential properties, which are mainly leased from Saudia and the General Authority of Civil Aviation ("GACA") and are renewable on an annual basis.

During 2010, the Company leased a central kitchen in Riyadh from GACA for a period of 10 years starting from January 1, 2010 for an annual amount of SR 17,407,657. At the expiry of its term, the lease is renewable upon agreement between the Company and GACA. As per the lease agreement, GACA is entitled to 8% of the Company's annual sales that exceed SR 290,000,000 to be paid in the first month of the following year.

During 2012, the Company renewed the Dammam lease agreement with GACA for a period of 10 years starting from May 3, 2012 for an annual rental amount of SR 5,000,000.

During 2014, the Company renewed the Jeddah lease agreement with GACA for a period of 2 years starting from March 31, 2015 for an annual rental amount of SR 24,500,000.

During 2014, the Company leased a land in Madinah for a period of 30 years for an annual rental amount of SR 3,800,000.

The Company leases a number of Labor Camps and Rental shops under operating leases. The leases typically run for a period of 10 years, with an option to renew the lease after that date.

i. Future minimum lease payments

At December 31, the future minimum lease payments under non-cancellable leases were payable as follows:

	2017	2016
Less than one year	**125,769,953**	125,591,459
Between one and five years	**602,191,284**	528,338,180
More than five years	**432,695,384**	115,300,144

ii. Amounts recognised in profit or loss

	2017	2016
Lease expense	**100,369,810**	93,051,477
Contingent rent expense	**13,060,397**	13,359,968
Sub-lease income	**14,364,659**	–

32. COMMITMENTS AND CONTINGENCIES

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

	December 31, 2017	December 31, 2016	January 1, 2016
Capital commitments	**89,896,802**	94,794,681	**88,110,813**
Letter of guarantees	**33,620,569**	42,258,676	**14,807,413**

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 December 31, 2017, the Company fully paid the amount against letters of guarantee, hence no further financial charges are payable.

33. NEW STANDARDS OR AMENDMENTS AND FORTHCOMING REQUIREMENTS

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

A. New Standards

Effective for annual periods beginning on or after	Standard, amendment or interpretation	Summary of requirements
Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted	IFRS 15 – Revenue from contracts with Customers	The standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. It applies to contracts with customers but does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. The standard introduces a new revenue recognition model that recognises revenue either at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.
Annual reporting periods beginning on or after January 1, 2019, early adoption is permitted	IFRS 16 – Leases	IFRS 16 changes fundamentally the accounting for leases by lessees. It eliminates the current IAS 17 dual accounting model, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases and, instead, introduces a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. Sale-and-leaseback is effectively eliminated as an off-balance sheet financing structure.
Annual reporting periods beginning on or after January 1, 2018, early adoption is permitted	IFRS 9 – Financial instruments	IFRS 9 is a new standard on accounting for financial instruments which will replace IAS 39 Financial Instruments: Recognition and Measurement. The standard contains two primary measurement categories for financial assets: – amortised cost; and – fair value. Financial assets are classified into one of these categories on initial recognition. A financial asset is measured at amortised cost if the following conditions are met: – it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and – its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value.

34. DATE OF AUTHORISATION FOR ISSUE

These financial statements were approved by the Board of Directors on Rajab 12, 1439H, corresponding to March 29, 2018.

Chief Financial Officer	Chief Executive Officer	Authorized Board of Directors Member