

**SAUDI GROUND SERVICES COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REVIEW REPORT**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED 30 JUNE 2022**

**SAUDI GROUND SERVICES COMPANY  
(A SAUDI JOINT STOCK COMPANY)**

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## INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

### Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Ground Services Company (A Saudi Joint Stock Company) (the "Company") as at 30 June 2022, and the related interim condensed statement of profit or loss and other comprehensive income for the three-month and six-month periods ended 30 June 2022, and the related interim condensed statements of changes in equity, and interim condensed cash flows for the six-month period then ended, and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" endorsed in the Kingdom of Saudi Arabia. A review of interim financial statements 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 interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

### Other matter

The financial statements of the Company for the year ended 31 December 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on 30 March 2022 (corresponding to 27 Sha'ban 1443H). Further, the interim condensed financial statements of the Company for the three-month and six-month periods ended 30 June 2021 were reviewed by another auditor who expressed an unmodified conclusion on those interim condensed financial statements on 18 August 2021 (corresponding to 10 Muharram 1443H).

for Ernst & Young Professional Services

Hussain Saleh Asiri  
Certified Public Accountant  
License No. 414

Jeddah: 26 Muharram 1444H  
24 August 2022G



**SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)**  
**INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2022

	<i>Note</i>	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	532,161	528,198
Right-of-use assets	7	146,368	122,210
Intangible assets and goodwill	8	794,596	812,571
Equity-accounted investments	9	49,116	51,921
Prepayments and other receivables		4,095	4,264
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,526,336</b>	<b>1,519,164</b>
<b>CURRENT ASSETS</b>			
Inventories		111	296
Trade receivables	10	1,057,027	1,067,241
Prepayments and other receivables		551,204	614,062
Financial assets at fair value through profit or loss (FVTPL)	11	1,037,158	1,391,055
Cash and cash equivalents		225,053	254,868
<b>TOTAL CURRENT ASSETS</b>		<b>2,870,553</b>	<b>3,327,522</b>
<b>TOTAL ASSETS</b>		<b>4,396,889</b>	<b>4,846,686</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	1	1,880,000	1,880,000
Statutory reserve		499,025	499,025
Accumulated losses		(200,175)	(114,311)
<b>TOTAL EQUITY</b>		<b>2,178,850</b>	<b>2,264,714</b>
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	12	518,179	471,259
Lease liabilities	7	87,383	79,172
Employee defined benefit liabilities		602,647	580,696
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>1,208,209</b>	<b>1,131,127</b>
<b>CURRENT LIABILITIES</b>			
Loans and borrowings- current portion	12	204,167	712,500
Lease liabilities- current portion	7	43,276	35,684
Trade payables		91,451	68,716
Accruals and other liabilities		443,041	475,145
Zakat provision	13	227,895	158,800
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,009,830</b>	<b>1,450,845</b>
<b>TOTAL LIABILITIES</b>		<b>2,218,039</b>	<b>2,581,972</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>4,396,889</b>	<b>4,846,686</b>

Chief Financial Officer

Chief Executive Officer

Chairman of the Board

The attached notes from 1 to 21 form an integral part of these interim condensed financial statements.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)  
 INTERIM CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE  
 INCOME

For the three-month and six-month periods ended 30 June 2022

	Note	Three-month period ended 30 June		Six-month period ended 30 June	
		2022 (Unaudited) SR'000	2021 (Unaudited) SR'000	2022 (Unaudited) SR'000	2021 (Unaudited) SR'000
Revenue	14	495,706	374,821	920,504	747,777
Costs of revenue		(443,580)	(363,985)	(820,814)	(679,320)
<b>GROSS PROFIT</b>		<b>52,126</b>	<b>10,836</b>	<b>99,690</b>	<b>68,457</b>
Other income		6,031	541	7,394	5,030
General and administrative expenses		(66,908)	(66,987)	(135,090)	(133,112)
Impairment losses on trade receivables		(2,516)	(7,750)	(3,543)	(15,500)
<b>OPERATING LOSS</b>		<b>(11,267)</b>	<b>(63,360)</b>	<b>(31,549)</b>	<b>(75,125)</b>
Finance costs		(9,059)	(7,506)	(16,150)	(14,082)
Gain / (loss) on financial assets at FVTPL	11	4,465	(1,578)	31,735	6,342
Share of loss from equity-accounted investments		(112)	(14,719)	(805)	(14,990)
<b>LOSS BEFORE ZAKAT</b>		<b>(15,973)</b>	<b>(87,163)</b>	<b>(16,769)</b>	<b>(97,855)</b>
Zakat charge		(50,877)	(6,000)	(69,095)	(12,000)
<b>LOSS FOR THE PERIOD</b>		<b>(66,850)</b>	<b>(93,163)</b>	<b>(85,864)</b>	<b>(109,855)</b>
Other comprehensive income		-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(66,850)</b>	<b>(93,163)</b>	<b>(85,864)</b>	<b>(109,855)</b>
<b>Loss per share</b>					
Basic and diluted (in SR)	15	(0.36)	(0.50)	(0.46)	(0.58)



Chief Financial Officer



Chief Executive Officer



Chairman of the Board

The attached notes from 1 to 21 form an integral part of these interim condensed financial statements.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six-month period ended 30 June 2022

	<i>Share capital</i>	<i>Statutory reserve</i>	<i>Retained earnings/ (Accumulated losses)</i>	<i>Total</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Balance as at 1 January 2021 (Audited)	1,880,000	499,025	120,159	2,499,184
Loss for the period	-	-	(109,855)	(109,855)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(109,855)	(109,855)
Balance as at 30 June 2021 (Unaudited)	1,880,000	499,025	10,304	2,389,329
Balance as at 1 January 2022 (Audited)	1,880,000	499,025	(114,311)	2,264,714
Loss for the period	-	-	(85,864)	(85,864)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(85,864)	(85,864)
<b>Balance as at 30 June 2022 (Unaudited)</b>	<b>1,880,000</b>	<b>499,025</b>	<b>(200,175)</b>	<b>2,178,850</b>



Chief Financial Officer



Chief Executive Officer



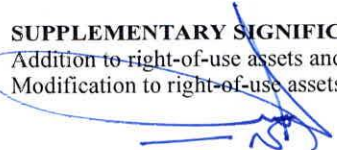
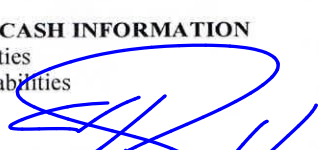
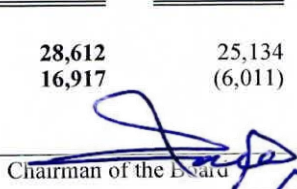
Chairman of the Board

The attached notes from 1 to 21 form an integral part of these interim condensed financial statements.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six-month period ended 30 June 2022

	Note	<i>Six-month period ended 30 June</i>	
		2022 (Unaudited) SR'000	2021 (Unaudited) SR'000
<b>OPERATING ACTIVITIES</b>			
Loss before zakat		(16,769)	(97,855)
<i>Adjustments for:</i>			
Depreciation on property and equipment	6	49,028	46,469
Depreciation on right-of-use assets	7	21,371	19,999
Amortization of intangible assets	8	17,975	17,974
Share of loss on equity-accounted investments	9	805	14,990
Impairment loss on trade receivables	10	3,543	15,500
Provision for employee defined benefit liabilities		37,227	38,950
Gain on disposal of financial assets at FVTPL	11	(24,230)	(256)
Fair value gain on financial assets at FVTPL	11	(7,505)	(6,086)
Gain on disposal of property and equipment		-	(4,145)
Finance costs		16,150	14,082
		<u>97,595</u>	<u>59,622</u>
<i>Changes in:</i>			
Inventories		185	(480)
Trade receivables		6,671	(60,338)
Prepayments and other receivables		63,027	10,695
Trade payables		22,735	(26,171)
Accruals and other liabilities		(32,104)	(101,564)
		<u>158,109</u>	<u>(118,236)</u>
<b>Cash from / (used in) operations</b>			
Finance costs paid		(12,638)	(5,317)
Employee defined benefit paid		(15,276)	(19,263)
Zakat paid		-	(7,502)
		<u>130,195</u>	<u>(150,318)</u>
<b>Net cash flows from / (used in) operating activities</b>			
<b>INVESTING ACTIVITIES</b>			
Additions to property and equipment	6	(52,991)	(51,135)
Proceeds from disposal of property and equipment		-	6,896
Addition to equity-accounted investments	9	-	(9,375)
Proceeds from disposal of financial assets at FVTPL	11	385,632	50,000
Purchase of financial assets at FVTPL	11	-	(450,000)
Dividends received from equity-accounted investments	9	2,000	21,589
Dividends received from financial assets at FVTPL	11	-	1,591
		<u>334,641</u>	<u>(430,434)</u>
<b>Net cash flows from / (used in) investing activities</b>			
<b>FINANCING ACTIVITIES</b>			
(Repayment of) / proceeds from loans and borrowings	12	(462,500)	750,000
Payments of lease liabilities	7	(32,151)	(27,117)
		<u>(494,651)</u>	<u>722,883</u>
<b>Net cash flows (used in) / from financing activities</b>			
Net (decrease) / increase in cash and cash equivalents		(29,815)	142,131
Cash and cash equivalents at the beginning of the period		254,868	95,836
		<u>225,053</u>	<u>237,967</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
<b>SUPPLEMENTARY SIGNIFICANT NON-CASH INFORMATION</b>			
Addition to right-of-use assets and lease liabilities	7	28,612	25,134
Modification to right-of-use assets and lease liabilities	7	16,917	(6,011)
			
Chief Financial Officer			
			
Chief Executive Officer			
			
Chairman of the Board			

The attached notes from 1 to 21 form an integral part of these interim condensed financial statements.

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2022

### 1 CORPORATE INFORMATION

Saudi Ground Services Company (“the Company”) is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia. The Company was registered as a limited liability company in the Kingdom of Saudi Arabia under Commercial Registration number 4030181005 dated 11 Rajab 1429H, (corresponding to 14 July 2008).

The Company is engaged in providing ground handling services, aircraft cleaning, passenger handling, baggage, and fuel to Saudi Airlines Air Transport Company, other local and foreign airlines, and other customers in the Kingdom of Saudi Arabia.

The registered address of the Company is Al Yasmin Commercial Center King Abdul Aziz Road, Al Basatin District P.O. Box 48154, Jeddah 21572, Kingdom of Saudi Arabia.

The Company’s parent is Saudi Arabian Airlines Corporation (the “Parent Company”), having 52.5% of shares in the Company. At 30 June 2022 and 31 December 2021 the authorized, issued, and paid-up share capital of SR 1,880 million consists of 188 million fully paid shares of SR 10 each. The shareholding of Parent Company and General public is as follows:

	<i>Percentage %</i>	<i>Number of shares</i>	<i>Amount SR’000</i>
Parent Company	52.5	98,700,000	987,000
General public	47.5	89,300,000	893,000
	<u>100</u>	<u>188,000,000</u>	<u>1,880,000</u>

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

The interim condensed financial statements for the six-months period ended 30 June 2022 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The Company has prepared the interim condensed financial statements on the basis that it will continue to operate as a going concern. The management consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2021. In addition, results of the interim period ended 30 June 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022.

#### 2.2 Basis of measurement

These interim condensed financial statements are prepared under the historical cost convention using the accrual basis of accounting and going concern concept, except for the following items which are measured as follows:

<b>Items</b>	<b>Measurement basis</b>
Employee defined benefit liabilities	Present value of the defined benefit obligation using projected credit unit method
Financial asset held at fair value through profit or loss	Fair value

#### 2.3 Functional and presentation currency

These interim condensed financial statements are presented in Saudi Riyals (SR), which is the Company’s functional and presentation currency. All figures are rounded off to the nearest thousands (SR ‘000) unless when otherwise stated.



# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 2 BASIS OF PREPARATION (continued)

#### 2.4 Significant accounting judgements, estimates and assumptions (continued)

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgments made by management in applying the Company's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2021.

However, in the view of the uncertainty initially created due to COVID-19, which continued to affect the Company, any future change in the assumptions and estimates could result in outcomes that could require adjustment to the carrying amounts of the assets or liabilities affected in the future periods.

### 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except for the adoption of new standards effective as of 1 January 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2022, but do not have an impact on the interim condensed financial statements of the Company.

#### **Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37**

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Company cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments relating to costs of fulfilling a contract had no impact on the interim condensed financial statements of the Company.

#### **Reference to the Conceptual Framework – Amendments to IFRS 3**

The amendments replace a reference to a previous version of the International Accounting Standards Board (IASB's) Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements. The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. These amendments had no impact on the interim condensed financial statements of the Company as there were no contingent assets, liabilities and contingent liabilities within the scope of these amendments arisen during the period.

#### **Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16**

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY (continued)

#### **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

These amendments had no impact on the interim condensed financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

#### **Property and Equipment: Proceeds before Intended Use – Amendments to IAS 16**

The amendment prohibits entities from deducting from the cost of an item of property and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the interim condensed financial statements of the Company as there were no sales of such items produced by property and equipment made available for use on or after the beginning of the earliest period presented.

### 4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of issuance of the Company's interim condensed financial statements are listed below. The Company intends to adopt these standards when they become effective.

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
IFRS 17	Insurance Contracts	1 January 2023
IFRS 9	Financial Instruments	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

### 5 OPERATING SEGMENTS

The Company's primary format for segmental reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. The Company is principally involved in providing ground handling services to local and foreign airlines at all airports in the Kingdom of Saudi Arabia. Other operations are related to the supply of fuel to the local and foreign airlines and other customers. The operations related to supply of fuel and other services has not met the quantitative thresholds for reportable segments for the six-month period ended 30 June 2022 and 30 June 2021. Accordingly, the management believes that the Company's business falls within a single reportable business segment and is subject to similar risks and returns.

### 6 PROPERTY AND EQUIPMENT

#### a) Reconciliation of carrying amounts:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Carrying amount at beginning of the period / year	528,198	525,695
Additions during the period / year	52,991	100,568
Disposals during the period / year	-	(2,752)
Impairment loss during the period / year	-	(442)
Depreciation during the period / year	(49,028)	(94,871)
At the end of the period/year	<u>532,161</u>	<u>528,198</u>

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 6 PROPERTY AND EQUIPMENT (continued)

#### b) Category-wise carrying amounts are as follows:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Land	27,464	27,464
Leasehold improvements	17,124	17,422
Airport equipment	402,333	416,698
Motor vehicles	103	128
Furniture, fixture and equipment	4,747	4,759
Computer equipment	3,929	4,442
Capital work-in-progress ("CWIP")	76,461	57,285
At the end of the period/year	<u>532,161</u>	<u>528,198</u>

- c) Capital work-in-progress mainly relates to the purchases of specialised airport equipment and leasehold improvements. During the period, an amount equal to SR 32 million was transferred from CWIP to the relevant class of assets.

### 7 LEASES

The Company has various leased motor vehicles and office buildings from the various lessors around the region. The leases of office buildings have lease terms between 2 to 22 years and motor vehicles have lease term of 2.8 years.

The Company also has certain leases of buildings and motor vehicles with lease terms of 12 months or less. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

#### a) Right of use asset

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
At the beginning of the period/year	122,210	130,885
Additions during the period / year	28,612	43,138
Modification during the period / year	16,917	(6,011)
Derecognition during the period / year	-	(7,230)
Depreciation during the period / year	(21,371)	(38,572)
At the end of the period/year	<u>146,368</u>	<u>122,210</u>

#### b) Lease liabilities

Movement in lease liabilities is summarized as follows:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
At the beginning of the period/year	114,856	122,347
Additions during the period / year	28,612	43,138
Derecognition during the period / year	-	(6,381)
Modification during the period / year	16,917	(6,011)
Accretion of interest during the period / year	2,425	4,950
Payments during the period / year	(32,151)	(43,187)
At the end of the period/year	<u>130,659</u>	<u>114,856</u>
Less: Current portion	<u>(43,276)</u>	<u>(35,684)</u>
	<u>87,383</u>	<u>79,172</u>

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 8 INTANGIBLE ASSETS AND GOODWILL

	<i>Goodwill</i> <i>SR'000</i>	<i>Customer</i> <i>contracts</i> <i>SR'000</i>	<i>Customer</i> <i>relationships</i> <i>SR'000</i>	<i>Software</i> <i>SR'000</i>	<i>Total</i> <i>SR'000</i>
<b>Cost:</b>					
Balance at 31 December 2021 and 30 June 2022	582,816	153,179	468,475	64,117	1,268,587
<b>Accumulated amortisation:</b>					
Balance at 1 January 2021 (Audited)	-	153,179	234,239	32,351	419,769
Amortisation for the year	-	-	23,424	12,823	36,247
Balance at 31 December 2021 (Audited)	-	153,179	257,663	45,174	456,016
Amortisation for the period	-	-	11,616	6,359	17,975
<b>Balance at 30 June 2022 (Unaudited)</b>	<b>-</b>	<b>153,179</b>	<b>269,279</b>	<b>51,533</b>	<b>473,991</b>
<b>Net book value:</b>					
<b>At 30 June 2022 (Unaudited)</b>	<b>582,816</b>	<b>-</b>	<b>199,196</b>	<b>12,584</b>	<b>794,596</b>
At 31 December 2021 (Audited)	582,816	-	210,812	18,943	812,571

### 9 EQUITY-ACCOUNTED INVESTMENTS

The equity-accounted investments as at 30 June 2022 are as follows:

	Country of incorporation / principal place of business	Effective ownership interest (%)		30 June 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
		30 June 2022 (Unaudited)	31 December 2021 (Audited)		
Saudi Amad for Airport Services and Transport Support Company ("SAAS")	Kingdom of Saudi Arabia	50%	50%	32,360	34,793
TLD Arabia Equipment Services ("TLDAES")	Kingdom of Saudi Arabia	50%	50%	16,756	17,128
				<b>49,116</b>	<b>51,921</b>

The movement summary of equity-accounted investments is as follows:

	30 June 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Balance at beginning of the period / year	51,921	98,834
Investment made during the period / year	-	9,375
Share of loss for the period / year	(805)	(34,699)
Dividends	(2,000)	(21,589)
Balance at end of the period / year	<b>49,116</b>	<b>51,921</b>

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 9 EQUITY-ACCOUNTED INVESTMENTS (continued)

The equity-accounted investments applied the same accounting policies as applied by the Company in these condensed interim financial statements and have no contingent liabilities or capital commitments at 31 December 2021 and 30 June 2022.

#### a) Saudi Amad for Airport Services and Transport Support Company ("SAAS")

This represents Company's 50% investment in a joint venture in Saudi Amad for Airport Services and Transport Support Company ("SAAS") which is one of the Company's strategic suppliers and is principally engaged in providing transportation services for passengers and crew in the Kingdom of Saudi Arabia. The Company's interest in SAAS is accounted for using the equity method in the interim condensed financial statements.

During the six-month period 30 June 2022, SAAS announced dividends amounting to SR Nil (30 June 2021: SR 43.18 million). Accordingly, the Company recorded 50% of the dividend in accordance with its percentage of shareholding in SAAS.

#### b) TLD Arabia Equipment Services ("TLDAES")

This represents Company's 50% investment in a joint venture in TLD Arabia Equipment Services ("TLDAES") which is having primary objective to provide maintenance services for the ground handling equipment across all the airports in the Kingdom of Saudi Arabia. The Company's interest in TLDAES is accounted for using the equity method in the interim condensed financial statements.

During the six-month period 30 June 2022, TLDAES announced and paid dividends amounting to SR 4 million (30 June 2021: SR Nil). Accordingly, the Company recorded 50% of the dividend in accordance with its percentage of shareholding in TLDAES.

### 10 TRADE RECEIVABLES

Trade receivables as at 30 June 2022 is as follows:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Due from related parties (note 16 (a))	947,310	955,108
Other trade receivables	445,785	457,658
	<u>1,393,095</u>	<u>1,412,766</u>
Less: allowance for impairment losses	(336,068)	(345,525)
	<u><u>1,057,027</u></u>	<u><u>1,067,241</u></u>

The movement in the allowance for impairment losses is as follows:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Balance at beginning of the period / year	345,525	266,701
Charge for the period / year	3,543	78,824
Allowance written-off during the period / year *	(13,000)	-
	<u><u>336,068</u></u>	<u><u>345,525</u></u>

\* During the period, the Company has written off balance receivable from one of its related party which was duly approved by the Board of Directors of the Company.

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

Financial assets at FVTPL mainly comprises investments in the money market – mutual funds and quoted equity investments as follows:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Mutual funds	1,037,158	1,229,106
Quoted equity investments	-	161,949
	<u>1,037,158</u>	<u>1,391,055</u>

a) Movement in financial assets at FVTPL is as follows:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Balance at beginning of the period / year	1,391,055	976,679
Investments made during the period / year	-	450,000
Disposal of investments during the period / year	(385,632)	(50,000)
Gain on disposal during the period / year	24,230	256
Fair value gain during the period / year	7,505	14,120
	<u>1,037,158</u>	<u>1,391,055</u>

During the period, the Company disposed-off all its quoted equity investments and certain investment in mutual funds.

During the period income on financial assets at FVTPL is as follows:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>30 June 2021 (Unaudited) SR'000</i>
Realized gain	24,230	256
Unrealized gain	7,505	4,495
Dividend income from quoted equity investments	-	1,591
	<u>31,735</u>	<u>6,342</u>

### 12 LOANS AND BORROWINGS

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Gross amount payable	722,346	1,183,759
Less: Current portion	(204,167)	(712,500)
Non-current portion	<u>518,179</u>	<u>471,259</u>

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 12 LOANS AND BORROWINGS (continued)

During the year ended 31 December 2020, the Company signed a facility agreement with a local commercial bank for a value of SR 500 million. This amount was withdrawn in full on 28 July 2020. This loan bears financial charges based on prevailing market rates. The loan was initially repayable over a period of three years on flexible repayment terms. During the period, the Company was able to negotiate and revise the terms which extended the facility upto 31 October 2024. The Company has paid a management fee of SR 7 million to obtain the facility in accordance with the agreed terms of the loan agreement. The loan is secured by an order note.

During the six-month period ended 30 June 2022, the Company repaid an amount of SR 100 million of the total withdrawn loan.

During the year ended 31 December 2020, the Company signed a loan agreement with a local commercial bank for a value of SR 750 million. On 9 February 2021, the Company has withdrawn SR 500 million. This loan bears financial charges based on prevailing market rates. The loan is repayable over a period of 3 years in 8 equal quarterly instalments starting from December 2021. The loan is secured by an order note.

During the six-month period ended 30 June 2022, the Company repaid an amount of SR 312.5 million which decreased the quarterly repayments for the remaining period.

During the year ended 31 December 2020, the Company signed a facility agreement with a local commercial bank for a value of SR 750 million. On 18 May 2021, the Company has withdrawn SR 250 million from the available facility. This loan bears financial charges based on prevailing market rates. The loan is repayable over a period of 3 years in 8 equal quarterly instalments starting from July 2022. The loan is secured by an order note.

During the six-month period ended 30 June 2022, the Company repaid an amount of SR 50 million in excess to the initially agreed repayment schedule which decreased the quarterly repayments for the remaining period.

The agreements contain certain covenants, which among other conditions require certain financial ratios to be maintained at all times. As at 30 June 2022, the company is not in breach of any such covenants.

### 13 ZAKAT PROVISION

Movement in provision during the period/ year was as follows:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Balance at beginning of the period / year	<b>158,800</b>	126,175
Charge during the period / year	<b>69,095</b>	40,127
Payments during the period / year	-	(7,502)
	<b>227,895</b>	158,800

#### *Status of assessments*

The Company has filed Zakat declaration up to the financial year ended 31 December 2021 with the Zakat, Tax and Customs Authority (ZATCA). The Company has also obtained Zakat certificate valid until 30 April 2023. The Company has finalized its assessments upto the year 2013, the ZATCA has issued Zakat assessments for the years from 2014 to 2020 claiming an additional liability of SR 264 million. The Company has filed an appeal against the ZATCA assessments for the years 2014 to 2020 with the Tax Violations and Disputes Resolution Committees (TVDRC) of the General Secretariat of Tax Committees (GSTC) and also approached the ZATCA Settlement Committee for negotiating the zakat liability raised by ZATCA. Based on the current progress and the available information, management believes that the level of existing provisions for zakat is sufficient to account for any potential liabilities arising out of the final assessments.

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 14 REVENUE

The Company's revenue is derived from contracts with customers by providing aircraft cleaning, passenger handling, fuel, baggage, and ground handling services to its customers.

#### Revenue by categories:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<i>SR'000</i>	<i>SR'000</i>
Rendering of services	<b>490,999</b>	371,274	<b>912,466</b>	741,455
Sale of goods	<b>4,707</b>	3,547	<b>8,038</b>	6,322
	<b>495,706</b>	374,821	<b>920,504</b>	747,777

#### Revenue by the type of customers:

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
			<i>SR'000</i>	<i>SR'000</i>
Revenue from related parties (note 16 (a))	<b>314,437</b>	307,129	<b>605,012</b>	602,077
Revenue from other local and foreign customers	<b>181,269</b>	67,692	<b>315,492</b>	145,700
	<b>495,706</b>	374,821	<b>920,504</b>	747,777

### 15 LOSS PER SHARE

The Company presents basic and diluted loss per share for its ordinary shares. Basic is calculated by dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	<i>Three-month period ended</i>		<i>Six-month period ended</i>	
	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>	<i>30 June</i>
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Loss for the period attributable to the shareholders of the Company	<b>(66,850)</b>	(93,163)	<b>(85,864)</b>	(109,855)
The weighted average number of ordinary shares for the purposes of basic and diluted losses	<b>188,000</b>	188,000	<b>188,000</b>	188,000
Basic and diluted loss per share based on loss for the period attributable to shareholders of the Company (SR)	<b>(0.36)</b>	(0.50)	<b>(0.46)</b>	(0.58)



# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 16 RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

In addition to related party transactions disclosed in notes to these interim condensed financial statements, significant transactions with related parties in the ordinary course of business included in the interim condensed financial statements for the period ended 30 June and balances arising there from are summarized below.

#### a) Due from related parties - significant transactions and balances under trade receivables:

Name	Relationship	Nature of transactions	Amount of transactions for the period ended		Balance as at	
			30 June 2022 (Unaudited) SR'000	30 June 2021 (Unaudited) SR'000	30 June 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Saudi Airlines Air Transport Company	Fellow subsidiary	Services provided	494,872	443,722	463,686	428,253
Saudia Aerospace Engineering Industries Company	Fellow subsidiary	Services provided	17,551	57,459	193,451	176,152
Saudia Royal Fleet	Fellow subsidiary	Services provided	24,248	37,055	181,602	196,997
Flyadeal Company	Fellow subsidiary	Services provided	50,581	45,297	84,781	72,028
Saudi Logistics Services Company	Fellow subsidiary	Services provided	7,209	1,283	9,936	24,032
Saudi Private Aviation	Fellow subsidiary	Services provided	7,566	7,341	7,269	44,990
Saudi Airlines Cargo Company	Fellow subsidiary	Services provided	88	7,817	5,605	11,087
Saudi Arabian Airlines Corporation	Parent Company	Services provided	-	-	683	683
Saudi Airlines Catering Company	Common shareholder	Services provided	1,284	975	297	886
TLD Arabia Equipment Services	Joint venture	Services provided	88	56	-	-
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services provided	1,525	1,072	-	-
					<b>947,310</b>	<b>955,108</b>

The Company's revenues derived from services rendered to Saudi Airlines Air Transport Company amounted to approximately 54% (30 June 2021: 59%) of the total revenue.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties - significant transactions and balances under prepayments and other receivables:

Name	Relationship	Nature of transactions	Amount of transactions for the period ended		Balance as at	
			30 June 2022 (Unaudited) SR'000	30 June 2021 (Unaudited) SR'000	30 June 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Saudi Arabian Airlines Corporation	Parent Company	VAT receivable	27,755	13,281	362,678	376,775
Saudi Airlines Air Transport Company	Fellow subsidiary	Ticket advances	-	-	-	22,405
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Manpower and operational services Expenses incurred on behalf the related party Dividends (note 9 (a))	Note 16 (c) & (d)	Note 16 (c) & (d)	-	-
			-	7,615	-	-
			-	21,589	71,760	95,182
TLD Arabia Equipment Services	Joint venture	Dividends (note 9 (b))	2,000	-	-	-
					<u>434,438</u>	<u>494,362</u>

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Due to related parties - significant transactions and balances under trade payables:

Name	Relationship	Nature of transactions	Amount of transactions for the period ended		Balance as at	
			30 June 2022 (Unaudited) SR'000	30 June 2021 (Unaudited) SR'000	30 June 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
TLD Arabia Equipment Services	Joint venture	Maintenance services	<b>Note 16(d)</b>	Note 16(d)	<b>4,283</b>	11,360
Saudi Airlines Air Transport Company	Parent Company	Services received	-	8	<b>715</b>	715
Saudi Airlines Catering Company	Common shareholder	Services received	<b>13,505</b>	14,534	<b>469</b>	2,206
Bupa Arabia for Cooperation Insurance	Common Key Management Personnel	Services received	<b>41,510</b>	-	<b>150</b>	-
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services received	<b>4,442</b>	2,928	-	-
Saudia Aerospace Engineering Industries	Fellow subsidiary	Services received	-	350	-	-
Saudi Airlines Real Estate Development Company	Fellow subsidiary	Services received	-	508	-	-
					<b>5,617</b>	<b>14,281</b>

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Due to related parties – significant transactions and balances under other payables:

Name	Relationship	Nature of transactions	Amount of transactions for the period ended		Balance as at	
			30 June 2022 (Unaudited) SR'000	30 June 2021 (Unaudited) SR'000	30 June 2022 (Unaudited) SR'000	31 December 2021 (Audited) SR'000
Saudi Airlines Air Transport Company	Fellow subsidiary	Staff costs and related charges	448	-	46,899	72,089
TLD Arabia Equipment Services	Joint venture	Maintenance services	54,982	58,875	29,011	24,250
Saudia Aerospace Engineering Industries	Fellow subsidiary	Services received	900	1,012	22,081	21,436
Saudi Airlines Catering Company	Common shareholder	Services received	Note 16 (c)	Note 16 (c)	19,815	14,258
Bupa Arabia for Cooperation Insurance	Common Key Management Personnel	Services received	Note 16 (c)	Note 16 (c)	2,466	-
Saudi Airlines Cargo Company	Fellow subsidiary	Expense claims	-	-	861	861
Saudi Airlines Real Estate Development Company	Fellow subsidiary	Expense claims	-	Note 16 (c)	103	792
Saudi Amad for Airport Services and Transport Support Company	Joint venture	Payments received on behalf of the Joint Venture	20,702	12,484	-	-
					<b>121,236</b>	<b>133,686</b>

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### Key management compensation

Compensation for key management is as follows:

	<i>Six-month period ended</i>	
	<i>30 June 2022 (Unaudited) SR'000</i>	<i>30 June 2021 (Unaudited) SR'000</i>
Short term benefits	4,973	4,270
End of service benefits	1,045	165
Directors' fees	2,632	2,515
	<u>8,650</u>	<u>6,950</u>

Key management personnel comprise chief executive officer and heads of departments. Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined Benefit plan.

### 17 FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Company is exposed to market 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 continually seeking to minimize potential adverse effects on the Company's financial performance.

The Company management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Risk management systems are regularly reviewed by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's principal financial liabilities comprise loans and borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade and other receivables, financial assets at FVTPL and cash and cash equivalents that derive directly from its operations.

#### **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

#### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's loans and borrowing with floating interest rates. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant.

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

#### *Interest rate risk (continued)*

The interest rate profile of the Company's interest-bearing financial instruments as reported to the management of the Company is as follows:

#### **Financial liabilities**

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Loans and borrowings	<b>722,346</b>	1,183,759

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. The following table demonstrates the sensitivity to a reasonable possible change in interest rate on the Company's profit before tax, through the impact of floating rate borrowings with all other variables held constant:

	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Interest rate-increases by 100 basis points	<b>7,252</b>	11,877
Interest rate-decrease by 100 basis points	<b>(7,252)</b>	(11,877)

#### *Currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals, Euros, British Pound Sterling and United States Dollars. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged. The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

#### *Price risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Company's exposure to price risk arises from investments held by the Company and classified in the statement of financial position at fair value through profit or loss. The Company closely monitors price in order to manage price risk arising from financial assets at FVTPL.

The table below summarizes the impact of increases/decreases.

	<b><u>Impact on profit or loss</u></b>	
	<i>30 June 2022 (Unaudited) SR'000</i>	<i>31 December 2021 (Audited) SR'000</i>
Increases by 5%	<b>51,858</b>	69,553
Decreases by 5%	<b>(51,858)</b>	(69,553)

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

#### *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to risk on its trade and other receivables, financial assets at FVTPL and cash at banks. The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. To reduce exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation of the customer profile and payment history.

The receivables are shown net of allowance for impairment of trade receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped into low risk, fair risk, doubtful, and loss based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as GDP forecast and industry outlook) affecting the ability of the customers to settle the receivables. The calculation reflects the probability-weighted outcome, the time value of money, and reasonable and supportable information that is available at the reporting date about past events, current conditions, and forecasts of future economic conditions.

The Company's exposure to credit risk for gross trade receivables by type of counterparty mainly includes local and foreign airlines and other related parties.

At 30 June 2022, trade receivables are mainly due from related parties (note 16(a)) and other trade receivables and are stated at their estimated realisable values. The ten largest customers account for 63% (31 December 2021: 60%) of outstanding gross other trade receivables. The financial position of the related parties is stable.

With respect to credit risk arising from the other financial assets of the Company, including bank balances and cash, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount as disclosed in the statement of financial position. The credit risk in respect of bank balances is considered by management to be insignificant, as the balances are mainly held with reputable banks in the Kingdom of Saudi Arabia and internationally.

The changes in the carrying amounts of trade receivables contributed mainly by the changes in the impairment loss allowance and allowance written-off during the period ended 30 June 2022. The decrease in trade receivables is mainly due to improved collectability from customers.

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

	<b>30 June 2022 (Unaudited) SR'000</b>	<b>31 December 2021 (Audited) SR'000</b>
<b>Financial assets</b>		
Trade receivables	<b>1,393,095</b>	1,412,766
Other receivables	<b>467,891</b>	521,915
Financial assets at FVTPL	<b>1,037,158</b>	1,391,055
Cash at banks	<b>221,248</b>	254,232
	<b>3,119,392</b>	3,579,968

#### **Liquidity Risk**

Liquidity risk is the risk that an Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments.

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

#### Liquidity Risk (continued)

This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Company. The Company's management has developed a plan to enable the Company to meet its obligations as they become due and to continue its operations, without significant curtailment, as a going concern.

The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting arrangements.

Expected maturity of undiscounted cash flows of financial liabilities are as follows:

	<i>Carrying amount SR'000</i>	<i>Less than one year SR'000</i>	<i>More than one year SR'000</i>	<i>Total SR'000</i>
<b>30 June 2022 (Unaudited)</b>				
Trade payables	91,451	91,451	-	91,451
Other payables (excluding advances)	435,549	435,549	-	435,549
Loans and borrowings	722,346	222,321	522,291	744,612
Lease liabilities	130,658	43,275	98,649	141,924
	<u>1,380,004</u>	<u>792,596</u>	<u>620,940</u>	<u>1,413,536</u>
	<i>Carrying amount SR'000</i>	<i>Less than one year SR'000</i>	<i>More than one year SR'000</i>	<i>Total SR'000</i>
<b>31 December 2021 (Audited)</b>				
Trade payables	68,716	68,716	-	68,716
Other payables (excluding advances)	464,416	464,416	-	464,416
Loans and borrowings	1,183,759	734,003	482,724	1,216,727
Lease liabilities	114,856	39,417	85,495	124,912
	<u>1,831,747</u>	<u>1,306,552</u>	<u>568,219</u>	<u>1,874,771</u>

#### Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure by monitoring the return on net assets and makes required adjustments to it in the light of changes in economic conditions.

### 18 FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.



# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 18 FAIR VALUE MEASUREMENT (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1: quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The management assessed that the fair value of cash and cash equivalents, trade and other receivables, loans and borrowings, trade payables and other payable approximate their carrying amounts largely due to the short-term maturities of these instruments.

The Company fair values the derivative financial instruments and investment at fair value through profit or loss. The fair value of derivative financial instruments is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of investment at fair value through profit or loss is based on the net asset value communicated by the fund manager. The fair values under Level 1 and Level 2 were as follows:

		<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>30 June 2022 (Unaudited) financial assets at FVTPL</i>	<i>Total SR SR'000</i>	<i>SR SR'000</i>	<i>SR SR'000</i>	<i>SR SR'000</i>
Mutual funds	<u>1,037,158</u>	<u>-</u>	<u>1,037,158</u>	<u>-</u>
		<i>Fair value measurement using</i>		
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>
<i>31 December 2021 (Audited) financial assets at FVTPL</i>	<i>Total SR SR'000</i>	<i>SR SR'000</i>	<i>SR SR'000</i>	<i>SR SR'000</i>
Mutual funds	1,229,106	-	1,229,106	-
Equity investments	161,949	161,949	-	-
	<u>1,391,055</u>	<u>161,949</u>	<u>1,229,106</u>	<u>-</u>

During the six-month periods ended 30 June 2022 and 31 December 2021, there were no movements between the levels.

# SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 June 2022

### 19 CONTINGENCIES AND COMMITMENTS

- (a) In addition to contingencies disclosed in note 13, the Company had letters of guarantee amounting to SR 91.4 million as at 30 June 2022 (31 December 2021: SR 8.5 million), that were issued in the normal course of the business.
- (b) The capital expenditure contracted by the Company but not incurred till 30 June 2022 was approximately SR 49.5 million (31 December 2021: SR 14.7 million).
- (c) In relation to agreements entered on behalf of SAAS, the Company has not received any claim from the General Authority for Civil Aviation ("GACA") regarding the contractually agreed fees on each domestic and international trip in King Abdul Aziz International Airport from 01 November 2019 onwards. Currently, managements of SGS and SAAS are discussing the matter with GACA and has not reached a conclusion yet. Consequently, it is difficult to estimate the related liability as at the reporting date.
- (d) As at 30 June 2022, there are cases filed by labors and subcontractors where the Company is a defendant. Currently, as the legal proceedings are ongoing, it is difficult to estimate the related liability as at the reporting date.

### 20 IMPACT OF COVID- 19

The novel ("COVID-19") pandemic has spread across various geographies globally, disrupting business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications. The Company's operations were severely impacted by the actions taken by governments to address the health impacts of the COVID-19 global pandemic. This included imposing travel restrictions and international and domestic border closures, which had significantly disrupted air travel. The Company's management has proactively assessed the impacts on its operations and took a series of preventive measures, including the formation of sub-committees for active monitoring of the situations, identifying areas of cost optimization, etc.

During the period ended 30 June 2022, the Government announced to end the social distancing restrictions in the Kingdom of Saudi Arabia and resumed direct flights from limited destinations and specific routes that were earlier suspended due to Omicron. However, the Government again restricted travel of Saudi citizens to selected countries. The Company believes that it has taken appropriate and sufficient measures to address the significant cash outflows experienced thus far and continues to evaluate options should the reduced demand for air travel continue beyond the near term. Given the Company's continued current access to capital markets and unencumbered assets, it believes that it has opportunities and options to raise additional liquidity at reasonable terms, if required. Thus, the Company believes it is probable that the plans it has in place, or that it has the ability to execute when fully implemented, will sufficiently mitigate the present conditions, and allow the Company to reasonably handle the liquidity risks presented by the current climate.

The management has considered the potential impacts of the current economic volatility in determining the reported amounts of the Company's financial and non-financial assets. These are considered to represent management's best assessment based on observable information. Markets, however, remain volatile, and the recorded amounts remain sensitive to market fluctuations.

### 21 AUTHORISATION OF FINANCIAL STATEMENTS

These interim condensed financial statements were authorised for issue by the Company's Board of Directors on 21 August 2022G corresponding to 23 Muharram 1444H.