SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

For the year ended 31 December 2020

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2020

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Independent Auditor's Report

To the Shareholders of Saudi Ground Services Company

Opinion

We have audited the financial statements of Saudi Ground Services Company ("the Company") which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Certified Public Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

To the Shareholders of Saudi Ground Services Company (continued)

Impairment assessment of goodwill and customer relationships

Refer to note 3 (e) for the accounting policy relating to goodwill and customer relationships and note 7 for the related disclosures.

The key audit matter	How the matter was addressed in our audit
At 31 December 2020, the carrying value of the Company's goodwill and customer relationships amounted to SR 583 million (2019: SR 583 million) and SR 234 million (2019: SR 258 million) respectively, which arose as a result of a business combination in the prior year. For impairment testing, assets are grouped into the smallest group of assets that generates cash flows from continuing use (cash-generating unit or CGU), which are largely independent of other assets or other CGUs. Management engaged an independent expert to carry out an impairment exercise as at 31 December 2020 in respect of goodwill and customer relationships by determining a recoverable amount based on value-in-use derived from a discounted cashflow model, which was based on the most recent formal business plan prepared by the management updated for subsequent events, including the impact of the COVID-19. We considered the impairment assessment of goodwill and customer relationships as a key audit matter due to significant judgments and assumptions made by the management in determining the appropriate carrying values of the above assets. The critical judgmental elements of management's assessment include: - Assumptions concerning the expected economic conditions, especially growth in the industry in which the Company operates; and - Revenue growth rates, including the terminal growth rate and discount rates used in the valuation model.	Our audit procedures included the following: - Obtained an understanding of management's process and the methodology for the impairment assessment of goodwill and customer relationships; - Reviewed the methodology applied in independent expert's report and the conclusions reached therein; - Evaluated management's plans for future actions, and verified the reliability and relevance of data used to calculate value-in-use calculations; - Assessed the reasonableness of key assumptions used in management's value-in-use calculations and performed sensitivity analysis on key assumptions (discount rates and revenue growth rates) through the use of our internal valuation specialist; - Evaluated whether the assumptions are realistic and achievable and consistent with the external and/or internal environment and matters identified in the audit; - Tested the accuracy and relevance of the inputs into the model used as the basis of the impairment assessment; and - Reviewed the adequacy of the disclosures in the financial statements, including disclosures of critical assumptions, judgements and sensitivities in accordance with the relevant accounting standards.

Independent Auditor's Report

To the Shareholders of Saudi Ground Services Company (continued)

Impairment loss on trade receivables

Refer to note: 3 (c) for the accounting policy relating to trade receivables and note 9 for the related disclosures.

The key audit matter

At 31 December 2020, the gross trade receivables balance was SR 1,473 million (2019: SR 1,136 million) against which an allowance for impairment loss of SR 267 million (2019: SR 144 million) was maintained. The collectability of trade receivables is a key element of the Company's working capital management, which is managed on an ongoing basis.

The management determines and recognises expected credit loss ('ECL') as required by IFRS 9 - Financial Instruments. The management has made significant judgments and assumptions in the calculation of the ECL.

The Company's management applied the simplified ECL model to determine the allowance for impairment loss of trade receivables.

We have considered this as a key audit matter as the determination of the ECL involves significant management judgement and this has a material impact on the financial statements. Moreover, COVID-19 has heightened uncertainty regarding the economic outlook in particular and has increased the level of judgements needed to determine the ECL.

How the matter was addressed in our audit

Our audit procedures included the following:

- Obtained an understanding of the management's processes and controls in relation to the monitoring of trade receivables and review of the credit risk of customers;
- Assessed the appropriateness of significant judgements, and assumptions made by the management keeping in view the uncertainty due to COVID-19;
- Compared the Company's accounting policy for ECL allowance and ECL methodology with the requirements of IFRS 9;
- Assessed the reasonableness of assumptions used in the calculation of the ECL including the probability of default and the forward-looking information included in the calculation of expected credit losses, and the changes in the loss given default parameter through the use of our internal valuation specialist;
- Tested the accuracy of ageing of trade receivables as at 31 December 2020, on a sample basis, generated by the accounting system; and
- Reviewed the adequacy of the disclosures included in the accompanying financial statements in accordance with relevant accounting standards.

Independent Auditor's Report

To the Shareholders of Saudi Ground Services Company (continued)

Revenue recognition

Refer to note: 3 (n) for the accounting policy relating to revenue recognition and note 19 for the related disclosures.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2020, the Company recognised total revenue of SR 1,252 million (2019: SR 2,540 million). There continues to be pressure on the Company to meet expectations and targets, which may result in a misstatement of revenue. Revenue recognition is considered a key audit matter as there is a risk that management may override controls to misstate revenue transactions and there is a risk of revenue not being recognised in accordance with IFRS 15.	Our audit procedures included the following: - Assessed the appropriateness of the Company's revenue recognition accounting policies by considering the requirements of relevant accounting standards; - Obtained an understanding of the nature of the revenue contracts entered into by the Company and tested a sample of sales contracts to confirm that the revenue recognised is in accordance with IFRS 15; - Updated our process understanding as a result of COVID-19 and tested the design and implementation as well as the operating effectiveness of controls implemented during periods of lockdown; - Assessed the design and implementation, and tested the operating effectiveness of the Company's controls, including anti-fraud controls, over the recognition of revenue as per the Company's policy; - Inspected sales transactions, on a sample basis, taking place on either side of the year-end to assess whether revenue was recognised in the correct period; - Selected, on a sample basis, revenue transactions and verified the related supporting documents to ensure the accuracy and validity of revenue recognition; and - Assessed the appropriateness of the disclosures made in the financial statements.

Independent Auditor's Report

To the Shareholders of Saudi Ground Services Company (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information, and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulation for Companies, Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance, the Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditor's Report

To the Shareholders of Saudi Ground Services Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of Saudi Ground Services Company ("the Company").

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No: 382

Jeddah, 27 Rajab 1442H
Corresponding to 11 March 2021

كي بي إم جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
C.R. 46
س.ت رقم: ٤٦
Certified Public Accountants
KPMG Al Fozan & Partners

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	2020	2019
ASSETS			
Property and equipment	5	**525,695**	592,538
Right-of-use assets	6	**130,885**	182,996
Intangible assets and goodwill	7	**848,818**	885,065
Equity accounted investees	8	**98,834**	141,567
Trade receivables	9	**58,952**	120,037
Other receivables	10	**2,408**	3,776
Non-current assets		**1,665,592**	1,925,979
Inventories		**140**	285
Trade receivables	9	**1,147,820**	871,592
Prepayments and other receivables	10	**530,885**	461,416
Investments at fair value through profit or loss (FVTPL)	11	**976,679**	943,931
Cash and cash equivalents	12	**95,836**	119,849
Current assets		**2,751,360**	2,397,073
Total assets		**4,416,952**	4,323,052
SHAREHOLDERS' EQUITY			
Share capital	16	**1,880,000**	1,880,000
Statutory reserve	17	**499,025**	499,025
Retained earnings		**120,159**	566,863
Total shareholders' equity		**2,499,184**	2,945,888
LIABILITIES			
Lease liabilities	6	**80,370**	129,993
Loans and borrowings	13	**494,087**	--
Employee benefits	24	**557,791**	531,229
Non-current liabilities		**1,132,248**	661,222
Lease liabilities	6	**41,977**	44,880
Trade payables	14	**95,622**	21,141
Other payables	15	**521,746**	543,418
Accrued Zakat	23	**126,175**	106,503
Current liabilities		**785,520**	715,942
Total liabilities		**1,917,768**	1,377,164
Total shareholders' equity and liabilities		**4,416,952**	4,323,052

Chief Financial Officer   Chief Executive Officer   Chairman

The notes on pages from 11 to 66 form an integral part of these financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	**2020**	2019
Revenue	19	**1,251,835**	2,539,760
Costs of revenue	20	**(1,272,534)**	(1,853,256)
Gross (loss) / profit		**(20,699)**	686,504
Other income		**1,688**	154
Administrative expenses	21	**(256,785)**	(238,834)
Impairment loss on trade receivables	9	**(127,524)**	(31,806)
Operating (loss) / profit		**(403,320)**	416,018
Finance costs	22	**(15,533)**	(9,231)
Interest income on term deposits		**--**	13,089
Income on investments at FVTPL	11	**13,856**	22,234
Share of (loss) / profit on investments in equity-accounted investees	8	**(22,298)**	11,743
(Loss) / profit before Zakat		**(427,295)**	453,853
Zakat charge	23	**(27,000)**	(30,500)
(Loss) / profit for the year		**(454,295)**	423,353
Other comprehensive income / (loss):			
Items that will not be reclassified to profit or loss:			
Remeasurement gain / (loss) on defined benefit obligation	24	**7,591**	(1,094)
Total comprehensive (loss) / income for the year		**(446,704)**	422,259
(Loss) / earnings per share			
Basic and diluted (in SR)	18	**(2.42)**	2.25

Chief Financial Officer | Chief Executive Officer | Chairman

The notes on pages from 11 to 66 form an integral part of these financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2020
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total equity
Balance at 01 January 2019	1,880,000	456,690	539,683	2,876,373
Impact of adopting IFRS 16 at 01 January 2019	--	--	(14,344)	(14,344)
Adjusted balance at 01 January 2019	1,880,000	456,690	525,339	2,862,029
Total comprehensive income:				
Profit for the year	--	--	423,353	423,353
Other comprehensive loss for the year	--	--	(1,094)	(1,094)
Total comprehensive income for the year	--	--	422,259	422,259
Transactions with owners of the Company:				
Dividends declared (note 16)	--	--	(338,400)	(338,400)
Other transactions:				
Transfer to statutory reserve (note 17)	--	42,335	(42,335)	--
Balance at 31 December 2019	1,880,000	499,025	566,863	2,945,888
Balance at 01 January 2020	1,880,000	499,025	566,863	2,945,888
Total comprehensive loss:				
Loss for the year	--	--	(454,295)	(454,295)
Other comprehensive income for the year	--	--	7,591	7,591
Total comprehensive loss for the year	--	--	(446,704)	(446,704)
Balance at 31 December 2020	**1,880,000**	**499,025**	**120,159**	**2,499,184**

Chief Financial Officer | Chief Executive Officer | Chairman

The notes on pages from 11 to 66 form an integral part of these financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	2020	2019
Cash flows from operating activities:			
(Loss) / profit for the year		**(454,295)**	423,353
Adjustments for:			
Depreciation on property and equipment	5	**108,771**	110,631
Depreciation on right-of-use assets	6	**51,860**	53,973
Amortisation	7	**36,247**	41,294
Share of loss / (profit) on investments in equity accounted investees	8	**22,298**	(11,743)
Loss on disposal of property and equipment		--	5
Impairment loss on property and equipment	5	--	14,048
Impairment loss on trade receivables	9	**127,524**	31,806
Income on investments at FVTPL	11	**(13,856)**	(22,234)
Finance costs	22	**15,533**	9,231
Zakat	23	**27,000**	30,500
		(78,918)	680,864
Changes in:			
Inventories		**145**	(59)
Trade receivables		**(342,667)**	284,853
Prepayments and other receivables		**(68,102)**	(137,906)
Trade payables		**74,481**	(28,233)
Other payables		**(22,993)**	122,850
Employee benefits		**34,153**	55,745
Cash (used in) / generated from operating activities		**(403,901)**	978,114
Zakat paid	23	**(7,328)**	(10,249)
Finance costs paid		**(7,987)**	(1,626)
Net cash (used in) / generated from operating activities		**(419,216)**	966,239
Cash flows from investing activities:			
Additions to property and equipment	5	**(41,928)**	(82,079)
Additions to intangible assets	7	--	(35,093)
Investment in equity-accounted investee	8	**(500)**	--
Investments at FVTPL	11	**(624,000)**	(1,021,659)
Proceeds from disposal of investments at FVTPL		**600,000**	405,000
Dividends received from equity-accounted investees	8	**20,935**	--
Dividends received from investments at FVTPL	11	**5,108**	--
Net cash used in investing activities		**(40,385)**	(733,831)
Cash flows from financing activities:			
Dividends paid	16	--	(338,400)
Proceeds from long-term bank loan	13	**494,087**	--
Repayment of lease liabilities	6	**(58,499)**	(84,045)
Net cash generated from / (used in) financing activities		**435,588**	(422,445)
Net decrease in cash and cash equivalents		**(24,013)**	(190,037)
Cash and cash equivalents at beginning of the year		**119,849**	309,886
Cash and cash equivalents at the end of the year	12	**95,836**	119,849

Chief Financial Officer — Chief Executive Officer — Chairman

The notes on pages from 11 to 66 form an integral part of these financial statements.

1. REPORTING ENTITY

1.1 Saudi Ground Services Company ("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). During 2008, the Company was formed by Saudi Arabian Airlines Corporation ("Saudia"), a 100% Government owned entity, to consolidate the ground support services business (GSS) in the Kingdom of Saudi Arabia.

1.2 The legal name "Saudi Airlines Ground Services Company" was changed to "Saudi Ground Services Company" under the same commercial registration number 4030181005 on 20 Safar 1432H, (corresponding to 24 January 2011). The parent of the Company is Saudi Arabian Airlines Corporation (the "Parent Company"), having 52.5% of shares in the Company. The ultimate parent of the Company is Saudi Holding Company (the "Ultimate Parent Company").

1.3 Pursuant to the Ministerial resolution number -171/R, on 17 Jamadul Thani 1435H, corresponding to 17 April 2014, the Company was converted from a limited liability company to a closed joint stock company.

1.4 After obtaining required approval from the Capital Market Authority, the Company offered 56.4 million shares, with a nominal value of SR 10 each, representing 30% share capital of the Company, to public during subscription period from 3 June 2015 (corresponding to 15 Shabaan 1436H) to 9 June 2015 (corresponding to 21 Shabaan 1436H). The Company's shares started trading on the Saudi Stock Exchange (Tadawul) on 25 June 2015, corresponding to 8 Ramadan 1436H. Accordingly, after successful completion of Initial Public offering (IPO), the Company was declared as a Saudi Joint Stock Company. During the year 2019, the founding shareholders (Attar Ground Handling and Attar Travel (collectively referred as "Attar") and National Aviation Ground Support Company ("NAGS")) disposed off their shareholding in the Company to general public and accordingly the shares subscribed by general public increased to 47.5%.

1.5 The Company is engaged in providing services for ground handling, aircraft cleaning, passenger handling, baggage and supply of fuel to Saudi Arabian Airlines Corporation, other local and foreign airlines and other customers at all airports in the Kingdom of Saudi Arabia.

1.6 The Company's registered office is located at the following address:

Al Yasmin Commercial Center
King Abdul Aziz road, Al Basatin District
P.O. Box 48154
Jeddah 21572
Kingdom of Saudi Arabia.

1.7 As at the reporting date, the Company holds 50% ownership interest in Saudi Amad for Airport Services and Transport Support Company ("SAAS"), a joint venture. Accordingly, the Company has classified its interest in SAAS as a joint venture. SAAS 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.

1. REPORTING ENTITY (continued)

1.8 During the year, the Company has entered into a Joint Venture Agreement ("agreement") with TLD Group headquartered in France and established a limited liability company under the name of TLD Arabia Equipment Services ("new company" or "TLDAES") with a share capital of SR 1 million consisting of 1,000 shares of SR 1,000 each. The principal activity of the new company is to provide ground handling equipment maintenance services at all airports in the Kingdom of Saudi Arabia.

The Saudi Ground Services Company and TLD Group each owned 50% of the total share capital of the TLDAES. The Company has classified its interest in TLDAES as a joint venture (see note 8). As at 31 December 2020, all the legal formalities relating to the incorporation of TLDAES are completed.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis, except for investments at fair value through profit or loss (FVTPL) that are measured at fair value and employee benefits, which are recognised at the present value of future obligation using Projected Unit Credit Method. Further, the financial statements are prepared using the accrual basis of accounting and the going concern assumption.

Comparatives for related party balances have been reclassified to conform to the current period's presentation (see note 25).

2.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals ("SR"), which is the functional currency of the Company. All numbers are rounded off to the nearest thousand, unless otherwise stated.

2. BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgments

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. These estimates and assumptions are based upon experience and various other factors that are believed to be reasonable under the circumstances and are used to judge the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised or in the revision year and future years if the changed estimates affect both current and future years. However, in the view of the current uncertainty due to COVID-19, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments (refer note 32).

i) Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

Going concern

During the year ended 31 December 2020, the Company incurred a loss of SR 454 million and has negative operating cashflows of SR 419 million mainly due to decline in its operations and revenue as a result of reduced demand for air travel caused by COVID-19 pandemic ("COVID-19"). However, due to numerous measures taken by the management and the existing liquidity position of the Company, the management has been able to mitigate the adverse impact of COVID-19 on the Company's liquidity position (refer note 32). Moreover, as at 31 December 2020, the Company has ready access to financial resources and signed long-term loan facilities of SR 2,000 million with local commercial banks to meet its working capital requirements (refer note 13).

The management has assessed the ability of the Company to continue as a going concern based on its existing liquidity position and cash flow projections, and is not aware of any material uncertainties that may cast significant doubt and the management is satisfied that the Company has the resources to continue and meet its obligations as they fall due in the ordinary course of business in the foreseeable future. Therefore, the financial statements of the Company continue to be prepared on the going concern basis.

ii) Assumptions and estimation uncertainties

In addition to judgments exercised by the management in evaluating the impact of COVID-19 on the financial statements (refer note 32), the information about the key assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in these financial statements is included in the following notes:

2. BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgments (continued)

ii) Assumptions and estimation uncertainties (continued)

a) Provision for expected credit losses (ECLs) of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historically observed rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historically observed default rates are updated, and changes in the forward-looking estimates are analysed. The impact of COVID-19 on the ECL is disclosed in note 32.

The assessment of the correlation between historically observed default rates, forecasted economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in note 31.

b) Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculations are based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The impact of COVID-19 on impairment of non-financial assets is disclosed in note 32.

c) Defined benefit plans (employees' terminal benefits)

The present value of the Company's obligation under defined benefit plans is determined using actuarial valuation. This involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate / Government bonds. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 24. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market.

2. BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgments (continued)

iii) Assumptions and estimation uncertainties (continued)

d) Useful lives and residual value of property and equipment and intangible assets

The Company's management determines the estimated useful lives of its property and equipment and intangible assets with finite useful lives for calculating depreciation and amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value, depreciation and amortisation methods and useful lives annually and future depreciation and amortisation charges would be adjusted where the management believes the useful lives differ from previous estimates and to ensure that the methods and period of depreciation and amortisation are consistent with the expected pattern of economic benefits from these assets.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of these financial statements, unless otherwise stated.

(a) Business combinations

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

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

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

(b) Investments in jointly controlled entity ("equity-accounted investees")

The Company's interest in equity-accounted investees comprises of an interest in a joint venture. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Investments in jointly controlled entity ("equity-accounted investees") (continued)

An investment in the equity accounted investees is accounted for using the equity method from the date on which the investees becomes a joint venture. Under the equity method, an investment is initially recognised in the cost and adjusted thereafter to recognise the Company's share of the profit or loss and other comprehensive income of the equity accounted investees. When the Company's share of losses of the equity accounted investees exceeds the Company's interest in that equity accounted investees (which includes any long-term interests that, in substance, form part of the Company's net investment), the Company discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the equity accounted investees.

(c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

a) Recognition and initial measurement:

The Company's financial assets comprise of cash and cash equivalents, trade and other receivables and investments at FVTPL.

Financial assets are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

b) Classification and subsequent measurement:

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

Financial Assets (continued)

b) Classification and subsequent measurement (continued):

On initial recognition, a financial asset is classified as measured at
- amortised cost;
- Fair value through other comprehensive income (FVOCI) – debt investment;
- FVOCI – equity investment; or
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

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

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

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

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

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

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

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and the information is provided to management.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

Financial assets (continued)

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss.
Financial assets at amortised Cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on de-recognition is recognised in the statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to the statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to the statement of profit or loss.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings, or payables, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of payables and borrowings, net of directly attributable transaction costs.

The Company's significant financial liabilities include trade and other payables, lease liabilities and borrowings.

Classification and subsequent measurement
An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

a) Financial liabilities at fair value through statement of profit or loss and other comprehensive income.
b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
c) Financial guarantee contracts.
d) Commitments to provide a loan at a below-market interest rate.
e) Contingent consideration recognised by as an acquirer in a business combination to which IFRS 3 applies. Such contingent consideration shall subsequently be measured at fair value with changes recognised in the statement of profit or loss and other comprehensive income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

De-recognition

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or
  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

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

The Company also derecognises a financial liability when its terms are modified, and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial asset and financial liability are offset and the net amount presented in the statement of financial position when, and only when the Company:

- currently has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and equipment

Recognition and measurement
Items of property and equipment are initially recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in the statement of profit or loss and other comprehensive income.

If significant parts of an item of property and equipment have different useful lives, then they are accounted for as separate items of property and equipment. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

Subsequent costs
The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in statement of profit or loss and other comprehensive income as incurred.

Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit or loss and other comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Leased assets are depreciated over the shorter of their lease terms and useful lives. Land is not depreciated.

The estimated useful lives of property and equipment for the current and comparative periods are as follows:

	Years
Leasehold improvements	5-10
Airport equipment	7-10
Motor vehicles	5
Furniture, fixtures and equipment	4-10
Computer equipment	4

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if required.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property and equipment (continued)

Capital work in progress
Capital work-in-progress represents all costs relating directly and indirectly towards the purchase of airport equipment and construction in progress and is capitalised within relevant categories of property and equipment when ready for the intended use.

(e) Intangible assets and goodwill

Recognition and measurement
Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets, having no physical existence however separately identifiable and providing future economic benefits, are initially recognised at the purchase price and directly attributable costs. Intangible assets are stated at cost less accumulated amortisation and impairment loss if any.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Intangible assets include customer contracts, customer relationships and software that are acquired by the Company and have finite useful lives. These are measured at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses if any.

Impairment on goodwill is determined by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future period.

Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including internally generated goodwill, is recognised in statement of profit or loss and other comprehensive income as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Intangible assets and goodwill (continued)

Amortisation
Amortisation is calculated to write off the cost of intangible assets using the straight-line method over their estimated useful lives and is recognised in the statement of profit or loss and other comprehensive income. Goodwill is not amortised.

The estimated useful lives for the current and comparative periods are as follows:

	Years
Customer contracts	3-5
Customer relationships	20
Software	3-5

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

(f) Leases

The Company recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases (continued)

Lease liabilities (continued)
In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease term
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Incremental borrowing rate
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average basis and includes all cost incurred in the normal course of business in bringing each product to its present condition and location. In the case of work in progress and finished goods, cost includes the purchase cost, the cost of refining and processing including an appropriate proportion of depreciation and production overheads based on normal operating capacity.

The net realisable value of inventories is based on the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment

Financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and a loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as economic conditions that correlate with defaults.

IFRS 9 requires an entity to follow an expected credit loss model ("ECL") for the impairment of financial assets. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company considers evidence of impairment at both a specific asset and collective level. All individually significant financial instruments found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

The Company considers a financial asset to be in default when the debtor is unlikely to repay the outstanding balance to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment (continued)

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 CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When 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 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 of disposal, recent market transactions are taken into account. 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 companies or other available, fair value indicators.

External valuers are involved in the valuation of significant assets. The involvement of external valuers is decided by the Company after discussion with the Company's Audit Committee. Selection criteria include market knowledge reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case. The Company bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses are recognised in the statement of profit or loss and other comprehensive income. 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, had no impairment loss been recognised for the asset in prior years.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future period.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks and other short-term bank deposits with banks with an original maturity of three months or less, if any, which are available to the Company without any restrictions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Segment reporting

An operating segment is a group of assets, operations or entities:

(i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components;

(ii) the results of its operations are continuously analysed by Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and

(iii) for which financial information is discretely available.

The Company is principally involved in providing ground handling services to airlines in the Kingdom of Saudi Arabia. Other operations relate to supply of fuel to airlines and other customers. Supply of fuel has not met the quantitative thresholds for reportable segments in the year 2019 and 2020. Accordingly, the management believes that the Company's business activity falls within a single business segment, subject to the same risks and returns.

(k) Employee benefits

Short-term employee benefits

Short term employee benefit obligations are measured on an undiscounted basis and are expensed as the related services are 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 past service provided by the employee and the obligation can be estimated reliably.

Long-term employee benefits

i) Defined benefit plans

The Company's obligation under employee end of service benefits plan is accounted for as an unfunded defined benefit plan and is calculated by estimating the discounted amount of future benefits that employees have earned in the current and prior periods. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Remeasurements of the net defined benefit liability, which comprises actuarial gains and losses are recognised immediately in other comprehensive income. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in statement of profit or loss and other comprehensive income.

ii) Other long-term employee benefits

The Company's net obligation in respect of other 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. Remeasurements are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee benefits (continued)

iii) Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(l) 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 finance costs. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

(m) Loans and borrowings

Loans and borrowings are recognised initially at fair value, less attributable transactions costs. Subsequent to initial recognition, borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and redemption value is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method.

Transaction costs are deducted from the amount of the financial liability when it is initially recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition

The revenue recognition policy outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It establishes the below mentioned five-step, model that will apply to revenue arising from contracts with customers.

(i) Revenue from contracts with customers

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify the contracts with customers:
A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract:
A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price:
The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract:
For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation:
The Company satisfies a performance obligation and recognises revenue over time if one of the following criteria is met:

a) The Company's performance does not create an asset with an alternate use to the Company, and the Company has an enforceable right to payment for performance completed to date.
b) The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs.

For performance obligations where none of the above conditions is met, revenue is recognised at the point in time at which the performance obligation is satisfied.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

If the consideration promised in a contract includes a variable amount, the company shall estimate the amount of consideration to which the Company will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, credits, price concessions, incentives, penalties or other similar items. The promised consideration can also vary if the Company's entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

ii) Aircraft ground handling services

The Company is engaged in providing services for ground handling, aircraft cleaning, passenger handling and baggage to the local and international airlines. Revenues from these services are recognised in the period in which services are completed.

Revenue is recorded net of discounts and amounts collected on behalf of third parties. The consideration payable to a customer is recognised as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company. If consideration payable to the customer is a payment for a distinct good or service from the customer, then the Company record such purchase of the good or service in the same way that it accounts for other purchases from suppliers.

iii) Income from other services

Income from other services that are incidental to ground handling services is recognised when these related services are completed and classified as part of the revenue from these core operating activities.

iv) Sale of goods

Revenue from the sale of goods is recognised when the Company satisfies the performance obligation by transferring the promised goods (asset) to the customer. An asset is transferred when the customer obtains control of that asset. The Company considers the following indicators of the transfer of control:

a) The Company has a present right to payment for the asset
b) The customer has legal title to the asset
c) The Company has transferred physical possession of the asset
d) The customer has the significant risks and rewards of ownership of the asset
e) The customer has accepted the asset

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition (continued)

iv) Sale of goods (continued)

The Company recognise as revenue, the amount of the transaction price that is allocated to that performance obligation. Revenue is recorded net of returns and discounts, if any.

(o) Finance income and finance costs

Finance income mainly includes interest income on short term deposits, realized / unrealized gain on fair valuation of investments at FVTPL and unwinding of the discounts on other financial assets.

Finance costs mainly include impairment loss recognised on financial assets (other than trade receivables) and foreign currency losses.

Interest income is recognised using the effective interest method.

(p) Government grants

Government grants are recognised in the statement of profit or loss when there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

(q) Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Provision for Zakat for the Company is charged to the statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

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 recognised as an expense being the obligation of the counterparty on whose behalf the amounts are withheld.

(r) Foreign currency translations

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in statement of profit or loss and other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they were approved by the general assembly of shareholders.

(t) 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.

(u) Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

(v) Expenses

Costs of revenue represent all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to: attributable employee-related costs, depreciation of property and equipment, etc. All other expenses are classified as administrative expenses. Allocation of common expenses between costs of revenue and administrative expenses, where required, is made on a reasonable basis with regards to the nature and circumstances of the common expenses.

(w) Value added tax

The Company is subject to Value Added Tax ("VAT") in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply ("Output VAT") less VAT paid on services received ("Input VAT"). The Company reports revenue and expensesnet of VAT for all the periods presented in the statement of profit or loss and other comprehensive income.

(x) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Current versus non-current classification (continued)

Assets
An asset is current when:

- 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.

All other assets are classified as non-current.

Liabilities
A liability is current when:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- No unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classified all other liabilities as non-current.

4. SECONDMENT AGREEMENT

On 01 January 2011 the Company has entered into a secondment agreement with Saudia that puts forth the terms and conditions for the secondments of Saudia employees to assist the company in the conduct of its business and operations.

During the secondment period, based on the thresholds set out in the secondment agreement, the Company will be responsible for its share of liabilities and obligations of seconded employees, in accordance with their terms of employment with Saudia.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

5. PROPERTY AND EQUIPMENT

a) Reconciliation of carrying amounts:

	Land	Leasehold improvements	Airport Equipment	Motor vehicles	Furniture, fixtures and equipment	Computer equipment	Capital work in progress "CWIP"	Total
Cost:								
Balance at 01 January 2019	27,464	36,381	1,336,614	31,844	42,600	36,802	27,782	1,539,487
Additions	--	--	--	250	1,163	2,547	78,119	82,079
Transfers from CWIP	--	--	49,225	--	--	--	(49,225)	--
Disposals	--	--	--	(315)	--	(11)	--	(326)
Balance at 31 December 2019	27,464	36,381	1,385,839	31,779	43,763	39,338	56,676	1,621,240
Balance at 01 January 2020	27,464	36,381	1,385,839	31,779	43,763	39,338	56,676	1,621,240
Additions	--	--	--	--	4,353	762	36,813	41,928
Transfers from CWIP	--	--	38,271	--	--	--	(38,271)	--
Balance at 31 December 2020	27,464	36,381	1,424,110	31,779	48,116	40,100	55,218	1,663,168
Accumulated depreciation and impairment loss:								
Balance at 01 January 2019	--	35,402	766,324	31,015	37,436	34,167	--	904,344
Charge for the year	--	767	105,382	533	2,505	1,444	--	110,631
Impairment loss	--	--	9,548	--	--	--	4,500	14,048
Disposals	--	--	--	(315)	--	(6)	--	(321)
Balance at 31 December 2019	--	36,169	881,254	31,233	39,941	35,605	4,500	1,028,702
Balance at 01 January 2020	--	36,169	881,254	31,233	39,941	35,605	4,500	1,028,702
Charge for the year	--	198	105,024	194	1,842	1,513	--	108,771
Balance at 31 December 2020	--	36,367	986,278	31,427	41,783	37,118	4,500	1,137,473
Carrying amounts:								
At 31 December 2019	27,464	212	504,585	546	3,822	3,733	52,176	592,538
At 31 December 2020	**27,464**	**14**	**437,832**	**352**	**6,333**	**2,982**	**50,718**	**525,695**

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

5. PROPERTY AND EQUIPMENT (continued)

b) Depreciation charge and impairment loss for the year has been allocated as follows:

	2020		2019	
	Impairment loss	**Depreciation**	Impairment loss	Depreciation
Costs of revenue (note 20)	--	**106,493**	9,548	105,315
Administrative expenses (note 21)	--	**2,278**	4,500	5,316
	--	**108,771**	14,048	110,631

c) Capital work in progress relates to the advances made towards the purchase of specialised airport equipment and leasehold improvements.

d) Impairment loss represents the losses recorded against obsolete assets identified during fixed assets physical verification exercise conducted by an external consultant hired by the management.

6. LEASES

a) Right-of-use assets

i) Reconciliation of carrying amounts

	Buildings	**Motor vehicles**	**Total**
Cost:			
Recognised at 01 January 2019	143,827	30,915	174,742
Additions / adjustments	71,569	(9,342)	62,227
Balance at 31 December 2019	215,396	21,573	236,969
Balance at 01 January 2020	215,396	21,573	236,969
Additions	47,491	7,504	54,995
Derecognition	(58,249)	--	(58,249)
Balance at 31 December 2020	204,638	29,077	233,715
Accumulated depreciation:			
Charge for the year	44,004	9,969	53,973
Balance at 31 December 2019	44,004	9,969	53,973
Balance at 01 January 2020	44,004	9,969	53,973
Charge for the year	40,852	11,008	51,860
Released on derecognition	(3,003)	--	(3,003)
Balance at 31 December 2020	81,853	20,977	102,830
Carrying amounts:			
At 31 December 2019	171,392	11,604	182,996
At 31 December 2020	**122,785**	**8,100**	**130,885**

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

6. LEASES (continued)

a) Right-of-use assets (continued)

ii) Depreciation for the year has been allocated as follows:

	2020	2019
Costs of revenue (note 20)	**49,129**	50,889
Administrative expenses (note 21)	**2,731**	3,084
	51,860	53,973

b) Lease liabilities

	2020	2019
Balance at beginning of the year	**174,873**	189,086
Additions	**54,995**	62,227
Derecognition	**(54,889)**	--
Interest expense	**5,867**	7,605
Payments	**(58,499)**	(84,045)
Balance at end of the year	**122,347**	174,873

Lease liabilities are presented in statement of financial position as follows:

	2020	2019
Non-current portion of lease liabilities	**80,370**	129,993
Current portion of lease liabilities	**41,977**	44,880
	122,347	174,873

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

7. INTANGIBLE ASSETS AND GOODWILL

a) Reconciliation of carrying amounts:

	Goodwill	Customer contracts	Customer relationships	Software	Total
Cost:					
Balance at 01 January 2019	582,816	153,179	468,475	29,024	1,233,494
Additions	--	--	--	35,093	35,093
Balance at 31 December 2019 and 31 December 2020	582,816	153,179	468,475	64,117	1,268,587
Accumulated amortisation:					
Balance at 01 January 2019	--	153,179	187,391	1,658	342,228
Amortisation	--	--	23,424	17,870	41,294
Balance at 31 December 2019	--	153,179	210,815	19,528	383,522
Balance at 01 January 2020	--	153,179	210,815	19,528	383,522
Amortisation	--	--	23,424	12,823	36,247
Balance at 31 December 2020	--	153,179	234,239	32,351	419,769
Carrying amounts:					
At 31 December 2019	582,816	--	257,660	44,589	885,065
At 31 December 2020	**582,816**	**--**	**234,236**	**31,766**	**848,818**

b) Amortisation charge for the year has been allocated as follows:

	2020	2019
Costs of revenue (note 20)	**2,765**	2,765
Administrative expenses (note 21)	**33,482**	38,529
	36,247	41,294

c) As at 31 December 2020, an independent impairment study was conducted to review the carrying amounts of goodwill and customer relationships to determine whether their carrying values exceed the recoverable amounts. For the impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs (i.e. Company as a single cash-generating unit). Management considers the overall business of the Company as one CGU. The management reviews goodwill and customer relationships annually for impairment testing.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use has been estimated based on the income approach to valuation using the discounted cash flow method. Value in use is based on the estimated future cash flows based on 5-year management's approved business plan projected up to the year 2025, discounted to their present value using the following key assumptions:

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

7. INTANGIBLE ASSETS AND GOODWILL (continued)

i) Goodwill:

Key assumptions	**2020**	2019
Revenue growth rate (refer (i)(a))	**4%**	1.7%
Projected EBITDA margin (average of next five years)	**24.4%**	25.8%
Discount rate	**11.5%**	10.5%
Terminal value growth rate	**2%**	2%

a) During the year ended 2020, revenue declined significantly due to the emergence of COVID-19, which led to air travel restrictions and a reduction in operations. However, the Company expects to achieve an average of 4% increase in revenue during the forecasted period assuming that the overall recovery expectations of returning to pre-COVID-19 levels remain. Management believes that such growth rate does not exceed the long-term average growth rate for the market in which it operates.

b) The calculation of value-in-use is most sensitive to the assumptions on revenue growth rate, discount rate applied to cash flow projections and projected EBITDA margins.

Sensitivity to changes in key assumptions:

With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are described below.

i) Revenue growth rate:

The revenue growth in the forecasted period has been estimated to be a compound annual growth rate of 4% (2019: 1.7%). If all other assumptions are kept the same, a reduction of this growth rate to 0% would give a value-in-use equal to SR 2,297 million as compared to carrying amount.

ii) Projected EBITDA margin:

The projected EBITDA margin in the forecasted period has been estimated to be at an average of 24.4% (2019: 25.8%). If all other assumptions kept the same; a reduction of margin to 15.6% would give a value-in-use equal to the current carrying amount.

iii) Discount rate:

The projected discount rate in the forecasted period has been estimated to be at an average of 11.5% (2019: 10.5%). If all other assumptions kept the same; an increase in discount rate to 19% would give a value-in-use equal to the current carrying amount.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

7. INTANGIBLE ASSETS AND GOODWILL (continued)

ii) Customer relationships:

Key assumptions	2020	2019
Revenue growth rate	**2.1% - 4%**	2.1%
Discount rate	**11.5%**	10.5%

During the year ended 2020, revenue declined significantly due to the emergence of COVID-19, which led to air travel restrictions and a reduction in operations. However, the Company expects to achieve an average of 2.1% - 4% increase in revenue during the forecasted period assuming that the overall recovery expectations of returning to pre-COVID-19 levels remain. Management believes that such growth rate does not exceed the long-term average growth rate for the market in which it operates.

Sensitivity to changes in key assumptions:

With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including customer relationships to materially exceed its recoverable amount. The implications of changes to the key assumptions are described below.

i) Revenue growth rate:

The revenue growth in the forecasted period has been estimated to be a compound annual growth rate of 2.1% - 4% (2019: 2.1%). If all other assumptions are kept the same, a reduction of this growth rate to 0% would give a value-in-use equal to SR 252 million as compared to carrying amount.

ii) Discount rate:

The projected discount rate in the forecasted period has been estimated to be at an average of 11.5% (2019: 10.5%). If all other assumptions kept the same; an increase in discount rate to 12.8% would give a value-in-use equal to the current carrying amount.

8. EQUITY ACCOUNTED INVESTEES

a) The investments in equity accounted investees as at 31 December 2020 are as follows:

Name	Country of incorporation / principal place of business	Effective ownership interest (%)		Carrying value	
		2020	2019	**2020**	2019
Saudi Amad for Airport Services and Transport Support Company ("SAAS")	Kingdom of Saudi Arabia	**50%**	50%	**97,654**	141,567
TLD Arabia Equipment Services ("TLDAES") (note 8 (a) (i))	Kingdom of Saudi Arabia	**50%**	--	**1,180**	--
				98,834	141,567

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

8. EQUITY ACCOUNTED INVESTEE (continued)

i) During the year, the Company has entered into a Joint Venture Agreement ("agreement") with TLD Group headquartered in France and established a limited liability company under the name of TLD Arabia Equipment Services ("new company" or "TLDAES") with a share capital of SR 1 million consisting of 1,000 shares of SR 1,000 each. Saudi Ground Services Company and TLD Group each owned 50% of the total share capital of the new company. The Company has classified its interest in TLDAES as a joint venture.

b) The movement summary of equity accounted investees is as follows:

	2020	2019
Balance at the beginning of the year	**141,567**	129,824
Investment during the year (note 8(a)(i))	**500**	--
Share of (losses) / profits	**(22,298)**	11,743
Dividends (note 8(b)(ii))	**(20,935)**	--
Balance at the end of the year	**98,834**	141,567

i) At the date of the financial statements, the equity accounted investees had not issued audited financial statements. Accordingly, the financial data below and the share of (losses) / profits for the year ended 31 December 2020, is based on internal management draft financial statements.

ii) On 26 January 2020, SAAS announced dividends amounting to SR 41.87 million. Accordingly, the Company recorded 50% of the dividends in accordance with its percentage of shareholding in SAAS.

c) The following table summarizes the financial information of equity accounted investees and it also reconciles the summarized financial information to the carrying amounts of the Company's interest in equity accounted investees.

i) Saudi Amad for Airport Services and Transport Support Company

	2020	2019
Revenue	**78,256**	161,973
Depreciation and amortisation	**23,137**	19,079
Zakat expense	**955**	3,124
(Loss) / profit and total comprehensive (loss) / income	**(45,956)**	23,485
Company's share of total comprehensive (loss) / income (50%)	**(22,978)**	11,743
Non-current assets	**100,506**	77,000
Current assets	**237,138**	315,168
Non-current liabilities	**(39,943)**	(7,000)
Current liabilities	**(102,393)**	(102,035)
Net assets (100%)	**195,308**	283,133
Carrying amount of interest in joint equity accounted investee	**97,654**	141,567

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

8. EQUITY ACCOUNTED INVESTEE (continued)

i) Saudi Amad for Airport Services and Transport Support Company (continued)

SAAS has a contingent liability related to claim from General Authority for Civil Aviation which is the same as disclosed in these financial statements (see note 27).

ii) TLD Arabia Equipment Services

	2020	2019
Revenue	**9,810**	--
Depreciation	**1,277**	--
Profit and total comprehensive income	**1,359**	--
Company's share of total comprehensive income (50%)	**680**	--
Non-current assets	**151,258**	--
Current assets	**27,597**	--
Non-current liabilities	**(150,892)**	--
Current liabilities	**(25,604)**	--
Net assets (100%)	**2,359**	--
Carrying amount of interest in equity accounted investee	**1,180**	--

The equity accounted investees applied the same accounting policies as applied by Company in these financial statements. Also, the reporting period of the equity accounted investees is 31 December 2020.

9. TRADE RECEIVABLES

	2020	2019
Due from related parties (note 25(a))	**1,051,882**	664,877
Other trade receivables	**421,591**	471,157
	1,473,473	1,136,034
Less: non-current (note 9.1)	**(58,952)**	(120,037)
Current trade receivables	**1,414,521**	1,015,997
Less: allowance for impairment loss (note 9.2)	**(266,701)**	(144,405)
	1,147,820	871,592

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

	2020	2019
Balance at beginning of the year	**144,405**	178,743
Charge for the year	**127,524**	31,806
Written-off during the year	**(5,228)**	(66,144)
Balance at end of the year	**266,701**	144,405

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

9. TRADE RECEIVABLES (continued)

9.1 This represents non-current portion of receivables from National Air Services (NAS), in accordance with a settlement agreement entered on 31 December 2019 between the Company and NAS. Based on the settlement agreement, NAS has agreed to settle the outstanding dues over a period of three years staring from 1 January 2020. This amount is carried at the present value of cash flows to be received.

9.2 As at 31 December 2020, allowance for impairment loss includes SR 112 million (2019: SR 45 million) against due from related parties. For the Company's exposure to credit risk and impairment loss on trade receivables (see note 31).

10. PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
Due from related parties (note 25(b))	**385,043**	320,565
Prepayments	**49,304**	48,155
Employee loans	**41,844**	35,379
Refundable deposits	**3,572**	3,562
Advance to suppliers	**18,276**	32,559
VAT receivables (note 10.1)	**26,217**	18,032
Others	**9,037**	6,940
	533,293	465,192
Less: Other receivables - non-current (note 10.2)	**(2,408)**	(3,776)
Prepayment and other receivables - current	**530,885**	461,416

10.1 This represents refund claimed by the Company from General Authority of Zakat and Tax (GAZT) against excess of value added tax on purchases over revenue as at 31 December 2020.

10.2 This represent employee loans that are long-term in nature and is carried at the present value of cashflows to be received.

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

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

	2020	2019
Mutual funds	**818,349**	784,470
Quoted equity securities	**158,330**	159,461
	976,679	943,931

a) Movement in investments at FVTPL investment is as follows:

	2020	2019
Balance at beginning of the year	**943,931**	305,038
Investments made during the year	**624,000**	1,021,659
Disposal of investments during the year	**(596,600)**	(402,191)
Unrealized fair value gain during the year	**5,348**	19,425
Balance at end of the year	**976,679**	943,931

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

11. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)

b) During the year ended 31 December 2020, income on investments at FVTPL is as follows:

	2020	2019
Gain on investments at FVTPL		
- Realized gain	**3,400**	2,809
- Unrealized gain	**5,348**	19,425
	8,748	22,234
Dividend income on investments in quoted equity securities	**5,108**	--
	13,856	22,234

At 31 December 2020, the carrying amount of the investment at FVTPL was not significantly different from the market value. For fair values of investments at FVTPL (see note 28).

12. CASH AND CASH EQUIVALENTS

	2020	2019
Cash in hand	**494**	606
Cash at banks - current accounts	**95,342**	119,243
	95,836	119,849

13. LOANS AND BORROWINGS

The Company's interest-bearing loans and borrowings, which are measured at amortised cost are as follows:

	2020	2019
Non-current liabilities		
Long-term bank loans	**494,087**	--

During the year, the Company has signed a loan 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 had six-month grace period and is repayable on equal quarterly installments over a period of two years. 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. In October 2020, the bank has changed the terms of repayment of loan and accordingly, it is now repayable over a period of three years on flexible repayment terms starting from October 2020. The loan is secured by an order note.

During the year, the Company also signed two bank facility agreements with local commercial banks for loan facilities of SR 1,500 million (SR 750 million each). These facilities have not yet been withdrawn as at 31 December 2020. These loans bear financial charges based on prevailing market rates. These facilities have a grace period of 12 months and are repayable in equal quarterly installments. Upon withdrawal, the loan facilities will be secured by order notes as per the facility agreements.

The facility agreements contain certain covenants, which, among other things, require certain financial ratios to be maintained.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

14. TRADE PAYABLES

	2020	2019
Due to related parties (note 25(c))	**8,280**	283
Other trade payables	**87,342**	20,858
	95,622	21,141

15. OTHER PAYABLES

	2020	2019
Employee related accruals	**137,357**	139,177
Due to related parties (note 25(d))	**115,964**	163,476
Accrued rent and charges	**121,609**	87,440
Accrued outsourced service charges	**34,842**	53,802
Payable against capital purchases	**26,830**	42,371
Advances from customers	**8,345**	8,852
Accrued legal and professional charges	**18,199**	6,917
Other accruals	**58,600**	41,383
	521,746	543,418

16. SHARE CAPITAL

At 31 December 2020, the authorised, issued and paid up share capital of SR 1,880 million consists of 188 million fully paid shares of SR 10 each (2019: SR 1,880 million consists of 188 million shares of SR 10 each).

	2020			2019		
	Number of shares	**%**	**Amount**	Number of shares	%	Amount
Founding shareholders	**98,700,000**	**52.5**	**987,000**	98,700,000	52.5	987,000
General public	**89,300,000**	**47.5**	**893,000**	89,300,000	47.5	893,000
Total	**188,000,000**	**100**	**1,880,000**	188,000,000	100	1,880,000

Dividends:
During the year ended 31 December 2020, Board of Directors did not declare dividends (2019: SR 1.8 per share amounting to SR 338.4 million).

17. STATUTORY RESERVE

In accordance with the Company's By-laws and Regulation for Companies, the Company sets aside 10% of its net income in each year to a statutory reserve until such reserve equals to 30% of the share capital. This reserve is not available for distribution.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

18. (LOSS) / EARNINGS PER SHARE

The calculation of the basic and diluted (loss) / earnings per share as follows:

	2020	2019
(Loss) / profit for the year attributable to the shareholders of the Company	**(454,295)**	423,353
Weighted average number of ordinary shares for the purposes of basic and diluted earnings	**188,000**	188,000
Basic and diluted (loss) / earnings per share based on (loss) / profit for the year attributable to shareholders of the Company (in SR)	**(2.42)**	2.25

Basic (loss) / earnings per share has been computed by dividing the (loss) / profit attributable to shareholders of the Company by the weighted average number of shares outstanding.

Diluted (loss) / earnings per share has been computed by dividing the (loss) / profit attributable to shareholders of the Company by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. However, in the absence of any convertible liability, the diluted (loss) / earnings per share does not differ from the basic (loss) / earnings per share.

19. 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.

	2020	2019
Rendering of services	**1,241,560**	2,519,523
Sale of goods	**10,275**	20,237
	1,251,835	2,539,760

Revenue by the type of customer is as follows:

	2020	2019
Revenue from related parties (note 25(a))	**940,592**	1,564,775
Revenue from other airlines	**311,243**	974,985
	1,251,835	2,539,760

Revenue by the airport is as follows:

	2020	2019
Jeddah	**411,647**	889,756
Riyadh	**389,386**	662,738
Dammam	**114,731**	228,212
Madina	**54,874**	210,309
Others	**281,197**	548,745
	1,251,835	2,539,760

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

20. COSTS OF REVENUE

	2020	2019
Employees' related expenses (notes 20.1, 20.2 and 20.3)	**836,589**	1,223,638
Operational and handling charges	**144,136**	330,485
Depreciation on property and equipment (note 5(b))	**106,493**	105,315
Depreciation on right-of-use assets (note 6)	**49,129**	50,889
Repairs and maintenance expenses	**83,013**	93,925
Amortisation (note 7(b))	**2,765**	2,765
Impairment loss on property and equipment (note 5(b))	**--**	9,548
Others	**50,409**	36,691
	1,272,534	1,853,256

20.1 This includes refund related to visa fee for expatriates from Ministry of Labor amounting to SR Nil (2019: SR 8.03 million).

20.2 This includes charge for end of service benefits amounting to SR 72.3 million (2019: SR 69.2 million) (see note 24).

20.3 During the year, the Government paid salaries to specific category of employees of the Company on account of SANED.

21. ADMINISTRATIVE EXPENSES

	2020	2019
Employees' related expenses (notes 21.1 and 21.2)	**124,172**	121,717
IT expenses	**24,032**	16,130
Amortisation (note 7(b))	**33,482**	38,529
Legal and professional expenses	**22,978**	5,088
Impairment loss on property and equipment (note 5(b))	**--**	4,500
Depreciation on right-of-use assets (note 6)	**2,731**	3,084
Depreciation on property and equipment (note 5(b))	**2,278**	5,316
Training expenses	**3,656**	7,880
Directors' fees	**5,016**	5,441
Insurance expenses	**2,192**	2,850
Repairs and maintenance expenses	**1,074**	1,542
Others	**35,174**	26,757
	256,785	238,834

21.1 This includes charge for end of service benefits amounting to SR 7.5 million (2019: SR 9.3 million) (see note 24).

21.2 During the year, the Government paid salaries to specific category of employees of the Company on account of SANED.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

22. FINANCE COSTS

	2020	2019
Interest on lease liabilities (note 6(b))	**5,867**	7,605
Interest on loans and borrowings	**4,408**	--
Bank and other charges	**5,258**	1,626
	15,533	9,231

23. ZAKAT

a) Zakat expense for the year

The significant components of Zakat base as per relevant GAZT regulations are as follows:

	2020	2019
Share capital	**1,880,000**	1,880,000
Statutory reserves	**499,025**	456,690
Retained earnings	**566,963**	539,683
Adjusted net (loss) / profit	**(192,276)**	552,453
Provisions made during the year	**624,710**	640,200
Dividend paid	**--**	(338,400)
Deduction against equity accounted investees	**(98,834)**	(129,824)
Deduction against the written down value of property and equipment, intangible assets and right-of-use assets	**(1,383,051)**	(1,477,603)
Zakat base	**1,896,537**	2,123,199
Non-saudi share of Zakat – 47.5%	**900,855**	1,008,520
Zakat @ 2.5% higher of adjusted net profit or Zakat base	**22,521**	25,213
Other provisions	**4,479**	5,287
Zakat expense for the year	**27,000**	30,500

The differences between the financial and the Zakatable results are due to certain adjustments in accordance with the relevant GAZT regulations.

b) Accrued Zakat

The movement in the accrued Zakat during the year is analysed as under:

	2020	2019
Balance at the beginning of the year	**106,503**	86,252
Charge for the year	**27,000**	30,500
Payments during the year	**(7,328)**	(10,249)
Balance at the end of the year	**126,175**	106,503

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

23. ZAKAT (continued)

c) Status of Zakat

The Company has filed a Zakat declaration up to the financial year ended 31 December 2019 with the General Authority of Zakat and Income Tax (GAZT). The Company also obtained Zakat certificate valid until 30 April 2021. The GAZT has issued the final Zakat assessment orders for the years from 2008 to 2011 with an additional liability of SR 0.9 million. However, the Company has filed an objection against this assessment. During the year, the GAZT issued initial Zakat assessments for the years from 2014 to 2018. The Company has filed an objection against GAZT assessments and is awaiting final response from GAZT.

24. EMPLOYEE BENEFITS

a) General description of the plan

The Company operates an approved unfunded employees' end of service benefits scheme/plan for its permanent employees as required by the Saudi Arabian Labour law. The amount recognised in the statement of financial position is determined as follows:

	2020	2019
Present value of defined benefit obligations	**557,791**	531,229

b) Movement in net defined benefit liability

Net defined benefit liability comprises only of defined benefit obligations. The movement in the defined benefit obligations over the year is as follows:

	2020	2019
Balance at the beginning of year	**531,229**	474,390
Included in statement of profit or loss:		
Current service costs	**60,022**	56,544
Interest costs	**19,827**	21,993
	79,849	78,537
Included in statement of other comprehensive income:		
Remeasurement (gain) / loss arising from:		
- Financial assumptions	**12,601**	(292)
- Experience adjustments	**(20,192)**	1,386
	(7,591)	1,094
Benefits paid	**(45,696)**	(22,792)
Balance at the end of the year	**557,791**	531,229

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

24. EMPLOYEE BENEFITS (continued)

c) As at 31 December 2020 and 31 December 2019, the valuation for the end of service liabilities was performed by an independent external firm of actuaries using the following key assumptions:

Key assumptions:	**2020**	2019
Discount rate	**3.10%**	3.90%
Future salary growth / Expected rate of salary increase	**3.50%**	3.50%
Retirement age	**60 years**	60 years

The weighted average duration of the defined benefit obligation is 12.95 years (2019: 12.64 years).

d) End of service benefits charge for the year has been allocated as follows:

	2020	2019
Costs of revenue (note 20.2)	**72,349**	69,196
Administrative expenses (note 21.1)	**7,500**	9,341
	79,849	78,537

e) **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:

		2020		2019	
Assumptions	**Change in the assumption by**	**Increase in liability by**	**Decrease in liability by**	Increase in liability by	Decrease in liability by
Discount rate	**1%**	**65,650**	**(78,840)**	61,029	(73,253)
Future salary growth	**1%**	**68,382**	**(80,745)**	63,749	(75,262)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

25. RELATED PARTY TRANSACTIONS AND BALANCES

The Company, in the normal course of business, enters into transactions with other entities that fall within the definition of a related party contained in International Accounting Standard 24. Related parties comprise of founding shareholders of the Company, being parent Companies, their subsidiaries and associates and other companies with common directorship with significant influence on other companies and key management personnel. Transactions with related parties arise mainly from services provided / received, supply of fuel, secondments and various business arrangements and are undertaken at approved contractual terms.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Due from related parties – significant transactions and balances under trade receivables:

			Amount of transactions		Closing balance	
Name	Relationship	Nature of transactions	**2020**	2019	**2020**	2019
Saudi Arabian Airlines Corporation	Parent Company	Services provided	**629,222**	1,305,574	**651,421**	440,760
Saudi Holding Company	Ultimate Parent Company	Services provided	--	615	**615**	615
Saudi Airlines Cargo Company	Fellow subsidiary	Services provided	**19,340**	22,608	**39,482**	20,589
Saudi Aerospace Engineering Industries	Fellow subsidiary	Services provided	**108,165**	10,842	**87,225**	--
Saudi Airlines Catering Company	Common shareholder	Services provided	**1,502**	3,554	**147**	--
Saudi Private Aviation	Fellow subsidiary	Services provided	**12,159**	17,276	**40,839**	33,041
Royal Fleet Services	Fellow subsidiary	Services provided	**77,775**	91,609	**166,707**	124,006
Flyadeal	Fellow subsidiary	Services provided	**81,051**	108,650	**55,567**	45,866
Saudi Airlines Logistics Cargo Company Limited	Fellow subsidiary	Services provided	**9,879**	--	**9,879**	--
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services provided	**1,499**	4,047	--	--
					1,051,882	664,877

The Company's revenues derived from services rendered to Saudi Arabian Airlines Corporation ("Saudia") amounted to approximately 50% (2019: 51%) of the total revenue.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

			Amount of transactions		Closing balance	
Name	Relationship	Nature of transactions	**2020**	2019	**2020**	2019
Saudia Holding Company	Ultimate Parent Company	Recharge of seconded staff costs and other charges	**11,679**	223,091	**308,738**	303,160
Saudi Arabian Airlines Corporation	Parent Company	Ticket advances	--	--	**17,405**	17,405
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Manpower and operational services	**Note 25 (c) & (d)**	--		
		Claim from GACA	**34,574**	--		
		Dividends	**20,935**	--	**48,095**	--
TLD Arabia Equipment Services	Joint venture	Share capital contribution (note 8)	**500**	--		
		Equipment maintenance services	**9,810**	--		
		Recharges of expenses	**18,364**	--	**10,805**	--
					385,043	320,565

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

			Amount of transactions		Closing balance	
Name	Relationship	Nature of transactions	**2020**	2019	**2020**	2019
Saudi Arabian Airlines Corporation	Parent Company	Services received	**5,854**	1,923	**708**	283
Saudi Airlines Catering Company	Common shareholder	Services received	**31,439**	25,195	**266**	--
Saudi Amad for Airport Services and Transport Support Company	Joint venture	Services received	**10,271**	10,141	**6,798**	--
Saudi Airlines Real Estate Development Company	Fellow subsidiary	Services received and other expenses	**584**	353	**508**	--
					8,280	283

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. 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 2020	Amount of transactions 2019	Closing balance 2020	Closing balance 2019
Saudi Arabian Airlines Corporation	Parent Company	Saudia staff and other related costs	**4,034**	44,401	**60,784**	90,488
Saudia Holding Company	Ultimate Parent Company	Recharge of seconded staff costs and other charges	**764**	--	**258**	--
Saudi Amad for Airport Services and Transport Support Company	Joint venture	Payment received on behalf of the Joint venture	**24,119**	43,545	**--**	14,170
Saudi Airlines Catering Company	Common shareholder	Services received	**Note 25(c)**	Note 25(c)	**15,378**	27,221
Saudi Aerospace Engineering Industries	Fellow subsidiary	Services received	**26,604**	45,516	**37,384**	29,513
Saudi Airlines Cargo Company	Fellow subsidiary	Expense claims	**--**	--	**861**	861
Saudi Arabia Real Estate Development Company	Fellow subsidiary	Expense claims	**Note 25(c)**	Note 25(c)	**1,299**	1,223
					115,964	163,476

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(e) Remuneration:

Following is the breakup of compensation paid to Board of Directors and remuneration paid to key management personnel:

Name	Nature of transactions	**2020**	2019
Key management personnel	Short term employee benefits	**8,000**	8,010
	End of service benefits	**311**	354
		8,311	8,364
Board of Directors	Directors' fees	**5,016**	5,441
		13,327	13,805

26. 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 relate to supply of fuel to the local and foreign airlines and other customers. Supply of fuel has not met the quantitative thresholds for reportable segments in the year 2019 and 2020. Accordingly, the management believes that the Company's business falls within a single reportable business segment and is subject to similar risks and returns.

27. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to contingencies disclosed in note 23, the Company has provided, in the normal course of business, bank guarantees amounting to SR 37.86 million (2019: SR 17.57 million) to the Ministry of Finance, Saudi Airlines, International Air Transport Association (IATA) and General Authority of Civil Aviation ("GACA"), towards tickets, tenders, airline ticket sales and rentals as at 31 December 2020. The Company's bank has earmarked bank balances of SR 0.1 million (2019: SR 0.1 million) as a lien against these guarantees.

Commitments amounting to SR 48.6 million (2019: SR 18.92 million) are in respect of capital expenditure committed but not paid.

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.

As at 31 December 2020, 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.

28. FINANCIAL INSTRUMENTS

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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value hierarchy

The Company's management regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services is used to measure fair values, then the evidence obtained from the third parties is assessed to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

When quoted prices are available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows;

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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 categorised 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 fair values of financial instruments are not materially different from their carrying values. At 31 December 2020, there were no financial instruments held by the Company that were measured at fair value, apart from investments at FVTPL.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

28. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	Level 1	Level 2	Level 3	Total
2020				
Investments at FVTPL				
- Mutual funds	--	**818,349**	--	**818,349**
- Equity securities	**158,330**	--	--	**158,330**
	158,330	**818,349**	--	**976,679**
2019				
Investments at FVTPL				
- Mutual funds	--	784,470	--	784,470
- Equity securities	159,461	--	--	159,461
	159,461	784,470	--	943,931

There were no transfers between levels of the fair value hierarchy during the year ended 31 December 2020 and 31 December 2019. Additionally, there were no changes in the valuation techniques.

The fair value of investments in mutual funds at level 2 is based on the net assets values communicated by the fund manager and the daily prices are available on Tadawul. The fair value of investments in equity securities at level 1 is based on quoted prices that are available on Tadawul.

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

2020	Carrying amount			
Description:	**Amortised cost**	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Total**
Financial assets not measured at fair value				
Cash at banks	**95,342**	--	--	**95,342**
Trade and other receivables	**1,604,424**	--	--	**1,604,424**
Financial assets measured at fair value				
Investments at FVTPL	--	**976,679**	--	**976,679**
Financial liabilities not measured at fair value				
Loans and borrowings	**494,087**	--	--	**494,087**
Trade and other payables	**609,023**	--	--	**609,023**
Lease liabilities	**122,347**	--	--	**122,347**

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

28. FINANCIAL INSTRUMENTS (continued)

2019	Carrying amount			
Description:	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Financial assets not measured at fair value:				
Cash at banks and short-term deposits	119,243	--	--	119,243
Trade and other receivables	1,322,696	--	--	1,322,696
Financial assets measured at fair value:				
Investments at FVTPL	--	943,931	--	943,931
Financial liabilities not measured at fair value:				
Trade and other payables	555,707	--	--	555,707
Lease liabilities	174,873	--	--	174,873

29. NEW STANDARDS AND AMENDMENTS TO STANDARDS

There are no new standards issued; however, the adoption of the following amendments to the existing standards had no significant financial impact on the financial statements of the Company on the current period or prior periods and is expected to have no significant effect in future periods:

- Amendments to references to conceptual framework in IFRS Standards
- Definition of a business (Amendment to IFRS 3)
- Definition of material (Amendment to IAS 1 and IAS 8)
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)
- COVID-19 – Related rent concessions (Amendment to IFRS 16)

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

30. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after 01 January 2021, and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these condensed interim financial statements.

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IAS 39, IFRS 4, 7, 9 and 16	Interest rate benchmark reform – phase 2	01 January 2021
IAS 37	Onerous contracts – cost of fulfilling a contract	01 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	01 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use	01 January 2022
IFRS 3	Reference to the conceptual framework	01 January 2022
IFRS 17	Insurance contracts	01 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	01 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations and amendments with effective date of 01 January 2021 will not have any material impact on the Company's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's financial statements on adoption.

31. FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market 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.

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units.

The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets, and any changes and compliance issues are reported to the Board of Directors through the audit committee.

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31. FINANCIAL RISK MANAGEMENT (continued)

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 audit committee oversees compliance by management with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework about the risks faced by the Company.

Financial instruments carried on the financial statements include cash and cash equivalents, trade and other receivables, investments at FVTPL, lease liabilities, loans and borrowings and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to risk on its trade and other receivables, investments at FVTPL and cash at banks.

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

	2020	2019
Trade receivables	**1,473,473**	1,136,034
Other receivables	**397,652**	331,067
Investments at FVTPL	**976,679**	943,931
Cash at banks	**95,342**	119,243
	2,943,146	2,530,275

Impairment loss

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 provision 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 based on 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.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Impairment loss (continued)

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables.

	Weighted average loss rate	Gross carrying amount	Impairment loss allowance
2020			
Low risk	**3.10%**	**720,719**	**22,333**
Fair risk	**11.22%**	**404,305**	**45,378**
Doubtful	**52.73%**	**316,172**	**166,713**
Loss	**100%**	**32,277**	**32,277**
		1,473,473	**266,701**
2019			
Low risk	2.75%	782,579	21,504
Fair risk	9.13%	145,187	13,254
Doubtful	44.71%	178,367	79,746
Loss	100%	29,901	29,901
		1,136,034	144,405

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 default of the counterparty, with a maximum exposure equal to the carrying amounts 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.

Concentration risk

The maximum gross exposure to credit risk for trade receivables including related parties by geographical region at the reporting date was:

	2020	2019
Gulf countries	**1,308,123**	940,154
Other Asian countries	**75,348**	110,893
Europe	**5,029**	8,669
Other regions	**84,973**	76,318
	1,473,473	1,136,034

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 (note 25(a)).

At 31 December 2020, trade receivables are mainly due from related parties (note 25(a)) and other trade receivables and are stated at their estimated realisable values. The ten largest non-related party customers account for 71% (2019: 64%) of outstanding gross other trade receivables. The financial position of the related parties is stable.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

The significant changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during 2020. The increase in trade receivables is mainly due to the impact of COVID-19 resulting in reduced collections from customers which has resulted in increase of impairment allowances as at the reporting date.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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 arrangements.

		Contractual cash flows		
Non-derivative financial liabilities	**Carrying amount**	**Less than one year**	**More than one year**	**Total**
2020				
Trade payables	**95,622**	**95,622**	--	**95,622**
Other payables (excluding advances)	**513,401**	**513,401**	--	**513,401**
Loans and borrowings	**494,087**	--	**528,602**	**528,602**
Lease liabilities	**122,347**	**41,977**	**95,435**	**137,412**
	1,225,457	**651,000**	**624,037**	**1,275,037**
2019				
Trade payables	21,141	21,141	--	21,141
Other payables (excluding advances)	534,566	534,566	--	534,566
Lease liabilities	174,873	44,880	145,511	190,391
	730,580	600,587	145,511	746,098

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 other price risk.

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows.

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

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Interest rate risk (continued)

	2020	2019
Variable rate instruments		
Financial assets		
- Investments at FVTPL – mutual funds	**818,349**	784,470
Financial liabilities		
- Loans and borrowings	**494,087**	--

Fair value sensitivity analysis for fixed interest rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by SR 3.24 million (2019: SR 7.84 million). This analysis assumes that all other variables, in particular, foreign currency rates, remain constant.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates for its transactions principally in Saudi Arabian Riyals, United States Dollars and Euro. The Company operates internationally and is exposed to foreign exchange risk. Currently, such exposures are mainly related to exchange rate movements between foreign currencies against Euros. The Company's management monitors such fluctuations and manages its effect on the financial statements accordingly.

The cash and cash equivalents, trade receivables, loans and borrowings and trade payables of the Company are denominated in Saudi Arabian Riyals.

Following is the gross financial position exposure classified into separate foreign currency:

	2020	2019
Euro		
Other payables	**3,175**	8,699

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Currency risk (continued)

Significant exchange rates applied during the year were as follows:

	2020		2019	
	Average rate	**Spot rate**	Average rate	Spot rate
Foreign currency per Saudi Riyal				
Euro	**0.23**	**0.22**	0.24	0.24

Sensitivity analysis

Every 1% increase or decrease in the exchange rate with all other variables held constant will decrease or increase profit or loss for the year by SR 0.03 million (2019: SR 0.09 million).

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is exposed to price risk which arises from investments at FVTPL. The management of the Company monitors the portfolio on a regular basis and all the significant decisions are approved by the Risk Management Committee.

Sensitivity analysis
Every 5% increase or decrease in the net asset value with all other variables held constant will decrease or increase profit or loss for the year by SR 48.8 million (2019: SR 47.2 million).

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 return on net assets and makes adjustments to it in the light of changes in economic conditions.

(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

31. FINANCIAL RISK MANAGEMENT (continued)

Capital risk management (continued)

	2020	2019
Total liabilities	**1,917,768**	1,377,164
Cash and cash equivalents	**(95,836)**	(119,849)
Net debt	**1,821,932**	1,257,315
Share capital	**1,880,000**	1,880,000
Reserves	**499,025**	499,025
Retained earnings	**120,159**	566,863
Shareholders' equity	**2,499,184**	2,945,888
Net debt to shareholders' equity ratio	**72.90%**	42.68%

32. IMPACT OF COVID-19

The COVID-19 pandemic ("COVID-19") 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.

For most of the 2020 financial year, 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 have significantly disrupted air travel.

More specifically, due to the outbreak of COVID-19, the domestic and international flights had been suspended in March 2020, except for cargo, evacuation and emergency flights. The domestic and international flights were gradually resumed in May 2020 and September 2020 respectively. International flights were resumed for visitors and residents on a limited scale; however, these flights were again suspended towards the latter half of December 2020. Subsequent to the year-end, international flights were resumed for a brief period. However, the aforementioned flights from limited destinations and specific routes were partially suspended during February 2021 until further notice.

The Company's revenue and operations are dependent upon the uninterrupted resumption of flights. However, due to the numerous measures initiated by Company and its existing liquidity position, the management has been able to mitigate the adverse impact of the COVID-19 outbreak on the Company, its financial position and operating results. The Company's focus on preserving liquidity, restructuring its cost base, and protecting its balance sheet has positioned it well to prepare itself for ongoing disruption to travel demand and for the eventual recovery.

The Company has actively responded to changes in market demand, timely adjusted its operation strategy, and vigorously reduced various costs during 2020. In the coming periods, the Company will continue to focus on cash preservation and expects to reduce cash outflows. Besides reducing capital expenditure, the activated measures also included the deferral and suspension of activities that are not critical to business continuity and to meet customer and compliance commitments. Additionally, all non-essential spending has been temporarily halted, and existing contracts and payment terms with the majority of its vendors have been re-evaluated to further augment its strong liquidity position.

32. IMPACT OF COVID-19 (continued)

Key highlights of the measures taken with respect to these aspects are described below:

- Formation of sub-committees for active monitoring of the situation.
- Identified areas for cost optimization, such as employee related costs, subcontracting costs, non-essential capital expenditure and other austerity measures.
- Opted for the SANED program.
- Arranged financial facilities from various commercial banks.

During the year, the Company has signed loan facilities amounting to SR 2,000 million to meet its working capital requirements (refer note 13).

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.

Based on the measures initiated by the management, the Company's cash flow forecast for the foreseeable future, including the 12 months from the reporting date, depicts a net favorable cash flow position. As such, the Company expects to meet its obligations as and when they fall due without a need for curtailing its core operations. In preparing its forecast, the Company has considered all reasonably probable cashflows with such timing and amount as supported by the circumstances and facts available as of the date of issuance of these financial statements. Moreover, the Company has also considered various scenarios to assess the sensitivity of key assumptions used. As the situation related to the COVID-19 outbreak is very dynamic, and the above measures initiated by management are still in progress, their outcomes are uncertain at this stage.

The management and those charged with governance carried out a comprehensive assessment of the directional impact of COVID-19 on the Company's core operations. The impact assessment due to uncertainties caused by COVID-19 as at 31 December 2020 are as follows:

- *Provision for expected credit losses ("ECLs") of trade receivables*

  ECLs were estimated based on a range of forecast economic conditions as at 31 December 2020. Considering that the situation is fast evolving, the Company has taken the impact of higher volatility in the forward-looking macro-economic factors (such as GDP forecast and industry outlook), when determining the severity and likelihood of economic scenarios for ECL determination. The management updated the relevant forward-looking information and the relevant macroeconomic scenarios relative to the economic climate of the market in which it operates. Accordingly, an allowance for expected credit losses on trade receivables amounting to SR 267 million has been recognised as at 31 December 2020.

32. IMPACT OF COVID-19 (continued)

- *Impairment of non-financial assets*

  The Company assessed whether there are any impairment indicators for all non-financial assets as at 31 December 2020. The Company estimated the expected future cash flows from the assets or cash-generating units and used multiple, probability-weighted cash flow projections due to dynamic and fluid situation and considered the macroeconomic outlook to calculate the present value of those cash flows after applying a discount rate. The Company has engaged an independent expert to perform an impairment analysis in relation to the fair value of the Company's goodwill and customer relationships, as at 31 December 2020. The Company has made a robust assessment of impairment of non-financial assets considering the degree of estimation uncertainty that existed in estimating the recoverable amount and the sensitivity of the recoverable amount to reasonably possible changes to key assumptions. Due to the headroom available, no impact of impairment loss on property and equipment, right-of-use assets and intangible assets has been recognised as at 31 December 2020.

- *Fair value of investments at FVTPL*

  During the year, the Company recognised an unrealized gain amounting to SR 5.3 million due to an increase in the fair value of its investments at FVTPL. Management is closely monitoring the situation keeping into consideration the uncertainties caused by COVID-19. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

- *Revenue*

  During the year, the Company experienced a decline in its revenue due to the unprecedented reduction in the demand for air travel, which has reduced demand for the Company's services. However, due to resumption in domestic flights, the Company experienced a partial recovery in its operations. Management is closely monitoring the situation and has incorporated the potential effects of revenue decline in future forecasts and cashflow projections.

The Company considered potential impacts of the current economic volatility in determining the reported amounts of the Company's financial and non-financial assets. The Company has no significant debts maturing in the next 12 months and has a strong liquidity position, which will assist in mitigating any further market volatility. 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.

Furthermore, the management cannot preclude the possibility that extended periods of economic strain on the economic environment the Company operates in, may have a potential effect on the Company, and its financial position and operating results, in the medium and longer-term. The change in circumstances may require further enhanced disclosures in the financial statements of the Company for subsequent periods.

33. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end, that would require disclosures or adjustments in these financial statements, except as disclosed in note 32.

34. BOARD OF DIRECTORS' APPROVAL

The financial statements were approved and authorized for issue by the Board of Directors on 23 Rajab 1442H, corresponding to 7 March 2021.

Chief Financial Officer	Chief Executive Officer	Chairman