

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

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

For the three-month and nine-month periods ended 30 September 2021

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2021

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KPMG Professional Services

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

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية

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

سجل تجاري رقم 4030290792

Independent Auditor's Report on review of condensed interim financial statements: To the Shareholders of Saudi Ground Services Company

Introduction

We have reviewed the accompanying 30 September 2021 condensed interim financial statements of Saudi Ground Services Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2021;
- the condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2021;
- the condensed statement of changes in shareholders' equity for the nine-month period ended 30 September 2021;
- the condensed statement of cash flows for the nine-month period ended 30 September 2021; and
- the notes to the condensed interim financial statements.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2021 condensed interim financial statements of Saudi Ground Services Company is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services

Nasser Ahmed Al Shutairy
License No. 454



Jeddah, 05 Rabi Al Akhar 1443H
Corresponding to 10 November 2021

KPMG Professional Services, a professional closed joint stock company registered in the Kingdom of Saudi Arabia. With the paid-up capital of (25,000,000) SAR. (Previously known as "KPMG Al Fozan & Partners Certified Public Accountants") A non-partner member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

كي بي إم جي للاستشارات المهنية شركة مهنية مساهمة مغلقة، مسجلة في المملكة العربية السعودية، رأس ماله (25,000,000) ريال سعودي مدفوع بالكامل، المسماة سابقاً "شركة كي بي إم جي الفوزان وشركاه محاسبون ومراجعون قانونيون". و هي عضو غير شريك في الشبكة العالمية لشركات كي بي إم جي المستقلة والتابعة لـ كي بي إم جي العالمية المحدودة، شركة انجليزية محدودة بضمان. جميع الحقوق محفوظة

Commercial Registration of the headquarter in Riyadh is 1010425494.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

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

	Notes	30 September 2021 (Unaudited)	31 December 2020 (Audited)
ASSETS			
Property and equipment	4	526,434	525,695
Right-of-use assets	5	138,665	130,885
Intangible assets and goodwill	6	821,707	848,818
Equity-accounted investees	7	71,127	98,834
Trade receivables	8	9,981	58,952
Prepayments and other receivables		4,264	2,408
Non-current assets		1,572,178	1,665,592
Inventories		727	140
Trade receivables	8	1,298,366	1,147,820
Prepayments and other receivables		553,992	530,885
Investments at fair value through profit or loss (FVTPL)	9	1,388,687	976,679
Cash and cash equivalents	10	136,641	95,836
Current assets		3,378,413	2,751,360
Total assets		4,950,591	4,416,952
SHAREHOLDERS' EQUITY			
Share capital	11	1,880,000	1,880,000
Statutory reserve	12	499,025	499,025
(Accumulated losses) / retained earnings		(33,183)	120,159
Total shareholders' equity		2,345,842	2,499,184
LIABILITIES			
Loans and borrowings	13	1,089,466	494,087
Lease liabilities	5	94,821	80,370
Employee benefits	16	590,535	557,791
Non-current liabilities		1,774,822	1,132,248
Loans and borrowings	13	156,250	--
Lease liabilities	5	36,505	41,977
Trade payables		78,388	95,622
Other payables		411,984	521,746
Accrued Zakat	19	146,800	126,175
Current liabilities		829,927	785,520
Total liabilities		2,604,749	1,917,768
Total shareholders' equity and liabilities		4,950,591	4,416,952

Chief Financial Officer

Chief Executive Officer

Chairman


The notes on pages from 6 to 33 form an integral part of these condensed interim financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three-month and nine-month periods ended 30 September 2021
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	For the three-month period ended		For the nine-month period ended	
		30 September 2021	30 September 2020	30 September 2021	30 September 2020
Revenue	15	420,692	267,901	1,168,469	895,165
Costs of revenue		(363,757)	(278,125)	(1,043,077)	(928,125)
Gross profit / (loss)		56,935	(10,224)	125,392	(32,960)
Other income		3,236	128	8,266	533
Administrative expenses		(67,447)	(68,936)	(200,559)	(186,438)
Impairment loss on trade receivables	8	(21,500)	(17,857)	(37,000)	(82,336)
Operating loss		(28,776)	(96,889)	(103,901)	(301,201)
Finance costs		(8,521)	(4,071)	(22,603)	(7,475)
Gain on investments at FVTPL	9	10,440	20,183	16,782	14,746
Share of (loss) / profit from investment in equity-accounted investees	7	(503)	737	(15,493)	(22,022)
Loss before zakat		(27,360)	(80,040)	(125,215)	(315,952)
Zakat charge	19	(16,127)	(6,750)	(28,127)	(20,250)
Loss for the period		(43,487)	(86,790)	(153,342)	(336,202)
Other comprehensive income		--	--	--	--
Total comprehensive loss for the period		(43,487)	(86,790)	(153,342)	(336,202)
Loss per share					
Basic and diluted (in SR)	14	(0.23)	(0.46)	(0.82)	(1.79)


Chief Financial Officer


Chief Executive Officer


Chairman

The notes on pages from 6 to 33 form an integral part of these condensed interim financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the nine-month period ended 30 September 2021

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

	Share capital	Statutory reserve	(Accumulated losses) / retained earnings	Total shareholders' equity
Balance at 01 January 2020	1,880,000	499,025	566,863	2,945,888
<u>Total comprehensive loss:</u>				
Loss for the period	--	--	(336,202)	(336,202)
Balance at 30 September 2020 (Unaudited)	1,880,000	499,025	230,661	2,609,686
Balance at 01 January 2021	1,880,000	499,025	120,159	2,499,184
<u>Total comprehensive loss:</u>				
Loss for the period	--	--	(153,342)	(153,342)
Balance at 30 September 2021 (Unaudited)	1,880,000	499,025	(33,183)	2,345,842


 Chief Financial Officer


 Chief Executive Officer


 Chairman

The notes on pages from 6 to 33 form an integral part of these condensed interim financial statements.

SAUDI GROUND SERVICES COMPANY

(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the nine-month period ended 30 September 2021

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

	Notes	30 September 2021	30 September 2020
Cash flows from operating activities:			
Loss for the period		(153,342)	(336,202)
<i>Adjustments for:</i>			
Depreciation on property and equipment	4	70,592	82,099
Depreciation on right-of-use assets	5	30,482	40,339
Amortisation	6	27,111	27,136
Share of loss on investment in equity-accounted investees	7	15,493	22,022
Impairment loss on trade receivables	8	37,000	82,336
Gain on investments at FVTPL	9	(16,782)	(14,746)
Gain on disposal of property and equipment		(4,145)	--
Finance costs		22,603	7,475
Zakat	19	28,127	20,250
		<u>57,139</u>	<u>(69,291)</u>
<i>Changes in:</i>			
Inventories		(587)	(333)
Trade receivables		(138,575)	(192,752)
Prepayments and other receivables		(24,963)	(86,462)
Trade payables		(17,233)	60,082
Other payables		(121,411)	(10,504)
Employee benefits		32,744	33,985
Cash used in operating activities		<u>(212,886)</u>	<u>(265,275)</u>
Finance costs paid		(5,573)	(7,475)
Zakat paid	19	(7,502)	(7,328)
Net cash used in operating activities		<u>(225,961)</u>	<u>(280,078)</u>
Cash flows from investing activities:			
Additions to property and equipment	4	(74,082)	(40,749)
Proceeds from disposal of property and equipment		6,896	--
Investment in equity-accounted investee	7	(9,375)	--
Proceeds from disposal of investments at FVTPL		50,000	600,000
Investments at FVTPL	9	(450,000)	(125,000)
Dividends received from equity-accounted investee	7	21,589	20,935
Dividends received from investments at FVTPL	9	4,774	3,183
Net cash (used in) / generated from investing activities		<u>(450,198)</u>	<u>458,369</u>
Cash flows from financing activities:			
Proceeds from long-term bank loans	13	750,000	493,543
Repayments of lease liabilities	5	(33,036)	(43,169)
Net cash generated from financing activities		<u>716,964</u>	<u>450,374</u>
Net increase in cash and cash equivalents		40,805	628,665
Cash and cash equivalents at beginning of the period	10	95,836	119,849
Cash and cash equivalents at end of the period	10	<u>136,641</u>	<u>748,514</u>

Chief Financial Officer

Chief Executive Officer

Chairman

The notes on pages from 6 to 33 form an integral part of these condensed interim financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

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 Company's parent 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 the 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 the public during the subscription period from 03 June 2015 (corresponding to 15 Shabaan 1436H) to 09 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 the successful completion of Initial Public Offering (IPO), the Company was declared as a Saudi Joint Stock Company.
- 1.5 The Company is engaged in providing ground handling services, aircraft cleaning, passenger handling, baggage, and fuel to Saudi Arabian Airlines Corporation, other local and foreign airlines, and other customers 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 (see note 7).
- 1.8 As at the reporting date, the Company holds 50% ownership interest in TLD Arabia Equipment Services ("TLDAES"), a joint venture. Accordingly, the Company has classified its interest in TLDAES as a joint venture. The primary objective of TLDAES is to provide ground handling equipment maintenance services in all airports in the Kingdom of Saudi Arabia (see note 7).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”) and should be read in conjunction with the Company’s annual financial statements as at and for the year ended 31 December 2020 (“last annual financial statements”).

These condensed interim financial statements do not include all of the information required for a complete set of financial statements. However, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements. In addition, results for the interim period ended 30 September 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021.

2.2 Basis of measurement

These condensed interim 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 recognized at the present value of future obligations using Projected Unit Credit Method. Further, the condensed interim financial statements are prepared using the accrual basis of accounting and the going concern assumption.

Certain comparative figures have been reclassified to conform to the current period’s presentation.

2.3 Functional and presentation currency

These condensed interim 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 thousands unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability in the future periods. Actual results may differ from these estimates.

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

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation of uncertainty were the same as those described in the last annual financial statements, except as disclosed in note 25.

SAUDI GROUND SERVICES COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied in these condensed interim financial statements are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2020.

4. PROPERTY AND EQUIPMENT

a) Reconciliation of carrying amounts:

	Nine-month period ended 30 September 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Carrying amount at beginning of the period / year	525,695	592,538
Additions during the period / year	74,082	41,928
Disposals during the period / year	(2,751)	--
Depreciation charge for the period / year	(70,592)	(108,771)
Carrying amount at the end of the period / year	526,434	525,695

b) Category-wise carrying amounts are as follows:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Land	27,464	27,464
Leasehold improvements	12,970	14
Airport equipment	420,700	437,832
Motor vehicles	142	352
Furniture, fixture and equipment	4,943	6,333
Computer equipment	2,752	2,982
Capital work-in-progress	57,463	50,718
Carrying amount at the end of the period / year	526,434	525,695

c) Capital work-in-progress mainly relates to the advances made towards the purchase of specialised airport equipment.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

5. LEASES

a) Right-of-use assets:

	Nine-month period ended 30 September 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Carrying amount at beginning of the period / year	130,885	182,996
Additions during the period / year	38,714	54,995
Derecognition during the period / year	(452)	(55,246)
Depreciation charge for the period / year	(30,482)	(51,860)
	<u>138,665</u>	<u>130,885</u>
Carrying amount at the end of the period / year	<u>138,665</u>	<u>130,885</u>

b) Lease liabilities:

	Nine-month period ended 30 September 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Carrying amount at the beginning of the period / year	122,347	174,873
Additions during the period / year	38,714	54,995
Derecognition during the period / year	(467)	(54,889)
Interest expenses for the period / year	3,768	5,867
Payments during the period / year	(33,036)	(58,499)
	<u>131,326</u>	<u>122,347</u>
Carrying amount at the end of the period / year	<u>131,326</u>	<u>122,347</u>

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

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Non-current portion of lease liabilities	94,821	80,370
Current portion of lease liabilities	<u>36,505</u>	<u>41,977</u>
Carrying amount at the end of the period / year	<u>131,326</u>	<u>122,347</u>

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

6. INTANGIBLE ASSETS AND GOODWILL

Reconciliation of carrying amounts:

	<u>Goodwill</u>	<u>Customer contracts</u>	<u>Customer relationships</u>	<u>Software</u>	<u>Total</u>
<u>Cost:</u>					
Balance at 31 December 2020 and 30 September 2021	582,816	153,179	468,475	64,117	1,268,587
<u>Accumulated amortisation:</u>					
Balance at 01 January 2020	--	153,179	210,815	19,528	383,522
Amortisation for the year	--	--	23,424	12,823	36,247
Balance at 31 December 2020	--	153,179	234,239	32,351	419,769
Balance at 01 January 2021	--	153,179	234,239	32,351	419,769
Amortisation for the period	--	--	17,520	9,591	27,111
Balance at 30 September 2021	--	153,179	251,759	41,942	446,880
<u>Carrying amounts</u>					
At 31 December 2020 (Audited)	582,816	--	234,236	31,766	848,818
At 30 September 2021 (Unaudited)	582,816	--	216,716	22,175	821,707

7. EQUITY ACCOUNTED INVESTEEES

a) The investments in equity accounted investees as at 30 September 2021 are as follows:

<u>Name</u>	<u>Country of incorporation / principal place of business</u>	<u>Effective ownership interest (%)</u>		<u>Carrying value</u>	
		<u>30 September 2021</u> (Unaudited)	<u>31 December 2020</u> (Audited)	<u>30 September 2021</u> (Unaudited)	<u>31 December 2020</u> (Audited)
Saudi Amad for Airport Services and Transport Support Company ("SAAS")	Kingdom of Saudi Arabia	50%	50%	59,687	97,654
TLD Arabia Equipment Services ("TLDAES")	Kingdom of Saudi Arabia	50%	50%	11,440	1,180
				71,127	98,834

SAUDI GROUND SERVICES COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

7. EQUITY ACCOUNTED INVESTEEES (continued)

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

	Nine-month period ended 30 September 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Balance at beginning of the period / year	98,834	141,567
Investment during the period / year (note 7(c))	9,375	500
Share of loss for the period / year	(15,493)	(22,298)
Dividends (note 7(e))	(21,589)	(20,935)
Balance at end of the period / year	<u>71,127</u>	<u>98,834</u>

- c) During the nine-month period 30 September 2021, the Company injected additional paid-in capital of SR 9.37 million in TLDAES on 25 Shaban 1442H, corresponding to 07 April 2021.
- d) These numbers are based on the management accounts of SAAS and TLDAES for the nine-month period ended 30 September 2021.
- e) During the nine-month period 30 September 2021, SAAS announced dividends amounting to SR 43.178 million. Accordingly, the Company recorded 50% of the dividend in accordance with its percentage of shareholding in SAAS.
- f) The equity-accounted investees applied the same accounting policies as applied by the Company in these condensed interim financial statements.

8. TRADE RECEIVABLES

Trade receivables as at 30 September 2021 is as follows:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Due from related parties (note 17(a))	1,168,285	1,051,882
Other trade receivables	443,763	421,591
	<u>1,612,048</u>	<u>1,473,473</u>
Less: non-current	(9,981)	(58,952)
Current trade receivables	1,602,067	1,414,521
Less: allowance for impairment losses	(303,701)	(266,701)
	<u>1,298,366</u>	<u>1,147,820</u>

SAUDI GROUND SERVICES COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

8. TRADE RECEIVABLES (continued)

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

	Nine-month period ended 30 September 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Balance at beginning of the period / year	266,701	144,405
Charge for the period / year	37,000	127,524
Allowance written-off during the period / year	--	(5,228)
	<u>303,701</u>	<u>266,701</u>

For the Company's exposure to credit risk and impairment loss in trade receivables (see note 24).

9. 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:

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Mutual funds	1,225,833	818,349
Quoted equity securities	162,854	158,330
	<u>1,388,687</u>	<u>976,679</u>

a) Movement in investments at FVTPL is as follows:

	Nine-month period ended 30 September 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Balance at beginning of the period / year	976,679	943,931
Investments made during the period / year	450,000	624,000
Disposal of investments during the period / year	(49,744)	(596,600)
Unrealized fair value gain during the period / year (note 9(b))	11,752	5,348
	<u>1,388,687</u>	<u>976,679</u>

At 30 September 2021, 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 21).

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

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

b) During the period ended 30 September 2021, income on investments at FVTPL is as follows:

	30 September 2021	30 September 2020
Gain on investments at FVTPL		
- Realized gain	256	4,692
- Unrealized gain	11,752	6,871
	<u>12,008</u>	<u>11,563</u>
Dividend income on investments in quoted equity securities	4,774	3,183
	<u>16,782</u>	<u>14,746</u>

10. CASH AND CASH EQUIVALENTS

	30 September 2021 (Unaudited)	31 December 2020 (Audited)
Cash in hand	532	494
Cash at banks - current accounts	136,109	95,342
	<u>136,641</u>	<u>95,836</u>

11. SHARE CAPITAL

At 30 September 2021, the authorized, issued, and paid-up share capital of SR 1,880 million consists of 188 million fully paid shares of SR 10 each (31 December 2020: SR 1,880 million consists of 188 million shares of SR 10 each).

12. STATUTORY RESERVE

In accordance with the Company's By-laws, the Company sets aside 10% of its net total comprehensive 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.

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13. LOANS AND BORROWINGS

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

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Long-term bank loans	1,245,716	494,087
Current portion of long-term bank loans	(156,250)	--
Non-current portion of long-term bank loans	<u>1,089,466</u>	<u>494,087</u>

During the year ended 31 December 2020, the Company 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 is repayable over a period of three years on flexible repayment terms. The Company has paid a management fee of SR 7 million to obtain the facility in accordance with the agreed terms of the loan agreement. The loan is secured by an order note.

During the year ended 31 December 2020, the Company signed a loan agreement with a local commercial bank for a value of SR 750 million. On 9 February 2021, the Company has withdrawn SR 500 million from the available facility. This loan bears financial charges based on prevailing market rates. The loan is repayable over a period of 3 years in 8 equal quarterly instalments starting from May 2022. The loan is secured by an order note.

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

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

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share is as follows:

	30 September <u>2021</u>	30 September <u>2020</u>
Loss for the period attributable to the shareholders of the Company (SR '000')	<u>(153,342)</u>	<u>(336,202)</u>
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	<u>188,000</u>	<u>188,000</u>
Basic and diluted loss per share based on loss for the period attributable to shareholders of the Company (SR)	<u>(0.82)</u>	<u>(1.79)</u>

Basic loss per share have been computed by dividing the loss attributable to shareholders of the Company by the weighted average number of shares outstanding.

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14. LOSS PER SHARE (continued)

Diluted loss per share have been computed by dividing the loss 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 per share do not differ from the basic loss per share.

15. REVENUE

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

	30 September <u>2021</u>	30 September <u>2020</u>
<i>Revenue by categories:</i>		
Rendering of services	1,158,033	887,451
Sale of goods	<u>10,436</u>	<u>7,714</u>
	<u>1,168,469</u>	<u>895,165</u>
<i>Revenue by the type of customers:</i>		
Revenue from related parties (note 17(a))	937,248	665,003
Revenue from other local and foreign customers	<u>231,221</u>	<u>230,162</u>
	<u>1,168,469</u>	<u>895,165</u>
<i>Revenue by the geographical locations:</i>		
Jeddah	367,592	294,266
Riyadh	401,528	275,086
Dammam	124,059	82,298
Madina	34,582	45,329
Others	<u>240,708</u>	<u>198,186</u>
	<u>1,168,469</u>	<u>895,165</u>

16. 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 recognized in the statement of financial position is determined as follows:

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Present value of defined benefit obligations	<u>590,535</u>	<u>557,791</u>

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16. EMPLOYEE BENEFITS (continued)

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 period / year is as follows:

	Nine-month period ended 30 September 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Balance at the beginning of the period / year	557,791	531,229
<i><u>Included in statement of profit or loss:</u></i>		
Current service costs	45,749	60,022
Interest costs	12,687	19,827
	58,436	79,849
<i><u>Included in statement of other comprehensive income:</u></i>		
Remeasurement loss arising from:		
- Financial assumptions	--	12,601
- Experience adjustments	--	(20,192)
	--	(7,591)
Benefits paid	(25,692)	(45,696)
Balance at the end of period / year	590,535	557,791

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

Key assumptions:

Discount rate	3.10%
Future salary growth / Expected rate of salary increase	3.50%
Retirement age	60 years

The weighted average duration of the defined benefit obligation is 12.95 years.

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17. 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, secondments, and various business arrangements and are undertaken at approved contractual terms.

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

Name	Relationship	Nature of transactions	30 September 2021	30 September 2020	30 September 2021 (Unaudited)	31 December 2020 (Audited)
			Amount of transactions for the period ended		Closing balances	
Saudi Arabian Airlines Corporation	Parent Company	Services provided	695,724	459,122	615,690	651,421
Saudi Airlines Cargo Company	Fellow subsidiary	Services provided	11,344	14,292	50,826	39,482
Saudia Aerospace Engineering Industries	Fellow subsidiary	Services provided	85,797	57,284	155,077	87,225
Saudi Airlines Catering Company	Common shareholder	Services provided	1,550	1,138	1,118	147
Saudi Private Aviation	Fellow subsidiary	Services provided	10,712	8,796	51,551	40,839
Royal Fleet Services	Fellow subsidiary	Services provided	54,368	60,454	194,013	166,707
Saudia Holding Company	Ultimate Parent Company	Services provided	--	--	615	615
Flyadeal	Fellow subsidiary	Services provided	71,233	54,259	97,389	55,567
Saudi Airlines Logistics Cargo Company Limited	Fellow subsidiary	Services provided	1,087	8,511	2,006	9,879
TLD Arabia Equipment Services	Joint venture	Services provided	111	--	--	--
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services provided	5,322	1,147	--	--
					1,168,285	1,051,882

The Company's revenues derived from services rendered to Saudi Arabian Airlines Corporation ("Saudia") amounted to approximately 60% (30 September 2020: 51%) of the total revenue.

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	30 September 2021	30 September 2020	30 September 2021 (Unaudited)	31 December 2020 (Audited)
			Amount of transactions for the period ended		<u>Closing balances</u>	
Saudia Holding Company	Ultimate Parent Company	Recharge of seconded staff costs and other charges	--	11,679	308,738	308,738
Saudi Arabian Airlines Corporation	Parent Company	Ticket and other advances	--	--	17,405	17,405
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Manpower & Operational Services Expenses incurred on behalf the related party Dividends (note 7(e))	Note 17 (c) &(d) 7,615 21,589	Note 17 (c) &(d) 34,574 20,935	 71,679	 48,095
TLD Arabia Equipment Services	Joint venture	Services received	--	--	--	10,805
					397,822	385,043

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	30 September <u>2021</u>	30 September <u>2020</u>	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
			<u>Amount of transactions for the period ended</u>		<u>Closing balances</u>	
Saudi Arabian Airlines Corporation	Parent Company	Services received	8	317	713	708
Saudi Airlines Catering Company	Common shareholder	Services received	20,000	26,670	2,346	266
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services received	4,722	7,392	--	6,798
Saudia Aerospace Engineering Industries	Fellow subsidiary	Services received	350	21,767	--	--
TLD Arabia Equipment Services	Joint venture	Maintenance services	Note 17 (d)	--	18,262	--
Saudi Airlines Real Estate Development Company	Fellow subsidiary	Services received	508	565	--	508
					21,321	8,280

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	30 September <u>2021</u>	30 September <u>2020</u>	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
			<u>Amount of transactions for the period ended</u>		<u>Closing balances</u>	
Saudi Arabian Airlines Corporation	Parent Company	Saudia staff and other related charges	--	3,878	57,100	60,784
Saudia Holding Company	Ultimate Parent Company	Recharge of seconded staff costs and other charges	--	--	258	258
Saudi Amad for Airport Services and Transport Support Company	Joint venture	Services rendered by Joint Venture	29,596	15,191	--	--
Saudi Airlines Catering Company	Common shareholder	Services received	Note 17(c)	Note 17(c)	16,522	15,378
Saudia Aerospace Engineering Industries	Fellow subsidiary	Services received	Note 17(c)	Note 17(c)	19,038	37,384
Saudi Airlines Cargo Company	Fellow subsidiary	Expense claims	--	--	861	861
TLD Arabia Equipment Services	Joint venture	Maintenance services	88,313	--	30,157	--
Saudi Airlines Real Estate Development Company	Fellow subsidiary	Expense claims	Note 17(c)	Note 17(c)	792	1,299
					124,728	115,964

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17. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

e) Remuneration:

<u>Name</u>	<u>Nature of transactions</u>	30 September 2021	30 September 2020
Key management personnel	Short term employee benefits	7,452	6,631
	End of service benefits	245	258
		7,697	6,889
Board of Directors	Directors' fees	3,773	3,839
		11,470	10,728

18. OPERATING SEGMENTS

The Company's primary format for segmental reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. The Company is principally involved in providing ground handling services to local and foreign airlines at all airports in the Kingdom of Saudi Arabia. Other operations are related to the supply of fuel and other services to the local and foreign airlines and other customers. The operations related to supply of fuel and other services has not met the quantitative thresholds for reportable segments for the nine-month period ended 30 September 2021 and 30 September 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.

19. ZAKAT

a) **Charge for the period**

Zakat for the period ended comprise the following:

	30 September 2021	30 September 2020
Charge for the period	28,127	20,250

Zakat is payable at the rate of 2.5% of higher of Zakat base and adjusted net income / (losses) for the period.

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19. ZAKAT (continued)

b) Accrued Zakat

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

	Nine-month period ended 30 September 2021 (Unaudited)	Year ended 31 December 2020 (Audited)
Balance at the beginning of the period / year	126,175	106,503
Charge for the period / year	28,127	27,000
Payments during the period / year	(7,502)	(7,328)
	<u>146,800</u>	<u>126,175</u>
Balance at the end of the period / year	146,800	126,175

c) Status of Zakat

The Company has filed a Zakat declaration up to the financial year ended 31 December 2020 with the Zakat, Tax and Customs Authority (formerly known as "the General Authority of Zakat and Income Tax") ("Authority" or "ZATCA") and obtained Zakat certificate valid until 30 April 2022. The ZATCA 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 these assessments. During the year ended 31 December 2020, the ZATCA issued final Zakat assessments for the years from 2014 to 2018 and the Company filed an objection against these assessments. During the period ended 30 September 2021, ZATCA issued its decision subsequent to submission of the objection for the above years. The Company filed an appeal against ZATCA's decision before GSTC ("General Secretariat of Tax Committees") first level and is awaiting a final response on the appeal.

Subsequent to the period end, the ZATCA also issued final Zakat assessments for the years 2019 and 2020. The Company is in progress of filing appeal against these assessments within the prescribed deadline.

20. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to contingencies disclosed in note 19, the Company has provided, in the ordinary course of business, bank guarantees amounting to SR 14.22 million (31 December 2020: SR 37.86 million) to the Ministry of Finance, Saudi Arabian Airlines Corporation, International Air Transport Association (IATA) and General Authority of Civil Aviation ("GACA"), in respect of tickets, airline ticket sales, and rentals as at 30 September 2021. The Company's bank has earmarked bank balances of SR Nil (31 December 2020: SR 0.1 million) as a lien against these guarantees.

Commitments amounting to SR 24.9 million (31 December 2020: SR 48.6 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 contractually agreed fees on each domestic and international trip in King Abdul Aziz International Airport from 01 November 2019 onwards. Currently, management's discussions on this matter are ongoing with GACA. Consequently, it is difficult to estimate the related liability as at the reporting date.

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20. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

As at 30 September 2021, there are cases filed by laborers 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.

21. 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 categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

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21. FINANCIAL INSTRUMENTS (continued)

The fair values of financial instruments are not materially different from their carrying values. At 30 September 2021, there were no financial instruments held by the Company that was measured at fair value, apart from investments at FVTPL.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
30 September 2021 (Unaudited)				
Investments at FVTPL				
- Mutual funds	--	1,225,833	--	1,225,833
- Equity securities	162,854	--	--	162,854
	<u>162,854</u>	<u>1,225,833</u>	<u>--</u>	<u>1,388,687</u>
31 December 2020 (Audited)				
Investments at FVTPL				
- Mutual funds	--	818,349	--	818,349
- Equity securities	158,330	--	--	158,330
	<u>158,330</u>	<u>818,349</u>	<u>--</u>	<u>976,679</u>

There were no transfers between levels of the fair value hierarchy during the nine-month period ended 30 September 2021 and the year ended 31 December 2020. 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 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.

<u>30 September 2021 (Unaudited)</u>	<u>Carrying amount</u>			<u>Total</u>
	<u>Amortised cost</u>	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
Description:				
Financial assets not measured at fair value:				
Cash at banks	136,109	--	--	136,109
Trade and other receivables	1,720,713	--	--	1,720,713
Financial assets measured at fair value:				
Investments at FVTPL	-	1,388,687	--	1,388,687
Financial liabilities not measured at fair value:				
Loans and borrowings	1,245,716	--	--	1,245,716
Trade and other payables	481,036	--	--	481,036
Lease liabilities	131,326	--	--	131,326

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21. FINANCIAL INSTRUMENTS (continued)

31 December 2020 (Audited)

<u>Description:</u>	<u>Carrying amount</u>			<u>Total</u>
	<u>Amortised cost</u>	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
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

22. NEW STANDARDS AND AMENDMENTS TO STANDARDS

The following amendments to existing standards and framework have been applied by the Company in preparation of these condensed interim financial statements. The adoption of the below did not result in changes to previously reported net profit or equity of the Company.

Description	Effective from
Interest Rate Benchmark Reforms Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	01 January 2021

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23. STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new pronouncements are effective for annual periods beginning on or after 01 January 2022, and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these condensed interim financial statements.

<i><u>Standard / Interpretation</u></i>	<i><u>Description</u></i>	<i><u>Effective from periods beginning on or after the following date</u></i>
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 16	COVID19 Related Rent Concessions Beyond 30 June 2021	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
IAS 8	Definition of Accounting Estimate – Amendment	01 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	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

24. FINANCIAL RISK MANAGEMENT

Financial risk management

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

- Credit risk
- Market risk
- Liquidity risk

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

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 most important types of risk are market risk, credit risk, and liquidity risk.

The Board of Directors has overall responsibility for the 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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24. 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 condensed interim financial statements include cash and cash equivalents, trade and other receivables, investments at FVTPL, trade and other payables, loans and borrowings and lease liabilities. 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:

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Financial assets		
Trade receivables	1,612,048	1,473,473
Other receivables	412,366	397,652
Investments at FVTPL	1,388,687	976,679
Cash at banks	136,109	95,342
	<u>3,549,210</u>	<u>2,943,146</u>

Impairment losses

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. To reduce exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provisions against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history.

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24. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Impairment losses (continued)

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

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

At 30 September 2021, trade receivables are mainly due from related parties (note 17(a)) and other trade receivables and are stated at their estimated realisable values. The ten largest customers account for 75% (31 December 2020: 71%) of outstanding gross other trade receivables. The financial position of the related parties is stable.

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

The significant changes in the gross carrying amounts of trade receivables contributed to the changes in the impairment loss allowance during 2021. The increase in trade receivables is mainly due to reduced collectability from customers due to COVID-19, which has resulted in an increase of impairment allowances as at the reporting date (see note 25).

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.

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For the nine-month period ended 30 September 2021

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

24. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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:

	30 September <u>2021</u> (Unaudited)	31 December <u>2020</u> (Audited)
Variable rate instruments		
Financial assets		
- Investments at FVTPL – mutual funds	<u>1,225,833</u>	<u>818,349</u>
Financial liabilities		
- Loans and borrowings	<u>1,245,716</u>	<u>494,087</u>

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 0.20 million (31 December 2020: SR 3.24 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, Euros and United Kingdom Pounds. Currently, such exposures are mainly related to exchange rate movements between foreign currencies against Euros and United Kingdom Pounds. The Company's management monitors such fluctuations and manages its effect on the financial statements accordingly.

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

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

24. FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

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 value with all other variables held constant will decrease or increase profit before Zakat for the period by SR 69.4 million (31 December 2020: SR 48.8 million).

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. During the nine-month period ended 30 September 2021, the Company has negative cash flows from operating activities amounting to SR 226 million. However, the Company has liquid assets amounting to SR 1,525 million as of that date. Furthermore, the Company has obtained loan facilities with various commercial banks of SR 2,000 million to meet its working capital requirements. As at 30 September 2021, the Company has withdrawn SR 1,250 million out of loan facilities (see note 13). Accordingly, the Company has unused bank financing facilities amounting to SR 750 million to manage the short-term and the long-term liquidity requirements as at 30 September 2021, if required.

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 be able to meet its obligations as and when they fall due without a need for curtailing its core operations. The Company has taken specific measures to manage the liquidity and the working capital position of the Company (see note 25).

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For the nine-month period ended 30 September 2021

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

24. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

Non-derivative financial liabilities	Carrying <u>amount</u>	Contractual cash flows		
		<u>Less than one year</u>	<u>More than one year</u>	<u>Total</u>
<u>30 September 2021 (Unaudited)</u>				
Trade payables	78,388	78,388	--	78,388
Other payables (excluding advances)	402,648	402,648	--	402,648
Loans and borrowings	1,245,716	180,944	1,106,927	1,287,871
Lease liabilities	131,326	40,826	102,257	143,083
	<u>1,858,078</u>	<u>702,806</u>	<u>1,209,184</u>	<u>1,911,990</u>
<u>31 December 2020 (Audited)</u>				
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
	<u>1,225,457</u>	<u>651,000</u>	<u>624,037</u>	<u>1,275,037</u>

Capital risk management

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

25. IMPACT OF COVID-19

The novel ("COVID-19") pandemic has spread across various geographies globally, disrupting business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. The fiscal and monetary authorities, both domestic and international, have announced various support measures across the globe to counter possible adverse implications.

The Company's operations were severely impacted by the actions taken by governments to address the health impacts of the COVID-19 global pandemic. This included imposing travel restrictions and international and domestic border closures, which have significantly disrupted air travel.

During the nine-month period ended 30 September 2021, international flights were resumed except for limited destinations and specific routes where only vaccinated citizens and residents were allowed to travel to and from the Kingdom of Saudi Arabia. Moreover, subsequent to period end, the General Authority of Civil Aviation (GACA) announced that all the airports in the Kingdom of Saudi Arabia are allowed to operate at full capacity.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the nine-month period ended 30 September 2021

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

25. IMPACT OF COVID-19 (continued)

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. 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, the preventive measures taken by the Company in April 2020 are still in effect that includes halting all the non-essential spending, and reevaluating the existing contracts and payment terms with the majority of its vendors to further augment its strong liquidity position.

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 2020, the Company signed loan facilities amounting to SR 2,000 million to meet its working capital requirements (see note 24).

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.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

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

25. IMPACT OF COVID-19 (continued)

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

Furthermore, the management cannot preclude the possibility that extended periods of economic strain on the economic environment we operate 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.

26. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-end, that would require disclosures or adjustments in these condensed interim financial statements, except as disclosed in note 19 and 25.

27. BOARD OF DIRECTORS' APPROVAL

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on 06 November 2021, corresponding to 01 Rabi Al Akhar 1443H.



Chief Financial Officer



Chief Executive Officer



Chairman