

**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

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

For the three-month and six-month period ended 30 June 2020

**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the three-month and six-month period ended 30 June 2020

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**KPMG Al Fozan & Partners**  
**Certified Public Accountants**

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# 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 June 2020 condensed interim financial statements of Saudi Ground Services Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 June 2020;
- the condensed statement of profit or loss and other comprehensive income for the three-month and six-month period ended 30 June 2020;
- the condensed statement of changes in shareholders' equity for the six-month period ended 30 June 2020;
- the condensed statement of cash flows for the six-month period ended 30 June 2020; 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 June 2020 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.

**For KPMG Al Fozan & Partners**  
**Certified Public Accountants**

Ebrahim Oboud Baeshen  
License No. 382

Jeddah, Dhul Hijjah 15, 1441H  
Corresponding to August 5, 2020



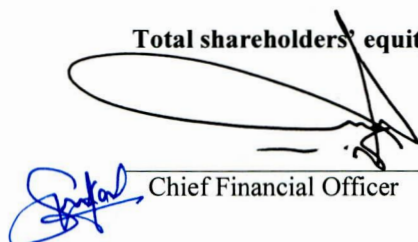
**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2020

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

	Notes	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>ASSETS</b>			
Property and equipment	4	569,209	592,538
Right-of-use assets	5	155,797	182,996
Intangible assets and goodwill	6	867,040	885,065
Equity-accounted investee	7	97,873	141,567
Trade receivables	8	92,536	120,037
Prepayments and other receivables		3,715	3,776
<b>Non-current assets</b>		<b>1,786,170</b>	<b>1,925,979</b>
Inventories		424	285
Trade receivables	8	1,049,527	871,592
Prepayments and other receivables		461,940	461,416
Investments at fair value through profit or loss (FVTPL)	9	763,494	943,931
Cash and cash equivalents	10	64,504	119,849
<b>Current assets</b>		<b>2,339,889</b>	<b>2,397,073</b>
<b>Total assets</b>		<b>4,126,059</b>	<b>4,323,052</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	11	1,880,000	1,880,000
Statutory reserve	12	499,025	499,025
Retained earnings		317,451	566,863
<b>Total shareholders' equity</b>		<b>2,696,476</b>	<b>2,945,888</b>
<b>LIABILITIES</b>			
Lease liabilities	5	95,874	129,993
Employee benefits	15	563,964	531,229
<b>Non-current liabilities</b>		<b>659,838</b>	<b>661,222</b>
Lease liabilities	5	42,049	44,880
Trade payables		75,365	21,141
Other payables		539,656	543,418
Accrued Zakat	18	112,675	106,503
<b>Current liabilities</b>		<b>769,745</b>	<b>715,942</b>
<b>Total liabilities</b>		<b>1,429,583</b>	<b>1,377,164</b>
<b>Total shareholders' equity and liabilities</b>		<b>4,126,059</b>	<b>4,323,052</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman

The notes on pages from 6 to 31 form an integral part of these condensed interim financial statements.

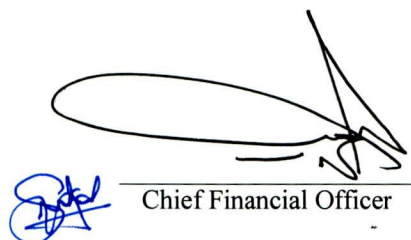
**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

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

For the three-month and six-month period ended 30 June 2020

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

		For the three-month period ended		For the six-month period ended	
	Notes	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Revenue	14	115,094	648,023	627,264	1,257,093
Costs of revenue		(251,497)	(453,724)	(663,023)	(889,647)
<b>Gross (loss) / profit</b>		<b>(136,403)</b>	<b>194,299</b>	<b>(35,759)</b>	<b>367,446</b>
Other income		70	115	405	638
Administrative expenses		(48,086)	(55,857)	(104,479)	(117,185)
Impairment loss on trade receivables	8	(11,699)	(13,333)	(64,479)	(19,378)
<b>Operating (loss) / profit</b>		<b>(196,118)</b>	<b>125,224</b>	<b>(204,312)</b>	<b>231,521</b>
Finance costs		(1,667)	(2,077)	(3,404)	(4,274)
Interest income on term deposits		--	3,991	--	7,098
Gain / (loss) on investments at FVTPL	9	13,175	1,867	(5,437)	3,367
Share of (loss) / profit of investment in equity-accounted investee	8	(6,510)	2,480	(22,759)	5,514
<b>(Loss) / profit before zakat</b>		<b>(191,120)</b>	<b>131,485</b>	<b>(235,912)</b>	<b>243,226</b>
Zakat charge	18	(6,750)	(7,625)	(13,500)	(15,250)
<b>(Loss) / profit for the period</b>		<b>(197,870)</b>	<b>123,860</b>	<b>(249,412)</b>	<b>227,976</b>
Other comprehensive income		--	--	--	--
<b>Total comprehensive (loss) / income for the period</b>		<b>(197,870)</b>	<b>123,860</b>	<b>(249,412)</b>	<b>227,976</b>
<b>(Loss) / earnings per share (EPS)</b>					
Basic and diluted (in SR)	13	(1.05)	0.66	(1.33)	1.21



Chief Financial Officer



Chief Executive Officer



Chairman

The notes on pages from 6 to 31 form an integral part of these condensed interim financial statements.



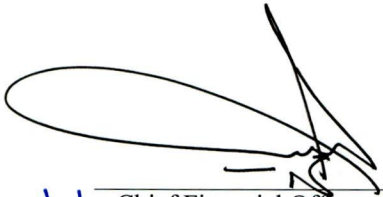
**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

For the three-month and six-month period ended 30 June 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
<b><u>Total comprehensive income:</u></b>				
Profit for the period	--	--	227,976	227,976
<b><u>Transactions with owners of the Company:</u></b>				
Dividends (note 11)	--	--	(150,400)	(150,400)
<b><u>Other transactions:</u></b>				
Transfer to statutory reserve (note 12)	--	22,798	(22,798)	--
Balance at 30 June 2019 (Unaudited)	1,880,000	479,488	580,117	2,939,605
Balance at 01 January 2020	1,880,000	499,025	566,863	2,945,888
<b><u>Total comprehensive loss:</u></b>				
Loss for the period	--	--	(249,412)	(249,412)
<b>Balance at 30 June 2020 (Unaudited)</b>	<b>1,880,000</b>	<b>499,025</b>	<b>317,451</b>	<b>2,696,476</b>

  
 Chief Financial Officer

  
 Chief Executive Officer

  
 Chairman

The notes on pages from 6 to 31 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 six-month period ended 30 June 2020

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

	Notes	30 June 2020	30 June 2019
<b>Cash flows from operating activities:</b>			
(Loss) / profit for the period		(249,412)	227,976
<u>Adjustments for:</u>			
Depreciation on property and equipment	4	54,573	55,143
Depreciation on right-of-use assets	5	27,199	24,034
Amortisation	6	18,025	22,960
Share of loss / (profit) of investment in equity-accounted investee	7	22,759	(5,514)
Impairment loss on trade receivables	8	64,479	19,378
Loss / (gain) on investments at FVTPL		5,429	(3,869)
Impairment loss on property and equipment		--	11,050
Finance costs		3,404	4,274
Zakat	18	13,500	15,250
		(40,044)	370,682
<u>Changes in:</u>			
Inventories		(139)	(1,470)
Trade receivables		(214,914)	174,973
Prepayments and other receivables		20,471	(55,998)
Trade payables		54,224	(5,483)
Other payables		(3,761)	67,130
Employee benefits		32,736	28,921
Cash (used in) / generated from operating activities		(151,427)	578,755
Finance costs paid		(3,404)	(4,274)
Zakat paid	18	(7,328)	(10,249)
<b>Net cash (used in) / generated from operating activities</b>		<b>(162,159)</b>	<b>564,232</b>
<b>Cash flows from investing activities:</b>			
Additions to property and equipment	4	(31,244)	(40,297)
Additions to right-of-use assets	5	--	(2,967)
Additions to intangible assets	6	--	(34,486)
Proceeds from disposal of investments at FVTPL		250,008	80,502
Investments at FVTPL	9	(75,000)	(150,000)
<b>Net cash generated from / (used in) investing activities</b>		<b>143,764</b>	<b>(147,248)</b>
<b>Cash flows from financing activities:</b>			
Dividends paid	11	--	(150,400)
Movement in lease liabilities		(36,950)	(21,530)
<b>Net cash used in financing activities</b>		<b>(36,950)</b>	<b>(171,930)</b>
Net (decrease) / increase in cash and cash equivalents		(55,345)	245,054
Cash and cash equivalents at beginning of the period	10	119,849	309,886
<b>Cash and cash equivalents at end of the period</b>	10	<b>64,504</b>	<b>554,940</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Chairman

The notes on pages from 6 to 31 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 six-month period ended 30 June 2020

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

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**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 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 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 the 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 the general public, and accordingly the shares subscribed by the general public increased to 47.5%.
- 1.5 The Company is engaged in providing ground handling services, aircraft cleaning, passenger handling, baggage and fuel to Saudi Arabian Airlines, other local and foreign airlines 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.



**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

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

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**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 “Interim Financial Reporting” that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants (“SOCPA”) and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2019 (“last annual Financial Statements”).

These condensed interim financial statements do not include all of the information required for a complete set of IFRS financial statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since last annual financial statements. In addition, results for the interim period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

**2.2 Basis of measurement**

The 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 financial statements are prepared using the accrual basis of accounting and the going concern assumption.

**2.3 Functional and presentation currency**

These 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 affected in the future periods. Actual results may differ from these estimates.

**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

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

**2. BASIS OF PREPARATION (continued)**

**2.4 Use of estimates and judgments (continued)**

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 24.

**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 2019.

**4. PROPERTY AND EQUIPMENT**

a) Reconciliation of carrying amounts:

	Six-month period ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Carrying amount at beginning of the period / year	592,538	635,143
Additions during the period / year	31,244	82,079
Impairment loss for the period / year	--	(14,048)
Disposals during the period / year	--	(5)
Depreciation charge for the period / year	(54,573)	(110,631)
Carrying amount at the end of the period / year	569,209	592,538

b) Category-wise carrying amounts are as follows:

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Land	27,464	27,464
Leasehold improvements	41	212
Airport equipment	467,621	504,585
Motor vehicles	443	546
Furniture, fixture and equipment	2,832	3,822
Computer equipment	3,061	3,733
Capital work-in-progress	67,747	52,176
Carrying amount at the end of the period / year	569,209	592,538

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

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

**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

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

**5. LEASES**

**a) Right-of-use assets:**

	<b>Six-month period ended 30 June 2020 (Unaudited)</b>	<b>Year ended 31 December 2019 (Audited)</b>
Carrying amount at beginning of the period / year	182,996	174,742
Additions / adjustments during the period / year	--	62,227
Depreciation charge for the period / year	(27,199)	(53,973)
Carrying amount at the end of the period / year	<u>155,797</u>	<u>182,996</u>

**b) Lease liabilities:**

	<b>Six-month period ended 30 June 2020 (Unaudited)</b>	<b>Year ended 31 December 2019 (Audited)</b>
Carrying amount at the beginning of the period / year	174,873	189,086
Additions / adjustments during the period / year	--	62,227
Interest expenses for the period / year	3,092	7,605
Payments / adjustments during the period / year	(40,042)	(84,045)
Carrying amount at the end of the period / year	<u>137,923</u>	<u>174,873</u>

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

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Non-current portion of lease liabilities	95,874	129,993
Current portion of lease liabilities	<u>42,049</u>	<u>44,880</u>
Carrying amount at the end of the period / year	<u>137,923</u>	<u>174,873</u>

**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

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

**6. INTANGIBLE ASSETS AND GOODWILL**

a) Reconciliation of carrying amounts:

	<u>Goodwill</u>	<u>Customer contracts</u>	<u>Customer relationships</u>	<u>Software</u>	<u>Total</u>
<b><u>Cost:</u></b>					
Balance at 1 January 2019	582,816	153,179	468,475	29,024	1,233,494
Additions during the year	--	--	--	35,093	35,093
Balance at 31 December 2019 / 30 June 2020	582,816	153,179	468,475	64,117	1,268,587
<b><u>Accumulated amortisation:</u></b>					
Balance at 1 January 2019	--	153,179	187,391	1,658	342,228
Amortisation for the year	--	--	23,424	17,870	41,294
Balance at 31 December 2019	--	153,179	210,815	19,528	383,522
Balance at 1 January 2020	--	153,179	210,815	19,528	383,522
Amortisation for the period	--	--	11,648	6,377	18,025
Balance at 30 June 2020	--	153,179	222,463	25,905	401,547
<b><u>Carrying Amounts</u></b>					
At 31 December 2019 (Audited)	582,816	--	257,660	44,589	885,065
At 30 June 2020 (Unaudited)	582,816	--	246,012	38,212	867,040

**7. EQUITY ACCOUNTED INVESTEE**

a) Saudi Amad for Airport Services and Transport Support Company ("SAAS") is a joint venture in which the Company has a joint control represented by 50% ownership interest.

The investment in SAAS as at 30 June 2020 is as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>		<u>Carrying value</u>	
		<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
SAAS	Kingdom of Saudi Arabia	50%	50%	97,873	141,567

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

	<u>Six-month period ended 30 June 2020 (Unaudited)</u>	<u>Year ended 31 December 2019 (Audited)</u>
Balance at beginning of the period / year	141,567	129,824
Share of net (loss) / income for the period / year (note 7(c))	(22,759)	11,743
Dividends (note 7(d))	(20,935)	--
Balance at end of the period / year	97,873	141,567

**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

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

**7. EQUITY ACCOUNTED INVESTEE (continued)**

- c) These numbers are based on the management accounts of the joint venture for the six-month period ended 30 June 2020.
- d) On 26 January 2020, the joint venture announced dividends amounting to SR 41.87 million. Accordingly, the Company recorded 50% of the dividend in accordance with its percentage of shareholding in the joint venture.
- e) The equity-accounted investee applied the same accounting policies as applied by Company in these condensed interim financial statements.

**8. TRADE RECEIVABLES**

Trade receivables as at 30 June 2020 is as follows:

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Due from related parties (note 16(a))	878,571	664,877
Other trade receivables	467,149	471,157
	<b>1,345,720</b>	<b>1,136,034</b>
Less: non-current	<b>(92,536)</b>	<b>(120,037)</b>
Current trade receivables	<b>1,253,184</b>	<b>1,015,997</b>
Less: allowance for impairment losses	<b>(203,657)</b>	<b>(144,405)</b>
	<b>1,049,527</b>	<b>871,592</b>

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

	<b>Six-month period ended 30 June 2020 (Unaudited)</b>	<b>Year ended 31 December 2019 (Audited)</b>
Balance at beginning of the period / year	144,405	178,743
Charge for the period / year	64,479	31,806
Allowance written off during the period / year	<b>(5,227)</b>	<b>(66,144)</b>
	<b>203,657</b>	<b>144,405</b>

For the Company's exposure to credit risk and impairment loss in trade receivables (see note 23).



**SAUDI GROUND SERVICES COMPANY**  
(A Saudi Joint Stock Company)

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**

For the six-month period ended 30 June 2020

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

**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:

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Mutual funds	616,473	784,470
Quoted equity securities	147,021	159,461
	<b>763,494</b>	<b>943,931</b>

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

	<b>Six-month period ended 30 June 2020 (Unaudited)</b>	<b>Year ended 31 December 2019 (Audited)</b>
Balance at beginning of the period / year	943,931	305,038
Investments made during the period / year	75,000	1,021,659
Disposal of investments during the period / year	(248,708)	(402,191)
Unrealized fair value (loss) / gain during the period / year	(6,729)	19,425
Balance at end of the period / year	<b>763,494</b>	<b>943,931</b>

At 30 June 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 20).

b) During the six-month period ended 30 June 2020, (loss) / gain on investments at FVTPL is as follows:

	<b>30 June 2020</b>	<b>30 June 2019</b>
Realized gain / (loss) on disposal of investments at FVTPL	1,292	310
Unrealized (loss) / gain on fair valuation of investments at FVTPL	(6,729)	3,057
	<b>(5,437)</b>	<b>3,367</b>

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**10. CASH AND CASH EQUIVALENTS**

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
Cash in hand	576	606
Cash at bank - current accounts	63,928	119,243
	<b>64,504</b>	<b>119,849</b>

**11. SHARE CAPITAL**

At 30 June 2020, 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 2019: SR 1,880 million consists of 188 million shares of SR 10 each).

*Dividends:*

During the six-month period ended 30 June 2020, Board of Directors declared and paid dividend amounting to SR Nil (30 June 2019: SR 150.4 million).

**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.

**13. (LOSS) / EARNINGS PER SHARE**

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

	<b>30 June 2020</b>	<b>30 June 2019</b>
(Loss) / profit for the period attributable to the shareholders of the Company (SR '000')	(249,412)	227,976
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	188,000	188,000
Basic and diluted (loss) / earnings per share based on (loss) / profit for the period attributable to shareholders of the Company (SR)	(1.33)	1.21

Basic (loss) / earnings per share have 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 have 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 do not differ from the basic (loss) / earnings per share.

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**14. REVENUE**

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

	<b>30 June 2020</b>	30 June 2019
<i>Revenue by categories:</i>		
Rendering of services	622,001	1,249,984
Sale of goods	5,263	7,109
	<u>627,264</u>	<u>1,257,093</u>
<i>Revenue by the type of customers:</i>		
Revenue from related parties (note 16(a))	433,733	778,504
Revenue from other local and foreign airlines	193,531	478,589
	<u>627,264</u>	<u>1,257,093</u>
<i>Revenue by the airports:</i>		
Jeddah	218,546	440,972
Riyadh	178,628	326,248
Dammam	57,333	109,914
Madina	39,020	95,624
Others	133,737	284,335
	<u>627,264</u>	<u>1,257,093</u>

**15. 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:

	<b>30 June 2020 (Unaudited)</b>	31 December 2019 (Audited)
Present value of defined benefit obligations	<u>563,964</u>	<u>531,229</u>

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**15. 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:

	Six-month period ended 30 June 2020 (Unaudited)	Year ended 31 December 2019 (Audited)
Balance at the beginning of the period / year	531,229	474,390
<i>Included in statement of profit or loss:</i>		
Current service costs	30,011	56,544
Interest costs	10,076	21,993
	40,087	78,537
<i>Included in statement of other comprehensive income:</i>		
Remeasurement loss arising from:		
- Financial assumptions	--	(292)
- Experience adjustments	--	1,386
	--	1,094
Benefits paid	(7,352)	(22,792)
Balance at the end of period / year	563,964	531,229

- c) As at 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:**

Discount rate	3.90%
Future salary growth / Expected rate of salary increase	3.50%
Mortality rate	0.1%
Employee turnover/withdrawal rates	11.21%
Retirement age	60 years

The weighted average duration of the defined benefit obligation is 12.64 years.

**16. 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.

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**16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions for the period ended</u>		<u>Closing balances</u>	
			<u>30 June 2020</u>	<u>30 June 2019</u>	<u>30 June 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
Saudi Arabian Airlines Corporation	Parent Company	Services provided	317,254	654,898	627,949	440,760
Saudi Airlines Cargo Company	Fellow subsidiary	Services provided	9,437	9,907	29,617	20,589
Saudi Aerospace Engineering Industries	Fellow subsidiary	Services provided	24,945	4,619	--	--
Saudi Airlines Catering Company	Common shareholder	Services provided	790	1,293	--	--
Saudi Private Aviation	Fellow subsidiary	Services provided	5,667	6,858	34,347	33,041
Royal Fleet Services	Fellow subsidiary	Services provided	41,528	45,231	137,611	124,006
Saudia Holding Company	Ultimate Parent Company	Services provided	--	1,000	--	615
Flyadeal	Fellow subsidiary	Services received	33,280	53,193	49,047	45,866
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services provided	832	1,505	--	--
					<u>878,571</u>	<u>664,877</u>

The Company's revenues derived from services rendered to Saudi Arabian Airlines Corporation ("Saudia") amounted to approximately 51% (30 June 2019: 52%) of the total revenue.



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**16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

Name	Relationship	Nature of transactions	Amount of transactions for the period ended		Closing balances	
			30 June 2020	30 June 2019	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Saudia Holding Company	Ultimate Parent Company	Recharge of seconded staff costs and other charges (note 16 f)	11,679	120,691	332,224	320,565
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Manpower & Operational Services	Note 16 (c) & (d)	--		
		Dividends	20,935	--	36,898	--
					369,122	320,565

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

Saudi Arabian Airlines Corporation	Parent Company	Services received	311	1,149	283	283
Saudi Airlines Catering Company	Common shareholder	Services received	22,444	14,035	--	--
Saudia Aerospace Engineering Industries	Fellow subsidiary	Services received	14,511	1,451	--	--
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services received	5,233	4,826	4,573	--
Saudi Airlines Real Estate Development Company	Fellow subsidiary	Services received	545	182	508	--
					5,364	283

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**16. 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>	<u>Amount of transactions for the period ended</u>		<u>Closing balances</u>	
			<u>30 June 2020</u>	<u>30 June 2019</u>	<u>30 June 2020 (Unaudited)</u>	<u>31 December 2019 (Audited)</u>
Saudi Arabian Airlines Corporation	Parent Company	Saudia staff and other related charges	3,872	22,494	66,035	90,488
Saudi Amad for Airport Services and Transport Support Company	Joint venture	Payments received on behalf of the Joint Venture	11,775	22,282	--	14,170
Saudi Airlines Catering Company	Common shareholder	Services received	Note 16(c)	Note 16(c)	30,263	27,221
Saudi Aerospace Engineering Industries	Fellow subsidiary	Services received	Note 16(c)	Note 16(c)	828	29,513
Saudia Airlines Cargo Company	Fellow subsidiary	Expense claims	--	--	861	861
Saudi Airlines Real Estate Development Company	Fellow subsidiary	Expense claims	Note 16(c)	Note 16(c)	1,260	1,223
					<u>99,247</u>	<u>163,476</u>

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**16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

(e) Remuneration:

<u>Name</u>	<u>Nature of transactions</u>	<b>30 June 2020</b>	<b>30 June 2019</b>
Key management personnel	Remuneration	<b>4,090</b>	4,836
Board of Directors	Meeting attendance fees	<b>2,581</b>	2,423
		<b>6,671</b>	7,259

Following is the breakup of key management personnel's remuneration:

	<b>30 June 2020</b>	<b>30 June 2019</b>
Short-term employee benefits	<b>3,937</b>	4,663
End of service benefits	<b>153</b>	173
	<b>4,090</b>	4,836

- (f) On 1 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.

**17. 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 airlines within the Kingdom of Saudi Arabia. Accordingly, the management believes that the Company's business falls within a single business segment and is subject to similar risks and returns.

**18. ZAKAT**

**a) Charge for the period**

Zakat for the period ended comprise the following:

	<b>30 June 2020</b>	<b>30 June 2019</b>
Charge for the period	<b>13,500</b>	15,250

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

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**18. ZAKAT (continued)**

**b) Accrued Zakat**

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

	<b>Six-month period ended 30 June 2020 (Unaudited)</b>	<b>Year ended 31 December 2019 (Audited)</b>
Balance at the beginning of the period / year	<b>106,503</b>	86,252
Charge for the period / year	<b>13,500</b>	30,500
Payments during the period / year	<b>(7,328)</b>	(10,249)
Balance at the end of the period / year	<b>112,675</b>	106,503

**c) Status of Zakat**

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

**19. CONTINGENT LIABILITIES AND COMMITMENTS**

In addition to contingencies disclosed in note 18, the Company has provided, in the ordinary course of business, bank guarantees amounting to SR 3.7 million (31 December 2019: SR 17.57 million) to the Ministry of Finance, Saudi Airlines, International Air Transport Association (IATA) and General Authority of Civil Aviation ("GACA"), in respect of Haj visa, tickets, airline ticket sales and rentals as at 30 June 2020. The Company's bank has earmarked bank balances of SR 0.1 million (31 December 2019: SR 0.1 million) as a lien against these guarantees.

Commitments amounting to SR 31.84 million (31 December 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 contractually agreed fees on each domestic and international trip in King Abdul Aziz International Airport from 01 November 2019 onwards. Currently, management is 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 30 June 2020, 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.

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**20. 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.

The fair values of financial instruments are not materially different from their carrying values. At 30 June 2020, there were no financial instruments held by the Company that was measured at fair value, apart from investments at FVTPL.



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**20. FINANCIAL INSTRUMENTS (continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>30 June 2020 (unaudited)</b>				
Investments at FVTPL				
- Mutual funds	--	616,473	--	616,473
- Equity securities	147,021	--	--	147,021
	<u>147,021</u>	<u>616,473</u>	<u>--</u>	<u>763,494</u>
<b>31 December 2019 (Audited)</b>				
Investments at FVTPL				
- Mutual funds	--	784,470	--	784,470
- Equity securities	159,461	--	--	159,461
	<u>159,461</u>	<u>784,470</u>	<u>--</u>	<u>943,931</u>

There were no transfers between levels of the fair value hierarchy during the period ended 30 June 2020 and the year ended 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.

<u>30 June 2020 (Unaudited)</u>	<u>Carrying amount</u>			
<u>Description:</u>	<u>Amortised cost</u>	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	<u>Total</u>
<b>Financial assets not measured at fair value:</b>				
Cash at banks	63,928	--	--	63,928
Trade and other receivables	1,527,094	--	--	1,527,094
<b>Financial assets measured at fair value:</b>				
Investments at FVTPL	--	763,494	--	763,494
<b>Financial liabilities not measured at fair value:</b>				
Trade and other payables	606,829	--	--	606,829
Lease liabilities	137,923	--	--	137,923

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**20. FINANCIAL INSTRUMENTS (continued)**

<u>31 December 2019 (Audited)</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>	
<u>Description:</u>				
<b>Financial assets not measured at fair value:</b>				
Cash at banks	119,243	--	--	119,243
Trade and other receivables	1,322,696	--	--	1,322,696
<b>Financial assets measured at fair value:</b>				
Investments at FVTPL	--	943,931	--	943,931
<b>Financial liabilities not measured at fair value:</b>				
Trade and other payables	555,707	--	--	555,707
Lease liabilities	174,873	--	--	174,873

**21. 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 condensed interim 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)

**22. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

A number of new pronouncements are effective for annual periods beginning on or after 1 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.

<u>Standard / Interpretation</u>	<u>Description</u>	<u>Effective from periods beginning on or after the following date</u>
IFRS 17	Insurance Contracts	1 January 2021
IAS 1	Classification of Liabilities as Current or Non-Current (amendments to IAS 1)	1 January 2022
IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

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**23. 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.

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 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.

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**23. FINANCIAL RISK MANAGEMENT (continued)**

**Credit risk (continued)**

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

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
<b>Financial assets</b>		
Trade receivables	1,345,720	1,136,034
Other receivables	385,031	331,067
Investments at FVTPL	763,494	943,931
Cash at banks	63,928	119,243
	<u>2,558,173</u>	<u>2,530,275</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 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 such. 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 (note 16(a)).

At 30 June 2020, trade receivables are mainly due from related parties (note 16(a)) and other trade receivables and are stated at their estimated realisable values. The ten largest customers account for 68% (31 December 2019: 64%) 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.

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**23. FINANCIAL RISK MANAGEMENT (continued)**

**Credit risk (continued)**

***Impairment losses (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 reduced collectability from customers due to COVID19, which has resulted in an increase of impairment allowances as at the reporting date (refer note 24).

**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:

	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>
<b>Variable rate instruments</b>		
Financial assets		
- Investments at FVTPL – mutual funds	<b>616,473</b>	<b>784,470</b>

**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 6.16 million (31 December 2019: SR 7.84 million). This analysis assumes that all other variables, in particular, foreign currency rates, remain constant.



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**23. FINANCIAL RISK MANAGEMENT (continued)**

**Market risk (continued)**

***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. 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 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, and trade payables of the Company are denominated in Saudi Arabian Riyals.

***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 investment in mutual funds measured 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 of investments at FVTPL with all other variables held constant will decrease or increase profit before Zakat for the period by SR 38.2 million (31 December 2019: SR 47.2 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 period ended 30 June 2020, the Company has negative cash flows from operating activities amounting to SR 162 million. However, the Company has liquid assets amounting to SR 828 million as of that date. Furthermore, subsequent to the period end, the Company has signed a long-term loan agreement with a commercial bank for a loan facility of SR 500 million to meet its working capital requirements. 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 (refer note 24).

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**23. 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 amount	Contractual cash flows		
		Less than one year	More than one year	Total
<b>30 June 2020</b>				
Trade payables	75,365	75,365	--	75,365
Other payables (excluding advances)	531,464	531,464	--	531,464
Lease liabilities	137,923	42,049	108,299	150,348
	<u>744,752</u>	<u>648,878</u>	<u>108,299</u>	<u>757,177</u>
<b>31 December 2019</b>				
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
	<u>730,580</u>	<u>600,587</u>	<u>145,511</u>	<u>746,098</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.

**24. IMPACT OF COVID19**

The novel ("COVID19") pandemic has spread across various geographies globally, disrupting business and economic activities. COVID19 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.

Due to the outbreak of COVID19, the flights from / to the Kingdom of Saudi Arabia had been suspended in March 2020, except for cargo, evacuation and emergency flights until further notice. During the quarter ended 30 June 2020, the domestic flights for selected destinations have been resumed. The Company's revenue and operations are dependent upon the resumption of flights by its customers. However, due to the numerous measures initiated by Company and its existing liquidity position, the management does not anticipate a direct, immediate, and the significant adverse impact of the COVID19 outbreak on the Company, its financial position and operating results.

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**24. IMPACT OF COVID19 (continued)**

The Company has actively responded to changes in market demand, timely adjusted its operation strategy, and vigorously reduced various costs. In the coming quarters, the Company will continue to focus on cash preservation and will be reducing cash outflows. Besides reducing expected 2020 capital expenditure, the activated measures also include the deferral and suspension of activities that are not critical to business continuity and to meeting customer and compliance commitments. Additionally, all non-essential spending has been cut, and existing contracts and payment terms with the majority of its vendors have been re-evaluated.

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

- Formation of sub-committees for active monitoring of the situation.
- Identifying areas for cost optimization, such as employee related costs, subcontracting costs, airport rentals, non-essential capital expenditure and other austerity measures.
- Opting for the SANED program
- Arranging financial facilities from various commercial banks and requesting financial support from the Saudi Industrial Development Fund (SIDF) through GACA.

Subsequent to the period end, the Company has signed a long-term loan agreement with a commercial bank for a loan facility of SR 500 million to meet its working capital requirements (note 23).

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 lack of 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. Thus, the Company believes it is probable that the plans it has in place, or that it has the ability to execute when fully implemented, will sufficiently mitigate the present conditions and allow the Company to reasonably handle the liquidity risks presented by the current climate.

The management continues to monitor the unfavorable economic conditions. It has initiated its business continuity planning and other risk management practices, including evaluating future expansion and working capital financing requirements to manage the potential business disruptions COVID19 outbreak may have on its operations and financial performance.

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 be able 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 condensed interim financial statements. Moreover, the Company has also considered various scenarios to assess the sensitivity of key assumptions used. As the situation related to the COVID19 outbreak is very dynamic, and the above measures initiated by management are still in progress, their outcomes are uncertain at this stage.

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**24. IMPACT OF COVID19 (continued)**

The management and those charged with governance carried out a comprehensive assessment of the directional impact of COVID19 on the Company's core operations. The impact assessment due to uncertainties caused by COVID19 as at 30 June 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 30 June 2020. Considering that the situation is fast evolving, the Company has taken the impact of higher volatility in the forward-looking macro-economic factors, 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 203.6 million has been recognised as at 30 June 2020 (see note 8).

- *Impairment of non-financial assets*

The Company assessed whether there are any indicators of impairment for all non-financial assets as at 30 June 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 performed a sensitivity analysis for the fair value of the Company's goodwill and customer relationships, as at 30 June 2020, on the basis of the valuation exercise carried out by the Company's expert, an independent valuer, engaged by the Company. 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. Based on an independent expert's report, 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 30 June 2020.

- *Fair value of investments at FVTPL*

During the period ended 30 June 2020, the Company recognised an unrealized loss amounting to SR 6.73 million due to a decline in the fair value of its investments at FVTPL (see note 9). Management is closely monitoring the situation keeping into consideration the uncertainties caused by COVID19. Markets, however, remain volatile and the recorded amounts remain sensitive to market fluctuations.

- *Revenue*

During the period ended 30 June 2020, the Company experienced a decline in its revenue due to the unprecedented decline in the demand for air travel, which has reduced demand for the Company's services and consequently resulted in a deterioration in the Company's revenues. Management is closely monitoring the situation and has incorporated the potential effects of revenue decline in future forecasts and cashflow projections.

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**24. IMPACT OF COVID19 (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.

The management cannot, however, preclude the possibility that extended periods of suspension of international flight operations, an escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment and the industry that 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. Given the fluidity of the environment, the management will continue to evaluate these and make further demand-driven adjustments to its capacity as needed.

**25. 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 notes 23 and 24. Note 24 describes the emerging developments and related impact on the Company due to COVID19.

**26. BOARD OF DIRECTORS' APPROVAL**

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on Dhul Hijjah 14, 1441H, corresponding to August 4, 2020.



Chief Financial Officer



Chief Executive Officer



Chairman