SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS AND REVIEW REPORT
For the three-months and nine-months period ended 30 September 2019

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-months and nine-months period ended 30 September 2019

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Independent auditors' report on review of condensed interim financial statements:

To the Shareholders of Saudi Ground Services Company

Introduction

We have reviewed the accompanying 30 September 2019 condensed interim financial statements of Saudi Ground Services Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2019;
- the condensed statement of profit or loss and other comprehensive income for the three-months and nine-months period ended 30 September 2019;
- the condensed statement of changes in shareholders' equity for the nine-months period ended 30 September 2019;
- the condensed statement of cash flows for the nine-months period ended 30 September 2019; 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 2019 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, 6 Rabi Al Awal 1441H
Corresponding to 3 November 2019

KPMG Al Fozan & Partners Certified Public Accountants, a registered company in the Kingdom of Saudi Arabia, and a non-partner member firm of the KPMG network of independent firms affiliated with KPMG International Cooperative, a Swiss entity.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 September 2019
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	**30 September 2019 (Unaudited)**	31 December 2018 (Audited)
ASSETS			
Property and equipment	4	**604,819**	635,143
Right-of-use assets	20	**136,565**	--
Intangible assets and goodwill	5	**893,686**	891,266
Equity-accounted investee	6	**138,344**	129,824
Prepayments and other receivables		**3,776**	4,737
Non-current assets		**1,777,190**	1,660,970
Inventories		**2,646**	226
Trade receivables	7	**1,159,248**	1,308,288
Investments at fair value through profit or loss (FVTPL)	8	**185,291**	305,038
Prepayments and other receivables		**472,563**	322,549
Cash and cash equivalents	9	**594,418**	309,886
Current assets		**2,414,166**	2,245,987
Total assets		**4,191,356**	3,906,957
SHAREHOLDERS' EQUITY			
Share capital	10	**1,880,000**	1,880,000
Statutory reserve	11	**491,509**	456,690
Retained earnings		**500,307**	539,683
Total shareholders' equity		**2,871,816**	2,876,373
LIABILITIES			
Lease liabilities	20	**86,926**	--
Employee benefits	14	**517,448**	474,390
Non- current liabilities		**604,374**	474,390
Lease liabilities	20	**63,904**	--
Trade payables		**70,471**	49,374
Other payables		**481,913**	420,568
Accrued Zakat	17	**98,878**	86,252
Current liabilities		**715,166**	556,194
Total liabilities		**1,319,540**	1,030,584
Total shareholders' equity and liabilities		**4,191,356**	3,906,957

Chief Financial Officer | Chief Executive Officer | Chairman

The notes on pages from 6 to 30 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-months and nine-months period ended 30 September 2019
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

		For the three-months period ended		For the nine-months period ended	
	Notes	**30 September 2019**	30 September 2018	**30 September 2019**	30 September 2018
Revenue	13	**683,342**	700,671	**1,940,435**	1,982,388
Costs of revenue		**(491,900)**	(534,181)	**(1,381,547)**	(1,445,648)
Gross profit		**191,442**	166,490	**558,888**	536,740
Other operating income		**8,062**	2,069	**8,174**	3,980
Administrative expenses		**(52,408)**	(65,646)	**(169,593)**	(190,728)
Impairment loss on trade receivables	7	**(25,285)**	(15,348)	**(44,663)**	(41,632)
Operating profit		**121,811**	87,565	**352,806**	308,360
Finance costs		**(2,557)**	(180)	**(6,831)**	(837)
Finance income		**5,576**	4,541	**16,567**	14,168
Share of results of investment in equity-accounted investee	6	**3,006**	3,701	**8,520**	9,815
Profit before Zakat		**127,836**	95,627	**371,062**	331,506
Zakat charge	17	**(7,625)**	(2,950)	**(22,875)**	(19,450)
Profit for the period		**120,211**	92,677	**348,187**	312,056
Other comprehensive income		--	--	--	--
Total comprehensive income for the period		**120,211**	92,677	**348,187**	312,056
Earnings per share (EPS)					
Basic and diluted (in SR)	12	**0.64**	0.49	**1.85**	1.66

Chief Financial Officer

Chief Executive Officer

Chairman

The notes on pages from 6 to 30 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-months period ended 30 September 2019
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Share capital	Statutory reserve	Retained earnings	Total equity
Balance at 1 January 2018	1,880,000	419,847	572,218	2,872,065
Total comprehensive income:				
Profit for the period	--	--	312,056	312,056
Other transactions:				
Transfer to statutory reserve (note 11)	--	31,206	(31,206)	--
Transactions with owners of the Company:				
Dividends (note 10)	--	--	(366,600)	(366,600)
Balance at 30 September 2018 (Unaudited)	1,880,000	451,053	486,468	2,817,521
Balance at 1 January 2019	1,880,000	456,690	539,683	2,876,373
Impact of adopting IFRS 16 at 1 January 2019 (note 20)	--	--	(14,344)	(14,344)
Adjusted balance at 1 January 2019	1,880,000	456,690	525,339	2,862,029
Total comprehensive income:				
Profit for the period	--	--	348,187	348,187
Other transactions:				
Transfer to statutory reserve (note 11)	--	34,819	(34,819)	--
Transactions with owners of the Company:				
Dividends (note 10)	--	--	(338,400)	(338,400)
Balance at 30 September 2019 (Unaudited)	**1,880,000**	**491,509**	**500,307**	**2,871,816**

Chief Financial Officer

Chief Executive Officer

Chairman

The notes on pages from 6 to 30 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-months period ended 30 September 2019
(Expressed in thousands of Saudi Arabian Riyals, unless otherwise stated)

	Notes	**30 September 2019**	30 September 2018
Cash flows from operating activities:			
Profit for the period		**348,187**	312,056
Adjustments for:			
Depreciation on owned assets	4	**82,889**	85,874
Depreciation on leased assets	20	**41,144**	--
Amortisation	5	**32,066**	18,174
Share of profit of investment in equity-accounted investee	6	**(8,520)**	(9,815)
Impairment loss on trade receivables	7	**44,663**	41,632
Gain on investments at FVTPL		**(5,940)**	(2,968)
Loss on disposal of property and equipment		**5**	--
Provision for impairment loss on property and equipment	4	**14,048**	--
Zakat	17	**22,875**	19,450
		571,417	464,403
Changes in:			
Inventories		**(2,419)**	(5,281)
Trade receivables		**104,377**	(180,545)
Prepayments and other receivables		**(149,054)**	100,761
Lease liabilities		**(38,256)**	--
Trade payables		**21,097**	26,086
Other payables		**61,346**	113,779
Employee benefits		**43,057**	34,694
Cash generated from operating activities		**611,565**	553,897
Zakat paid	17	**(10,249)**	(5,536)
Net cash generated from operating activities		**601,316**	548,361
Cash flows from investing activities:			
Additions to property and equipment	4	**(66,618)**	(117,322)
Additions to right-of-use assets	20	**(2,967)**	--
Additions to intangible assets	5	**(34,486)**	(21,025)
Proceeds from disposal of investments at FVTPL		**305,687**	796,597
Acquisition of investments at FVTPL	8	**(180,000)**	(720,000)
Net cash generated from / (used in) investing activities		**21,616**	(61,750)
Cash flows from financing activities:			
Dividends paid	10	**(338,400)**	(366,600)
Net cash used in financing activities		**(338,400)**	(366,600)
Net increase in cash and cash equivalents		**284,532**	120,011
Cash and cash equivalents at beginning of the period	9	**309,886**	36,363
Cash and cash equivalents at the end of the period	9	**594,418**	156,374

Chief Financial Officer | Chief Executive Officer | Chairman

The notes on pages from 6 to 30 form an integral part of these condensed interim financial statements.

1. REPORTING ENTITY

1.1 Saudi Ground Services Company ("the Company") was registered as a limited liability company in the Kingdom of Saudi Arabia under Commercial Registration number 4030181005 dated 11 Rajab 1429H, (corresponding to 14 July 2008). During 2008, the Company was formed by Saudi Arabian Airlines Corporation ("Saudia"), a 100% Government owned entity, to consolidate the ground support services business (GSS) in the Kingdom of Saudi Arabia.

1.2 The legal name "Saudi Airlines Ground Services Company" was changed to "Saudi Ground Services Company" under the same commercial registration number 4030181005 on 20 Safar 1432H, (corresponding to 24 January 2011).

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

1.4 After obtaining required approval from the Capital Market Authority, the Company offered 56.4 million shares, with a nominal value of SR 10 each, representing 30% share capital of the Company, to public during subscription period from 3 June 2015 (corresponding to 15 Shabaan 1436H) to 9 June 2015 (corresponding to 21 Shabaan 1436H) The Company's shares started trading on the Saudi Stock Exchange (Tadawul) on 25 June 2015, corresponding to 8 Ramadan 1436H. Accordingly, after successful completion of Initial Public offering (IPO), the Company was declared as a Saudi Joint Stock Company. During the nine-months period ended 30 September 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 (see note 10).

1.5 The Company is engaged in providing aircraft cleaning, passenger handling, fuel, baggage and ground handling services 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:

Saudi Ground Services Company
Nahda District, Henaki Business Centre
Prince Sultan Street
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 supplier and is principally engaged in providing transportation services for passengers and crew in the Kingdom of Saudi Arabia.

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 2018 ("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.

This is the first set of the Company's condensed interim financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in note 3.

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.

Certain comparative amounts have been reclassified to conform to the current period's presentation.

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.

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

2. BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgments (continued)

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 for the new significant judgements and key sources of estimation uncertainty related to the application of IFRS 16, which is described below:

Leases - extension and termination options
In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within control.

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed interim financial statement are the same as those applied in the Company's annual financial statements as at and for the year ended 31 December 2018. The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ended 31 December 2019.

The Company has initially adopted IFRS 16 Leases from January 1, 2019, the impact of which is explained in note 20. A number of other amendments are effective from January 1, 2019 but they do not have a material effect on the Company's condensed interim financial statements.

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligations to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Significant accounting policies under IFRS 16:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies under IFRS 16 (continued):

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

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

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Transition:

Previously, the Company classified its leases as operating leases under IAS 17.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the incremental borrowing rates at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using Company's incremental borrowing rate at the date of initial application; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments - the Company applied this approach to all other leases.

The Company used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17.

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of the lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

4. PROPERTY AND EQUIPMENT

a) Reconciliation of carrying amounts:

	Nine-months period ended 30 September 2019 (Unaudited)	Year ended 31 December 2018 (Audited)
Carrying amount at beginning of the period / year	**635,143**	615,791
Additions during the period / year	**66,618**	134,947
Provision for impairment loss for the period / year	**(14,048)**	--
Disposals during the period / year	**(5)**	--
Depreciation charge for the period / year	**(82,889)**	(115,595)
Carrying amount at the end of the period / year	**604,819**	635,143

b) Category-wise carrying amounts are as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Land	**27,464**	27,464
Leasehold improvements	**354**	979
Airport equipment	**501,424**	570,290
Motor vehicles	**598**	829
Furniture, fixture and equipment	**3,885**	5,164
Computer equipment	**2,755**	2,635
Capital work-in-progress	**68,339**	27,782
Carrying amount at the end of the period / year	**604,819**	635,143

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

5. INTANGIBLE ASSETS AND GOODWILL

a) Reconciliation of carrying amounts:

	Goodwill	Customer contracts	Customer relationships	Software	Total
Cost:					
Balance at 1 January 2018	582,816	153,179	468,475	--	1,204,470
Additions during the year	--	--	--	29,024	29,024
Balance at 31 December 2018	582,816	153,179	468,475	29,024	1,233,494
Balance at 1 January 2019	582,816	153,179	468,475	29,024	1,233,494
Additions during the period	--	--	--	34,486	34,486
Balance at 30 September 2019	582,816	153,179	468,475	63,510	1,267,980
Accumulated amortisation:					
Balance at 1 January 2018	--	153,179	163,967	--	317,146
Amortisation for the year	--	--	23,424	1,658	25,082
Balance at 31 December 2018	--	153,179	187,391	1,658	342,228
Balance at 1 January 2019	--	153,179	187,391	1,658	342,228
Amortisation for the period	--	--	17,520	14,546	32,066
Balance at 30 September 2019	--	153,179	204,911	16,204	374,294
Carrying Amounts					
At 31 December 2018 (Audited)	582,816	--	281,084	27,366	891,266
At 30 September 2019 (Unaudited)	**582,816**	**--**	**263,564**	**47,306**	**893,686**

6. 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 September 2019 is as follows:

Name	Country of incorporation	Effective ownership interest (%)		Carrying value	
		30 September 2019	31 December 2018	**30 September 2019 (Unaudited)**	31 December 2018 (Audited)
SAAS	Kingdom of Saudi Arabia	**50%**	50%	**138,344**	129,824

6. EQUITY ACCOUNTED INVESTEE (continued)

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

	Nine-months period ended 30 September 2019 (Unaudited)	Year ended 31 December 2018 (Audited)
Balance at beginning of the period / year	**129,824**	121,780
Share of net income for the period / year (note 6(c))	**8,520**	8,044
Balance at end of the period / year	**138,344**	129,824

c) These numbers are based on the management accounts of the joint venture for the nine-months period ended 30 September 2019.

7. TRADE RECEIVABLES

Trade receivables as at 30 September 2019 is as follows:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Due from related parties (note 15(a))	**777,288**	820,493
Other trade receivables	**600,990**	666,538
	1,378,278	1,487,031
Less: allowance for impairment losses	**(219,030)**	(178,743)
	1,159,248	1,308,288

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

	Nine-months period ended 30 September 2019 (Unaudited)	Year ended 31 December 2018 (Audited)
Balance at beginning of the period / year	**178,743**	108,995
Charge for the period / year	**44,663**	69,748
Allowance written off during the period/year	**(4,376)**	--
Balance at end of the period / year	**219,030**	178,743

For the Company's exposure to credit risk and impairment loss in trade receivables (see note 22).

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

Investments at FVTPL mainly comprise investments in the money market – mutual funds. Movement in FVTPL investment is as follows:

	Nine-months period ended 30 September 2019 (Unaudited)	Year ended 31 December 2018 (Audited)
Balance at beginning of the period / year	**305,038**	655,804
Investments made during the period / year	**180,000**	720,000
Disposal of investments during the period / year	**(301,150)**	(1,076,648)
Unrealized fair value gain during the period / year	**1,403**	5,882
Balance at end of the period / year	**185,291**	305,038

At 30 September 2019, 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 19).

9. CASH AND CASH EQUIVALENTS

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Cash in hand	**1,573**	951
Cash at bank - current accounts	**92,845**	8,935
- short term deposits (note 9.1)	**500,000**	300,000
	594,418	309,886

9.1 These deposits are held with commercial banks in the Kingdom of Saudi Arabia, denominated in Saudi Arabian Riyals having original maturities not exceeding three months, at prevailing market rates.

10. SHARE CAPITAL

At 30 September 2019, 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 2018: SR 1,880 million consists of 188 million shares of SR 10 each).

During the nine months period ended 30 September 2019, Attar Ground Handling and Attar Travel (collectively referred as "Attar") and National Aviation Ground Support Company ("NAGS") have disposed off their 2.8 percent and 14.7 percent of shareholding in the Company respectively.

Dividends:
During the nine months period ended 30 September 2019, Board of Directors declared dividend amounting to SR 338.4 million which is fully paid (30 September 2018: SR 367 million).

11. 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.

12. EARNINGS PER SHARE

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

	30 September 2019 (Unaudited)	30 September 2018 (Unaudited)
Profit for the period attributable to the shareholders of the Company	**348,187**	312,056
The weighted average number of ordinary shares for the purposes of basic and diluted earnings	**188,000**	188,000
Basic and diluted earnings per share based on profit for the period attributable to shareholders of the Company (in SR)	**1.85**	1.66

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

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

13. 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.

	30 September 2019	30 September 2018
Revenue by categories:		
Rendering of services	**1,926,974**	1,975,728
Sale of goods	**13,461**	6,660
	1,940,435	1,982,388
Revenue by the type of customers:		
Revenue from related parties (note 15(a))	**1,183,838**	1,096,118
Revenue from other foreign airlines	**756,597**	886,270
	1,940,435	1,982,388

13. REVENUE (continued)

	30 September 2019	30 September 2018
Revenue by the airports:		
Jeddah	**681,880**	719,377
Riyadh	**496,817**	485,083
Dammam	**169,861**	184,443
Madina	**165,625**	163,354
Others	**426,252**	430,131
	1,940,435	1,982,388

14. 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 2019 (Unaudited)	31 December 2018 (Audited)
Present value of defined benefit obligations	**517,448**	474,390

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-months period ended 30 September 2019 (Unaudited)	Year ended 31 December 2018 (Audited)
Balance at the beginning of the period/year	**474,390**	432,280
Included in statement of profit or loss:		
Current service costs	**42,948**	54,480
Interest costs	**16,419**	18,193
	59,367	72,673
Included in statement of other comprehensive income:		
Remeasurement gain arising from:		
- Financial assumptions	**--**	(9,811)
- Experience adjustments	**--**	7,328
	--	(2,483)
Benefits paid	**(16,309)**	(28,080)
Balance at the end of period/year	**517,448**	474,390

14. EMPLOYEE BENEFITS (continued)

c) As at 31 December 2018, 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	4.75%
Future salary growth / Expected rate of salary increase	4.5%
Mortality rate	1.14%
Employee turnover/withdrawal rates	12.23%
Retirement age	60 years

The weighted average duration of the defined benefit obligation is 12.69 years.

15. 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 Saudi Arabian Airlines Corporation, being Parent Company, its 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, secondments and various business arrangements and are undertaken at approved contractual terms.

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Significant related party transactions are as follows;

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

			Amount of transactions for the period ended		Closing balances	
Name	Relationship	Nature of transactions	**30 September 2019**	30 September 2018	**30 September 2019 (Unaudited)**	31 December 2018 (Audited)
Saudi Arabian Airlines Corporation	Parent Company	Services provided	**993,396**	978,625	**557,906**	627,974
Saudi Airlines Cargo Company	Fellow subsidiary	Services provided	**15,273**	14,394	**15,263**	36,608
Saudi Aerospace Engineering Industries	Fellow subsidiary	Services provided	**7,930**	3,076	**--**	4,597
Saudi Airlines Catering Company	Common shareholder	Services provided	**2,534**	1,415	**--**	2,110
Saudi Private Aviation	Fellow subsidiary	Services provided	**13,693**	9,992	**29,540**	36,133
Royal Fleet Services	Fellow subsidiary	Services provided	**68,222**	50,604	**131,539**	87,667
Saudia Holding Company	Fellow subsidiary	Services provided	**1,000**	1,570	**1,000**	1,570
Flyadeal	Fellow subsidiary	Services received	**78,954**	36,442	**42,040**	23,834
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services provided	**2,836**	--	--	--
					777,288	820,493

The Company's revenues derived from services rendered to Saudi Arabian Airlines Corporation ("Saudia") amounted to approximately 51% (30 September 2018: 49%) of the total revenue.

15. 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 **30 September 2019**	30 September 2018	Closing balances **30 September 2019 (Unaudited)**	31 December 2018 (Audited)
Saudia Arabian Airlines Corporation	Parent Company	Recharge of seconded staff costs (note 15 f)	**189,750**	184,665	**304,281**	194,092
Saudia Aerospace Engineering Industries	Fellow subsidiary	Services provided	**Note 15(c)**	--	**4,349**	--
					308,630	194,092

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

Saudi Arabian Airlines Corporation	Parent Company	Services received	**1,403**	14,313	**4,264**	3,659
Saudi Airlines Catering Company	Common shareholder	Services received	**19,769**	26,203	**--**	8,987
Saudia Aerospace Engineering Industries	Fellow subsidiary	Services received	**20,279**	60,750	**--**	1,559
Saudi Amad for Airport Services And Transport Support Company	Joint venture	Services received	**7,483**	8,053	**--**	--
Saudi Airlines Real Estate Development Company	Fellow subsidiary	Services received	**265**	657	**--**	--
Saudia Airlines Cargo Company	Fellow subsidiary	Services received	**--**	5	**--**	227
					4,264	14,432

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

			Amount of transactions for the period ended		Closing balances	
Name	Relationship	Nature of transactions	**30 September 2019**	30 September 2018	**30 September 2019 (Unaudited)**	31 December 2018 (Audited)
Saudi Arabian Airlines Corporation	Parent Company	Saudia staff pension	**35,203**	35,255	**93,070**	86,994
Saudi Amad for Airport Services and Transport Support Company	Joint venture	Payments received on behalf of the Joint Venture	**33,367**	37,901	**1,379**	18,843
Saudi Airlines Catering Company	Common shareholder	Services received	**Note 15(c)**	Note 15(c)	**13,299**	15,466
Saudi Aerospace Engineering Industries	Fellow subsidiary	Services received	**Note 15(c)**	Note 15(c)	**--**	19,335
Saudia Airlines Cargo Company	Fellow subsidiary	Expense claims	**--**	2	**861**	861
Saudi Arabia Real Estate Development Company	Fellow subsidiary	Expense claims	**Note 15(c)**	Note 15(c)		
		Rental recharge	**--**	657	**1,141**	876
					109,750	142,375

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(e) Remuneration:

Name	Nature of transactions	**30 September 2019**	30 September 2018
Key management personnel	Remuneration	**7,138**	9,219
Board of Directors	Meeting attendance fees	**3,718**	3,554
		10,856	12,773

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

	30 September 2019	30 September 2018
Short-term employee benefits	**6,876**	8,966
End of service benefits	**262**	253
	7,138	9,219

(f) On January 01, 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.

16. 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.

17. ZAKAT

a) Charge for the period

Zakat for the period ended comprise the following:

	30 September 2019	30 September 2018
Charge for the period	**22,875**	19,450

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

17. ZAKAT (continued)

b) Accrued Zakat

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

	Nine-months period ended 30 September 2019 (Unaudited)	Year ended 31 December 2018 (Audited)
Balance at the beginning of the period / year	**86,252**	65,588
Charge for the period / year	**22,875**	26,200
Payments during the period / year	**(10,249)**	(5,536)
Balance at the end of the period / year	**98,878**	86,252

c) Status of Zakat

The Company has filed a declaration up to financial year ended 31 December 2018 with the General Authority of Zakat and Income Tax (GAZT). The Company also obtained Zakat certificate valid until 30 April 2020. 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.

18. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to contingencies disclosed in note 17, the Company has provided, in the normal course of business, bank guarantees amounting to SR 47.77 million (31 December 2018: SR 14.83 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 September 2019. The Company's bank has earmarked bank balances of SR 30.27 million (31 December 2018: SR 0.01 million) as a lien against these guarantees.

The Company has an agreement with General Authority for Civil Aviation ("GACA") in relation to operations conducted by SAAS ("Joint Venture") at King AbdulAziz airport. The management is in discussions with GACA on the settlement of the liability and has not reached a final conclusion. Consequently, it is difficult to estimate the related liability as at 30 September 2019.

Commitments amounting to SR 26.75 million (31 December 2018: SR 27.07 million) are in respect of capital expenditure committed but not paid.

19. 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 September 2019, there were no financial instruments held by the Company that were measured at fair value, apart from investments at FVTPL.

19. FINANCIAL INSTRUMENTS (continued)

	Level 1	Level 2	Level 3	Total
30 September 2019 (unaudited)				
Investments at FVTPL	--	**185,291**	--	--
31 December 2018 (Audited)				
Investments at FVTPL	--	305,038	--	305,038

There were no transfers between levels of the fair value hierarchy during the period ended 30 September 2019 and year ended 31 December 2018. Additionally, there were no changes in the valuation techniques (refer note 8). The fair value of investments at fair value through profit or loss is based on the net assets values communicated by the fund manager.

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.

30 September 2019 (Unaudited)	**Carrying amount**			
Description:	**Amortised cost**	**Fair value through profit or loss**	**Fair value through other comprehensive income**	**Total**
Financial assets not measured at fair value:				
Cash at banks	**592,845**	--	--	**592,845**
Trade and other receivables	**1,507,626**	--	--	**1,507,626**
Financial assets measured at fair value:				
Investments at FVTPL	--	**185,291**	--	**185,291**
Financial liabilities not measured at fair value:				
Trade and other payables	**544,370**	--	--	**544,370**
Lease liabilities	**150,830**	--	--	**150,830**

31 December 2018 (Audited)	Carrying amount			
Description:	Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	Total
Financial assets not measured at fair value:				
Cash at banks	308,935	--	--	308,935
Trade and other receivables	1,513,774	--	--	1,513,774
Financial assets measured at fair value:				
Investments at FVTPL	--	305,038	--	305,038
Financial liabilities not measured at fair value:				
Trade and other payables	459,506	--	--	459,506

20. NEW STANDARDS AND AMENDMENTS TO STANDARDS

The Company has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2019.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an agreement contains a lease*, SIC 15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact on leases where the Company is the lessor.

IFRS 16 introduced a single on-balance sheet accounting model for lessees. As a result, the Company, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Company has applied IFRS 16 using the modified retrospective approach under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are disclosed below.

Definition of a lease

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under IAS 17 and IFRIC 4. The Company now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Company elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee, the Company has lease contracts for airport facilities, office premises and motor vehicles.

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for leases on-balance sheet.

The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

20. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

IFRS 16 Leases (continued)

The reconciliation of carrying amounts of right-of-use assets are as below:

	Buildings	Motor vehicles	Total
Cost:			
Balance at 1 January 2019	143,827	30,915	174,742
Additions	--	2,967	2,967
Balance at 30 September 2019	143,827	33,882	177,709
Accumulated depreciation:			
Charge for the period	35,307	5,837	41,144
Balance at 30 September 2019	35,307	5,837	41,144
Carrying amounts:			
At 30 September 2019	**108,520**	**28,045**	**136,565**

a) Impact of transition:

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities. recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019
Right-of-use assets	174,742
Lease liabilities	(189,086)
Retained earnings	(14,344)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using incremental borrowing rate at 1 January 2019. The weighted average rate applied is 4.75%.

b) *Reconciliation of lease liabilities*

Lease liabilities are present in statement of financial positions as follows:

	30 September 2019	31 December 2018
Non-current portion of lease liabilities	**86,926**	--
Current portion of lease liabilities	**63,904**	--
	150,830	--

20. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

c) Impact for the period:

	30 September 2019
Depreciation expense (included in administrative expenses)	**--**
Depreciation expense (included in costs of revenue)	**41,144**
Net finance costs	**5,583**

During the nine months' period ended 30 September 2019, the Company recognised SR 41.14 million of depreciation charges and SR 5.58 million of interest costs from these leases, resulting in a carrying value of SR 136.6 million and SR 150.83 million for right of use assets and lease liabilities respectively as at 30 September 2019.

21. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards and amendments issued but not yet effective as at the reporting date are listed below. The Company is currently assessing the implications of these on its financial statements. The following is a brief on the new IFRS and other amendments to IFRS, effective for annual periods beginning on or after 1 January 2020.

A number of new standards are effective for annual periods beginning after 1 January 2020, and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these condensed interim financial statements.

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
Conceptual Framework	Amendments to References to Conceptual Framework in IFRS Standards	1 January 2020
IFRS 3	Definition of a Business (amendments to IFRS 3)	1 January 2020
IAS 1 and IAS 8	Definition of Material (amendments to IAS 1 and IAS 8)	1 January 2020
IFRS 17	Insurance contacts	1 January 2021
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

22. 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 a market risk, credit risk and liquidity risk.

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

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 accrued zakat. 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.

22. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Financial assets		
Trade receivables	**1,378,278**	1,487,031
Other receivables	**348,378**	205,486
Investment at FVTPL	**185,291**	305,038
Cash at banks	**592,845**	308,935
	2,504,792	2,306,490

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 a 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 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 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 (note 15(a)).

At 30 September 2019, trade receivables are mainly due from related parties (note 15(a)) and other trade receivables and are stated at their estimated realisable values. The ten largest customers account for 81% (31 December 2018: 80%) of outstanding gross other trade receivables. The financial position of the related parties is stable.

22. FINANCIAL RISK MANAGEMENT (continued)

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:

	30 September 2019 (Unaudited)	31 December 2018 (Audited)
Fixed rate instruments		
Financial assets		
- Short term deposits	**500,000**	300,000
Variable rate instruments		
Financial assets		
- Investments at FVTPL	**185,291**	305,038

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 1.85 million (31 December 2018: SR 3.05 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 Riyals, United States Dollars and Euro. The Company operates internationally and is exposed to foreign exchange risk. Currently, such exposures are mainly related to exchange rate movements between foreign currencies against Euros 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 receivables and trade payables of the Company are denominated in Saudi Arabian Riyals.

22. FINANCIAL RISK MANAGEMENT (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 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 net asset value with all other variables held constant will decrease or increase profit before Zakat for the period by SR 9.26 million (31 December 2018: SR 15.25 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.

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

23. SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-end, that would require any disclosure or adjustment in these condensed interim financial statements.

24. BOARD OF DIRECTORS' APPROVAL

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on 6 Rabi Al Awal 1441H, corresponding to 3 November 2019.

Chief Financial Officer	Chief Executive Officer	Chairman