

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

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

**FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
30 SEPTEMBER 2023**

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

**UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REVIEW REPORT
For the three-month and nine-month periods ended 30 September 2023**

INDEX	PAGE
Independent Auditor's Review Report on Interim Condensed Financial Statements	1
Interim Condensed Statement of Financial Position	2
Interim Condensed Statement of Profit or Loss and Other Comprehensive Income	3
Interim Condensed Statement of Changes in Equity	4
Interim Condensed Statement of Cash Flows	5
Notes to the Interim Condensed Financial Statements	6 – 24



Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 664 4408

ey.ksa@sa.ey.com
ey.com

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Saudi Ground Services Company (A Saudi Joint Stock Company) (the "Company") as at 30 September 2023, and the related interim condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related interim condensed statements of changes in equity, and cash flows for the nine-month period then ended, and explanatory notes. The Board of Directors is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34") as endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as endorsed in the Kingdom of Saudi Arabia.

for Ernst & Young Professional Services

Abdulaziz S. Alarifi
Certified Public Accountant
License No. (572)




Jeddah: 22 Rabi Al-Thani 1445H
06 November 2023G


SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

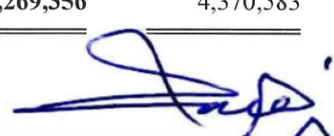
INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	Note	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	6	466,667	433,259
Right-of-use assets	7	239,304	128,671
Intangible assets and goodwill	8	752,877	776,324
Equity-accounted investments	9	94,903	74,365
Prepayments and other assets		57,440	90,237
TOTAL NON-CURRENT ASSETS		1,611,191	1,502,856
CURRENT ASSETS			
Inventories		7,994	9,941
Trade receivables	10	1,242,027	1,152,820
Prepayments and other current assets		594,950	631,364
Financial assets at fair value through profit or loss (FVTPL)	11	242,225	209,185
Short term bank deposits		500,000	-
Cash and cash equivalents		70,969	864,417
TOTAL CURRENT ASSETS		2,658,165	2,867,727
TOTAL ASSETS		4,269,356	4,370,583
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1	1,880,000	1,880,000
Statutory reserve		499,025	499,025
Accumulated losses		(127,143)	(276,995)
TOTAL EQUITY		2,251,882	2,102,030
NON-CURRENT LIABILITIES			
Loans and borrowings	12	-	448,831
Lease liabilities	7	151,551	78,166
Employee defined benefit liabilities		574,385	550,177
TOTAL NON-CURRENT LIABILITIES		725,936	1,077,174
CURRENT LIABILITIES			
Loans and borrowings- current portion	12	200,000	175,797
Lease liabilities- current portion	7	89,036	54,213
Trade payables		124,972	91,593
Accruals and other current liabilities		529,525	544,091
Zakat provision	13	348,005	325,685
TOTAL CURRENT LIABILITIES		1,291,538	1,191,379
TOTAL LIABILITIES		2,017,474	2,268,553
TOTAL EQUITY AND LIABILITIES		4,269,356	4,370,583


Mohammed A. Mazi
Chief Financial Officer


Raed Hassan Al Idrissi
Chief Executive Officer

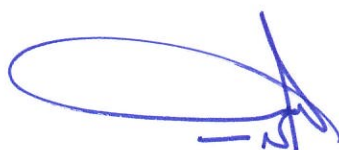

Khalid Al Buainain
Chairman of the Board

The attached notes from 1 to 22 form an integral part of these interim condensed financial statements.

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

For the three-month and nine-month periods ended 30 September 2023

	Note	Three-month period ended 30 September		Nine-month period ended 30 September	
		2023 (Unaudited) SR'000	2022 (Unaudited) SR'000	2023 (Unaudited) SR'000	2022 (Unaudited) SR'000
Revenue	14	646,717	555,091	1,837,055	1,475,595
Costs of revenue		(527,248)	(511,115)	(1,514,824)	(1,338,854)
GROSS PROFIT		119,469	43,976	322,231	136,741
Other income, net		11,558	4,885	26,522	12,279
General and administrative expenses		(62,029)	(66,572)	(178,220)	(196,894)
Impairment losses on trade and other receivables	10	(4,701)	(3,103)	(11,334)	(6,646)
OPERATING PROFIT / (LOSS)		64,297	(20,814)	159,199	(54,520)
Finance costs		(6,913)	(7,682)	(25,784)	(21,675)
Interest income on term deposit		9,163	-	31,270	-
Realized and unrealized gain on financial assets at FVTPL	11	2,944	6,402	7,838	38,137
Share of results from equity-accounted investments	9	6,628	1,243	20,538	438
PROFIT / (LOSS) FOR THE PERIOD BEFORE ZAKAT		76,119	(20,851)	193,061	(37,620)
Zakat charge	13	(16,242)	(30,000)	(43,209)	(99,095)
PROFIT / (LOSS) FOR THE PERIOD		59,877	(50,851)	149,852	(136,715)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD		59,877	(50,851)	149,852	(136,715)
Earnings / (loss) per share					
Earnings / (loss) per share attributable to ordinary equity holders of the Company (basic and diluted) (in SR)	15	0.32	(0.27)	0.80	(0.73)



Mohammed A. Mazi
Chief Financial Officer



Raed Hassan Al Idrissi
Chief Executive Officer



Khalid Al Buainain
Chairman of the Board

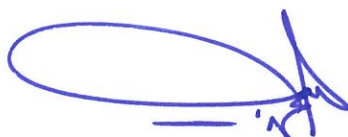
The attached notes from 1 to 22 form an integral part of these interim condensed financial statements.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2023

	<i>Share capital</i> SR'000	<i>Statutory reserve</i> SR'000	<i>Accumulated losses</i> SR'000	<i>Total</i> SR'000
Balance as at 1 January 2022	1,880,000	499,025	(114,311)	2,264,714
Loss for the period	-	-	(136,715)	(136,715)
Other comprehensive income for the period	-	-	-	-
<i>Total comprehensive loss for the period</i>	-	-	(136,715)	(136,715)
Balance as at 30 September 2022 (Unaudited)	<u>1,880,000</u>	<u>499,025</u>	<u>(251,026)</u>	<u>2,127,999</u>
Balance as at 1 January 2023	1,880,000	499,025	(276,995)	2,102,030
Profit for the period	-	-	149,852	149,852
Other comprehensive income for the period	-	-	-	-
<i>Total comprehensive income for the period</i>	-	-	149,852	149,852
Balance as at 30 September 2023 (Unaudited)	<u>1,880,000</u>	<u>499,025</u>	<u>(127,143)</u>	<u>2,251,882</u>



Mohammed A. Mazi
Chief Financial Officer



Raed Hassan Al Idrissi
Chief Executive Officer



Khalid Al Buainain
Chairman of the Board

The attached notes from 1 to 22 form an integral part of these interim condensed financial statements.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2023

1 CORPORATE INFORMATION

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

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

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

The Company’s parent is Saudi Arabian Airlines Corporation (the “Parent Company”), having 52.5% of shares in the Company. At 30 September 2023 and 31 December 2022 the authorized, issued, and paid-up share capital of SR 1,880 million consists of 188 million fully paid shares of SR 10 each. The shareholding of Parent Company and General public is as follows:

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

The Company holds ownership interest in equity-accounted investments as at 30 September 2023 as follows:

Name	Country of incorporation / principal place of business	Effective ownership interest (%)	
		30 September 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Amad for Airport Services and Transport Support Company (“SAAS”) (note 9)	Kingdom of Saudi Arabia	50%	50%
TLD Arabia Equipment Services (“TLDAES”) (note 9)	Kingdom of Saudi Arabia	50%	50%
Jusoor Airport Services Company (“Jusoor”) (note 9)	Kingdom of Saudi Arabia	51%	51%

2 BASIS OF PREPARATION

2.1 Statement of compliance

The interim condensed financial statements for the nine-months period ended 30 September 2023 have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by Saudi Organization for Chartered and Professional Accountants (“SOCPA”). The Company has prepared the interim condensed financial statements on the basis that it will continue to operate as a going concern. The management consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2022. In addition, results of the interim period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

2 BASIS OF PREPARATION (continued)

2.2 Basis of measurement

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

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

2.3 Functional and presentation currency

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

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. The significant judgments made by management in applying the Company's accounting policies and the methods of computation and the key sources of estimation are the same as those that applied to the financial statements for the year ended 31 December 2022.

3 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS ADOPTED BY THE COMPANY

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time in 2023 given below, but do not have an impact on the interim condensed financial statements of the Company.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

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

Definition of Accounting Estimates - Amendments to IAS 8 (continued)

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Company is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the IASB issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

These amendments do not have any impact on the Company.

4 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

<u>Standard/ Interpretation</u>	<u>Description</u>	<u>Effective date</u>
Amendment to IFRS 16	Leases on sale and leaseback	1 January 2024
Amendment to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendment to IAS 21	Lack of Exchangeability	1 January 2025

5 OPERATING SEGMENTS

The Company's primary format for segmental reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. The Company is principally involved in providing ground handling services to local and foreign airlines at all airports in the Kingdom of Saudi Arabia. Other operations are related to the supply of fuel to the local and foreign airlines and other customers. The operations related to supply of fuel and other services has not met the quantitative thresholds for reportable segments for the nine-month period ended 30 September 2023 and 30 September 2022. Accordingly the management believes that the Company's business falls within a single reportable business segment and is subject to similar risks and returns.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

6 PROPERTY AND EQUIPMENT

a) Reconciliation of carrying amounts:

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
Carrying amount at beginning of the period / year	433,259	470,913
Additions during the period / year	107,545	61,249
Disposals during the period	(1)	-
Depreciation during the period / year	(74,136)	(98,903)
At the end of the period / year	<u>466,667</u>	<u>433,259</u>

b) Category-wise carrying amounts are as follows:

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
Land	27,464	27,464
Leasehold improvements	19,946	16,332
Airport equipment	408,265	376,627
Motor vehicles	706	79
Furniture, fixture and equipment	6,127	6,953
Computer equipment	4,159	5,804
At the end of the period / year	<u>466,667</u>	<u>433,259</u>

7 LEASES

The Company has various leases contracts for land, office buildings, workshops, and motor vehicles from various lessors around the region, that includes extension options. The leases of airport premises, workshops and office buildings have renewable lease term, as per management expectation they have been assessed for a lease term of 7 years. Land has a lease term of 22 years and motor vehicles have lease term of 2.8 years.

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

a) Right of use assets

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
At the beginning of the period / year	128,671	122,210
Additions during the period / year	147,193	37,944
Modification during the period / year	3,810	15,812
Derecognition during the period / year	(2,001)	(589)
Depreciation during the period / year	(38,369)	(46,706)
At the end of the period / year	<u>239,304</u>	<u>128,671</u>

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

7 LEASES (continued)

b) Lease liabilities

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
At the beginning of the period / year	132,379	99,952
Additions during the period / year	147,193	37,944
Derecognition during the period / year	(1,761)	(510)
Modification during the period / year	3,810	15,812
Accretion of interest during the period / year	5,945	5,041
Payments during the period / year	(46,979)	(25,860)
	<hr/> 240,587	<hr/> 132,379
At the end of the period / year		
Less: Current portion	(89,036)	(54,213)
	<hr/> 151,551 <hr/>	<hr/> 78,166 <hr/>

8 INTANGIBLE ASSETS AND GOODWILL

	<i>Goodwill SR'000</i>	<i>Customer contracts SR'000</i>	<i>Customer relationships SR'000</i>	<i>Software SR'000</i>	<i>Total SR'000</i>
Cost:					
Balance at 31 December 2022 and 30 September 2023	582,816	153,179	468,475	64,117	1,268,587
Accumulated amortisation:					
Balance at 1 January 2022	-	153,179	257,663	45,174	456,016
Amortisation for the year	-	-	23,424	12,823	36,247
Balance at 31 December 2022 (Audited)	-	153,179	281,087	57,997	492,263
Amortisation for the period	-	-	17,520	5,927	23,447
Balance at 30 September 2023 (Unaudited)	-	153,179	298,607	63,924	515,710
Net book value:					
At 30 September 2023 (Unaudited)	582,816	-	169,868	193	752,877
At 31 December 2022 (Audited)	582,816	-	187,388	6,120	776,324

On 7 February 2010, the Company has entered into Sale and Purchase Agreement (SPA) for the acquisition of capital of National Handling Services ("NHS") in consideration of the Company's shares. As the principal shareholder of the NHS and pursuant to the Transfer of Operations Agreement ("the Agreement"), the Company resolved to transfer the commercial activities of NHS to the Company. Consequently, the assets and liabilities of the NHS were transferred to the Company as of January 1, 2011 along with the business operations.

Further, on 7 February 2010 the Company has entered into another Sale and Purchase Agreement (SPA) for the acquisition of ground handling business of Attar Ground Handling and Attar Travel in consideration of the Company's shares.

As part of the agreements the Company has recognised the fair value of the net assets acquired and resulting goodwill of SR 582.8 million which comprises the fair value of expected synergies arising from the acquisition. The principal identifiable intangible assets acquired as part of the above business combinations were Customer contracts amounting to SR 153.2 million and Customer relationships amounting to SR 468.5 million.

As at 31 December 2022, an independent impairment assessment of goodwill was conducted to determine whether the carrying values exceed the recoverable amounts and was concluded that goodwill was not impaired. The changes in key assumptions and sensitivity analysis would not result in impairment as disclosed in the audited financial statements of the Company for the year ended 31 December 2022. The Company has assessed and concluded that there are no significant indicators of impairment which may impact the goodwill as of 30 September 2023.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

9 EQUITY-ACCOUNTED INVESTMENTS

The equity-accounted investments in joint ventures as at 30 September 2023 are as follows:

	Country of incorporation / principal place of business	Effective ownership interest (%)		30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
		30 September 2023 (Unaudited)	31 December 2022 (Audited)		
Saudi Amad for Airport Services and Transport Support Company ("SAAS")	Kingdom of Saudi Arabia	50%	50%	44,377	39,813
TLD Arabia Equipment Services ("TLDAES")	Kingdom of Saudi Arabia	50%	50%	23,981	20,065
Jusoor Airport Services Company ("Jusoor")	Kingdom of Saudi Arabia	51%	51%	26,545	14,487
				94,903	74,365

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

	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
Balance at the beginning of the period / year	74,365	51,921
Addition during the period / year	-	510
Share of results for the period / year	20,538	24,065
Share of other comprehensive income for the period / year	-	(131)
Dividends during the period / year (note b)	-	(2,000)
Balance at the end of the period/year	94,903	74,365

The equity-accounted investments applied the same accounting policies as applied by the Company in these condensed interim financial statements and have no contingent liabilities or capital commitments at 30 September 2023 and 31 December 2022.

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

This represents Company's 50% investment in a joint venture in Saudi Amad for Airport Services and Transport Support Company ("SAAS") which is one of the Company's strategic suppliers and is principally engaged in providing transportation services for passengers and crew in the Kingdom of Saudi Arabia. The Company does not have control over SAAS, accordingly, it is classified as a joint venture. The Company's interest in SAAS is accounted for using the equity method in these interim condensed financial statements.

b) TLD Arabia Equipment Services ("TLDAES")

This represents Company's 50% investment in a joint venture in TLD Arabia Equipment Services ("TLDAES") which is having primary objective to provide maintenance services for the ground handling equipment across all the airports in the Kingdom of Saudi Arabia. The Company does not have control over the TLDAES, accordingly, it is classified as a joint venture. The Company's interest in TLDAES is accounted for using the equity method in these interim condensed financial statements.

During the nine-month period ended 30 September 2023, TLDAES has neither announced nor paid dividends (31 December 2022: SR 4 million). The Company records 50% of the dividend in accordance with its percentage of shareholding in TLDAES.

c) Jusoor Airport Services Company ("Jusoor")

On 2 July 2020, the Company entered into a shareholders' agreement with Saudi Services & Operations Company ("SSOC") to jointly form a consortium, Jusoor Airport Services Company, to respond to tenders from General Authority of Civil Aviation. Prior to signing the shareholders' agreement, the Company entered into a Memorandum of Understanding ("MoU") on 5 December 2019 to establish a separate legal entity in the form of joint venture conditional to consortium being awarded the license to operate and maintain the passenger boarding bridges at King Abdulaziz International Airport in Jeddah.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

9 EQUITY-ACCOUNTED INVESTMENTS (continued)

c) Jusoor Airport Services Company (“Jusoor”) (continued)

On 25 August 2020, the Company entered into a services agreement with Dammam Airport Company (“DACO”) to operate and maintain the passenger boarding bridges at King Fahd International Airport (“KFIA”). As agreed in the MoU, the other party of the consortium (SSOC) is involved and responsible for the operations and maintenance of passenger boarding bridges at KFIA until the formation of joint venture.

During the year ended 31 December 2022, the consortium entered into an operations and maintenance agreement with Jeddah Airport Company (“JEDCO”) subsequent to the awarding of aforementioned license. The legal formalities for establishing the joint venture were completed on 29 August 2023. As at the reporting date, the Company holds 51% ownership interest in the joint venture, as the Company does not have control over the Jusoor, accordingly, it is classified as a joint venture.

10 TRADE RECEIVABLES

Trade receivables as at 30 September 2023 is as follows:

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
Due from related parties (note 16 (a))	1,110,735	967,223
Other trade receivables	430,366	478,029
	1,541,101	1,445,252
Less: allowance for impairment losses	(299,074)	(292,432)
	1,242,027	1,152,820

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

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
Balance at beginning of the period / year	292,432	345,525
Charge for the period / year	11,334	5,399
Written-off during the period / year	(4,692)	(58,492)
	299,074	292,432

During the period ended 30 September 2023, the Board of Directors approved the write-off amounting to SR 4.7 million (31 December 2022: SR 58.5 million). There is no contractual amount outstanding on financial assets that were written off during the period which are subject to enforcement activity

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

Financial assets at FVTPL mainly comprises investments in the mutual funds.

Movement in financial assets at FVTPL is as follows:

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
Balance at beginning of the period / year	209,185	1,391,055
Investments in financial assets at FVTPL during the period / year	289,611	-
Disposal of investments during the period / year	(264,409)	(1,222,985)
Fair value gain during the period / year	7,838	41,115
	242,225	209,185

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

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

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

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>30 September 2022 (Unaudited) SR'000</i>
Realized gain	5,986	24,230
Unrealized gain	1,852	13,907
	7,838	38,137

12 LOANS AND BORROWINGS

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
Gross amount payable	200,000	624,628
Less: Current portion	(200,000)	(175,797)
Non-current portion	-	448,831

- During the year ended 31 December 2020, the Company signed a facility agreement with a local commercial bank for a value of SR 500 million. This amount was withdrawn in full on 28 July 2020. This loan bears financial charges based on SAIBOR plus 0.80% per annum. The loan was initially repayable over a period of three years on flexible repayment terms. The Company has paid a management fee of SR 7 million to obtain the facility in accordance with the agreed terms of the loan agreement. The loan is secured by an order note. During the year ended 31 December 2022, the Company repaid an amount of SR 100 million of the total withdrawn loan. Further, the Company was able to extend the facility for additional period up to 31 October 2024.

During the nine-month period ended 30 September 2023, the Company repaid an amount of SR 200 million of the remaining withdrawn loan.

Management plans to settle the outstanding amount during the year ending 31 December 2023.

- During the year ended 31 December 2020, the Company signed a loan agreement with a local commercial bank for a value of SR 750 million. On 9 February 2021, the Company has withdrawn SR 500 million. This loan bears financial charges based on SAIBOR plus 0.90% per annum. The loan is repayable over a period of 3 years, with one year grace period, in 8 equal quarterly instalments starting from December 2021. The loan is secured by an order note. During the year ended 31 December 2022, the Company repaid an amount of SR 362.5 million, out of which SR 250 million is in excess to the initially agreed repayment schedule, which decreased the quarterly repayments for the remaining period.

During the nine-month period ended 30 September 2023, the Company repaid an amount of SR 75 million to fully settle the outstanding loan.

- During the year ended 31 December 2020, the Company signed a facility agreement with a local commercial bank for a value of SR 750 million. On 18 May 2021, the Company has withdrawn SR 250 million from the available facility. This loan bears financial charges based on SAIBOR plus 0.80% per annum. The loan is repayable over a period of 3 years, with one year grace period, in 8 equal quarterly instalments starting from July 2022. The loan is secured by an order note. During the year ended 31 December 2022, the Company repaid an amount of SR 98.8 million, out of which SR 48.4 million is in excess to the initially agreed repayment schedule which decreased the quarterly repayments for the remaining period.

During the nine-month period ended 30 September 2023, the Company repaid an amount of SR 151 million to fully settle the outstanding loan.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

13 ZAKAT PROVISION

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

	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
Balance at beginning of the period / year	325,685	158,800
Charge during the period / year	43,209	166,885
Payments during the period / year	(20,889)	-
	<u>348,005</u>	<u>325,685</u>

Status of assessments

The Company has filed Zakat declaration up to the financial year ended 31 December 2022 with the Zakat, Tax and Customs Authority (ZATCA). The Company has also obtained Zakat certificate valid until 30 April 2024. The Company has finalized its assessments with ZATCA up to the year 2013. ZATCA has issued Zakat assessments for the years from 2014 to 2020 claiming an additional liability of SR 264.6 million.

The Company has filed an appeal against ZATCA assessments for the years 2014 to 2020 with the Tax Violations and Disputes Resolution Committees ("TVDRC") of the General Secretariat of Tax Committees ("GSTC") and pending the Committee's review. The zakat return for the year ended 31 December 2021 and 2022 are pending ZATCA's review.

Subsequent to the period ended 30 September 2023, the TVDRC issued a ruling regarding year 2014 assessment in favor of the Company. However, ZATCA has right to appeal. Based on the current progress and the available information, management believes that the level of existing provisions for zakat is sufficient to account for any potential liabilities that may arise at the time of final assessments

14 REVENUE

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

Revenue by categories:

	Three-month period ended		Nine-month period ended	
	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000
Rendering of services	640,797	550,004	1,821,083	1,462,470
Sale of goods	5,920	5,087	15,972	13,125
	<u>646,717</u>	<u>555,091</u>	<u>1,837,055</u>	<u>1,475,595</u>

Revenue by the type of customers:

	Three-month period ended		Nine-month period ended	
	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000
Revenue from related parties (note 16 (a))	351,746	316,529	986,690	921,541
Revenue from other local and foreign customers	294,971	238,562	850,365	554,054
	<u>646,717</u>	<u>555,091</u>	<u>1,837,055</u>	<u>1,475,595</u>

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

15 EARNINGS / LOSS PER SHARE

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

	<i>Three-month period ended</i>		<i>Nine-month period ended</i>	
	<i>30 September 2023</i>	<i>30 September 2022</i>	<i>30 September 2023</i>	<i>30 September 2022</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>
Profit / (loss) for the period attributable to the shareholders of the Company	59,877	(50,851)	149,852	(136,715)
The weighted average number of ordinary shares for the purposes of basic and diluted earnings / (losses)	188,000	188,000	188,000	188,000
Basic and diluted earnings / (loss) per share based on earnings / (loss) for the period attributable to shareholders of the Company (SR)	0.32	(0.27)	0.80	(0.73)

16 RELATED PARTY TRANSACTIONS AND BALANCES

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

Related Parties:

Related Parties:	Relationship
Saudi Arabian Airlines Corporation	Parent Company
Saudi Airlines Air Transport Company	Fellow subsidiary
Saudia Aerospace Engineering Industries Company	Fellow subsidiary
Saudia Royal Fleet	Fellow subsidiary
Flyadeal Company	Fellow subsidiary
Saudi Logistics Services Company	Fellow subsidiary
Saudi Private Aviation	Fellow subsidiary
Saudi Airlines Cargo Company	Fellow subsidiary
Saudi Airlines Real Estate Development Company	Fellow subsidiary
Catrion Catering Holding Company	Common shareholder
TLD Arabia Equipment Services	Joint venture
Saudi Amad for Airport Services And Transport Support Company	Joint venture
Jusoor Airport Services Company	Joint venture
Bupa Arabia for Cooperation Insurance	Common Key Management Personnel

Significant transactions with related parties in the ordinary course of business arise mainly from services provided / received, supply of fuel, and various business arrangements and are undertaken at approved contractual terms. Balances and transactions arising therefrom are summarized below.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

i) Following are the details of related parties transactions during the period:

Relationship	Nature of transactions	For the three-month period ended		For the nine-month period ended	
		30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000
Fellow subsidiary	Services provided	349,271	314,520	979,809	916,635
Joint venture	Services provided	1,520	1,150	4,381	2,763
Common shareholder	Services provided	955	859	2,500	2,143

The Company's revenues derived from services rendered to Saudi Airlines Air Transport Company amounted to approximately 41% (30 September 2022: 51%) of the total revenue.

ii) Due from related parties under trade receivables comprised the following:

	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
Saudi Airlines Air Transport Company	628,611	525,520
Saudia Royal Fleet	168,206	159,592
Saudia Aerospace Engineering Industries Company	142,683	157,969
Flyadeal Company	152,412	100,419
Saudi Private Aviation	12,191	10,182
Saudi Logistics Services Company	4,690	6,417
Saudi Airlines Cargo Company	912	5,605
Catrion Catering Holding Company	347	836
Saudi Arabian Airlines Corporation	683	683
	1,110,735	967,223

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

i) Following are the details of related parties transactions during the period:

Relationship	Nature of transactions	For the three-month period ended		For the Nine-month period ended	
		30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000
Parent Company	VAT receivable	17,477	18,502	44,779	46,257
Joint venture	Other expenses	5,509	-	18,764	-
Joint venture	Invoices on behalf of the Joint Venture	14,144	-	42,404	-
Joint venture	Dividends	-	-	-	2,000

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) *Due from related parties - significant transactions and balances under prepayments and other current assets (continued):*

ii) *Due from related parties under prepayments and other current assets comprised the following:*

	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
<i>Due from Related parties</i>		
Saudi Arabian Airlines Corporation	361,366	397,638
Saudi Amad for Airport Services and Transport Support Company	72,948	68,612
Jusoor Airport Services Company	20,024	15,590
	454,338	481,840
<i>Prepayments</i>		
Bupa Arabia for Cooperation Insurance	47,108	54,230

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

i) *Following are the details of related parties transactions during the period:*

Relationship	Nature of transactions	<i>For the three-month period ended</i>		<i>For the nine-month period ended</i>	
		30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000
Joint venture	Maintenance received	24,675	27,043	86,577	82,025
Common Key Management Personnel	Services received	25,788	26,251	77,826	67,761
Common shareholder	Services received	12,487	9,630	35,890	23,135
Joint venture	Invoices on behalf of Joint Venture	2,188	-	6,655	-
Joint venture	Services received	2,727	2,192	8,181	6,634

ii) *Due to related parties under trade payable comprised the following:*

	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
TLD Arabia Equipment Services	19,068	14,649
Catrion Catering Holding Company	5,067	2,269
Saudi Airlines Air Transport Company	715	715
	24,850	17,633

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

16 RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

i) Following are the details of related parties transactions during the period:

Relationship	Nature of transactions	For the three-month period ended		For the nine-month period ended	
		30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000
Joint venture	Invoices on behalf of the Joint Venture	13,975	13,948	42,235	34,650
Fellow subsidiary	Employee cost and related expenses	-	-	-	448
Fellow subsidiary	Other expenses	-	-	-	900

ii) Due to related parties under other current liabilities comprised the following:

	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
Saudi Arabian Airlines Corporation	40,470	52,091
Saudi Airlines Air Transport Company	3,250	-
Catrion Catering Holding Company	14,537	39,420
TLD Arabia Equipment Services	25,100	34,734
Saudia Aerospace Engineering Industries	12,825	12,825
Saudi Airlines Cargo Company	861	861
Saudi Airlines Real Estate Development Company	103	103
	97,146	140,034

Key management compensation

Compensation for key management is as follows:

	30 September 2023 (Unaudited) SR'000	30 September 2022 (Unaudited) SR'000
Short term benefits	7,792	7,727
End of service benefits	457	1,179
Directors' fees	4,376	3,889
	12,625	12,795

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

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

17 FINANCIAL INSTRUMENTS RISK MANAGEMENT

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

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

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

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

Market risk

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

Interest rate risk

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

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

Financial liabilities

	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
Loans and borrowings	200,000	624,628

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

	30 September 2023 (Unaudited) SR'000	31 December 2022 (Audited) SR'000
Interest rate-increases by 100 basis points	167	3,378
Interest rate-decrease by 100 basis points	(167)	(3,378)

Currency risk

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

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Price risk

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

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

The table below summarizes the impact of increases/decreases.

	<i><u>Impact on profit or loss</u></i>	
	<i><u>30 September</u></i>	<i><u>31 December</u></i>
	<i><u>2023</u></i>	<i><u>2022</u></i>
	<i><u>(Unaudited)</u></i>	<i><u>(Audited)</u></i>
	<i><u>SR'000</u></i>	<i><u>SR'000</u></i>
Increases by 5%	12,111	10,459
Decreases by 5%	(12,111)	(10,459)

Credit risk

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

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

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

At 30 September 2023, 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 58% (31 December 2022: 59%) 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 short term deposits, bank balances and cash, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount as disclosed in the statement of financial position. The credit risk in respect of bank balances and short term deposits are considered by management to be insignificant, as the balances are mainly held with reputable banks in the Kingdom of Saudi Arabia and internationally.

The changes in the carrying amounts of trade receivables contributed mainly by the changes in the impairment loss allowance and allowance written-off during the nine-month period ended 30 September 2023.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

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

	<i>30 September 2023 (Unaudited) SR'000</i>	<i>31 December 2022 (Audited) SR'000</i>
Financial assets		
Trade receivables	1,541,101	1,445,252
Prepayments and other current assets	490,637	520,783
Financial assets at fair value through profit or loss (FVTPL)	242,225	209,185
Short term deposits	500,000	-
Cash and cash equivalents (excluding cash on hand)	68,434	863,644
	<u>2,842,397</u>	<u>3,038,864</u>

Liquidity Risk

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

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

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

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

<i>Non-derivative financial liabilities</i>	<i>Carrying amount SR'000</i>	<i>Contractual cash flows</i>		<i>Total SR'000</i>
		<i>Less than one year SR'000</i>	<i>More than one year SR'000</i>	
30 September 2023 (Unaudited)				
Trade payables	124,972	124,972	-	124,972
Other payables (excluding advances)	510,927	510,927	-	510,927
Loans and borrowings	200,000	203,386	-	203,386
Lease liabilities	240,587	89,036	188,901	277,937
	<u>1,076,486</u>	<u>928,321</u>	<u>188,901</u>	<u>1,117,222</u>
<i>Non-derivative financial liabilities</i>	<i>Carrying amount SR'000</i>	<i>Contractual cash flows</i>		<i>Total SR'000</i>
		<i>Less than one year SR'000</i>	<i>More than one year SR'000</i>	
31 December 2022 (Audited)				
Trade payables	91,593	91,593	-	91,593
Other payables (excluding advances)	536,626	536,626	-	536,626
Loans and borrowings	624,628	183,648	450,625	634,273
Lease liabilities	132,379	42,139	87,110	129,249
	<u>1,385,226</u>	<u>854,006</u>	<u>537,735</u>	<u>1,391,741</u>

At 30 September 2023

17 FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Capital risk management

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

18 FAIR VALUE MEASUREMENT

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

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

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

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

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

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

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

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

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

Loans and borrowings, liabilities against leases, and other liabilities are the Company's financial liabilities. All financial liabilities as of 30 September 2023 and 31 December 2022 are measured at amortised cost. The carrying values of the financial liabilities under amortised cost approximate their fair values.

The carrying value of all the financial assets classified as amortised cost approximates their fair value on each reporting date.

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

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

18 FAIR VALUE MEASUREMENT (continued)

The fair values under different levels were as follows:

		<i>Fair value measurement using</i>			
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<i>30 September 2023 (Unaudited)</i>	<i>Total</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	
<i>financial assets at FVTPL</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	
Mutual funds	<u>242,225</u>	<u>-</u>	<u>242,225</u>	<u>-</u>	

		<i>Fair value measurement using</i>			
		<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	
<i>31 December 2022 (Audited)</i>	<i>Total</i>	<i>SR</i>	<i>SR</i>	<i>SR</i>	
<i>financial assets at FVTPL</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	<i>SR'000</i>	
Mutual funds	<u>209,185</u>	<u>-</u>	<u>209,185</u>	<u>-</u>	

During the nine-month period ended 30 September 2023 and 31 December 2022, there were no movements between the levels.

19 CONTINGENCIES AND COMMITMENTS

- (a) In addition to contingencies disclosed in note 13, the Company had letters of guarantee amounting to SR 83.5 million as at 30 September 2023 (31 December 2022: SR 73.5 million), that were issued in the normal course of the business.
- (b) Commitments amounting to SR 72.2 million (31 December 2022: SR 74.6 million) are in respect of capital expenditure committed but not paid.
- (c) In relation to agreements entered on behalf of SAAS, the Company has not received any claim from the General Authority for Civil Aviation (“GACA”) regarding the contractually agreed fees on each domestic and international trip in King Abdul Aziz International Airport from February 2021 onwards. Currently, managements of SGS and SAAS are discussing the matter with GACA and has not reached a conclusion yet. Consequently, it is difficult to estimate the related liability as at the reporting date.
- (d) As at 30 September 2023, there are cases filed by labors and subcontractors where the Company is a defendant. Currently, the legal proceedings are ongoing and based on management expectations, the related probabilities of winning the cases are high for the Company.

20 SUBSEQUENT EVENTS

There have been no significant subsequent events since the period-end, that would require disclosures of adjustments in these interim condensed financial statements, except as disclosed in note 13.

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (continued)

At 30 September 2023

21 COMPARATIVE INFORMATION

Certain prior period amounts have been reclassified for purposes of comparison and better presentation.

The following is the summary of reclassification on interim condensed statement of profit or loss for the three-month period ended 30 September 2022:

	<i>Balance as previously stated</i>	<i>Reclassifications</i>	<i>Balance after reclassifications</i>
Cost of revenue	507,589	3,526	511,115
General and administrative expenses	69,059	(2,487)	66,572
Finance cost	8,721	(1,039)	7,682

The following is the summary of reclassification on interim condensed statement of profit or loss for the nine-month period ended 30 September 2022:

	<i>Balance as previously stated</i>	<i>Reclassifications</i>	<i>Balance after reclassifications</i>
Cost of revenue	1,328,403	10,451	1,338,854
General and administrative expenses	204,149	(7,255)	196,894
Finance cost	24,871	(3,196)	21,675

22 APPROVAL OF THE FINANCIAL STATEMENTS

These interim condensed financial statements have been approved and authorised to issue by the Company's Board of Directors on 4 November 2023 corresponding to 20 Rabi Al-Thani 1445H.