

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

**UNAUDITED INTERIM CONDENSED
FINANCIAL STATEMENTS**

For the three-month period and year ended December 31, 2015
with

INDEPENDENT AUDITORS' REVIEW REPORT



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REVIEW REPORT ON INTERIM CONDENSED FINANCIAL STATEMENTS

The Shareholders
Saudi Ground Services Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia.

Scope of review

We have reviewed the accompanying interim balance sheet of Saudi Ground Services Company ("the Company") as at December 31, 2015, the related interim statements of income for the three-month period and year then ended, the interim statement of cash flows and changes in shareholders' equity for the year then ended and the attached condensed notes from 1 through 13 which form an integral part of the interim condensed financial statements. These interim condensed financial statements are the responsibility of the Company's management and have been prepared by them and submitted to us together with all the information and explanations which we required. Our responsibility is to provide a conclusion on the review of these interim condensed financial statements based on our review.

We conducted our review in accordance with Auditing Standard on Review of Interim Financial Reporting issued by the Saudi Organization for Certified Public Accountants (SOCPA). A review consists principally of analytical procedures applied to financial data and information and making inquiries of Company's personnel responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion on the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim condensed financial statements for them to be in conformity with the accounting standards generally accepted in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners:

Ebrahim Oboud Baeshen
License No. 382

Jeddah, Rabi ul Thani 11, 1437H
Corresponding to January 21, 2016



SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

INTERIM BALANCE SHEET
As at December 31, 2015
Expressed in Saudi Arabian Riyals

	Notes	2015 (Unaudited)	2014 (Audited)
ASSETS			
Current assets:			
Cash and cash equivalents		779,437,719	519,419,810
Accounts receivable	4	809,437,710	718,215,394
Inventories		289,202	945,929
Prepayments and other current assets		176,607,103	111,308,725
Total current assets		1,765,771,734	1,349,889,858
Non-current assets:			
Investment in an equity accounted investee	5	76,201,063	66,579,324
Property and equipment		473,139,731	543,196,105
Intangible assets	6	934,171,909	985,914,459
Total non-current assets		1,483,512,703	1,595,689,888
Total assets		3,249,284,437	2,945,579,746
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		51,791,586	30,705,811
Accrued expenses and other current liabilities		202,514,600	184,059,420
Accrued Zakat	9	25,858,944	23,981,932
Total current liabilities		280,165,130	238,747,163
Non-current liabilities:			
Employees' end of service benefits		265,267,676	222,256,300
Total liabilities		545,432,806	461,003,463
SHAREHOLDERS' EQUITY			
Share capital	7	1,880,000,000	1,880,000,000
Statutory reserve		301,114,388	239,007,237
Retained earnings		522,737,243	365,569,046
Total shareholders' equity		2,703,851,631	2,484,576,283
Total liabilities and shareholders' equity		3,249,284,437	2,945,579,746

مدير عام الشركة

المدير المالي

المدير الإداري

The attached notes 1 to 13 form an integral part of these interim condensed financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF INCOME

For the three-month period and year ended December 31, 2015

Expressed in Saudi Arabian Riyals

		For the three-month period ended December 31,		For the year ended December 31,	For the period from April 17, 2014 to December 31,
	Notes	2015 (Unaudited)	2014 (Unaudited)	2015 (Unaudited)	2014 (Audited)
Revenue		646,038,745	597,881,301	2,540,512,211	1,723,502,398
Operating costs		(410,010,118)	(425,312,807)	(1,703,329,764)	(1,105,644,836)
Gross profit		236,028,627	172,568,494	837,182,447	617,857,562
General and administrative expenses		(71,829,076)	(50,917,490)	(241,551,414)	(158,664,791)
Share of profit from an equity accounted investee	5	8,512,153	21,502,657	34,119,318	21,502,657
Operating income		172,711,704	143,153,661	629,750,351	480,695,428
Other income – net		3,442,171	25,810,279	15,702,726	27,186,046
Finance charges		(834,877)	(146,103)	(1,068,685)	(434,113)
Income before Zakat		175,318,998	168,817,837	644,384,392	507,447,361
Zakat	9	(6,437,881)	(717,590)	(23,312,881)	(10,967,590)
Net income for the period		168,881,117	168,100,247	621,071,511	496,479,771
Earnings per share (Saudi Riyals):					
- Operating income	10	0.92	0.76	3.35	2.56
- Net income	10	0.90	0.89	3.30	2.64



The attached notes 1 to 13 form an integral part of these interim condensed financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

	Notes	2015 (Unaudited)	For the period from April 17, 2014 to December 31, 2014 (Audited)
Cash flows from operating activities			
Income before Zakat		644,384,392	507,447,361
Adjustments for:			
Share of profit from an equity accounted investee	5	(34,119,318)	(21,502,657)
Depreciation		97,733,406	57,261,100
Amortization of intangible assets		51,742,550	36,507,244
Provision for employees' end of service benefits		49,239,116	35,920,462
Provision for doubtful debts		23,711,916	35,554,055
Loss / (gain) on disposal of property and equipment		75,753	(31,940)
		832,767,815	651,155,625
Changes in operating assets and liabilities:			
Increase in accounts receivable		(114,934,232)	(54,598,947)
Decrease in inventories		656,727	1,085,305
(Increase) / decrease in prepayments and other current assets		(65,298,378)	8,329,353
Increase / (decrease) in accounts payable		21,085,775	(55,914,993)
Increase / (decrease) in accrued expenses and other current liabilities		18,455,180	(51,072,815)
Cash generated from operations		692,732,887	498,983,528
Employees' end of service benefits paid		(6,227,740)	(6,997,324)
Zakat paid	9	(21,435,869)	(13,768,648)
Net cash generated from operating activities		665,069,278	478,217,556
Cash flows from investing activities			
Purchase of property and equipment		(29,992,547)	(76,255,259)
Proceeds from disposal of property and equipment		2,239,762	189,061
Dividend received from an equity accounted investee	5	24,497,579	--
Net cash used in investing activities		(3,255,206)	(76,066,198)
Cash flows from financing activities			
Repayment of loan		--	(10,825,326)
Dividend paid	11	(401,796,163)	(329,994,614)
Net cash used in financing activities		(401,796,163)	(340,819,940)
Net increase in cash and cash equivalents		260,017,909	61,331,418
Cash and cash equivalents at the beginning of the period		519,419,810	458,088,392
Cash and cash equivalents at the end of the year / period		779,437,719	519,419,810
Non-cash transaction:			
Transfer of items of property and equipment to an equity accounted investee		--	28,172,883

The attached notes 1 to 13 form an integral part of these interim condensed financial statements.

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SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

	Share capital	Statutory reserve	Retained earnings	Total
Balance at April 17, 2014	1,880,000,000	189,359,260	152,745,066	2,222,104,326
Net income for the period	--	--	496,479,771	496,479,771
Transfer to statutory reserve	--	49,647,977	(49,647,977)	--
Dividend (Note 11)	--	--	(234,007,814)	(234,007,814)
Balance at December 31, 2014 (Audited)	<u>1,880,000,000</u>	<u>239,007,237</u>	<u>365,569,046</u>	<u>2,484,576,283</u>
Balance at January 1, 2015	1,880,000,000	239,007,237	365,569,046	2,484,576,283
Net income	--	--	621,071,511	621,071,511
Transfer to statutory reserve	--	62,107,151	(62,107,151)	--
Dividend (Note 11)	--	--	(401,796,163)	(401,796,163)
Balance at December 31, 2015 (Unaudited)	<u>1,880,000,000</u>	<u>301,114,388</u>	<u>522,737,243</u>	<u>2,703,851,631</u>

The attached notes 1 to 13 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 (UNAUDITED)

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

- 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 Rajab 11, 1429H, (corresponding to July 14, 2008). The Company was formed by Saudi Arabian Airlines Corporation ("Saudia"), a 100% Government owned entity, in 2008 to consolidate the ground support services business (GSS) in the Kingdom of Saudi Arabia.
- 1.2 On February 7, 2010, Saudia signed a Shareholders' Agreement (the "Agreement" or the "Shareholders' Agreement") with Attar Ground Handling and Attar Travel (collectively referred as "Attar") and the shareholders of National Handling Services ("NHS") to acquire their ground handling businesses. As a result of this agreement, the Company acquired the Ground Supporting Services Division of Saudia, ground handling business of Attar and the 100% issued capital of NHS. NHS is liquidated and accordingly not consolidated in these financial statements. The amended Articles of Association reflecting the above changes were approved by the Ministry of Commerce and Industry on Muharram 23, 1432H (December 29, 2010). The effective date of the above-mentioned acquisition and transfer was agreed between the shareholders as of January 1, 2011. The legal name "Saudi Airlines Ground Services Company" was changed to "Saudi Ground Services Company" under the same commercial registration number 4030181005 on Safar 20, 1432H, (corresponding to January 24, 2011).
- 1.3 The Company on Jamadul Thani 17, 1435H, corresponding to April 17, 2014, has converted from a limited liability to a closed joint stock company pursuant to Ministerial resolution number 171/R on Jumadul Thani 17, 1435H, corresponding to April 17, 2014.
- 1.4 As decided by the shareholders of the Company, 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 June 3, 2015 (corresponding to Shabaan 15, 1436H) to June 9, 2015 (corresponding to Shabaan 21, 1436H) after obtaining required approval from the Capital Market Authority. The Company's shares started trading on the Saudi Stock Exchange (Tadawul) on June 25, 2015, corresponding to Ramadan 8, 1436H.
- 1.5 Accordingly, after successful completion of IPO (Initial Public Offering) process, the Company was declared a Saudi Joint Stock Company with a share capital of SR 1,880 million (divided into 188 million shares of SR 10 each). The legal formalities for the revision of the Bylaws of the Company have been completed during the six-month period ended June 30, 2015.
- 1.6 The Company is engaged in providing aircraft cleaning, passenger handling, baggage and ground handling services to Saudi Arabian Airlines, other local and foreign airlines at all airports in the Kingdom of Saudi Arabia.
- 1.7 The Company's registered office is located at the following address:

Saudi Ground Services Company
Khalidiyah District, Saudia City
P. O. Box 48154
Jeddah 21572
Kingdom of Saudi Arabia.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

2. BASIS OF PREPARATION

(a) Statement of compliance

The accompanying interim condensed financial statements have been prepared in accordance with the Saudi Accounting Standard for interim financial information issued by the Saudi Organization for Certified Public Accountants (SOCPA). These interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with accounting standards generally accepted in the Kingdom of Saudi Arabia and should be read in conjunction with the Company's audited financial statements for the period from April 17, 2014 to December 31, 2014.

The interim statement of income in these interim condensed financial statements include comparative information which cover period from April 17, 2014 (date of ministerial approval of the Company's conversion from limited liability company to a closed joint stock company) to December 31, 2014.

(b) Basis of measurement

These interim condensed financial statements have been prepared on historical cost basis, using the accrual basis of accounting and the going concern concept.

(c) Functional and presentation currency

These interim condensed financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency of the Company.

(d) Use of estimates and judgements

The preparation of interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Significant areas requiring management judgement and estimates are as follows:

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

2. BASIS OF PREPARATION (continued)

(d) Use of estimates and judgements (continued)

i) Impairment of non-financial assets

The Company assesses, at each reporting date or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less cost to sell, and its value in use, and is determined for the individual asset, unless the asset does not generate cash inflows which are largely independent to those from other assets or groups. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, an appropriate source is used, such as observable market prices or, if no observable market prices exist, estimated prices for similar assets or if no estimated prices for similar assets prevail, or it is based on discounted future cash flow calculations.

Impairment for goodwill is determined by assessing the recoverable amount of each cash-generating unit (or group of cash generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods for subsequent increases in its recoverable amount in future periods.

ii) Provision for doubtful debts

A provision for impairment of accounts receivable is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the account receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

iii) Provision for slow moving inventory items

The Company makes a provision for slow moving inventory items. Estimates of net realizable value of inventories are based on the most reliable evidence at the time the estimates are made. These estimates take into consideration fluctuations of price or cost directly related to events occurring subsequent to the balance sheet date to the extent that such events confirm conditions existing at the end of period.

iv) Useful lives of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. These estimates are determined after considering expected usage of the assets and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charges are adjusted where management believes the useful lives differ from previous estimates.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the interim condensed financial statements:

(a) Cash and cash equivalent

Cash and cash equivalent comprise cash on hand, cash with banks and other short-term bank deposits with banks with an original maturity of three months or less.

(b) Account receivables

Account receivables are carried at original invoice amount less allowance for any uncollected amounts. A provision for doubtful debts is established when there is a significant doubt that the Company will be able to collect all amounts due according to the original terms of agreement. Bad debts are written-off as incurred.

(c) Inventories

Inventories are valued at lower of cost (determined principally by the weighted average method) and net realisable value. Stores and spares are valued at cost, less any provision for slow-moving items. Net realisable value is estimated selling price in the ordinary course of business, less selling expenses.

(d) Investments in an equity accounted investee

The Company's investment in equity accounted investee represents investment in an entity over whose activities the Company has joint control, established by contractual arrangements and requiring unanimous consent for strategic financial and operating decisions. Investment in equity accounted investee is accounted for using the equity method of accounting together with any long-term interests that, in substance, form part of the investor's net investment in the equity accounted investee. Under the equity method, the investment in the equity accounted investee is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the equity accounted investee less impairment loss, if any. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of Company's investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of an equity accounted investee.

(e) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is not depreciated. Cost includes expenditure that is directly attributable to the acquisition of asset. Finance cost on borrowings to finance the construction of the asset is capitalized during the period of time that is required to complete and prepare the asset for its intended use.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property and equipment (continued)

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. Expenditures for maintenance and repairs that do not materially extend the asset's life are included in expenses for the period. Depreciation is charged to the statement of income on a straight-line basis over the estimated useful lives of assets as follows:

	<u>Years</u>
Leasehold improvements	5-10
Airport equipment	7-10
Motor vehicles	5
Furniture, fixtures and equipment	4-10
Computer equipment and software	4

(f) Intangible assets

i) Goodwill

Goodwill represents the excess cost of investments over the fair value of the net assets acquired in a business combination. Goodwill is tested annually for impairment and is carried at cost net of accumulated impairment losses. Gains or losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to these units.

ii) Other intangible assets

Other intangible assets represents the customer contracts and customer relationships.

Customer contracts refer to existing contracts that the Company has with its customers that are ongoing in nature and have expiration dates after the balance sheet date. Customer contract are amortized using the straight-line method over the related estimated economic lives not exceeding five years.

Customer relationships represents intangible asset arising from the fact that the Company has established relationship with various customers over the years and that this relationship is the factor in the renewal of contracts and customer retentions. Customer relationships are amortized using the straight-line method over the related estimated economic lives not exceeding twenty years.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets

Financial assets, property and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss, if any, is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(h) Zakat

Zakat is provided in accordance with the regulations of Saudi Arabian Department of Zakat and Income Tax (DZIT). The provision is charged to the statement of income.

(i) Provisions

Provisions are recognised when the Company has an obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and can be measured reliably.

(j) Leases

Lease arrangements that transfer to the Company substantially all the risks and benefits incidental to the ownership of the leased item are recognised as finance lease. Leases where the lessor retains substantially all the risks and benefits of ownership are classified as operating leases.

Assets purchased under finance lease are recorded at the lower of their fair value and the present value of the minimum lease payments at the inception of the lease and are depreciated over their expected useful lives on the same basis as owned assets. Finance costs are charged to the statement of income using the effective interest method. The liability at the balance sheet date is stated net of future finance charges.

Operating lease payments are recognised as an expense in the statement of income on a straight line basis over the lease term.

(k) Employees' end of service benefits

Employees' end of service benefits, calculated in accordance with labour regulations of the Kingdom of Saudi Arabia, are accrued and charged to statement of income.

SAUDI GROUND SERVICES COMPANY
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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Revenue recognition

Revenue is recognized to the extent of the following recognition requirements:

- it is probable that the economic benefits will flow to the Company;
- it can be reliably measured, regardless of when the payment is being made; and
- the cost incurred to date and expected future costs are identifiable and can be measured reliably.

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. The specific recognition criteria described below must also be met before the revenue is recognized.

Revenue from airport operations is recognised in the period in which services have been rendered.

(m) Income from bank deposits

Income from short-term deposits with banks is recognised on an accrual basis.

(n) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

(o) Foreign currencies

Transactions denominated in foreign currencies are translated to the functional currencies of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Company at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the statement of income. Non-monetary items measured at historical cost denominated in a foreign currency are translated at the exchange rate at the date of initial recognition.

(p) Cost of revenue

Cost of revenue incurred during the period in relation to the activities performed to generate revenue for the year are charged to the statement of income.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2015

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Expenses

Due to the nature of the company's business all indirect expenses incurred are considered to be general and administration expenses and are classified as such.

(r) Segment reporting

A business segment is a distinguishable component of the Company of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in producing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The Company is principally involved in providing ground handling services to airlines in the Kingdom of Saudi Arabia. Accordingly, the management believes that, the Company's business activity falls within a single business segment which are subject to same risks and returns.

4. ACCOUNTS RECEIVABLE

Accounts receivable comprise the following:

	<u>2015</u> (Unaudited)	<u>2014</u> (Audited)
Related parties (Note 8 (a))	641,101,136	577,722,815
Other customers	<u>257,612,150</u>	<u>206,056,239</u>
Total	898,713,286	783,779,054
Less: provision for doubtful debts	<u>(89,275,576)</u>	<u>(65,563,660)</u>
	<u>809,437,710</u>	<u>718,215,394</u>

5. INVESTMENT IN AN EQUITY ACCOUNTED investee

a) Investment in an equity accounted investee at December 31 comprise the following:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>		<u>Carrying value</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u> (Unaudited)	<u>2014</u> (Audited)
Saudi Amad Airport Services Company	Kingdom of Saudi Arabia	50%	50%	<u>76,201,063</u>	<u>66,579,324</u>

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

For the year ended December 31, 2015

Expressed in Saudi Arabian Riyals

5. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE (continued)

b) Movement summary on equity accounted investee is as follows:

	<u>2015</u> (Unaudited)	For the period from April 17, 2014 to December 31, <u>2014</u> (Audited)
Balance at the beginning of the period	66,579,324	—
Capital contribution in cash	—	13,523,000
Expense incurred on behalf of an equity accounted investee	—	3,380,784
Transfer of property and equipment at net book values	—	28,172,883
Share of profit from an equity accounted investee	34,119,318	21,502,657
Dividend received from an equity accounted investee	(24,497,579)	—
	<u>76,201,063</u>	<u>66,579,324</u>

6. INTANGIBLE ASSETS

Intangible assets comprise the following:

	<u>2015</u> (Unaudited)	<u>2014</u> (Audited)
<i>Goodwill</i>	<u>582,815,659</u>	<u>582,815,659</u>
<i>Other intangible assets, net</i>		
Customer contracts	153,179,000	153,179,000
Customer relationships	468,475,000	468,475,000
Total other intangible assets	621,654,000	621,654,000
Less: accumulated amortization	(270,297,750)	(218,555,200)
Other intangible assets, net	<u>351,356,250</u>	<u>403,098,800</u>
Total intangible assets	<u>934,171,909</u>	<u>985,914,459</u>

The management reviews goodwill for impairment annually for the purpose of impairment testing. Goodwill has been allocated to the Company (i.e. Company as a single cash generating unit). The recoverable amount of the cash generating unit has been determined based on a value in use calculated using cash flow projection based on financial budgets approved by the Board of Directors. The last impairment study was finalized by an independent firm on December 16, 2015.

7. SHARE CAPITAL

The authorized, issued and paid up share capital of the Company as at December 31, 2015, comprise share capital of SR 1,880,000,000 consist of 188,000,000 shares of SR 10 each (December 31, 2014: SR 1,880,000,000 consist of 188,000,000 shares of SR 10 each).

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8. RELATED PARTIES TRANSACTIONS AND BALANCES

Related party transactions are undertaken at mutually agreed terms and are approved by the management. Significant related party transactions for the year ended December 31, 2015 and for the period from April 17, 2014 to December 31, 2014 and balance arising therefrom are described as under:

(a) Due from related parties - under accounts receivable:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions</u>		<u>Closing balance</u>	
			<u>For the year ended December 31, 2015</u>	<u>For the period from April 17, 2014 to December 31, 2014</u>	<u>2015 (Unaudited)</u>	<u>2014 (Audited)</u>
Saudi Arabian Airlines Corporation	Parent Company	Services provided	1,268,568,364	1,253,407,877	552,898,540	338,292,564
National Air Services	Affiliate	Services provided	205,425,326	168,770,887	18,584,195	80,995,723
Saudi Airlines – Cargo Company Limited (SACC)	Affiliate	Services provided	24,636,163	26,465,989	21,606,398	59,261,988
Saudi Aerospace Engineering Industries	Affiliate	Services provided	199,270	239,560	1,870	–
Saudi Airlines Catering	Affiliate	Services provided	116,034	205,099	31,385	205,099
Saudi Private Aviation	Affiliate	Services provided	27,123,555	23,676,546	36,178,826	66,521,964
Royal Fleet Services	Affiliate	Services provided	9,706,706	6,442,613	11,797,522	32,441,877
National Aviation Ground Support	Affiliate	Services provided	14,400	14,400	2,400	3,600
					<u>641,101,136</u>	<u>577,722,815</u>

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8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Due to related parties - under accounts payables:

Name	Relationship	Nature of transactions	<u>Amount of transactions</u>		<u>Closing balance</u>	
			For the year ended December 31, 2015	For the period from April 17, 2014 to December 31, 2014	2015 (Unaudited)	2014 (Audited)
Saudi Arabian Airlines Corporation	Parent Company	Expenses incurred on behalf of the Company	1,796,720	4,006,520	12,512,295	4,006,520
Saudi Airlines Catering	Affiliate	Expenses incurred on behalf of the Company	30,342,260	47,819,045	3,670,553	--
Saudia Aerospace Engineering Industries	Affiliate	Expenses incurred on behalf of the Company	81,561,040	89,743,465	28,531,530	7,272,475
Saudia Airlines Cargo Limited (SACC)	Affiliate	Expenses incurred on behalf of the Company	321,985	126,173	--	1,397,503
Saudi Airlines Real Estate Developers	Affiliate	Expenses incurred on behalf of the Company	--	6,477,275	--	--
					<u>44,714,378</u>	<u>12,676,498</u>

(c) Remuneration

Name	Nature of transactions	<u>Amount of transactions</u>	
		2015 (Unaudited)	For the period from April 17, 2014 to December 31, 2014 (Audited)
Key management personnel	Remuneration	6,237,661	4,316,377
Board of Directors	Meeting attendance fee	2,277,743	2,302,000
		<u>8,515,404</u>	<u>6,618,377</u>

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9. ZAKAT

a) Charge for the year

	2015 (Unaudited)	For the period from April 17, 2014 to December 31, 2014 (Audited)
Charge for the year	23,312,881	10,967,590

The significant components of Zakat base for the current year ended December 31 are as follows:

	2015 (Unaudited)	2014 (Audited)
Share capital	1,880,000,000	1,880,000,000
Others	239,007,237	173,309,121
Reserves	365,569,046	104,280,619
Adjusted net profit	642,693,316	683,210,606
Provisions made during the year	281,592,220	183,611,028
Loans and leases	—	4,006,520
Dividend paid	(401,796,163)	(329,994,614)
Deduction against written down value of property and equipment, dividends paid and inventories	(1,992,707,903)	(1,849,864,137)
Zakat base	1,014,357,753	848,559,143
Zakat @ 2.5% higher of adjusted net profit or Zakat base	25,358,944	21,213,979
Excess provision made during current / last year	500,000	(3,621,389)
	25,858,944	17,592,590

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

b) Accrued Zakat

	2015 (Unaudited)	2014 (Audited)
Balance at beginning of the year	23,981,932	—
Transfer from limited liability company	—	26,782,990
Charge for the year / period	23,312,881	10,967,590
Payments during the year / period	(21,435,869)	(13,768,648)
At the end of the year / period	25,858,944	23,981,932

c) Status of assessment

The Company has filed declaration up to financial year end December 31, 2014 with the Department of Zakat and Income Tax (DZIT). The Company also obtained Zakat certificate valid until April 30, 2016. DZIT has raised certain queries pertaining to financial years 2008 to 2011. The Company has provided the necessary information in response to DZIT queries for the years 2008 to 2011.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

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10. EARNINGS PER SHARE

Earnings per share on profit from operations are calculated by dividing the profit from operations by the weighted average number of outstanding ordinary shares of the Company during the period.

Earnings per share on profit from net income attributable to shareholders of the Company are calculated by dividing the net income by the weighted average number of outstanding ordinary shares of the Company during the period.

The calculation of diluted earnings per share is not applicable to the Company.

11. DIVIDEND DISTRIBUTION

During the year, the Company declared a cumulative dividend of SR 401,796,163 (2014: SR 234,007,814) out of the profits of 2014 and 2015. The dividend was approved by the board on the following as stated below:

	2015 (Unaudited)	For the period from April 17, 2014 to December 31, 2014 (Audited)
1 st Interim dividend	--	114,646,647
2 nd Interim dividend	--	119,361,167
Annual dividend	113,467,667	--
1 st Interim dividend	288,328,496	--
	401,796,163	234,007,814

12. CONTINGENT LIABILITY

The Company's bank has provided, in the normal course of business, bank guarantees amounting to SR 14.93 million (December 31, 2014: SR 10.44 million) to the Ministry of Finance and National Economy, Saudi Airlines, IATA and General Authority of Civil Aviation ("GACA"), in respect of Haj visa, tickets, airline ticket sales and rentals, respectively. The Company's bank has marked bank balances in the same amount as lien against these guarantees. Commitments amounting to SR 47.42 million (December 31, 2014: SR 3.2 million) is in respect of capital expenditure committed but not paid.

13. BOARD OF DIRECTORS' APPROVAL

The interim condensed financial statements were approved and authorized for issue by the Board of Directors on Rabi ul Thani 11, 1437H, corresponding to January 21, 2016.