SAUDI GROUND SERVICES COMPANY LIMITED
(A Saudi Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED
FINANCIAL STATEMENTS
December 31, 2014
with
INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT ON SPECIAL PURPOSE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors
Saudi Ground Services Company Limited
Jeddah, Kingdom of Saudi Arabia.

We have audited the accompanying special purpose consolidated financial statements of Saudi Ground Services Company Limited ("the Company") and its subsidiary (collectively referred as "the Group") which comprise the special purpose consolidated balance sheet as at December 31, 2014 and the related special purpose consolidated statements of income, cash flows and changes in equity for the year then ended and the attached Notes 1 through 28 which form an integral part of the special purpose consolidated financial statements.

Management's responsibility for the special purpose consolidated financial statements

Management is responsible for the preparation and fair presentation of these special purpose consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, for the purpose described in Note 2 to these special purpose consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these special purpose consolidated financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Opinion

In our opinion, the special purpose consolidated financial statements taken as a whole, present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2014, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia, appropriate to the purpose of these special purpose consolidated financial statements of the Group as described in Note 2.

Emphasis of matters

We draw attention to Note 2, as discussed therein, these special purpose consolidated financial statements have been prepared by the management in relation to the submission of application to the Capital Market Authority for initial public offering ("IPO") of the Company and also for submitting the Company's Zakat return to the Department of Zakat and Income Tax. Furthermore, as a result of conversion from a limited liability company to a closed joint stock company the revised Company's bylaws require that, the first fiscal period of the Company is to commence from the date of the ministerial resolution on the official announcement of the conversion of the Company to December 31, of the same year. However, these special purpose financial statements cover the period from January 1 to December 31, 2014. As a result, the special purpose consolidated financial statements may not be suitable for any other purpose

For KPMG Al Fozan & Al Sadhan:

Ebrahim Oboud Baeshen
License No. 382

كي بي إم جي الفوزان والسدحان محاسبون ومراجعون قانونيون
C.R 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Al Sadhan

Jumada Al Awal 5, 1436H
Corresponding to February 24, 2015

SAUDI GROUND SERVICES COMPANY LIMITED
(A Saudi Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED BALANCE SHEET
As at December 31, 2014
Expressed in Saudi Arabian Riyals

	Notes	**2014**	2013
ASSETS			
Current assets:			
Cash and cash equivalents	6	**519,419,810**	427,224,266
Accounts receivable	7	**718,215,394**	528,002,756
Inventories	8	**945,929**	2,205,510
Prepayments and other current assets	9	**111,308,725**	106,177,746
Total current assets		**1,349,889,858**	1,063,610,278
Non-current assets:			
Investment in an equity accounted investee	10	**66,579,324**	--
Property and equipment	11	**543,196,105**	532,257,395
Intangible assets	12	**985,914,459**	1,037,657,011
Total non-current assets		**1,595,689,888**	1,569,914,406
Total assets		**2,945,579,746**	2,633,524,684
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	15	**--**	7,097,741
Accounts payable	13	**30,705,811**	48,658,055
Accrued expenses and other current liabilities	14	**184,059,420**	216,113,142
Accrued Zakat	24	**23,981,932**	20,157,990
Total current liabilities		**238,747,163**	292,026,928
Non-current liabilities:			
Long-term debt, non-current portion	15	**--**	5,680,348
Employees' end of service benefits	16	**222,256,300**	178,227,668
Total non-current liabilities		**222,256,300**	183,908,016
Total liabilities		**461,003,463**	475,934,944
SHAREHOLDERS' EQUITY			
Share capital	17	**1,880,000,000**	886,869,100
Proposed increase in share capital	17	**--**	993,130,900
Statutory reserve	18	**239,007,237**	173,309,121
Retained earnings		**365,569,046**	104,280,619
Total shareholders' equity		**2,484,576,283**	2,157,589,740
Total liabilities and equity		**2,945,579,746**	2,633,524,684

The attached notes 1 to 28 form an integral part of these special purpose consolidated financial statements.

SAUDI GROUND SERVICES COMPANY LIMITED
(A Saudi Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF INCOME
For the year ended December 31, 2014
Expressed in Saudi Arabian Riyals

	Notes	2014	2013
Revenue		**2,408,025,635**	2,143,848,934
Cost of revenue		**(1,526,293,169)**	(1,308,628,088)
Gross profit		**881,732,466**	835,220,846
General and administrative expenses	20	**(255,078,956)**	(209,706,456)
Share of profit from an equity accounted investee	10	**21,502,657**	--
Operating income		**648,156,167**	625,514,390
Other income – net	21	**27,618,038**	3,607,749
Finance charges	22	**(1,200,458)**	(1,892,115)
Income before Zakat		**674,573,747**	627,230,024
Zakat	24	**(17,592,590)**	(21,269,544)
Net income		**656,981,157**	605,960,480
Earnings per share:			
- Operating income	19	**3.45**	3.33
- Net income	19	**3.49**	3.22

The attached notes 1 to 28 form an integral part of these special purpose consolidated financial statements.

SAUDI GROUND SERVICES COMPANY LIMITED
(A Saudi Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended December 31, 2014
Expressed in Saudi Arabian Riyals

	Notes	2014	2013
Cash flows from operating activities			
Income before Zakat		**674,573,747**	627,230,024
Adjustments for:			
Share of profit from an equity accounted investee	10	**(21,502,657)**	--
Depreciation	11	**79,201,476**	67,031,603
Amortization of intangible assets	12	**51,742,552**	55,604,216
Provision for employees' end of service benefits	16	**52,172,640**	39,838,856
Provision for doubtful debts	7	**52,687,388**	20,000,000
Inventory written off		**--**	957,040
Gain on disposal of property and equipment		**(53,811)**	(1,646,037)
		888,821,335	809,015,702
Changes in operating assets and liabilities:			
Increase in accounts receivable		**(242,900,026)**	(287,307,001)
Decrease / (increase) in inventories		**1,259,581**	(507,333)
Increase in prepayments and other current assets		**(13,421,587)**	(19,305,038)
Decrease in accounts payable		**(17,952,244)**	(90,365,883)
(Decrease) / increase in accrued expenses and other current liabilities		**(32,053,722)**	34,443,768
Cash from operations		**583,753,337**	445,974,215
Employees' end of service benefits paid	16	**(8,144,008)**	(6,107,672)
Zakat paid	24(b)	**(13,768,648)**	(16,933,815)
Net cash provided by operating activities		**561,840,681**	422,932,728
Cash flows from investing activities			
Purchase of property and equipment	11	**(127,083,366)**	(151,283,780)
Proceeds from disposal of property and equipment		**210,932**	1,662,895
Net cash used in investing activities		**(126,872,434)**	(149,620,885)
Cash flows from financing activities			
Dividend paid	23	**(329,994,614)**	(199,886,750)
Repayment of loan during the year		**(12,778,089)**	(6,589,834)
Repayment of obligations under finance leases		**--**	(96,505)
Net cash used in financing activities		**(342,772,703)**	(206,573,089)
Net increase in cash and cash equivalents		**92,195,544**	66,738,754
Cash and cash equivalents at the beginning of the year		**427,224,266**	360,485,512
Cash and cash equivalents at the end of the year	6	**519,419,810**	427,224,266
Non-cash transaction:			
Transfer of items of property and equipment to an equity accounted investee	10	**28,172,883**	--
Dividend set-off against accounts receivable	23	**--**	599,660,250
Related party payables setoff against related party receivables		**--**	9,683,913

The attached notes 1 to 28 form an integral part of these special purpose consolidated financial statements.

SAUDI GROUND SERVICES COMPANY LIMITED
(A Saudi Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended December 31, 2014
Expressed in Saudi Arabian Riyals

	Share capital	Proposed increase in share capital	Imputed additional equity	Excess consideration transferred	Statutory reserve	Retained earnings	Total
Balance at January 1, 2013	886,869,100	--	1,122,282,800	(535,046,368)	112,713,073	764,357,655	2,351,176,260
Net income	--	--	--	--	--	605,960,480	605,960,480
Transfer to statutory reserve	--	--	--	--	60,596,048	(60,596,048)	--
Dividend paid (Note 23)	--	--	--	--	--	(799,547,000)	(799,547,000)
Proposed increase in capital through capitalization of retained earnings, imputed equity adjusted with excess consideration transferred (Note 17)	--	993,130,900	(1,122,282,800)	535,046,368	--	(405,894,468)	--
Balance at December 31, 2013	886,869,100	993,130,900	--	--	173,309,121	104,280,619	2,157,589,740
Transfer to share capital (Note 17)	993,130,900	(993,130,900)	--	--	--	--	--
Net income	--	--	--	--	--	656,981,157	656,981,157
Transfer to statutory reserve	--	--	--	--	65,698,116	(65,698,116)	--
Dividend paid (Note 23)	--	--	--	--	--	(329,994,614)	(329,994,614)
Balance at December 31, 2014	**1,880,000,000**	--	--	--	**239,007,237**	**365,569,046**	**2,484,576,283**

The attached notes 1 to 28 form an integral part of these special purpose consolidated financial statements.

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

1.1 Saudi Ground Services Company ("the Company" or "the Parent 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 (Note 4). 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 Royal Decree No M/6, dated Rabi ul Awwal 22, 1385H (corresponding to July 20, 1965) and Ministerial resolution number 171/R on Jumadul Thani 17, 1435H (corresponding to April 17, 2014).

1.4 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.

1.5 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.

1.6 In an extra ordinary general assembly meeting held on June 13, 2014, the shareholders approved an Initial Public Offer (IPO) of 30% of the Company's share capital. The shares offered for the IPO will be from the shareholding of existing shareholders of the Company. The IPO is subject to required regulatory approvals.

2. BASIS OF PREPARATION

(a) Statement of compliance

These special purpose consolidated financial statements comprise the financial statements of the Company and NHS, its subsidiary as mentioned in Note 1, collectively referred as “the Group”. These special purpose consolidated financial statements have been prepared by the management in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA), in relation to the submission of application to the Capital Market Authority (“CMA”) for initial public offering (“IPO”) of the Company and also for submitting the Company’s Zakat return to the Department of Zakat and Income Tax (“DZIT”).

According to the Company’s bye-laws, the first fiscal year of the Company is to commence from the date of the ministerial resolution on the official announcement of the conversion of the Company from a limited liability company to a closed joint stock company to December 31, of the same year. Accordingly the Company will also prepare a separate set of statutory consolidated financial statements for the period from April 17, 2014 to December 31, 2014.

(b) Basis of measurement

The special purpose consolidated 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 special purpose consolidated financial statements are presented in Saudi Arabian Riyals (SR) which is the functional currency of the Group.

(d) Basis of consolidation

These special purpose consolidated financial statements include the financial statements of the Company and its subsidiary as set out in Note 1. Investment in an equity accounted investee is accounted for using the equity method.

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiary are included in the consolidated financial statements from the date that control commences until the date control ceases.

All intra-group balances and financial transactions resulting from transactions between the Company and the subsidiary and those arising between the subsidiaries are eliminated in preparing these special purpose consolidated financial statements. Also, any unrealised gains and losses arising from intra-group transactions are eliminated on consolidation.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements

The preparation of special purpose consolidated 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:

i) Impairment of non-financial assets

The Group 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 Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets 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 Group 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.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

iii) Provision for slow moving inventory items

The Group 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.

v) Going Concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the special purpose consolidated financial statements continue to be prepared on the going concern basis.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the special purpose consolidated 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 Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Investments in an equity accounted investee

The Group's investment in equity accounted investee represents investment in those entities over whose activities the Group has joint control, established by contractual arrangements and requiring unanimous consent for strategic financial and operating decisions. This also includes those entities in which the Group has significant influence, but not control, over the financial and operating policies, generally accompanying a shareholding between 20% and 50% of the voting rights. 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 Group's share of net assets of the equity accounted investee less impairment loss, if any. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of Group's investment is reduced to nil and recognition of further losses is discontinued except to the extent that the Group 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.

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 special purpose consolidated statement of income on a straight-line basis over the estimated useful lives of assets as follows:

	Years
Leasehold improvements	5-10
Airport equipment	7-10
Motor vehicles	5
Furniture, fixtures and equipment	4-10
Computer equipment and softwares	4

(f) Business combination

Business combinations (except for entities under common control) are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instrument issued and liabilities incurred or assumed at the date of exchange, and includes costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Business combination (continued)

The excess of the cost of the business combination over the Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities is classified as goodwill.

If the cost of the acquired investment is less than its fair value as of the acquisition date, such difference is adjusted by reducing the fair values of the non-current assets of the acquired investee in proportion to their book values.

(g) Business combination under common control

Business combinations including entities or business under common control are accounted for using book value accounting and measured at book value. The assets and liabilities acquired are recognised at the carrying amounts as transferred from the parent company's books of accounts. The components of equity of the acquired entities are added to the same components within the Group equity and any gain / (loss) arsing is recognised directly in equity.

(h) 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 Group'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 Group 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 Group 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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.

(j) 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 special purpose consolidated statement of income.

(k) Provisions

Provisions are recognised when the Group 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.

(l) Leases

Lease arrangements that transfer to the Group 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 special purpose consolidated 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 special purpose consolidated statement of income on a straight line basis over the lease term.

(m) 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 special purpose consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Revenue recognition

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

- it is probable that the economic benefits will flow to the Group;
- 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.

(o) Income from bank deposits

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

(p) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated 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 special purpose consolidated statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

(q) Foreign currencies

Transactions denominated in foreign currencies are translated to the functional currencies of the Group 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 Group at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the special purpose consolidated 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.

(r) 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 special purpose consolidated statement of income.

(s) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Segment reporting

A business segment is a group 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. BUSINESS COMBINATIONS

a) As stated in Note 1, the Company had following acquisitions during 2011:

i) Ground Support Services Division of Saudia

On February 7, 2010, Saudia and the Company had entered into a Sale and Purchase Agreement (SPA) for the GSS business unit (SBU) of Saudia.

The assets and liabilities transferred by Saudia, as presented in an independent professional study and shares issued as consideration are summarized as follows:

	(SR '000)
Net tangible assets	130,106
Purchase consideration in the form of Company's shares issued	(665,152)
Excess consideration transferred	(535,046)

As the GSS division was previously 100% owned by Saudia and the Company is also 75% owned by Saudia, therefore Saudia owned and controlled the GSS division before this transaction and will continue to control the Company after this transaction.

The accounting for business combinations involving common control and where the control is not transitory, are excluded from the scope of "Accounting Standard on Business Combinations" issued by SOCPA. In the absence of any available guidance under SOCPA for such transactions, the management has followed the requirements of International Financial Reporting Standards (IFRS). The management has classified this transaction as business combination under common control in accordance with the requirements of IFRS 3: Business Combinations.

4. BUSINESS COMBINATIONS (continued)

i) Ground Support Services Division of Saudia (continued)

Under IFRS 3, if a new entity (such as the Company) is formed to issue equity interests to effect a business combination, one of the combining entities that existed before the business combination shall be identified as the acquirer. Since Saudia is the largest shareholder in terms of size and business value and the transaction involved economic substance from the perspective of the reporting entity, the management has identified Saudia as the acquirer in this transaction and adopted "book value accounting". Accordingly, the net assets transferred from Saudia are recorded by the Company at their book values and no separate goodwill and intangibles are recognized by the Company as part of this transaction. Consequently, excess consideration transferred is presented within equity.

ii) National Handling Services Company Limited

On February 7, 2010, the Company entered into a Sale and Purchase Agreement (SPA) with the shareholders of NHS for the acquisition of the entire capital of 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.

	(SR ‘000)
Net tangible assets	110,396
Goodwill	519,164
Intangible assets	545,441
Total assets	1,175,001
Equity:	
Share capital	186,243
Imputed equity	988,758
Total equity	1,175,001

iii) Attar Ground Handling / Attar Travel

On February 7, 2010, the Company entered into Sale and Purchase Agreement (SPA) for the acquisition of ground handling business of Attar in consideration of the Company’s shares.

The assets, liabilities, intangible assets and goodwill recorded in the books of account of the Company including purchase consideration was as follows:

4. BUSINESS COMBINATIONS (continued)

iii) Attar Ground Handling / Attar Travel (continued)

	(SR '000)
Net tangible assets	29,135
Goodwill	63,652
Intangible assets	76,213
Total assets	169,000
Equity:	
Share capital	35,475
Imputed equity	133,525
Total equity	169,000

An independent Purchase Price Allocation Study was conducted in 2011 by an independent professional firm and the fair value of equity issued by the Company to NHS and Attar was considered equivalent to the fair value of ground handling business acquired from NHS and Attar. As a result of the study, the differences between the par value of share capital issued by the Company as consideration transferred and the fair value of net assets acquired on acquisition of 100% capital of NHS and acquisition of ground handling business of Attar, was recognized as "Imputed additional equity" amounting to SR 1,122 million under equity caption in the balance sheet.

5. SECONDMENT AGREEMENTS

According to the Sale Purchase Agreement signed between Saudia and the Company, Saudia employees (SV Employees) have been seconded by Saudia to the Company with effect from January 1, 2011 until the issuance of the Transfer Resolution (the Secondment Period). During the Secondment Period the Company is responsible for all liabilities and obligations of Saudia in respect of the SV Employees pursuant to their terms of employment with Saudia (including, without limitation, salary, benefits, and any bonus payment or payments due as a result of a change of the terms of employment of such an employee during the Secondment Period).

The Company agreed that it will enter into an employment contract with each of the SV Employee who elects to transfer to the Company at the end of the Secondment Period. SV Employees may at any time including the Effective Time elect not to be transferred to the Company pursuant to this Agreement. Saudia will indemnify the Company in respect of each loss, liability and cost which it may sustain arising under or in connection with the contract of employment or appointment resolution of a SV Employee who elects not to transfer to the Company and/or, following such election, the termination of his or her employment, whether relating to an act or omission that occurred before or after January 1, 2011 including without limitation in respect of any arrears of salary, any accrued benefits, any payments in lieu of notice, holiday pay, redundancy payments, compensation for wrongful or unfair dismissal or discrimination or any other order for damages or compensation for any failure by Saudia to perform any duty imposed under any such SV Employee's contract of employment (including, without limitation, each loss, liability and cost incurred as a result of defending or settling a claim alleging such liability) or under applicable law. Saudia shall reimburse to the Company all costs associated with each SV Employee who is forty-five years of age or older as at the Effective Time which exceed SR 10,000 per employee per Gregorian calendar month.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31 comprise the following:

	2014	2013
Cash in hand	**195,916**	892,600
Cash at bank in current accounts	**516,192,658**	423,306,761
Short-term bank deposits, with original maturity of less than 90 days	**3,031,236**	3,024,905
	519,419,810	427,224,266

At December 31, 2014, cash at bank amounting to SR 3 million (December 31, 2013: SR 3 million) is held in the name of related parties on behalf of the Company.

7. ACCOUNT RECEIVABLES

Account receivables at December 31 comprise the following:

	2014	2013
Related parties (Note 25(a))	**496,723,492**	311,244,413
Other customers	**287,055,562**	258,670,827
Total	**783,779,054**	569,915,240
Less: provision for doubtful debts	**(65,563,660)**	(41,912,484)
	718,215,394	528,002,756

Movement in provision for doubtful debts is as follows:

	2014	2013
Balance at beginning of the year	**41,912,484**	49,153,181
Charge for the year (Note 20)	**52,687,388**	20,000,000
Receivables written-off against provision	**(29,036,212)**	(27,240,697)
Balance at end of the year	**65,563,660**	41,912,484

8. INVENTORIES

Inventories at December 31 comprise the following:

	2014	2013
Spare parts	**368,003**	3,526,116
Spare parts written–off	**--**	(957,040)
Spare parts-net	**368,003**	2,569,076
Uniforms	**1,229,022**	787,530
Total	**1,597,025**	3,356,606
Less: provision for slow-moving items	**(651,096)**	(1,151,096)
	945,929	2,205,510

9. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayment and other current assets at December 31 comprise the following:

	2014	2013
Deposits	**10,366,210**	12,451,355
Prepayments	**46,194,643**	32,432,634
Advance to suppliers	**12,379,520**	15,829,919
Staff related advances	**25,063,794**	24,149,924
Advance for investment (Note 9.1)	**--**	13,523,000
IPO related cost recoverable from shareholders (Note 9.2)	**14,666,843**	6,422,414
Others	**2,637,715**	1,368,500
	111,308,725	106,177,746

9.1 During year ended December 31, 2013, the Group paid cash amounting to SR 13,523,000 towards a proposed investment in Saudi Amad Airport Services Company (SAASC), however the legal formalities and documentation had not been finalized by the Group as at December 31, 2013. Pursuant to the terms of agreement signed on September 30, 2014, the shareholders of SAASC have concluded that they have joint control over SAASC and accordingly, the management of the Company has reclassified the advance to “investment in an equity accounted investee” (Note 10).

9.2 The Group has incurred certain costs in relation to the IPO process. These costs will be deducted from the proceeds of IPO as expenses are incurred on behalf of the shareholders.

10. INVESTMENT IN AN EQUITY ACCOUNTED INVESTEE

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

Name	Country of incorporation	Effective ownership interest (%)		Carrying Value	
		2014	2013	**2014**	2013
Saudi Amad Airport Services Company	Kingdom of Saudi Arabia	**50%**	--	**66,579,324**	--

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

	2014	2013
Capital contribution in cash	**13,523,000**	--
Expenses incurred on behalf on an associates	**3,380,784**	--
Transfer of property and equipment at net book values	**28,172,883**	--
Total investment made	**45,076,667**	--
Share of profit from an equity accounted investee	**21,502,657**	--
Total	**66,579,324**	--

11. PROPERTY AND EQUIPMENT

a) The movement in property and equipment during the year ended December 31, 2014 is analyzed as under:

	Land	Leasehold improvements	Airport equipment	Motor Vehicles	Furniture, fixtures and equipment	Computer equipment & softwares	Capital work in progress	Total
Cost:								
Balance at January 1, 2014	27,464,040	30,063,491	838,078,216	32,545,894	26,992,389	30,601,626	19,203,800	1,004,949,456
Additions	--	3,553,931	97,352,815	7,882,350	6,101,646	473,250	11,719,374	127,083,366
Transfer from capital work in progress	--	--	18,562,209	--	--	--	(18,562,209)	--
Transferred to an equity accounted investee (Note 10)	--	--	(44,487,441)	--	--	--	--	(44,487,441)
Disposals	--	--	--	(1,071,986)	--	(15,249)	--	(1,087,235)
Balance at December 31, 2014	27,464,040	33,617,422	909,505,799	39,356,258	33,094,035	31,059,627	12,360,965	1,086,458,146
Accumulated depreciation:								
Balance at January 1, 2014	--	18,230,554	399,701,371	13,695,554	17,507,975	23,556,607	--	472,692,061
Charge for the year	--	3,462,429	62,651,562	6,660,348	3,723,132	2,704,005	--	79,201,476
Transferred to an equity accounted investee (Note 10)	--	--	(7,701,382)	--	--	--	--	(7,701,382)
Disposals	--	--	--	(920,536)	--	(9,578)	--	(930,114)
Balance at December 31, 2014	--	21,692,983	454,651,551	19,435,366	21,231,107	26,251,034	--	543,262,041
Net book value:								
At December 31, 2014	**27,464,040**	**11,924,439**	**454,854,248**	**19,920,892**	**11,862,928**	**4,808,593**	**12,360,965**	**543,196,105**
At December 31, 2013	27,464,040	11,832,937	438,376,845	18,850,340	9,484,414	7,045,019	19,203,800	532,257,395

11. PROPERTY AND EQUIPMENT (continued)

b) Capital work progress relates to the progress payments made towards purchase of airport equipment committed and ordered.

c) Assets held by the Company and registered in the name of related parties are in the amount of SR Nil (2013: SR 1.9 million).

d) Land is acquired during the year 2013 which is located in Abhor.

e) Net book value of property and equipment transferred to an equity accounted investee consist of following:

	2014	2013
Investment made by transfer of property and equipment at net book value (Note 10)	**28,172,883**	--
Airport equipment purchased on behalf of an equity accounted investee	**8,613,176**	--
	36,786,059	--

f) Depreciation charge for the year is allocated as follows:

	2014	2013
Cost of revenue	**72,615,818**	61,365,324
General and administrative expenses (Note 20)	**6,585,658**	5,666,279
	79,201,476	67,031,603

12. INTANGIBLE ASSETS

a) Intangible assets at December 31 comprise the following:

	2014	2013
Goodwill (Note 12(b))	**582,815,659**	582,815,659
Other intangible assets (Note 12(c))	**403,098,800**	454,841,352
	985,914,459	1,037,657,011

12. INTANGIBLE ASSETS (continued)

b) Goodwill at December 31, comprise the following:

	2014	2013
Goodwill from acquisition of:		
National Handling Services (Note 4(ii))	**519,164,059**	519,164,059
Ground handling business of Attar (Note 4(iii))	**63,651,600**	63,651,600
	582,815,659	582,815,659

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 conducted by an independent firm on November 30, 2014.

c) Other intangible assets at December 31 comprise the following:

	2014	2013
Customer contracts	**153,179,000**	153,179,000
Customer relationships	**468,475,000**	468,475,000
Total	**621,654,000**	621,654,000
Accumulated amortisation:		
Balance at beginning of the year	**(166,812,648)**	(111,208,432)
Charge for the year (Note 20)	**(51,742,552)**	(55,604,216)
Balance at the end of the year	**(218,555,200)**	(166,812,648)
Net book value at December 31	**403,098,800**	454,841,352

13. ACCOUNTS PAYABLE

Accounts payable at December 31 comprise the following:

	2014	2013
Due to related parties (Note 25(b))	**12,676,498**	23,782,573
Other suppliers	**18,029,313**	24,875,482
	30,705,811	48,658,055

14. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities at December 31 comprise the following:

	2014	2013
Employee related accruals	**82,114,021**	79,506,366
Accrued rent	**40,127,356**	32,698,024
Other accruals	**53,219,788**	95,989,687
Advances from customers and others	**8,598,255**	7,919,065
	184,059,420	216,113,142

15. LONG-TERM DEBT AND LEASE OBLIGATION

Long-term debt at December 31 comprises the following:

	2014	2013
Current portion included under current liabilities	**--**	7,097,741
Non-current portion included under non-current liabilities	**--**	5,680,348
	--	12,778,089

The long- term loan from Al- Rajhi Bank has been fully settled during the month of April 2014.

16. EMPLOYEES' END OF SERVICE BENEFITS

	2014	2013
Balance at beginning of the year	**178,227,668**	144,496,484
Provision for the year	**52,172,640**	39,838,856
Payment made during the year	**(8,144,008)**	(6,107,672)
Balance at end of the year	**222,256,300**	178,227,668

17. SHARE CAPITAL

The shareholding of the Company as at December 31, 2014, comprise share capital of SR 1,880,000,000 consist of 188,000,000 shares of SR 10 each (December 31, 2013: SR 886,869,100 consist of 8,868,691 shares of SR 100 each), owned by the shareholders as follows:

	2014			2013		
	Number of shares	**%**	**Amount**	Number of shares	%	Amount
Saudi Arabian Airlines Corporation	**135,360,000**	**72**	**1,353,600,000**	6,651,519	75	665,151,900
National Aviation Ground Support	**39,480,000**	**21**	**394,800,000**	1,862,425	21	186,242,500
Attar Ground Services Company	**7,520,000**	**4**	**75,200,000**	354,747	4	35,474,700
Saudi Airlines Private Aviation	**2,820,000**	**1.5**	**28,200,000**	--	--	--
Saudi Arabian Airlines Real Estate Developers	**2,820,000**	**1.5**	**28,200,000**	--	--	--
Total	**188,000,000**	**100**	**1,880,000,000**	8,868,691	100	886,869,100

The Board of Directors of the Company passed a resolution on July 28, 2013, corresponding to Ramadan 20,1434H, recommending to increase the share capital of the Company from SR 887 million to SR 1,880 million. The increase amounting to SR 993 million was made through capitalization of retained earnings, imputed equity adjusted with excess consideration. The legal formalities in relation of the admission of the new shareholders and increase in share capital have been finalised. As per the revised Articles of Association of the Company, Saudi Arabian Airlines Corporation has transferred shares worth SR 28,200,000 (1.5%) each to Saudi Airlines Private Aviation (SPA) and Saudi Arabian Airlines Real Estate Developers (SARED) as new shareholders.

18. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company is required to transfer each year 10% of its net income to a statutory reserve until such reserve equals 50% of its share capital. This reserve is not available for distribution.

19. EARNINGS PER SHARE

Earnings per share on operating income are calculated by dividing the operating income by the weighted average number of outstanding ordinary shares of the Company during the year.

Earnings per share on 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 year.

Weighted average number of shares 188 million have been used in calculating above earnings per share.

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

20. GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses for the year ended December 31 comprise the following:

	2014	2013
Employees' related expenses	**71,904,101**	83,355,135
Rent, motor vehicle expenses and other office costs	**72,159,257**	45,080,826
Amortization of intangible assets (Note 12(c))	**51,742,552**	55,604,216
Provision for doubtful debts (Note 7)	**52,687,388**	20,000,000
Depreciation (Note 11(f))	**6,585,658**	5,666,279
	255,078,956	209,706,456

21. OTHER INCOME – NET

	2014	2013
HRDF claims received	**22,231,850**	1,251,717
Exclusive fee	**1,304,682**	--
Delay penalty on bus delivery	**996,801**	--
Driving licence fees collected	**448,377**	--
Gain on disposal of assets	**53,811**	1,646,036
Miscellaneous income	**2,582,517**	709,996
	27,618,038	3,607,749

22. FINANCE CHARGES

	2014	2013
Interest on long-term debt	**706,081**	1,221,216
Bank charges, exchange losses and other charges	**494,377**	670,899
	1,200,458	1,892,115

23. DIVIDEND DISTRIBUTION

During the year, the Company declared a cumulative dividend of SR 329,994,614 (2013: SR 799,547,000) out of the profits of 2014. The dividend was approved by the board of directors on the following dates as stated below:

Date of approval	**2014**	2013
April 9, 2014 (February 18, 2013)	**95,986,800**	100,000,000
July 27, 2014 (April 30, 2013)	**114,646,647**	200,000,000
December 1, 2014 (December 18, 2013)	**119,361,167**	499,547,000
	329,994,614	799,547,000

Dividend for 2013 in the amount of SR 599,660,250 relating to a shareholder was set-off against receivables.

24. ZAKAT

a) Charge for the year

	2014	2013
Charge for the year	**17,592,590**	21,269,544

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

	2014	2013
Share capital	**1,880,000,000**	886,869,100
Others	**173,309,121**	587,236,432
Reserves	**104,280,619**	877,070,728
Adjusted net profit	**683,210,606**	608,480,034
Provisions made during the year	**183,611,028**	161,452,392
Loans and leases	**4,006,520**	12,778,089
Dividend paid	**(329,994,614)**	--
Deduction against written down value of property and equipment, dividends paid and inventories	**(1,849,864,137)**	(2,283,105,012)
Zakat base	**848,559,143**	850,781,763
Zakat @ 2.5% higher of adjusted net profit or Zakat base	**21,213,979**	21,269,544
Excess provision made during last year	**(3,621,389)**	--
	17,592,590	21,269,544

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

24. ZAKAT (continued)

b) Accrued Zakat

The movement in the accrued Zakat for the year ended December 31 is analyzed as under:

	2014	2013
Balance at beginning of the year	**20,157,990**	15,822,261
Charge for the year	**17,592,590**	21,269,544
Payments during the year	**(13,768,648)**	(16,933,815)
At the end of the year	**23,981,932**	20,157,990

c) Status of Zakat

The Company has filed declaration up to financial year end December 31, 2013 with the Department of Zakat and Income Tax (DZIT). The Company also obtained Zakat certificate valid until April 30, 2015. 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.

National Handling Services Company Limited – Subsidiary

The Subsidiary has filed final declarations for years ended December 31 2009 and 2010, however the assessment have not yet been raised by DZIT. The DZIT has finalise all assessments up to financial years 2006 and final certificates obtained by the Subsidiary. The DZIT raised an assessment for the year ended 31 December 2007 with an additional liability of SR 14,083. However, the Company has filed an appeal in respect of the above. DZIT has requested certain additional information in order to finalize the case. Response to DZIT queries has been submitted and is in the process of finalising the Zakat assessment for the year 2007.The DZIT has requested certain additional information for the year ended 31 December 2008. The Company has provided the necessary information in response to DZIT queries and is in the process of finalising the Zakat assessment for the year 2008.

25. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions are undertaken at mutually agreed terms and are approved by the management. In addition to the disclosures set out in Notes 1, 4, 5, 6, 7, 9, 10, 11, 12, 13 and 14 significant related party transactions for the year ended December 31 and balance arising therefrom are described as under:

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

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2014	2013	**2014**	2013
Saudi Arabian Airlines Corporation	Parent Company	Trade / operations	**1,253,407,877**	1,153,165,478	**338,292,564**	202,964,691
Saudi Airlines – Cargo Company Limited (SACC)	Affiliate	Trade / operations	**26,465,989**	32,218,902	**59,261,988**	46,196,566
Saudi Aerospace Engineering Industries	Affiliate	Trade / operations	**239,560**	2,601,534	**--**	--
Saudi Airlines Catering	Affiliate	Trade / operations	**205,099**	--	**205,099**	--
Saudi Private Aviation	Affiliate	Trade / operations	**23,676,546**	26,510,618	**66,521,964**	26,745,194
Royal Fleet Services	Affiliate	Trade / operations	**6,442,613**	16,154,748	**32,441,877**	35,337,962
					496,723,492	311,244,413

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Name	Relationship	Nature of transactions	Amount of transactions 2014	Amount of transactions 2013	Closing balance 2014	Closing balance 2013
Saudi Arabian Airlines Corporation	Parent Company	Expenses incurred on behalf of the Company	**4,006,520**	--	**4,006,520**	--
Saudi Airlines Catering	Affiliate	Expenses incurred on behalf of the Company	**47,819,045**	34,791,550	**--**	2,159,125
Saudia Aerospace Engineering Industries	Affiliate	Expenses incurred on behalf of the Company	**89,743,465**	57,592,224	**7,272,475**	12,592,224
Saudia Airlines Cargo Limited (SACC)	Affiliate	Expenses incurred on behalf of the Company	**126,173**	255,101	**1,397,503**	1,271,330
Saudi Airlines Real Estate Developers	Affiliate	Expenses incurred on behalf of the Company	**6,477,275**	--	**--**	7,759,894
					12,676,498	23,782,573

(c) Remuneration:

Name	Nature of transactions	Amount of transactions 2014	Amount of transactions 2013
Key management personnel	Remuneration	**6,089,772**	5,682,608
Board of Directors	Meeting attendance fee	**2,302,000**	2,226,000
		8,391,772	7,908,608

26. CONTINGENT LIABILITY

The Company's bank has provided, in the normal course of business, bank guarantees amounting to SR 10.5 million (December 31, 2013: SR 11.8 million) to the Ministry of Finance and National Economy, Saudi Aramco and General Authority of Civil Aviation ("GACA"), in respect of labour visa, fuel supply and Hajj operations, respectively. The Company's bank has marked bank balances in the same amount as lien against these guarantees.

27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the special purpose consolidated balance sheet include cash and cash equivalents, accounts receivable, accounts payable, long-term debts and accrued expenses and other liabilities.

Credit risk is the risk that one party will fail to discharge an obligation to a financial instrument and will cause the other party to incur a financial loss. The Group seeks to limit the credit risk with respect to the customers through by monitoring outstanding receivables. Cash and cash equivalents are placed with national and international banks with sound credit ratings. Accounts receivable are mainly due from Saudia and other foreign airlines and are stated at their estimated realizable values. 53% (2013: 50%) of accounts receivable from other customers comprise of ten customers.

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Group's financial position and cash flows. The Group's interest rate risks arise mainly from short-term bank deposits which are at floating rates of interest. All deposits are subject to re-pricing on a regular basis. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Group are not significant.

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from the 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 to meet the Group's future commitments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Arabian Riyals, Euros and United States Dollars. Other transactions in foreign currencies are not material.

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the accompanying special purpose consolidated financial statements are prepared under the historical cost method, differences may arise between the book values and the fair value estimates. Management believes that the fair values of the Group's financial assets and liabilities are not materially different from their carrying values.

28. BOARD OF DIRECTORS' APPROVAL

The special purpose consolidated financial statements were approved and authorized for issue by the Board of Directors on Jumada Al Awal 5, 1436H, corresponding to February 24, 2015.