

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

**CONDENSED INTERIM FINANCIAL
STATEMENTS AND REVIEW REPORT**

For the three-months and six-months period ended 30 June 2018

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-months and six-months period ended 30 June 2018

<u>Contents:</u>	<u>Pages</u>
Independent auditors' report on review of condensed interim financial statements	1-2
Condensed statement of financial position	3
Condensed statement of profit or loss and other comprehensive income	4
Condensed statement of changes in equity	5
Condensed statement of cash flows	6
Notes to the condensed interim financial statements	7-30



KPMG Al Fozan & Partners
Certified Public Accountants
Zahrán Business Centre, 9th Floor
Prince Sultan Street
PO Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone +966 12 698 9595
Fax +966 12 698 9494
Internet www.kpmg.com/sa
License No. 46/11/323 issued 11/3/1992

Independent Auditors' Report on Review of Condensed Interim Financial Statements

To the Shareholders of
Saudi Ground Services Company
(A Saudi Joint Stock Company)
Jeddah, Kingdom of Saudi Arabia

Introduction

We have reviewed the accompanying 30 June 2018 condensed interim financial statements of Saudi Ground Services Company ("the Company"), which comprises:

- the condensed interim statement of financial position as at 30 June 2018;
- the condensed interim statement of profit or loss and other comprehensive income for the three-months and six-months period ended 30 June 2018;
- the condensed interim statement of changes in equity for the six-months period ended 30 June 2018;
- the condensed interim statement of cash flows for the six-months period ended 30 June 2018; and
- the notes to the condensed interim financial statements.

Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with IAS 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

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



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 June 2018 condensed interim financial statements of **Saudi Ground Services Company** is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia.

For KPMG Al Fozan & Partners
Certified Public Accountants

Ebrahim Oboud Baeshen
License No. 382



20 Dhul Qadah 1439H
Corresponding to 2 August 2018

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

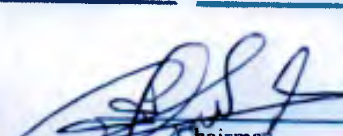
As at 30 June 2018

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

	Notes	30 June 2018 (Unaudited)	31 December 2017 (Audited)
ASSETS			
Property and equipment	4	648,406	615,791
Intangible assets and goodwill	5	875,613	887,324
Equity-accounted investee	6	127,894	121,780
Prepayments and other receivables		5,056	5,961
Non-current assets		1,656,969	1,630,856
Trade receivables	7	1,141,771	1,060,362
Investments at FVTPL	8	833,478	655,804
Prepayments and other receivables		276,064	390,393
Cash and cash equivalents		93,817	36,363
Current assets		2,345,130	2,142,922
Total assets		4,002,099	3,773,778
EQUITY			
Share capital	9	1,880,000	1,880,000
Statutory reserve	10	441,785	419,847
Retained earnings		647,459	572,218
Total equity		2,969,244	2,872,065
LIABILITIES			
Employee benefits	12	456,781	432,280
Non-current liabilities		456,781	432,280
Trade payables		57,650	67,748
Other payables		441,872	336,097
Accrued Zakat	15	76,552	65,588
Current liabilities		576,074	469,433
Total liabilities		1,032,855	901,713
Total equity and liabilities		4,002,099	3,773,778


Chief Financial Officer


Chief Executive Officer


Chairman

The notes on pages from 7 to 30 form an integral part of these condensed interim financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

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

For the three-months and six-months period ended 30 June 2018
(Expressed in thousands of Saudi Arabian Riyal, unless otherwise stated)

Notes	For the three-months period ended		For the six-months period ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Revenue	659,905	659,260	1,281,717	1,303,045
Operating costs	(470,474)	(412,696)	(911,467)	(833,820)
Gross profit	189,431	246,564	370,250	469,225
Administrative expenses	(77,478)	(126,318)	(151,366)	(199,807)
Operating profit	111,953	120,246	218,884	269,418
Net finance income	4,942	3,795	8,970	10,256
Share of profit of equity-accounted investee	3,114	6,170	6,114	12,170
Other income	962	573	1,911	3,055
Profit before Zakat	120,971	130,784	235,879	294,899
Zakat expenses	15 (8,250)	(8,500)	(16,500)	(17,500)
Profit for the period	112,721	122,284	219,379	277,399
Other comprehensive income	--	--	--	--
Total comprehensive income for the period	112,721	122,284	219,379	277,399
Earnings per share:				
Basic and diluted earnings per share	11 0.60	0.65	1.17	1.48


Chief Financial Officer


Chief Executive Officer


Chairman

The notes on pages from 7 to 30 form an integral part of these condensed interim financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six-months period ended 30 June 2018

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

	<u>Share capital</u>	<u>Statutory reserve</u>	<u>Retained earnings</u>	<u>Total Equity</u>
Balance at 1 January 2017 (Audited)	1,880,000	369,697	727,015	2,976,712
<u>Total comprehensive income:</u>				
Profit for the period	--	--	277,399	277,399
<u>Transactions with owners of the Company:</u>				
Dividends	--	--	(366,600)	(366,600)
<u>Other transactions:</u>				
Transfer to statutory reserve	--	27,740	(27,740)	--
Balance at 30 June 2017	1,880,000	397,437	610,074	2,887,511
Balance at 1 January 2018 (Audited)	1,880,000	419,847	572,218	2,872,065
<u>Total comprehensive income:</u>				
Profit for the period	--	--	219,379	219,379
<u>Transactions with owners of the Company:</u>				
Dividend	--	--	(122,200)	(122,200)
<u>Other transactions:</u>				
Transfer to statutory reserve	--	21,938	(21,938)	--
Balance at 30 June 2018 (Unaudited)	1,880,000	441,785	647,459	2,969,244


Chief Financial Officer


Chief Executive Officer


Chairman

The notes on pages from 7 to 30 form an integral part of these condensed interim financial statements. ✓

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

CONDENSED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-months period ended 30 June 2018

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

	Notes	30 June 2018	30 June 2017
Cash flows from operating activities:			
Profit for the period before Zakat		235,879	294,899
<u>Adjustments for:</u>			
Depreciation	4	56,551	46,704
Amortization	5	11,711	11,712
Share of profits of equity-accounted investee	6	(6,114)	(12,170)
Gain on disposal of property and equipment		--	(18)
Impairment loss on trade receivables	7	26,284	76,605
Unrealized gain on investments at FVTPL	8	(3,086)	(7,188)
		<u>321,225</u>	<u>410,544</u>
<u>Changes in</u>			
Trade receivables		(107,693)	(137,438)
Prepayments and other receivables		115,234	(71,843)
Trade payables		(10,098)	8,510
Other payables		105,775	63,569
Employee benefits		24,501	25,046
Cash generated from operating activities		<u>448,944</u>	<u>298,388</u>
Zakat paid	15	(5,536)	(15,128)
Net cash generated from operating activities		<u>443,408</u>	<u>283,260</u>
Cash flows from investing activities:			
Proceeds from disposal of property and equipment		--	42
Acquisition of property and equipment	4	(89,166)	(102,099)
Proceeds from disposal of investments at FVTPL	8	465,412	517,200
Short-term bank deposits realized		--	404,821
Acquisition of investments at FVTPL	8	(640,000)	(807,007)
Net cash (used in) / generated from investing activities		<u>(263,754)</u>	<u>12,957</u>
Cash flows from financing activities:			
Dividends paid		(122,200)	(366,600)
Net cash used in financing activities		<u>(122,200)</u>	<u>(366,600)</u>
Net increase / (decrease) in cash and cash equivalents		57,454	(70,383)
Cash and cash equivalents at beginning of the period		36,363	97,804
Cash and cash equivalents at the end of the period		<u>93,817</u>	<u>27,421</u>


Chief Financial Officer


Chief Executive Officer


Chairman

The notes on pages from 7 to 30 form an integral part of these condensed interim financial statements.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

1. REPORTING ENTITY

- 1.1 Saudi Ground Services Company ("the Company") was registered as a limited liability company in the Kingdom of Saudi Arabia under Commercial Registration number 4030181005 dated 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 Ministry of Commerce and Industry approved the amended Articles of Association reflecting the above changes on Muharram 23, 1432H (December 29, 2010). The effective date of the above-mentioned acquisition and transfer was agreed between the shareholders to be 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, was converted from a limited liability Company 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. Accordingly, after successful completion of Initial Public offering (IPO), the Company was declared as a Saudi Joint Stock Company.
- 1.5 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.
- 1.6 The Company's registered office is located at the following address:
- Saudi Ground Services Company
Nahda District, Henaki Business Centre
Prince Sultan Street
P. O. Box 48154
Jeddah 21572
Kingdom of Saudi Arabia.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Certified Public Accountants ("SOCPA") and should be read in conjunction with the Company's last annual Financial Statements as at and for the year ended 31 December 2017 ("last annual Financial Statements").

These financial statements do not include all of the information required for a complete set of IFRS financial statements, however, accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since last annual financial statements.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost basis except for investments that are at fair value and employee benefits which are recognised at the present value of future obligation using the Projected Unit Credit Method, using the accrual basis of accounting and the going concern concept. Certain comparative amounts have been reclassified to conform to the current period's presentation.

2.3 Functional and presentation currency

These interim financial statements are presented in Saudi Arabian Riyals ("SR") which is the functional currency of the Company. All numbers are rounded off to the nearest thousands unless otherwise stated.

2.4 Critical accounting estimates and judgments

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the accompanying disclosures, and the disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods. Actual results may differ from these estimates.

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

The significant judgements made by management in applying the Company's accounting policies and the key sources of estimation of uncertainty were the same as those described in the last annual Financial Statements, except for the significant judgements and key sources of estimation of uncertainty related to the application of IFRS 9 and IFRS 15 which are described in note 18.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

3. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied in these condensed interim financial statement are the same as those applied in the Company's annual Financial Statement as at and for the year ended 31 December 2017. The changes in accounting policies are also expected to be reflected in the Company's financial statements as at and for the year ended 31 December 2018.

The Company has initially adopted IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers from 1 January 2018. The effect of the application of these standards has been fully explained in note 18.

4. PROPERTY AND EQUIPMENT

a) Reconciliation of carrying amounts:

	30 June 2018	31 December 2017
Carrying amount at beginning of the period / year	615,791	479,573
Additions during the period / year	89,166	234,415
Disposals during the period / year	—	(81)
Depreciation charge for the period / year	<u>(56,551)</u>	<u>(98,116)</u>
Carrying amount at the end of the period / year	<u>648,406</u>	<u>615,791</u>

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

5. INTANGIBLE ASSETS AND GOODWILL

Reconciliation of carrying amounts:

	<u>Goodwill</u>	<u>Customer contracts</u>	<u>Customer Relationships</u>	<u>Total</u>
Cost:				
Balance at 31 December 2017 and 30 June 2018	582,816	153,179	468,475	1,204,470
Accumulated amortization:				
Balance at 1 January 2017	—	153,179	140,543	293,722
Amortization for the year	—	—	23,424	23,424
Balance at 31 December 2017	—	153,179	163,967	317,146
Balance at 1 January 2018	—	153,179	163,967	317,146
Amortization for the period	—	—	11,711	11,711
Balance at 30 June 2018	—	153,179	175,678	328,857
Carrying amounts				
At 30 June 2018 (Unaudited)	<u>582,816</u>	<u>—</u>	<u>292,797</u>	<u>875,613</u>
At 31 December 2017 (Audited)	<u>582,816</u>	<u>—</u>	<u>304,508</u>	<u>887,324</u>

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

6. EQUITY ACCOUNTED INVESTEE

- a) Saudi Amad for Airport Services and Transport Support Company ("SAAS") is a joint venture in which the Company has a joint control represented by 50% ownership interest. SAAS is one of the Company's strategic supplier and is principally engaged in providing transportation services for passengers and crew in the Kingdom of Saudi Arabia.

SAAS is structured as a separate vehicle, and the Company has rights to the net assets of SAAS. Accordingly, the Company has classified its interest in SAAS as a joint venture. The investment in SAAS as at 30 June 2018 is as follows:

<u>Name</u>	<u>Country of incorporation</u>	<u>Effective ownership interest (%)</u>		<u>Carrying value</u>	
		<u>30 June 2018</u>	<u>31 December 2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
SAAS	Kingdom of Saudi Arabia	50%	50%	127,894	121,780

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

	<u>30 June 2018</u>	<u>31 December 2017</u>
Opening balance	121,780	98,337
Share of net income for the period / year (note 6(c))	6,114	23,443
Closing balance	127,894	121,780

- c) These numbers are based on the management accounts of the joint venture for the six-months period ended 30 June 2018.

7. TRADE RECEIVABLES

Trade receivables as at 30 June is as follows:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Trade receivables due from related parties (note 13(a))	768,497	785,208
Other trade receivables	508,553	384,149
	1,277,050	1,169,357
Less: allowance for impairment losses	(135,279)	(108,995)
	1,141,771	1,060,362

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

7. TRADE RECEIVABLES (continued)

The movement in impairment losses is as follows:

	30 June 2018	31 December 2017
Opening balance	108,995	118,331
Charge for the period/ year	26,284	130,250
Allowance written off during the period / year	—	(139,586)
Closing balance	<u>135,279</u>	<u>108,995</u>

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

Investments at FVTPL mainly comprises investments in money market – mutual funds.

	30 June 2018	31 December 2017
Opening balance	655,804	454,806
Investments made during the period / year	640,000	1,227,007
Disposal of investments during the period / year	(465,412)	(1,034,609)
Unrealized fair value gain during the period / year	3,086	8,600
Closing balance	<u>833,478</u>	<u>655,804</u>

9. SHARE CAPITAL

At 30 June 2018, the authorized, issued and paid up share capital of SR 1,880 million consists of 188 million fully paid shares of SR 10 each (31 December 2017: SR 1,880 million consist of 188 million shares of SR 10 each).

	30 June 2018			31 December 2017		
	Number of shares	%	Amount	Number of shares	%	Amount
Founding shareholders	131,600,000	70	1,316,000	131,600,000	70	1,316,000
General public	56,400,000	30	564,000	56,400,000	30	564,000
Total	<u>188,000,000</u>	<u>100</u>	<u>1,880,000</u>	<u>188,000,000</u>	<u>100</u>	<u>1,880,000</u>

10. STATUTORY RESERVE

In accordance with the Company's byelaws, the Company sets aside 10% of its net total comprehensive income in each year to a statutory reserve until such reserve equals to 30% of the share capital. This reserve is not available for distribution.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

11. EARNINGS PER SHARE

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

	30 June 2018	30 June 2017
Profit for the period attributable to the shareholders of the Company	<u>219,379</u>	<u>277,399</u>
Weighted average number of ordinary shares for the purposes of basic and diluted earnings	<u>188,000</u>	<u>188,000</u>
Basic and diluted earnings per share based on profit for the period attributable to shareholders of the Company	<u>1.17</u>	<u>1.48</u>

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

Diluted earnings per share has been computed by dividing the profit attributable to shareholders of the Company by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. However, in the absence of any convertible liability, the diluted earnings per share does not differ from the basic earnings per share.

12. EMPLOYEE BENEFITS

a) General Description of the plan

The Company operates an approved unfunded employees' end of service benefits scheme/plan for its permanent employees as required by the Saudi Arabian Labour law.

The amount recognized in the statement of financial position is determined as follows:

	30 June 2018	31 December 2017
Present value of defined benefit obligations	<u>456,781</u>	<u>432,280</u>

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

12. EMPLOYEE BENEFITS (continued)

b) Movement in net defined benefit liability

Net defined benefit liability comprises only of defined benefit obligations. The movement in the defined benefit obligations over the period / year is as follows:

	Six months period ended 30 June 2018	Year ended 31 December 2017
Balance at the beginning of period / year	432,280	383,230
<i>Included in statement of profit or loss:</i>		
Current service cost	26,272	51,764
Interest cost	9,025	18,746
	35,297	70,510
<i>Included in statement of other comprehensive income:</i>		
Actuarial gain	--	(4,854)
Benefits paid	(10,796)	(16,606)
Balance at the end of period / year	456,781	432,280

- c) As at 31 December 2017, the valuation for the end of service liabilities was performed by an independent external firm of actuaries using the following key assumptions:

<u>Key assumptions:</u>	30 June 2018	31 December 2017
Discount rate	4.35%	4.35%
Future salary growth / Expected rate of salary increase	4.5%	4.5%
Mortality rate	0.1%	0.1%
Employee turnover/withdrawal rates	9.5%	9.5%
Retirement age	60 years	60 years

13. RELATED PARTY TRANSACTIONS AND BALANCES

The Company, in the normal course of business, enters into transactions with other entities that fall within the definition of a related party contained in International Accounting Standard 24. These transactions are carried out at terms agreed with the related parties. Significant related party transaction are as follows;

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

13. RELATED PARTY (continued)

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

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions for the period ended</u>		<u>Closing balances</u>	
			<u>30 June 2018</u>	<u>30 June 2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
Saudi Arabian Airlines Corporation	Parent Company	Services provided	641,875	638,151	423,029	515,971
National Air Services	Common shareholder	Services provided	119,479	125,211	209,284	153,832
Saudi Airlines – Cargo Company Limited	Fellow subsidiary	Services provided	9,234	9,392	30,667	29,904
Saudi Aerospace Engineering Industries	Fellow subsidiary	Services provided	692	158	1,189	497
Saudi Airlines Catering	Common shareholder	Services provided	83	70	383	300
Saudi Private Aviation	Fellow subsidiary	Services provided	6,373	9,014	42,113	35,740
Royal Fleet Services	Fellow subsidiary	Services provided	20,923	12,497	36,767	43,880
National Aviation Ground Support	Shareholder	Services provided	12	11	4	2
Saudia Holding Company	Fellow subsidiary	Services provided	1,570	--	1,570	--
Fly adeal	Fellow subsidiary	Services provided	22,247	--	23,491	5,082
					<u>768,497</u>	<u>785,208</u>

The Company's revenues derived from services rendered to Saudi Arabian Airlines Corporation ("Saudia") amounted to approximately 50% (2017: 49%) of the total revenue.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

13. RELATED PARTY (continued)

(b) Due from related parties - under prepayments and other receivables

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions for the period ended</u>		<u>Closing balances</u>	
			<u>30 June 2018</u>	<u>30 June 2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
Saudia Arabian Airlines Corporation	Parent Company	Recharge of seconded staff cost	124,777	150,013	162,295	267,005
Saudi Aerospace Engineering Industries	Fellow subsidiary	Recharge of expenses	712	712	--	--
Saudi Amad for Airport Services and Transport Support Company	Joint Venture	Advances and Recharge of Manpower	3,308	5,209	22,048	18,740
Attar Travels	Shareholder	Recharge of expenses	--	--	584	584
					<u>184,927</u>	<u>286,329</u>

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

13. RELATED PARTY (continued)

(c) Due to related parties - under trade payables:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions for the period ended</u>		<u>Closing balances</u>	
			<u>30 June 2018</u>	<u>30 June 2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
Saudi Arabian Airlines Corporation	Parent Company	Expenses incurred on behalf of company	9,246	9,339	3,804	15,253
Saudi Airlines Catering	Common shareholder	Expenses incurred on behalf of company	18,524	23,341	11,641	4,811
Saudia Aerospace Engineering Industries	Fellow subsidiary	Expenses incurred on behalf of company	40,500	40,500	25,429	21,689
Saudi Amad for Airport Services and Transport Support Company	Joint venture	Expenses incurred on behalf of company	5,373	3,154	--	5,982
Saudi Airlines Real Estate Developers	Fellow subsidiary	Expenses incurred	438	528	--	76
Saudia Airlines Cargo Limited	Fellow subsidiary	Services	5	120	227	224
					<u>41,101</u>	<u>48,035</u>

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

13. RELATED PARTY (continued)

(d) Due to related parties – under other payables:

<u>Name</u>	<u>Relationship</u>	<u>Nature of transactions</u>	<u>Amount of transactions for the period ended</u>		<u>Closing balances</u>	
			<u>30 June 2018</u>	<u>30 June 2017</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
Saudi Arabian Airlines Corporation	Parent Company	Saudia staff pension	23,516	23,419	77,437	67,882
Saudi Amad for Airport Services and Transport Support Company	Joint venture	Payments received on behalf of the company	29,719	16,612	30,038	29,388
Saudi Airlines Catering Company	Common shareholder	Services received	Note 13(c)	Note 13(c)	22,631	11,112
Saudi Aerospace Engineering Industries	Fellow subsidiary	Services received	Note 13(c)	Note 13(c)	5,742	2,064
National Air Services	Common shareholder	Expense claims	--	--	600	600
Saudia Airlines Cargo Limited	Fellow subsidiary	Expense claims	Note 13(c)	Note 13(c)	861	859
Saudi Private Aviation	Fellow subsidiary	Services	--	--	3,000	3,000
Royal Fleet Services	Fellow subsidiary	Services	--	--	3,000	3,000
Saudi Arabia Real Estate Development	Fellow subsidiary	Services	--	--	438	920
					<u>143,747</u>	<u>118,825</u>

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

13. RELATED PARTY (continued)

(e) Remuneration:

<u>Name</u>	<u>Nature of transactions</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
Key management personnel	Remuneration	6,430	5,996
Board of Directors	Meeting attendance fee	2,756	2,342
		<u>9,186</u>	<u>8,338</u>

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

	<u>30 June 2018</u>	<u>30 June 2017</u>
Short-term employee benefits	6,254	5,834
End of service benefits	176	162
	<u>6,430</u>	<u>5,996</u>

14. OPERATING SEGMENTS

The Company's primary format for segmental reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. The Company is principally involved in providing ground handling services to airlines within the Kingdom of Saudi Arabia. Accordingly, the management believes that the Company's business falls within a single business segment and is subject to similar risks and returns.

15. ZAKAT

a) Charge for the period

Zakat for the period / year ended comprise the following:

	<u>30 June 2018</u>	<u>30 June 2017</u>
Charge for the period / year	<u>16,500</u>	<u>17,500</u>

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

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

15. ZAKAT (continued)

b) Accrued Zakat

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

	30 June 2018	31 December 2017
Balance at the beginning of the period / year	65,588	47,316
Charge for the period / year	16,500	33,400
Payments during the period / year	<u>(5,536)</u>	<u>(15,128)</u>
Balance at the end of the period / year	<u>76,552</u>	<u>65,588</u>

c) Zakat status

The Company has filed a declaration up to financial year ended 31 December 2017 with the General Authority of Zakat and Income Tax (GAZT). The Company also obtained Zakat certificate valid until 30 April 2019. The GAZT has issued the final Zakat assessment order for 2008 to 2011 subject to an additional Zakat liability of SR 900,000. However, the Company has filed an objection against this assessment.

16. CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2018, the Company has provided, in the normal course of business, bank guarantees amounting to SR 15.51 million (31 December 2017: SR 16.34 million) to the Ministry of Finance, Saudi Airlines, IATA and General Authority of Civil Aviation ("GACA"), in respect of Haj visa, tickets, airline ticket sales and rentals. The Company's bank has earmarked bank balances of SR 0.1 million (31 December 2017: SR 0.05 million) as a lien against these guarantees.

As at 30 June 2018, the commitments under non-cancellable operating lease rentals are SR 16.2 million (31 December 2017: SR 10.58 million). Commitments amounting to SR 58.06 million (31 December 2017: SR 40.77 million) are in respect of capital expenditure committed but not paid.

During the year ended December 31, 2017, Saudi Ministry of Labour had levied a penalty amounting to SR 23.6 million on the Company due to the delay in submission of required documents related to temporary visas of the staff for Haj operations. The Company had accrued SR 5 million against this fine considering the maximum outflow to settle this liability based upon the legal opinion received from an independent external expert. Additionally, the Company has filed an appeal against this penalty with the Administrative Court of Appeals and awaiting the final decision.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

17. FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Fair value hierarchy

The Company's management regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the evidence obtained from the third parties is assessed to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which the valuations should be classified.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

When quoted prices are available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring the fair value, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The fair values of financial instruments are not materially different from their carrying values. At 30 June 2018, there were no financial instruments held by the Company that were measured at fair value, apart from investments at FVTPL.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

17. FINANCIAL INSTRUMENTS (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
30 June 2018				
Investments at FVTPL	—	833,478	—	833,478
31 December 2017				
Investments at FVTPL	—	655,804	—	655,804

There were no transfers between levels of the fair value hierarchy during the period ended 30 June 2018 and 31 December 2017. Additionally, there were no changes in the valuation techniques (refer note 8). The fair value of investments at fair value through profit or loss is based on the net assets values communicated by the fund manager.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, it does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

<u>Description</u>	<u>Carrying amount</u>			<u>Total</u>
	<u>Amortized cost</u>	<u>Fair value through profit or loss</u>	<u>Fair value through other comprehensive income</u>	
Financial assets not measured at fair value				
Cash and cash equivalents	93,817	—	—	93,817
Trade and other receivables	1,331,015	—	—	1,331,015
Financial assets measured at fair value				
Investments at FVTPL	—	833,478	—	833,478
Financial liabilities not measured at fair value				
Trade and other payables	488,093	—	—	488,093

<u>Description</u>	<u>Carrying amount</u>				<u>Total</u>
	<u>Loans & Receivables</u>	<u>Fair value through profit or loss – Held for Trading</u>	<u>Available for Sale</u>	<u>Held to Maturity</u>	
Financial assets not measured at fair value					
Cash and cash equivalents	36,363	—	—	—	36,363
Trade and other receivables	1,354,786	—	—	—	1,354,786
Financial assets measured at fair value					
Investments at FVTPL	—	655,804	—	—	655,804
Financial liabilities not measured at fair value					
Trade and other payables	390,840	—	—	—	390,840

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

18. NEW STANDARDS AND AMENDMENTS TO STANDARDS

The Company has adopted, as appropriate, the following new and amended IASB Standards, effective 1 January 2018.

(a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

Revenue is the gross inflow of economic benefits arising from the ordinary operating activities of the Company when those inflows result in increase in equity, other than increases relating to contributions from equity participants. Revenue is measured at fair value of consideration received or receivable. Revenue is recognized to the extent that it is probable that any future economic benefit associated with the item of revenue will flow to the Company, the revenue can be reliably measured, regardless of when the payment is being made and the costs are identifiable and can be measured reliably.

The Company has applied IFRS 15 *Revenue from contracts with customers* for accounting of revenue. The core principle of the IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. IFRS 15 requires that entities apply a five-step to determine when to recognize revenue and at what amount.

Step:1 Identify the contract with the customer

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step:2 Identify the performance obligations in the contract

A performance obligation is a promise in a contract with a customer to transfer a service to the customer.

Step:3 Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.

Step:4 Allocate the transaction price to the performance obligations in the contract

For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step:5 Recognize revenue when or as the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when or as a performance obligation is satisfied. i.e. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

18. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

(a) IFRS 15 Revenue from Contracts with Customers (continued)

The Company has adopted IFRS 15 using the cumulative effect method, with the effect of applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for the previous year has not been restated, as previously reported, under IAS 18 and related interpretations.

The adoption of IFRS 15 does not have any significant impact on the condensed interim financial statements.

(b) IFRS 9 Financial Instruments

“The Company has applied IFRS 9 Financial Instruments in accounting for financial assets and financial liabilities. IFRS 9 has brought certain changes in the classification of financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Further, IFRS 9 replaces the incurred loss model with a forward-looking expected credit loss (ECL) model. This model will require considerable judgement as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

Financial Assets

a) Recognition and initial measurement

The Company’s financial assets comprise of cash and cash equivalents, trade and other receivables and Investments at FVTPL.

Financial assets are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

b) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- Fair value through other comprehensive income (FVOCI) – debt investment;
- FVOCI – equity investment; or
- Fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

18. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

(b) IFRS 9 Financial Instruments (continued)

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as measured at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI – equity investment). This election is made on an investment by investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit or loss.
Financial assets at amortised Cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in the statement of profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to statement of profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit or loss.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

18. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

Financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in the statement of profit or loss and other comprehensive income. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in the statement of profit or loss. Any gain or loss on de-recognition is also recognized in the statement of profit or loss and other comprehensive income.

The Company's significant financial liabilities include trade and other payables.

De-recognition

Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognizes a financial liability when its terms are modified, and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial asset and financial liability are offset and the net amount presented in the statement of financial position when, and only when the Company:

- currently has a legally enforceable right to set off the recognized amounts; and
- intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

18. NEW STANDARDS AND AMENDMENTS TO STANDARDS (continued)

Credit-impaired financial assets:

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Presentation of impairment:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to trade receivables are presented separately in the condensed interim statement of profit or loss and other comprehensive income.

Impact of adoption:

There is no significant impact on the Company's accounting policy as a result of the implementation of IFRS 9 except for the reclassification of held for trading investments to investments at FVTPL.

19. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Following new standards and amendments to standards are effective for annual periods beginning after January 1, 2019, and earlier application is permitted; however, the Company has not early adopted them in preparing these condensed interim financial statements.

(a) IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including 'IAS 17 – Leases', 'IFRIC 4 – Determining whether an Arrangement contains a Lease', 'SIC-15 - Operating Leases – Incentives' and 'SIC 27 - Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

The standard is effective for annual periods beginning on or after January 1, 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Company's borrowing rate at 1 January 2019, the composition of the Company's lease portfolio at that date, the Company's latest assessment of whether it will exercise any lease renewal options and the extent to which the Company chooses to use practical expedients and recognition exemptions.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

19. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

(a) IFRS 16 Leases (continued)

Determining whether an arrangement contains a lease:

On transition to IFRS 16, the Company can choose whether to:

- Apply the IFRS 16 definition of a lease to all its contracts; or
- Apply a practical expedient and not reassess whether a contract is, or contains a lease.

Transition:

As a lessee, the Company can either apply the standard using a:

- Retrospective approach; or
- Modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases. The Company currently plans to apply IFRS 16 initially on January 1, 2019. The Company has not yet determined the transition approach that the Company will adopt. As a lessor, the Company is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.

(b) Annual Improvements to IFRSs 2015–2017 Cycle

- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – clarifies how a company accounts for increasing its interest in a joint operation that meets the definition of a business.
 - If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.
 - If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
- IAS 12 Income Taxes – clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits i.e. in the statement of profit or loss, other comprehensive income or equity.
- IAS 23 Borrowing Costs – clarifies that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool. As the costs of retrospective application might outweigh the benefits, the changes are applied prospectively to borrowing costs incurred on or after the date an entity adopts the amendments.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

19. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

(c) Other Amendments

The following new or amended standards which are not yet effective and neither expected to have a significant impact on the Company's condensed interim financial statements.

- IFRIC 23 Uncertainty over Income Tax Treatments – clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities.
- Prepayment Features with Negative Compensation (Amendments to IFRS 9).
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28).
- Plan Amendments, Curtailment or Settlement (Amendments to IAS 19).

20. FINANCIAL RISK MANAGEMENT

Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Market risk
- Liquidity risk

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

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The most important types of risk are a market risk, credit risk and liquidity risk.

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

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

The audit committee oversees compliance by management with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework about the risks faced by the Company.

Financial instruments carried on the condensed interim financial statements include cash and cash equivalents, trade and other receivables, investments, borrowings, trade and other payables, due to shareholders, accrued Zakat and dividend payable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

SAUDI GROUND SERVICES COMPANY
(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

20. FINANCIAL RISK MANAGEMENT (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. To reduce exposure to credit risk, the Company has an approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored.

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

	30 June 2018	31 December 2017
Financial assets		
Trade receivables	1,277,050	1,169,357
Other receivables (excluding advances)	189,340	293,924
Investment at FVTPL	833,478	655,804
Cash at banks	93,328	35,991
	<u>2,393,196</u>	<u>2,155,076</u>

Market risk

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

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows.

As of 30 June 2018, the Company does not have any interest-bearing assets or liabilities and therefore, is not exposed to any significant interest rate risk.

Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is exposed to price risk which arises from investment in mutual funds measured at FVTPL. The management of the Company monitors the portfolio on a regular basis and all the significant decisions are approved by the Risk Management Committee.

Sensitivity analysis

Every 5% increase or decrease in the net asset value with all other variables held constant will decrease or increase profit before zakat for the period by SR 41.67 million (June 2017: SR 32.79 million).

SAUDI GROUND SERVICES COMPANY

(A Saudi Joint Stock Company)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the period ended 30 June 2018

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

20. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Company's reputation.

Capital risk management

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

Apart from requirements of the Regulations for Companies, the Company is not subject to any other externally imposed capital requirements

21. BOARD OF DIRECTORS' APPROVAL

The condensed interim financial statements were approved and authorized for issue by the Board of Directors on 20 Dhul Qadah 1439H, corresponding to 2 August 2018.


Chief Financial Officer


Chief Executive Officer


Chairman