Prospectus

Saudi Ground Services Company

Sale of 56,400,000 (fifty six million four hundred thousand) Shares representing 30% (thirty per cent) of Saudi Ground Services Company through an Initial Public Offering at an Offer Price of SAR 50 per Share

A Saudi Joint Stock Company converted pursuant to the Resolution of the Minister of Commerce and Industry Number 171/K dated 7/7/1435H (corresponding to 6 May 2014G))

Offering Period: from Wednesday 16/08/1436H (corresponding to 03/06/2015G) to Tuesday 22/08/1436H (corresponding to 09/06/2015G)

Saudi Ground Services Company ("SGS" or the "Company") was founded as a limited liability company in Saudi Arabia with commercial registration number 4030181005 on 11/7/1429H (corresponding to 14 July 2008G) with a share capital of SAR 500,000 (five hundred thousand Saudi Riyals) divided into 5,000 (five thousand) ordinary shares each (the "Shares") of SAR 100 (one hundred Saudi Riyals) each. On 20/02/1432H (corresponding to 24 January 2011G) the share capital of the Company was increased from SAR 500,000 (five hundred thousand Saudi Riyals) to SAR 886,869,100 (eight hundred eighty six million eight hundred sixty nine thousand one hundred Saudi Riyals) divided into 8,868,691 (eight million eight hundred sixty eight thousand six hundred ninety one) Shares of SAR 100 (one hundred Saudi Riyals) each and the new Shares resulting from such increase were issued in favour of the Saudi Arabian Airlines Corporation ("Saudia"), National Aviation Ground Support Company ("NAGS") and Attar Ground Handling Company ("Attar") in consideration for the acquisition by the Company of (i) Attar's and Attar Travel Company's ("Attar Travel") respective ground handling business and (i) the entire issued shareholding of National Handling Service Company ("NHS"). The Company was converted into a joint stock company pursuant to the Resolution of the Minister of Commerce and Industry Number 171/K dated 7/7/1435H (corresponding to 6 May 2014G) and simultaneously the share capital of the Company was increased from SAR 886,869,100 (eight hundred eighty six million eight hundred sixty nine thousand one hundred Saudi Riyals) to SAR 1,880,000,000 (one billion eight hundred eighty million Saudi Riyals) divided into 188,000,000 (one hundred eighty eight million) Shares through the capitalisation of (i) SAR 405,894,468 (four hundred five million eight hundred ninety four thousand four hundred sixty eight Saudi Riyals) from the Company's retained earnings; and (ii) SAR 587,236,432 (five hundred eighty seven million two hundred thirty six thousand four hundred thirty two Saudi Riyals) representing the Company's net imputed equity (please see section 7 ("Management Discussion and Analysis") for more information regarding the Acquisition, the accounting policies used and the valuation mechanics used to value the acquired entities). Given that closed joint stock companies must have a minimum of five shareholders, Saudi Arabian Airlines Private Aviation Company Limited ("SPAC") and Saudi Arabian Airlines Real Estate & Development Company ("SARED") (both wholly-owned subsidiaries of Saudia) were also issued Shares.

The Initial Public Offering (the "Offering") of 56,400,000 (fifty six million four hundred thousand) Shares (the "Offer Shares") at an Offer Price of SAR 50 per Share, which represents a nominal value of SAR 10 (ten Saudi Riyals) each and a premium of SAR 40 per Share, represents 30% (thirty per cent) of the issued share capital of the Company and is directed at and may only be accepted by:

Tranche (A): Institutional investors consisting of a number of institutions and companies including investment funds (the "Institutional Investors") (see section 1 ("Definitions and Abbreviations")). The number of Offer Shares to be allocated to Institutional Investors is 56,400,000 (fifty six million four hundred thousand) Shares, representing all the Offer Shares. In the event Individual Investors (as defined in Tranche (B) below) subscribe to all the Offer Shares allocated to them, the Bookrunner has the right, subject to the Capital Market Authority's ("CMA") consent, to reduce the number of Offer Shares allocated to Institutional Investors to 33,840,000 (thirty three million eight hundred forty thousand) Shares, representing up to 60% (sixty per cent) of the Offer Shares. 90% (ninety per cent) of the Tranche (A) Offered Shares are to be allocated to investment funds, which percentage shall be subject to adjustment, in the event that other institutions, excluding investment funds, do not fully subscribe to the remaining 10% (ten per cent) of the Offered Shares allocated to them, or in the event that the mutual funds do not subscribe to the full portion allocated to them (90%).; and Tranche (B): Individual investors including Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband (provided they produce evidence that they are divorced, widowed and are the mother of their minor children) who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced (collectively "Individual Investors" and severally an "Individual Investor"). The subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases, the relevant regulations shall be enforced against that person. A maximum of 22,560,000 (twenty two million five hundred sixty thousand) Shares representing up to 40% (forty per cent) of the Offer Shares shall be allocated to Individual Investors.

If the Individual Investors do not subscribe to the full amount of Offered Shares allocated to them, the Lead Manager may, subject to the CMA's consent, reduce the number of Offered Shares to match the number actually subscribed to by the Individual Investors.

The Offer Shares are being sold by the shareholders whose names appear on page xii (collectively, the "Selling Shareholders"), and who collectively own 100% (one hundred per cent) of the Shares. Upon completion of the Offering, Saudia, NAGS and Attar, being three of the Selling Shareholders, will collectively own 70% (seventy per cent) of the Shares and will consequently retain a controlling interest in the Company. The proceeds from the Offering, after deducting the Offering expenses (the "Net Proceeds"), will be distributed to the Selling Shareholders on a pro-rata basis based on each Selling Shareholder's percentage ownership in the Offer Shares being sold in the Offering and the Company will not receive any part of the Net Proceeds (see section 12 ("Use of Proceeds")). The Underwriters have committed to fully underwrite the Offering (see section 14 ("Underwriting")). Saudia, NAGS and Attar will be restricted from disposing of their Shares for three years starting from the date on which trading of the Offer Shares commences on Tadawul. Following the end of their respective Lock-in Periods, Saudia, NAGS and Attar may only dispose of their respective Shares after obtaining the approval of the CMA.

The Offering will commence on Wednesday 16/08/1436H (corresponding to 03/06/2015G) and will remain open for a period of 7 (seven) days up to and including Tuesday 22/08/1436H (corresponding to 09/06/2015G) (the "Offering Period"). Subscription to the Offer Shares can be made through branches of the selling agents (the "Selling Agents") listed on pages viii to ix during the Offering Period (see the "How to Apply" section on page xiv).

Each Individual Investor who subscribes to the Offer Shares (each a "Subscriber" and collectively the "Subscribers") must apply for a minimum of 10 (ten) Offer Shares. The maximum number of Offer Shares for which a Subscriber may apply is 250,000 (two hundred fifty thousand). The minimum allocation per Subscriber is 10 (ten) Offer Shares, and the balance of the Offer Shares (if any) will be allocated to subscribers on a pro-rata basis based on the number of Offer Shares subscribed for. In the event that the number of Subscribers exceeds 2,256,000 (two million two hundred fifty six thousand), the Company will not guarantee the minimum allocation of 10 (ten) Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 22,560,000 (twenty two million five hundred and sixty thousand), the allocation will be determined in accordance with the recommendation of the Company and the Lead Manager. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by Tuesday 29/08/1436H (corresponding to 16/06/2015G) (see section 17 ("Subscription Terms and Conditions")).

The Company has one class of shares. Each Share entitles the holder to one vote, and each shareholder (a "Shareholder") with at least 20 Shares has the right to attend and vote at a General Assembly. No Shareholder benefits from any preferential voting rights. The Offer Shares shall be entitled to receive dividends declared by the Company from the date of this Prospectus and during subsequent fiscal years (see section 7 ("Dividend Policy")).

Prior to the Offering, there has been no public market for the Shares in Saudi Arabia or elsewhere. An application has been made to the CMA for the admission of the Shares to listing, all supporting documents required by the CMA have been supplied, and all relevant approvals pertaining to this prospectus (the "Prospectus") and the Offering have been granted. Trading in the Offer Shares is expected to commence on the Saudi Stock Exchange (the "Exchange" or the "Tadawul") shortly after the final allocation of the Offer Shares and the satisfaction of necessary conditions and procedures (see the "Key Dates for Investors" section on page xiv). Following admission of the Shares to listing, Saudi nationals and nationals of other GCC countries, companies, banks and funds, as well as non-Saudi individuals who are residents in the Kingdom, will be permitted to trade in the Shares. Moreover, Qualified Foreign Investors and Approved QFI Clients will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Furthermore, non-Saudi natural persons who are not residents in the Kingdom and institutions incorporated outside the Kingdom are permitted to acquire an economic interest in the Shares by entering into a swap agreement with a person authorised by the CMA to acquire, hold and trade in shares on Tadawul on behalf of a Foreign Investor (the "Authorised Person"). Under such swap agreements, the Authorised Person will be the registered legal owner of such Shares.

The "Important Notice" and section 2 ("Risk Factors") of this Prospectus should be considered carefully prior to making a decision to invest in the Offer Shares.

Financial Advisor, Lead Manager and Bookrunner

HSBC

Lead Underwriter

HSBC

Co-Underwriter

Jadwa Investment

Selling Agents

alinma bank, anb, Bank Albilad, Bank AlJazira, The Saudi Investment Bank, SABB, Al Rajhi Bank, riyad bank, Banque Saudi Fransi, samba, Saudi Hollandi Bank, NCB

This Prospectus includes information given in compliance with the Listing Rules of the Authority. The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The Authority and the Saudi Stock Exchange do not take any responsibility for the contents of this Prospectus, do not make any representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is dated 17/07/1436H (corresponding to 06/05/2015G)

This Prospectus is an English translation of the official Arabic Prospectus. In case of any differences between the two, the Arabic version shall prevail.

SGS

Important Notice

This Prospectus contains detailed information relating to the Company and the Offer Shares. When applying for the Offer Shares, investors will be treated as applying solely on the basis of the information contained in this Prospectus, copies of which are available for collection from the Company, the Lead Manager, the Selling Agents or by visiting the websites of the Company (www.saudiags.com) or the CMA (www.cma.org.sa).

HSBC Saudi Arabia Limited ("HSBC") has been appointed by the Company to act as a financial advisor in respect of the Offering (the "Financial Advisor"). HSBC has also been appointed as lead manager ("Lead Manager"), Lead Underwriter and bookrunner (the "Bookrunner") in relation to the Offering. Jadwa Investment Company has also been appointed as Co-Underwriter in relation to the Offering (HSBC and Jadwa are collectively referred to as the "Underwriters").

This Prospectus includes information given in compliance with the Listing Rules of the CMA. The Directors, whose names appear in section 6.1 ("Corporate Structure and Governance – Board Members"), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading. The CMA and Tadawul do not accept any responsibility for the contents of this Prospectus, and no representation or assurance is made with respect to the accuracy or completeness of any of the information herein. The CMA and Tadawul are not liable for any loss suffered by the Subscribers as a result of the information contained in this Prospectus or any reliance thereon by the Subscribers.

While the Company has made all reasonable enquiries as to the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information in the Prospectus which is relevant to the market and industry in which the Company operates is derived from external sources, and while neither the Financial Advisor, the Company nor any of the Company's other advisors, whose names appear on page vi of this Prospectus (together with the Financial Advisor, the "Advisors"), has any reason to believe that any of the market and industry information is materially inaccurate, neither the Company nor any of the Advisors has independently verified such information, and no representation or assurance is made with respect to the accuracy or completeness of any of this information.

The information contained in this Prospectus as at the date hereof is subject to change. In particular, the actual financial condition of the Company and the value of the Offer Shares may be adversely affected by future developments in inflation, interest rates, taxation or other economic, political and other factors, over which the Company has no control (see section 2 ("Risk Factors")). Neither the delivery of this Prospectus nor any oral or written information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way as, a promise, affirmation or representation as to future earnings, results or events.

The Prospectus is not to be regarded as a recommendation on the part of the Company, the Directors, the Selling Shareholders or the Advisors to participate in the Offering. Moreover, information provided in this Prospectus is of a general nature and has been prepared without taking into account individual investment objectives, financial situation or particular investment needs. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining independent professional advice from a financial advisor licensed by the Authority in relation to the Offering and must rely on its own examination of the Company and the appropriateness of both the investment opportunity and the information herein with regard to the recipient's individual objectives, financial situation and needs. An investment in the Offer Shares may be appropriate for some investors but not others, and prospective investors should not rely on another party's decision as to whether or not to invest as a basis for their own study of the investment opportunity and such investor's individual circumstances.

The Offering is directed at, and may be accepted only by:

Tranche (A): Institutional investors consisting of a number of institutions and companies including investment funds (see Section 1 ("Definitions and Abbreviations") for more information); and

Tranche (B): Individual investors including Saudi Arabian natural persons including Saudi women who are divorced or widowed and who have children by a non-Saudi husband (provided they produce evidence that they are divorced, widowed and that they are the mother of their minor children) who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit. The subscription by a person in the name of his divorced wife shall be deemed invalid and, in such cases, the relevant regulations shall be enforced against that person.

The distribution of this Prospectus and the sale of the Offer Shares in any country other than Saudi Arabia are expressly prohibited. The Company, the Selling Shareholders and the Financial Advisor require recipients of this Prospectus to inform themselves of any legal or regulatory restrictions relevant to this Offering and the sale of the Offer Shares and to observe all such restrictions.

Industry and Market Data

In this Prospectus, information and data on the airport ground handling industry in the Middle East and in the Kingdom have been obtained or derived from the market research in respect of the airport ground handling sector conducted on behalf of the Company in May 2014G by Oliver Wyman FZ-LLC ("Oliver Wyman"), an independent consulting firm specialising in providing consulting services in several sectors including aviation, banking, industry and insurance.

The Directors believe that third-party information and data included in this Prospectus, including the information obtained or derived from the market research in respect of the airport ground handling sector conducted by Oliver Wyman, is reliable and have no reason to believe that such information is materially inaccurate, but none of the Company, the Directors, the Selling Shareholders or the Advisors other than Oliver Wyman have independently verified such information and data, and no guarantee can be provided as to its accuracy or completeness.

Neither Oliver Wyman nor any of its affiliates, shareholders, directors or their relatives holds any shareholding or any interest in the Company. Oliver Wyman has given and not withdrawn its written consent to the use of the information supplied by it to the Company in the manner and format set out in this Prospectus.

Financial and Statistical Information

The audited financial statements for the financial years ended 31 December 2012G, 2013G and 2014G, and the notes thereto which were reviewed and audited by KPMG Al Fozan & Al Sadhan (the "Auditors"), each of which are incorporated in section 19 ("Accountant's Report"), have been prepared in conformity with the Generally Accepted Accounting Principles published by the SOCPA. The Company publishes its financial statements in Saudi Arabian Riyals.

The financial and statistical information contained in this Prospectus is subject to rounding. Accordingly, where numbers have been rounded up or down, there may be minor differences between the figures set out in the Prospectus and the audited financial statements.

Forecasts and Forward-Looking Statements

Forecasts set forth in this Prospectus have been prepared on the basis of certain stated assumptions. Future operating conditions may differ from the assumptions used and consequently no affirmation, representation or warranty is made with respect to the accuracy or completeness of any of these forecasts.

Certain statements in this Prospectus are, or may be deemed to be, "forward-looking statements". Such statements can generally be identified by their use of forward-looking words such as "plans", "estimates", "believes", "expects", "anticipates", "may", "will", "should", "expected", "would be", or the negative thereof or other variations of such terms or comparable terminology. These forward-looking statements reflect the current views of the Company with respect to future events, and are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (see section 2 ("Risk Factors") and section 4 ("The Company")). Should any one or more of the risks or uncertainties materialize or any underlying assumptions prove to be inaccurate or incorrect, actual results may vary materially from those described in this Prospectus.

Subject to the requirements of the Listing Rules, the Company must submit a supplementary Prospectus to the CMA if, at any time after the Prospectus has been published and before the admission of the Offer Shares to listing, the Company becomes aware that (i) there has been a significant change in any material information contained in the Prospectus or any document required by the Listing Rules, or (ii) additional significant matters have become known which would have been required to be included in the Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the foregoing and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance on forward-looking statements.

Definitions and Abbreviations

For an explanation of certain defined terms and abbreviations, please see section 1 ("Definitions and Abbreviations").

Corporate Directory

Board of Directors

Name	Position	Nationality	Status and independence	Representation	Direct Share ownership after the Offering*	Indirect Share ownership after the Offering	Date of Appointment
Mr. Saleh Al-Jasser	Chairman	Saudi	Non-executive / non-independent	Saudia	None	None	14 Aug 2014G
Mr. Ayed Al-Jaeed	Member	Saudi	Non-executive / non-independent	NAGS	None	None	6 May 2014G
Mr. Attian Al-Hazmi	Member	Saudi	Non-executive / non-independent	NAGS	None	None	6 May 2014G
Mr. Nader Ahmed Khalawi	Member	Saudi	Non-executive / non-independent	Saudia	None	None	6 May 2014G
Mr. Yousef Abdulqader Attiah	Member	Saudi	Non-executive / non-independent	Saudia	None	None	6 May 2014G
Mr. Omar Jafri	Member	Saudi	Non-executive / non-independent	Saudia	None	None	6 May 2014G
Mr. Abdullah Al Huwaish	Member	Saudi	Non-executive / independent	-	None	None	6 May 2014G
Mr. Rashid Al Mugait	Member	Saudi	Non-executive / independent	-	None	None	6 May 2014G
Vacant**	-	-	-	-	-	-	-

Source: Company

* In accordance with the Companies Regulations, each Director owns Shares with a total value of SAR 10,000, and such Shares have been transferred to each Director and the corresponding share certificates have been deposited with the National Commercial Bank. After completion of the listing of the Company's shares on the Saudi Stock Exchange, 1,000 Shares (with a total value of SAR 10,000) will be deposited with an authorised person as guarantee shares for membership of each Director to the Board.

** The Company will appoint an independent Board Member at the first Ordinary General Assembly meeting following the Offering.

Registered Office
Saudi Ground Services Company Hanaki Center, 4th Floor Prince Sultan bin Abdulaziz Road Al Khalidiah District P.O. Box 48154 Jeddah 21572 Kingdom of Saudi Arabia Tel: +966 (12) 690 9999 Fax: +966 (12) 690 9823 www.saudiags.com Email: info@saudiags.com

Company Representatives	
Eng. Saleh Bin Nasser Al-Jasser Chairman Saudi Ground Services Company Hanaki Center 4th Floor Prince Sultan bin Abdulaziz Road Al Khalidiah District P.O. Box 48154 Jeddah 21572 Kingdom of Saudi Arabia Tel: +966 (12) 690 9999 Fax: +966 (12) 690 9823 www.saudiags.com Email: aljasser@saudiairlines.com	Mr. Qaid Bin Khalaf Al-Otaibi Chief Executive Officer Saudi Ground Services Company Hanaki Center 4th Floor Prince Sultan bin Abdulaziz Road Al Khalidiah District P.O. Box 48154 Jeddah 21572 Kingdom of Saudi Arabia Tel: +966 (12) 690 9999 Fax: +966 (12) 690 9823 www.saudiags.com Email: qalotaibi@saudiags.com

Board of Directors' Secretary
Osama Ashfak Hussein Shaikh Saudi Ground Services Company Hanaki Center 4th Floor Prince Sultan Bin Abdulaziz Road Al Khalidiah District P.O. Box 48154 Jeddah 21572 Kingdom of Saudi Arabia Tel: +966 (12) 690 9999 Fax: +966 (12) 690 9823 www.saudiags.com Email: oshaikh@saudiags.com

Share Registrar
The Saudi Stock Exchange (Tadawul) Abraj Altawoneya, North Tower 6897 King Fahad Road – Al Olaya Unit Number 15 P.O. Box 60612 Riyadh 11555 Kingdom of Saudi Arabia Tel: +966 (11) 218 9999 Fax: +966 (11) 218 1220 www.tadawul.com.sa Email: webinfo@tadawul.com.sa

Financial Advisor, Bookrunner and Lead Manager
HSBC Saudi Arabia Limited HSBC Saudi Arabia's Building Olaya Main Road Al Murooj District P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 299 2419 Fax: +966 (11) 299 2424 www.hsbcsaudi.com Email: saudiarabia@hsbc.com

Legal Adviser to the Issuer
Clifford Chance Law Firm Building 15 The Business Gate King Khaled International Airport Road Cordoba District Riyadh P.O. Box 90239, Riyadh 11613 Kingdom of Saudi Arabia Tel: +966 (11) 481 9700 Fax: +966 (11) 481 9701 www.cliffordchance.com Email: info.sgs@cliffordchance.com

Auditor
KPMG Al Fozan & Al Sadhan Salahuddin Street, KPMG Tower P.O. Box 92876, Riyadh, 11663 Kingdom of Saudi Arabia Tel: +966 (11) 874 8500 Fax: +966 (11) 874 8600 www.kpmg.com Email: marketingsa@kpmg.com

Professional Financial Diligence Advisor
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Market Consultant
Oliver Wyman FZ-LLC Arjaan Offices 11th Floor Dubai Media City, P.O. Box 500525 Dubai, United Arab Emirates Tel: +971 4 425 7000 Fax: +971 4 427 0534 www.oliverwyman.com Email: vikram.krishnan@oliverwyman.com

Note: The above advisors have given and, as at the date of this Prospectus, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees or their employees' relatives have any shareholding or interest of any kind in the Company.

Lead Underwriter	
HSBC Saudi Arabia Limited HSBC Saudi Arabia's Building Olaya Main Road Al Murooj District P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 299 2313 Fax: +966 (11) 299 2424 www.hsbcsaudi.com Email: saudiarabia@hsbc.com	HSBC
Co- Underwriter	
Jadwa Investment Company Investment Company Sky Towers, King Fahad Road, Olaya District P.O.Box 60677 P.O.BoX 60677, Riyadh 11555 Saudi Arabia Tel: +966 (11) 279 1111 Fax:+966 (11) 279 1571 www.jadwa.com Email: info@jadwa.com	جدوى للإستثمار Jadwa Investment
Principal Commercial Banking Relationships	
The National Commercial Bank King Abdulaziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 (12) 649 3333 Fax: +966 (12) 643 7426 www.alahli.com.sa Email: contactus@alahli.com	NCB الأهلي
The Saudi British Bank Prince Abdulaziz Bin Musaed Bin Jlawy Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 405 0677 Fax: +966 (11) 405 0660 www.sabb.com Email: sabb@sabb.com	SABB ساب
Al Rajhi Bank Olaya Road P.O. Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 462 9922 Fax: +966 (11) 462 4311 www.alrajhi-capital.com Email: contactcenter1@alrajhibank.com	Al Rajhi Bank مصرف الراجحي
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Bank Aljazira Khalid Bin Alwalid Street P.O. Box 6277, Jeddah 21442 Kingdom of Saudi Arabia Tel: +966 (12) 651 8070 Fax: +966 (12) 653 2478 www.baj.com.sa Email: info@baj.com	
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The Saudi Hollandi Bank Prince Abdulaziz Bin Musaed Bin Jlawy Street P.O. Box 1467, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 (11) 401 0288 Fax: +966 (11) 403 1104 www.shb.com.sa Email: csc@sadihollandibank.com
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Summary of the Offering

This summary of key information is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full. Any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "Important Notice" and section 2 ("Risk Factors"), respectively, prior to making any investment decision in the Offer Shares.

The Company	Saudi Ground Services Company, a Saudi Closed Joint Stock Company with Commercial Registration No. 4030181005, was founded as a limited liability company in Saudi Arabia on 11/7/1429H (corresponding to 14 July 2008G). The Company's address is in Khalidiah District and its head offices are located in Jeddah. The Company was incorporated as a limited liability company in 2008 as a wholly-owned subsidiary of Saudia in accordance with (i) the resolution of the Supreme Economic Council No. 1/27 dated 14/02/1427H (corresponding to 14 March 2006G), which approved the Privatisation program for Saudia and (ii) Royal Decree No. M/70 issued on 15/8/1428H (corresponding to 28 August 2007G), which allowed Saudia to incorporate wholly-owned subsidiaries in Saudi Arabia. The Company did not undertake any activities in the first three years after its incorporation, pending the completion of the Acquisition. The Company was converted into a joint stock company pursuant to the Resolution of the Minister of Commerce and Industry Number 171/K dated 7/7/1435H (corresponding to 6 May 2014G).
Activities of the Company	The Company provides ground handling services and associated support services to local and foreign airlines in airports across Saudi Arabia, which include the following: • Passenger services including, amongst others, the provision of assistance to passengers with transfers, check-in, assistance for persons with reduced mobility and handling of lost/found baggage; • Ramp services including baggage handling, load transportation, marshalling aircrafts and assistance with parking aircrafts, loading/unloading aircrafts, cleaning services and towing and push-back of the aircraft; load control, communication and flight operations services • Departure and arrival services in airport terminals • Support services such as baggage tracing, security checks of passengers prior to boarding, off-loading baggage of passengers who failed to board the aircraft in time and provision of ACU, ASU, GPU, water and lavatory services to the aircrafts; • Agent for airline passenger tickets sales; and • Provision of a terminal bus service for passengers and crew from and to terminals through Al Amad Saudi.
Share Capital	SAR 1,880,000,000
Total Number of Issued Shares	188,000,000 fully paid Shares
Nominal Value	SAR 10
Number of Offer Shares	56,400,000 Shares, which have been approved for sale by Saudia on 12 June 2014G, SPAC on 12 June 2014G, SARED on 19 May 2014G, Attar on 19 May 2014G and NAGS on 8 May 2014G.
Offering	56,400,000 ordinary Shares with a fully paid nominal value of SAR 10 per share, representing 30% of the Company's share capital.
Number of shares being offered to Institutional Investors	Up to 56,400,000 Shares, representing up to 100% of the Offer Shares. The Bookrunner has the right to reduce the number of Offer Shares provisionally allocated to Institutional Investors to 33,840,000, representing up to 60% of the Offer Shares, in the event there is sufficient demand by Individual Investors and subject to the CMA's consent.
Number of shares being offered to Individual Investors	Up to 22,560,000 Shares, representing up to 40% of the Offer Shares.
Percentage of Offer Shares to the total number of issued Shares	The Offer Shares represent 30% of the issued share capital of the Company.
Offer Price	SAR 50 per Offer Share

Total Value of Offer Shares	SAR 2,820,000,000
Number of Offer Shares available to Institutional Investors	Up to 56,400,000 Shares
Number of Offer Shares available to Individual Investors	Up to 22,560,000 Shares
Targeted Investors	Tranche (A) Institutional Investors: consisting of a number of institutions and companies including investment funds (please refer to section 1 ("Definitions and Abbreviations") of this Prospectus for further information). Tranche (B) Individual Investors: Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit, provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced. The subscription by a person in the name of his divorced wife shall be deemed invalid and, in such cases, the relevant regulations shall be enforced against that person.
Subscription Method for Institutional Investors	Institutional Investors can apply to subscribe for Offer Shares through the Bookrunner.
Subscription Method for Individual Investors	Subscription Application Forms will be available during the Offering Period at the branches of the Lead Manager and all branches of the Selling Agents. Subscription Application Forms should be completed in accordance with the Instructions set out in section 17 ("Subscription Terms and Conditions"). Individual Investors who have recently participated in previous initial public offerings in Saudi Arabia are able to subscribe through the Internet, phone and automated teller machines ("ATMs") of any of the branches of the Lead Manager and the Selling Agents that offer some or all of these subscription channels to their customers.
Number of Offer Shares Underwritten	56,400,000 Shares
Amount Underwritten	SAR 2,820,000,000
Minimum Number of Offer Shares to be applied for by Institutional Investors	100,000 Offer Shares
Minimum Subscription Amount for Institutional Investors	SAR 5,000,000
Maximum Number of Offer Shares to be applied for by Institutional Investors	9,399,999 Offer Shares
Maximum Subscription Amount for Institutional Investors	SAR 469,999,950
Minimum Number of Offer Shares to be applied for by Individual Investors	10 Offer Shares
Minimum Subscription Amount for Individual Investors	SAR 500
Maximum Number of Offer Shares to be applied for by Individual Investors	250,000 Offer Shares
Maximum Subscription Amount for Individual Investors	SAR 12,500,000
Use of Proceeds	The total proceeds from the Offering are estimated to be SAR 2,820,000,000 of which SAR 40 million will be applied towards the Offering expenses, which include the fees of the Financial Advisor, legal advisors, reporting accountants, Underwriters, Selling Agents, marketing and printing and distribution fees as well as other fees related to the Offering. For further information on the use of proceeds, see section 12 ("Use of Proceeds").
Substantial Shareholders	Saudia and NAGS.
Company Shareholders and the Selling Shareholders	The Shareholders whose names and ownership in the Company are provided in the table below.

Shareholder	Pre-Offering				Post-Offering		
	Shares	Capital (SAR)	%	Number of Offer Shares being sold	Shares	Capital (SAR)	%
Saudi Arabian Airlines Corporation	135,360,000	1,353,600,000	72.0%	36,660,000	98,700,000	987,000,000	52.5%
Saudia Private Aviation Company Limited	2,820,000	28,200,000	1.5%	2,820,000	-	-	-
Saudia Real Estate & Development Company Limited	2,820,000	28,200,000	1.5%	2,820,000	-	-	-
National Aviation Ground Support Company	39,480,000	394,800,000	21.0%	11,844,000	27,636,000	276,360,000	14.7%
Attar Ground Handling Company	7,520,000	75,200,000	4.0%	2,256,000	5,264,000	52,640,000	2.8%
Public	-	-	-	-	56,400,000	564,000,000	30.0%
Total	**188,000,000**	**1,880,000,000**	**100.0%**	**56,400,000**	**188,000,000**	**1,880,000,000**	**100.0%**

Source: Company

Allocation of Offer Shares to Individual Investors	Each Subscriber must apply for a minimum of 10 Offer Shares. The maximum number of Offer Shares for which a Subscriber may apply is 250,000. The balance of the Offer Shares (if available) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds 2,256,000, the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 22,560,000, the allocation will be determined in accordance with the recommendation of the Company and the Lead Manager.
Allocation of Offer Shares to Institutional Investors	The Lead Manager shall allocate the Offer Shares to Institutional Investors after the completion of subscription to the Offer Shares by Individual Investors.
Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Subscribers without any charge or withholding by the Lead Manager or the relevant Selling Agent. Notification of the final allotment and refund of subscription monies, if any, will be made by Tuesday 29/08/1436H (corresponding to 16/06/2015G) (see section 17.2 ("Subscription Terms and Conditions – Allocation and Refunds")).
Offering Period	The Offering will commence on Wednesday 16/08/1436H (corresponding to 03/06/2015G) and will remain open for a period of 7 (seven) days up to and including Tuesday 22/08/1436H (corresponding to 09/06/2015G).
Dividends	The Offer Shares shall be entitled to receive dividends declared (if any) by the Company from the date of this Prospectus and during subsequent fiscal years as all the other Shares (see section 7 ("Dividend Policy")).
Voting Rights	The Company has one class of shares (ordinary shares). Each Share entitles the holder to one vote, and each Shareholder holding at least 20 Shares has the right to attend and vote at the General Assembly Meeting. No Shareholder has any preferential voting rights (see section 13.9.9 ("Description of Shares – Voting Rights")).
Restrictions on Dealings with Shares	Saudia, NAGS and Attar may not dispose of any Shares during the period of 3 years from the date on which trading of the Offer Shares commences on Tadawul. After the expiry of this period, Saudia, NAGS and Attar may dispose of their Shares subject to the CMA's consent.
Listing of Shares	Prior to the Offering, there has been no public market for the Shares in the Kingdom or elsewhere. An application has been made to the CMA for the admission of the Shares to listing and the Offer Shares to trading on the Exchange; all relevant approvals pertaining to this Prospectus and the Offering, all other supporting documents requested by the CMA, and all relevant regulatory approvals required to conduct the Offering have been granted. Trading in the Offer Shares is expected to commence on the Exchange soon after the final allocation of the Offer Shares (see the ("Key Dates for Investors") section on page xiv).

Risk Factors	There are certain risks relating to an investment in the Offering. These risks can be generally categorized into: (i) risks related to the Company's operations; (ii) risks related to the market; (iii) risks related to the Offer Shares; and (iv) political and regulatory risks. These risks should be considered carefully prior to making an investment decision in the Offer Shares (see section 2 ("Risk Factors")).
Costs	The Selling Shareholders will be responsible for all costs associated with the Offering, which are estimated to be approximately SAR 40 million, and will be deducted from the gross proceeds of the Offering amounting to SAR 2,820,000,000. This figure includes the fees of the financial advisor, legal advisors (to the Company and the Financial Advisor), reporting accountants, market consultants, media and public relations consultants, the Underwriters' fees, Selling Agents' expenses, marketing expenses, printing and distribution expenses and other related expenses.
Underwriters	HSBC Saudi Arabia Limited as a Lead Underwriter and Jadwa Investment Company as a Co-Underwriter.

It is important to carefully consider the "Important Notice" and section 2 ("Risk Factors"), respectively, prior to making any investment decision regarding the Offer Shares.

Key Dates for Investors

Expected Offering Timetable

Offering Period	Subscription starts from Wednesday 16/08/1436H (corresponding to 03/06/2015G) to Tuesday 22/08/1436H (corresponding to 09/06/2015G)
Last date for submission of the Subscription Application Forms for the Institutional Investors	Tuesday 08/08/1436H (corresponding to 26/05/2015G)
Last date for payment of the subscription monies by the Institutional Investors	Sunday 20/08/1436H (corresponding to 07/06/2015G)
Last date for submission of the Subscription Application Forms and subscription monies by the Individual Investors	Tuesday 22/08/1436H (corresponding to 09/06/2015G)
Notification of final allotment	Tuesday 29/08/1436H (corresponding to 16/06/2015G)
Refund of any subscription funds (in the event of over-subscription)	Tuesday 29/08/1436H (corresponding to 16/06/2015G)
Expected date of commencement of trading in the Offer Shares	Trading in the Company's shares is expected to begin on the Exchange following fulfilment of all relevant requirements and procedures.

The above timetable and dates therein are indicative. Actual dates will be communicated through local press announcements, on the Tadawul (website www.tadawul.com.sa) and on the Company's website (www.saudiags.com).

How to Apply

Subscription to the Offer Shares is directed at and may only be accepted by:

Tranche (A): Institutional Investors

Subscription to the Offer Shares in this tranche is directed to, and may only be accepted by, institutions, including investment funds (see Section 1 ("Definitions and Abbreviations") for more information). These Institutional Investors may apply in accordance with the conditions set for in this Prospectus. The Institutional Investors can obtain the Subscription Application Forms from the Bookrunner.

Tranche (B): Individual Investors

Subscription to the Offer Shares in this tranche is directed to, and may only be accepted by, Saudi nationals, including women who are divorced or widowed and have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit (provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced). The subscription by a person in the name of his divorced wife shall be deemed invalid and, in such cases, the relevant regulations shall be enforced against that person.

Subscription Application Forms will be available during the Offering Period at the branches of the Lead Manager and the Selling Agents. The Subscription Application Forms must be completed in accordance with the instructions set out in section 17 ("Subscription Terms and Conditions"). Each Subscriber must complete all relevant sections of the Subscription Application Form. The Company reserves the right to decline any Subscription Application Form, in part or in whole, in the event any of the subscription terms and conditions is not met. Amendments to and withdrawal of the Subscription Application Form shall not be permitted once the Subscription Application Form has been submitted. Furthermore, the Subscription Application Form shall, upon its submission, be considered to be a legally binding offer by the Subscriber to the Selling Shareholders (see section 17 ("Subscription Terms and Conditions") for more information).

Subscription may also be made through the internet, telephone banking or ATMs through the Lead Manager or any of the Selling Agents which offer such services to Subscribers who have participated in any recent initial public offering, provided that the following requirements are satisfied:

- the relevant Subscriber must have a bank account at the Lead Manager or the Selling Agent which offers such services; and
- there shall have been no changes in the personal information of the relevant Subscriber by way of exclusion or addition of any member of his family.

Summary of Key Information

This summary of key information is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and recipients of this Prospectus are advised to read the entire Prospectus in full and any decision to invest in the Offer Shares by prospective investors should be based on a consideration of this Prospectus as a whole.

In particular, it is important to carefully consider the "Important Notice" and section 2 ("Risk Factors"), respectively, prior to making any investment decision in the Offer Shares.

The Company

Overview of the Corporate History

Saudi Ground Services Company ("SGS" or the "Company") was founded as a limited liability company in Saudi Arabia with commercial registration number 4030181005 on 11/7/1429H (corresponding to 14 July 2008G) with a share capital of SAR 500,000 (five hundred thousand Saudi Riyals) divided into 5,000 (five thousand) shares of SAR 100 (one hundred) each. The Company was incorporated as a wholly-owned subsidiary of Saudia in accordance with (i) the Privatisation program for Saudia and (ii) Royal Decree No. M/70 issued on 15/8/1428H (corresponding to 28 August 2007G), which permitted Saudia to incorporate wholly-owned subsidiaries in Saudi Arabia.

On 28/10/1431H (corresponding to 7 October 2010G), the Company acquired the respective ground handling businesses and assets of Saudia, Attar Travel Company and Attar Ground Handling Company. The Company also acquired the entire issued share capital of NHS from the shareholder of NHS. The aim of these acquisitions was to consolidate these businesses and the ground handling resources of all the ground services companies, thereby achieving synergies and improving the overall quality and sustainability of ground handling services across all airports in Saudi Arabia. The merger was also aimed at stabilising the ground handling market in Saudi Arabia.

On 23/01/1432H (corresponding to 29 December 2010G), the share capital of the Company was increased from SAR 500,000 (five hundred thousand Saudi Riyals) to SAR 886,869,100 (eight hundred eighty six million eight hundred sixty nine thousand one hundred Saudi Riyals) divided into 8,868,691 (eight million eight hundred sixty eight thousand six hundred ninety one) shares of SAR 100 (one hundred Saudi Riyals) each and the new shares resulting from such increase were issued in favour of the Saudi Arabian Airlines Corporation ("Saudia"), National Aviation Ground Support Company (a company established by the shareholders of NHS) ("NAGS") and Attar Ground Handling Company ("Attar") in consideration for the transfer of their respective ground handling business to the Company and the acquisition by the Company of NHS's shares as part of the Acquisition (please see paragraph 1.3 ("Overview of the Acquisition") below).

The approval for the conversion of the Company from a limited liability company into a joint stock company was issued by the Resolution of the Minister of Commerce and Industry Number 171/K dated 7/7/1435H (corresponding to 6 May 2014G) and simultaneously the share capital of the Company was increased from SAR 886,869,100 (eight hundred eighty six million eight hundred sixty nine thousand one hundred Saudi Riyals) to SAR 1,880,000,000 (one billion eight hundred eighty million Saudi Riyals) divided into 188,000,000 (one hundred eighty eight million Saudi Riyals) ordinary shares of SAR 10 (ten Saudi Riyals) each (the "Shares") through a capitalisation of (i) SAR 405,894,468 (four hundred and five million eight hundred ninety four thousand four hundred sixty eight Saudi Riyals) from the Company's retained earnings; and (ii) SAR 587,236,432 (five hundred eighty seven million two hundred thirty six thousand four hundred thirty two Saudi Riyals) representing the Company's net imputed equity. Furthermore, given that closed joint stock companies must have a minimum of five shareholders, SPAC and SARED (both wholly-owned subsidiaries of Saudia) were issued shares in the Company.

The Company's principal activities

The Company's principal activities comprise the provision of various ground handling services to airlines under ground handling agreements that it has entered into with such airline customers, the forms of which are based on the IATA standard ground handling agreement. As at the date of this Prospectus, the Company provides the following services:

Passenger Services

This includes providing passenger-related services at both the arrival and departure terminals of the airport, including check-in, providing guidance to passengers at the departure and arrival gates, catering to passengers with special needs or limited mobility, passenger bus services at the airport terminal through AlAmad Saudi, and medical lift services. In addition, the Company has procured the relevant licences to act as an IATA agent to sell airline tickets. For further details, see section 4.7.1 ("Passenger Services").

The Company currently operates as an IATA agent to sell and carry out reservations for airline passenger tickets on behalf of 45 airlines. The Company has leased premises at KAIA to operate a ticket sales branch. The Company plans to establish new branches at the remaining International Airports in the future by leasing space in these airports. Please see section 13 ("Legal Information") for more information on the Company's leases.

Representation, Administration and Supervision

The Company provides liaison and administrative services with the local authorities and GACA for various airlines and ad-hoc and chartered flights, particularly during the Hajj and Umrah seasons.

Ramp Services

The Company provides various services that are collectively termed as "ramp services". These services include baggage handling, fleet services such as moving the aircraft towing, marshalling and cleaning. For further details, see section 4.7.3 ("Ramp Services").

Load Control, Communications and Flight Operations

The Company provides communication services between the aircraft and the terminals and helps prepare reports for the captain of the aircraft on the load distribution onboard the aircraft prior to take-off. The Company also helps prepare the captain's manifest, load sheets, load information report and other relevant reports for airlines. For further details, see section 4.7.4 ("Load control, Communications and Flight Operations").

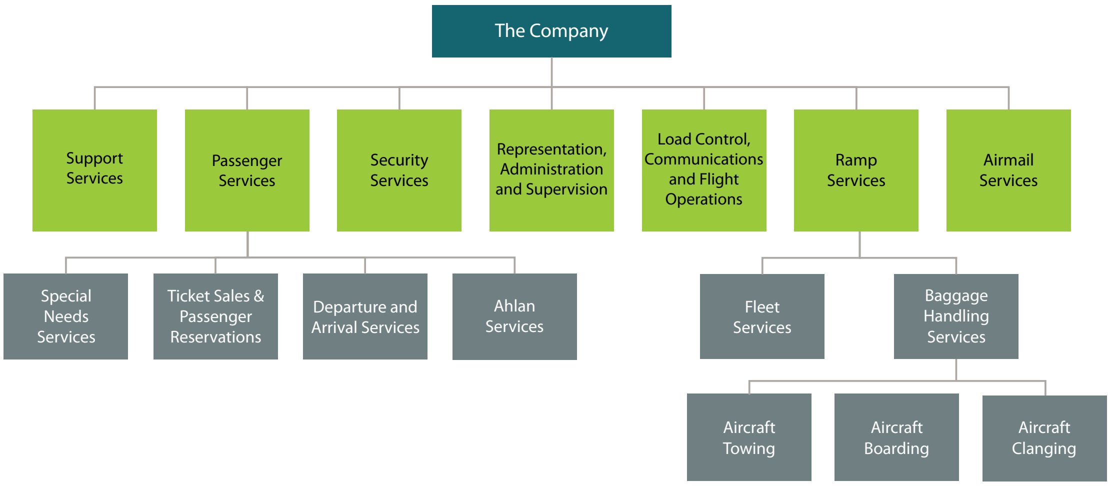
Support Services

The Company provides support services to airlines, including operating an operations command centre to receive and sharing information with the aircraft, conducting the load control checks for certain aircraft and providing crew administration services. For further details, see section 4.7.5 ("Support Services").

Security

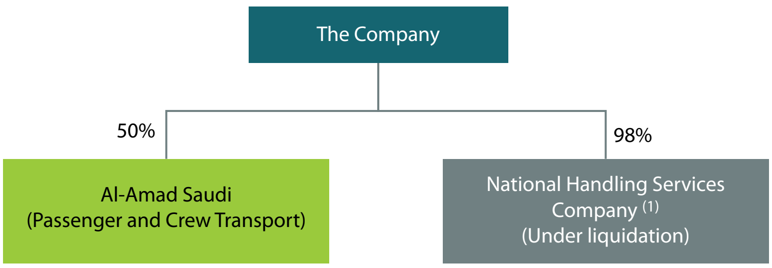
The Company provides assistance with security checks prior to boarding aircrafts and baggage identification services. For further details, see section 4.7.7 ("Security").

Description of the Business Activities of the Company



Source: Company

Company Subsidiary Subsidiaries and Affiliates.



1. Note

- Saudia Air Transport Company owns the remaining 2%
- Does not operate any commercial activities, and is currently under liquidation

Source: Company

Overview of the Acquisition Process

In accordance with the resolution of the Supreme Economic Council No. 1/27 dated 14/02/1427H (corresponding to 14 March 2006G), Saudia initiated a process of privatising a number of its business units, including its ground handling unit. For this purpose, Royal Decree No. M/70 was issued on 15/8/1428H (corresponding to 28 August 2007G) which allowed Saudia to incorporate wholly-owned subsidiaries in Saudi Arabia (for more information on Saudia, please refer to section 4.4 ("The Company - Overview of the Selling Shareholders")). Pursuant to this Royal Decree, Saudia incorporated the Company in anticipation of the transfer to the Company of Saudia's ground handling unit.

However, prior to transfer of Saudia's assets to the Company, Saudia entered into negotiations with the shareholders of NHS, Attar Ground Handling Company and Attar Travel Company for the transfer to the Company of all their ground handling units. During that time, NHS, Attar Ground Handling Company and Attar Travel Company were the only companies engaged in the provision of ground handling services in the Kingdom, and the aim of acquiring these businesses was to consolidate the resources of all the ground handling services companies in Saudi Arabia, thereby achieving synergies and improving the overall quality and sustainability of ground handling services across all the airports in Saudi Arabia. The Acquisition was also aimed at stabilising the ground handling market in Saudi Arabia. As such, although the Company had been incorporated, it did not undertake any activities in its first three years until the Acquisition process had completed.

On 23/2/1431H (corresponding to 7/2/2010G), Saudia, Attar Travel Company and Attar Ground Handling Company entered into sale and purchase agreements with the Company in order to implement the Acquisition (which involved the acquisition by the Company of the respective businesses and assets of each of Attar, Attar Travel, and Saudia), pursuant to which Attar Travel Company and Attar Ground Handling Company agreed to transfer their respective ground handling businesses to the Company. Saudia and the shareholders of NHS also entered into a sale and purchase agreement with the Company for the acquisition by the Company of the entire issued shareholding of NHS (a limited liability company) for the purpose of implementing the Acquisition. Under the Companies Regulations, NHS (as a limited liability company) is required to have a minimum of two shareholders. Therefore, the Company transferred two per cent of its shareholding in NHS (under liquidation) to Saudi Air Transport Company.

As a result, the Company became the sole provider of ground handling services to commercial airlines at all airports in Saudi Arabia, effective from 26/01/1432H (corresponding to 1 January 2011G).

In consideration for such transfers, the Company issued a number of new shares to each of these parties with an aggregate value equal to the agreed value of the respective business that such party transferred to the Company. On 28/10/1431H (corresponding to 7 October 2010G), Saudia, Attar Travel Company and Attar Ground Handling Company, the shareholders of NHS and NAGS (a company wholly-owned by the shareholders of NHS and incorporated on 02/01/1431H (corresponding to 18 December 2009G)) entered into amendment agreement to the Shareholders' Agreement pursuant to which the parties agreed to transfer the rights and obligations of (i) the shareholders of NHS, including the right to receive the new shares in the Company, to NAGS and (ii) Attar Travel Company and Attar Ground Handling Company, including the right to receive new shares in the Company, to Attar, and as such, both NAGS and Attar became shareholders in the Company. The transfer of the parties' respective businesses took effect on 26/01/1432H (corresponding to 1 January 2011G), following which the Company formally commenced operations.

In light of the above, new shares have been issued in the Company to:

1. Saudia, in consideration of the acquisition by the Company of Saudia ground handling businesses and assets;
2. NAGS, in consideration of the acquisition by the Company of the entire issued shareholding of NHS; and
3. Attar, in consideration of the acquisition by the Company of Attar and Attar Travel ground handling businesses and assets.

Shareholding Structure of the Company

The following table summarises the shareholding structure of the Company before and after the Offering:

Shareholding Structure

Shareholder	Pre-Offering				Post-Offering		
	Shares	Capital (SAR)	%	Number of Offer Shares being sold	Shares	Capital (SAR)	%
Saudi Arabian Airlines Corporation	135,360,000	1,353,600,000	72.0%	36,660,000	98,700,000	987,000,000	52.5%
Saudia Private Aviation Company Limited	2,820,000	28,200,000	1.5%	2,820,000	-	-	-
Saudia Real Estate & Development Company Limited	2,820,000	28,200,000	1.5%	2,820,000	-	-	-
National Aviation Ground Support Company	39,480,000	394,800,000	21.0%	11,844,000	27,636,000	276,360,000	14.7%
Attar Ground Handling Company	7,520,000	75,200,000	4.0%	2,256,000	5,264,000	52,640,000	2.8%
Public	-	-	-	-	56,400,000	564,000,000	30.0%
Total	**188,000,000**	**1,880,000,000**	**100.0%**	**56,400,000**	**188,000,000**	**1,880,000,000**	**100.0%**

Source: Company

An overview of the Selling Shareholders is set out in section 4.4 ("The Company — Overview of the Selling Shareholders").

Vision, Objective, Mission and Strategy

Vision

The Company's vision is to consolidate its position as the leading airline ground handling company in Saudi Arabia.

Objective

The Company's objective is to remain the first choice service provider to the its customers. The Company aims to provide its customers with the highest standard of quality, performance and professionalism in connection with its Ground Handling Services. Furthermore, the Company aims to focus on its growth and the promotion of its reputation and the preservation of its leading position as a provider of Ground Handling Services. The Company also seeks to achieve higher standards of safety and professionalism when providing its Ground Handling Services.

Mission

The Company's mission is to provide high quality services to its airline customers and to achieve high levels of safety, quality and efficiency in the provision of its Ground Handling Services and to ensure the Company's growth and the creation of added value to its Shareholders.

Strategy

The Company's strategy is to focus on the following main areas:

- Improving the quality and safety of its ground handling operations through the implementation of best international standards and practices;
- Active development of its workforce through the development and implementation of training plans and streamlining its organisational structure to achieve high efficiency in its operations;
- Continuing to employ and train more Saudi nationals in order to give effect to its ambitious Saudisation policy;
- Preparing for the entry of potential competitors in the Saudi ground handling market through offering cost-effective services across all the airports in which it operates in order to retain existing customers;
- Using cutting-edge equipment, technologies, processes and policies to achieve its mission with a particular focus on safety and security;
- Improving its systems and processes, including improving its automated systems, with a view to increasing efficiency and reducing costs; and
- Identifying and implementing new services in an innovative manner to continuously increase its offering to airline customers.

The Company has implemented a balanced scorecard and a strategic management system to align its business activities to its vision and strategy and monitor performance against strategic goals.

Key Strengths

There are a number of factors that give the Company an advantage over potential competitors and provide a platform for sustainable and profitable growth and an increase in profits and added value to its Shareholders. These are:

Relationship with Saudia

The Saudia Ground Handling Agreements provide a number of important benefits to the Company. The Company's revenues under these agreements for each of 2012G, 2013G and 2014G accounted for approximately 58.8%, 57.6% and 54.4% respectively of the Company's total revenues. The long-term nature of such agreements provides the Company with considerable stability in terms of revenues.

The Saudia Ground Handling Agreements have a term of seven years from 1/3/1435H (corresponding to 1 January 2014G). Under these agreements, the Company provides the relevant services to Saudia at the same rates that it has charged historically, however, the parties have agreed to re-negotiate the relevant rates in the last quarter of 2015. The Company believes that it can agree to beneficial rates that reflect prevailing market prices with Saudia.

The Company also has an intimate understanding of Saudia's business requirements, which is an important advantage over its potential competitors. Moreover, the Company believes that Saudia's position as a significant shareholder in the Company provides the necessary incentive for Saudia to continue to work with the Company. For more information, please see section 13.1.4.1 ("Ground Handling Agreement with Saudia").

Qualified and Experienced Management Team

The Company has a qualified and experienced management team. The Company benefits from the experience of many of its staff who have been with the Company (and with Saudia's ground handling prior to the Privatisation and Acquisition) for many years. The presence of such a qualified and experienced team benefits the Company by providing its customers with the highest standard of services. This has been reflected in the Company's strong financial position over the past few years. Since the Acquisition, the Company has successfully recruited a number of new managers in senior positions with extensive international and local experience in the airline ground handling industry.

Economies of Scale

The ground handling agreements entered into between the Company and numerous local and international airlines have enabled the Company to achieve economies of scale in all parts of its ground handling operations which, in turn, has enabled the Company to offer competitive prices to its customers. The economies of scale also provide the Company with operational flexibility enabling it to better use its resources across different airports and customers. The Company was able to increase the volume of services provided by increasing the number of employees available to service a larger number of aircraft. Furthermore, the Company has been able to purchase its raw materials at better prices due to the increase in the number of aircraft it services.

Quality

The Company operates facilities at the highest international standards of safety and quality, which enables it to provide the airport ground handling services in an efficient manner. The Company holds several certifications and has received various international awards and accreditations in relation to the quality of its airport ground handling services, the most recent being the ISAGO accreditation from IATA in 2013G. The table below sets out some of the awards and accreditations received by the Company:

Awards and Accreditations

Award/accreditation	Year
ISO 9001:2008 for the Quality Management Systems of the Company for ground handling services in Saudi Arabian airports	2008G
IATA Approved Training Academy – Stanford University and Harvard University Programs	2012G
IATA Passenger Sales Agency	2012G
IATA Authorized Training Centre (ATC)	2012G/2013G
ISAGO certification from IATA	2013G

Source: Company

Strategic Locations and State-of-the-Art Facilities

A key differentiating factor between the Company and potential competitors (in the event such competitors are duly licensed to undertake ground handling services) is the penetration of the Company into the ground handling market in Saudi Arabia. As at the date of this Prospectus, the Company provides ground handling services across the four international airports, namely KAIA, KFIA, KKIA and PMIA, and across all the Domestic Airports, which has enabled the Company to develop its experience in providing ground handling services in Saudi Arabia. The Company believes that its proven track record in providing ground handling services in Saudi Arabia combined with its established systems and processes in the relevant airports will allow it to continue to maintain its leading position in the market and also cater to those Domestic Airports that open up to international air traffic.

In addition, the Company has continuously invested in state-of-the-art ground handling equipment conforming to IATA and the airlines' standards in order to provide cost-effective and efficient services to its customers. The Company expects to continue investing in such equipment given its strong balance sheet and the increasing air traffic in Saudi Arabia that the Company has to service. The Company has also invested heavily in its IT infrastructure to increase efficiency across its operations.

In addition, the Company has set up its own performance standards with an emphasis on passenger services and safety compliance. These standards are then adapted to meet each airline's requirements, thereby allowing the Company to dedicate teams to specific airlines and thus increasing the quality of service.

Training and Personnel

The Company has invested heavily in its employees and has a highly skilled and experienced workforce across all the airports in Saudi Arabia where it provides services. The Company has an IATA approved training Centre for its employees which provides them with the necessary skills and training to provide high levels of service to the customer airlines. The Company is also continuing to invest heavily in its Saudisation policy, which has led to an increased number of Saudi nationals being employed, trained and deployed by the Company across the various airports.

Overview of the Ground Handling Services Market in Saudi Arabia

The Company appointed Oliver Wyman to conduct a study and prepare a report on the airline ground services market. Founded in 1984G, Oliver Wyman is an international management consultancy firm and the consulting arm of Marsh & McLennan Companies, Inc., a US multinational professional services, risk management and insurance brokerage firm with approximately 54,000 employees worldwide. Oliver Wyman employs over 3,000 consultants in over 50 cities including Riyadh, Saudi Arabia and Dubai, United Arab Emirates, among others. Its areas of expertise include corporate strategy and operations across a wide range of industries, including aviation and aerospace.

The Directors believe that the information and data provided in this Prospectus from other sources, including the report provided by Oliver Wyman, are credible. However, this information was not independently verified by the Company, its Directors, its Shareholders or Advisors and, therefore, the Company assumes no liability for the accuracy or completeness of this information.

The ground handling services market encompasses all activities required to prepare an aircraft following arrival at an airport, and prior to departure, for its subsequent operation. In Saudi Arabia, the scope of ground handling activities includes ramp, cabin, passenger and transport services. In Saudi Arabia, and unlike in several other countries, fuel supply, catering services and cargo handling services are not considered as core ground handling functions. These activities in Saudi Arabia are provided by separate service agents, who require different operating licenses.

At present, the Company is the sole licensed provider of ground handling services and products to all commercial airlines in Saudi Arabia (such as passenger services, baggage services and technical services). GACA has awarded the second ground handling license to, Swissport Corporation to provide ground handling services at airports in Saudi Arabia. However, Swissport Corporation has not yet commenced its operations as it is currently in the process of establishing a company in Saudi Arabia to obtain the regulatory approvals for carrying out ground handling activities.

Demand for ground handling products and services is driven primarily by the number of flights arriving and departing to and from airports, which is also known as "movements".

In 2013G, the total estimated number of aircraft "movements" amounted to approximately 270,000. This number is expected to grow at an annual rate of 10.1% and to reach a total number of 486,700 movements in 2018G. A key driver of this growth, in addition to the expansion expected by current operating aircraft (including Saudia and NAS), is the deployment of additional capacity by new Saudi carriers Al Maha Airways and Saudi Gulf Airlines in 2014G.

Expected annual aircraft movements ('000s), 2013G – 2018G

Market segment	2013	2014E	2015E	2016E	2017E	2018E
Saudia	169.2	180.0	191.6	203.9	217.2	231.5
NAS	22.9	29.6	38.2	41.3	44.8	49.4
MENA	57.8	61.0	64.3	67.9	71.6	75.5
Al Maha Airways and Saudi Gulf Airlines	-	1.8	11.7	37.0	46.0	56.9
Indian Sub-Continent	9.6	10.2	10.9	11.5	12.2	13.0
International	9.4	9.4	9.4	9.4	9.4	9.4

Market segment	2013	2014E	2015E	2016E	2017E	2018E
Business / General Aviation (BGA)	0.8	0.8	0.8	0.9	0.9	0.9
Total	**269.7**	**292.8**	**326.8**	**372.0**	**402.1**	**436.7**

Source: Company, Saudia growth forecasts, NAS growth forecasts, Oliver Wyman analysis

Note: The total number of flights in 2014 was 290,200, of which 175,500 were operated by Saudia and 32,600 were operated by NAS, while the remaining flights were operated by other airlines. Al Maha Airways and Saudi Gulf Airlines had not yet commenced operations in 2014 as was expected.

Summary Financial Information

The selected financial information presented below should be read together with the audited financial statements for the financial years ended 31 December 2012G, 2013G and 2014G, including, in each case, the notes thereto, all of which are included in section 19 ("Accountant's Report»).

Key Financial Highlights ('000s)

	2012	2013	2014
Income statement			
Revenues	2,007,121	2,143,849	2,408,025
Cost of revenue	(1,173,890)	(1,307,376)	(1,526,293)
Gross profit	833,232	836,473	881,732
General and administrative expenses	(228,640)	(209,706)	(255,078)
Operating income	604,591	626,766	648,156
Net income	589,290	605,960	656,981
Balance sheet			
Total current assets	1,320,053	1,063,610	1,349,889
Total non-current assets	1,541,283	1,569,914	1,595,689
Total assets	2,861,337	2,633,525	2,945,579
Total current liabilities	352,886	292,027	238,747
Total non-current liabilities	157,275	183,908	222,256
Total liabilities	510,160	475,935	461,003
Total shareholders' equity	2,351,176	2,157,590	2,484,576
Cash flow statement			
Net cash provided by operating activities	541,458	422,933	561,840
Net cash used in investing activities	(132,132)	(149,621)	(126,872)
Net cash used in financing activities	(257,344)	(206,573)	(342,772)
Net increase in cash and cash equivalents	151,982	66.738	92,195
Key financial ratios			
Gross profit margin	41.5%	39.0%	36.6%
Net income margin	29.4%	28.3%	27.3%
Current assets/total assets	46.1%	40.4%	45.8%
Total liabilities/total assets	17.8%	18.1%	15.7%
Total liabilities/total shareholders' equity	21.7%	22.1%	18.6%
Retune on equity	27.0%	26.9%	28.3%
Return on assets	22.2%	22.1%	23.6%
Revenues growth rate	12.1%	6.8%	12.3%
Net income growth rate	9.6%	2.8%	8.4%
Net cash provided by operating activities/ revenues	27.0%	19.7%	23.3%
Net cash provided by operating activities/ net income	91.9%	69.8%	85.5%
Days sales outstanding*	140	119	95

Source: Audited Financial Statements for years ended 2012G,2013G and 2014.

* The collection period is calculated based on the average amount of receivables.

Summary of Risk Factors

Before considering an investment in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risks stated below, which are described in detail in section 2 ("Risk Factors").

Risks Related to the Company's Operations

- Non-renewal of the Saudia Ground Handling Agreement
- Reduction in the Company's profit margins due to the renewal of the Saudia Ground Handling Agreement on unfavourable terms
- Disposal by Saudia of its Shareholding in the Company
- Breach of Receivables Agreement by Saudia
- Delay in receivables collection from other commercial airlines
- Dependence on Related Party transactions
- Change in aircraft and airport technology
- Leases in the name of Saudia
- Increase in operating and management costs
- Accidents and injuries during operations
- Dependence on key personnel
- Dependence on temporary and seasonal manpower
- Dependence on airport equipment and facilities and the impact of seasonal air travel
- Experience in managing a publicly listed company
- Saudisation
- Ability to maintain quality of operations
- Insurance risks
- Licences and permits
- Failure to comply with regulatory requirements
- Failure to obtain additional funds
- Litigation
- The Ability of the Company to maintain its good reputation
- Goodwill and intangible assets
- Incomplete Zakat withholding
- Failure to expand the Company's Ground Handling and other services
- Impact of external factors on the Company's business
- Failure to register trade marks
- Unexpected increase in capital expenditure
- Failure to comply with the Competition Law
- Competitive Activities by Board Members

Risks Related to the Market

- International events, accidents or acts may disrupt the Company's operations
- Risks related to airlines could affect the Company's operations
- Risks Related to the Kingdom and the global economy
- Competition and privatisation of Saudi Arabia's Airports

Risks Related to the Offer Shares

- Effective control by Saudia and NAGS
- Absence of a prior market for the Shares
- Liquidity and volatility in the Share Price
- Future sales and offerings
- Dividend payment

Political and Regulatory Risks

- Political risks
- Regulatory environment
- The Company is subject to various environmental regulations, which may adversely affect its operations

Contents

Tables & Figures

1. Definitions and Abbreviations

The following sets out certain definitions and abbreviations used in this Prospectus.

Defined Term or Abbreviation	Definition
ACU	Mobile air-conditioning unit for an aircraft
Acquisition	The process pursuant to which the Company acquired Saudia's and Attar's respective ground handling businesses and the entire issued share capital of NHS, in consideration for which the Company issued a number of new shares to Saudia, NAGS and Attar
Admission	Admission of the Shares to listing and the admission of the Offer Shares to trading on the Exchange in accordance with article 28 of the Listing Rules
Advisors	The Company's advisors in relation to the Offering whose names appear on page vi of this Prospectus
Affiliate	Al-Amad Saudi Airport and Air Transport Support Services Company in which the Company owns 50% of the share capital.
Al-Amad Saudi	Al-Amad Saudi Airport and Air Transport Support Services Company, a limited liability company incorporated in Saudi Arabia with Commercial Registration number 4030254190 on 22/10/1434H (corresponding to 29 August 2013G). Although the Company owns 50% of the share capital of Al-Amad Saudi, Al-Amad Saudi is an affiliated company rather than a Subsidiary of the Company on the basis that the Company (i) has no management control over Al-Amad Saudi and (ii) the financial statements of Al-Amad Saudi and the Company are not consolidated.
Altea DCS	Altea Departure Control System
Approved QFI Client	A client of a QFI who has been approved in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares
Aramco	Saudi Arabian Oil Company, a company established pursuant to Royal Decree No: M/8 dated 4/4/1409H (corresponding to 11 April 1988G)
ASU	An air start unit for an aircraft
Attar	Attar Ground Handling Company, a limited liability company incorporated in Saudi Arabia with Commercial Registration number 4030178662 on 24/04/1429H (corresponding to 30 April 2008G)
Attar Travel	Attar Travel Company, a limited liability company incorporated in Saudi Arabia with Commercial Registration number 4030033973 on 09/06/1402H (corresponding to 3 April 1982G)
Auditor	KPMG Al Fozan & Al Sadhan
Authority or CMA	The Capital Market Authority of the KSA
BGA	Business and general aviation
Board or Board of Directors	The board of directors of the Company
Board of Grievances	The Board of Grievances in Saudi Arabia
Bookrunner	HSBC Saudi Arabia Limited
Business Day	Any day (with the exception of Fridays, Saturdays and official holidays) on which the Selling Agents are open for business in Saudi Arabia
By-Laws	The by-laws of the Company, which are summarised in section 13.10 ("Summary of Company's By-Laws")
CAGR	Compound Annual Growth Rate
CEO	The Chief Executive Officer of the Company
CFO	The Chief Financial Officer of the Company
Chairman	The Chairman of the Board
CMA or Capital Market Authority	The Capital Market Authority in Saudia Arabia
CML	The Capital Market Law issued under Royal Decree M/30 dated 2/6/1424H (corresponding to 1 August 2003G), and its amendments
Companies Regulations	The Companies Regulations issued under Royal Decree No. M/6 dated 22/3/1385H (corresponding to 21 July 1965G), as amended

Defined Term or Abbreviation	Definition
Company or SGS	Saudi Ground Services Company, a Saudi Joint Stock Company
Competition Law	The Competition Law issued under Royal Decree No. M/25 dated 04/05/1425H (corresponding to 21 June 2004)
Conversion General Assembly	The General Assembly meeting held on 24/5/1435H (corresponding to 25 March 2014G) by the Shareholders pursuant to which, amongst other things, the Shareholders approved the conversion of the Company from a limited liability company into a joint stock company (see section 4.2 "Corporate History" for more details)
Corporate Governance Regulation	The Corporate Governance Regulation of the KSA, issued by the board of the CMA pursuant to resolution number 1/212/2006 dated 21/10/1427H (corresponding to 12 November 2006G) (as amended)
Directors or members of the Board	The members of the board of directors of the Company
Domestic Airports	The following domestic and regional airports in Saudi Arabia: • Abha Airport • Al Wajh Airport • Al-Ahsa Airport • Al-Baha Airport • Al-Jawf Airport • Arar Airport • Bisha Airport • Prince Salman Bin Abdulaziz Airport (Dawadmi) • Gurayat Airport • Hafar Al-Batin Airport • Ha'il Airport • King Abdullah Bin Abdulaziz Airport (Jizan) • Najran Airport • Prince Abdul Majeed Bin Abdulaziz Airport (Al- Ula) • Qassim Airport • Rabigh Airport • Rafha Airport • Sharurah Airport • Sultan Bin Abdulaziz Airport (Tabuk) • Ta'if Airport • Turaif Airport • Wadi al-Dawasir Airport • Prince Abdulmohsen Bin Abdulaziz Airport (Yanbu)
DSO	Days sales outstanding
DZIT	Saudi Arabian Department of Zakat and Income Tax
Emirates	Emirates Airlines
Exchange	The Saudi Stock Exchange (Tadawul)
Extraordinary General Assembly	An extraordinary general assembly of the Shareholders convened in accordance with the By-Laws
Financial Advisor	HSBC Saudi Arabia Limited
Fly Dubai	Dubai Aviation Corporation
FMV	Fair market value
FY	Financial year
GACA	General Authority of Civil Aviation in the KSA
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
General Assemblies	An Extraordinary General Assembly and/or an Ordinary General Assembly, and "General Assembly" shall mean any general assembly of the Company

Defined Term or Abbreviation	Definition
GOSI	General Organisation of Social Insurance in Saudi Arabia
Government	Government of the KSA
GPU	Ground power unit for an aircraft
Ground Handling Services	The services provided by the Company at airports which can be categorised into: a. Passenger Services; b. Ramp Services; c. Load Control and Communication Services; and d. Support Services. (For further details, see section 4.7 ("Overview of the Company's Services"))
GSS	Ground support services division of Saudia
IATA	The International Air Transport Association
IFRS	International Financial Reporting Standards
ISAGO	The IATA Safety Audit for Ground Operations
ISO	International Organization for Standardization
IT	Information technology
Individual Investors	Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit, provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced. The subscription by a person in the name of his divorced wife shall be deemed invalid and, in such cases, the relevant regulations shall be enforced against that person.
Institutional Investors	The Institutional Investors include the following institutions: 1. persons authorised by the CMA to deal in securities as principal provided that the minimum capital adequacy requirements are complied with; 2. publicly listed companies (through their portfolios which are managed by authorised persons), banks and publicly listed insurance companies, in compliance with the regulations, and provided that their subscription does not result in any conflict of interest; 3. publicly offered investment funds established in Saudi Arabia and investing in securities listed on the Exchange provided that the terms of the respective funds permit such investment, and provided that the terms and conditions of the CMA's Investment Funds Regulations are complied with; and 4. Government entities and public institutions in the Kingdom, including companies which are wholly-owned by the Government of Saudi Arabia.
International Airports	KAIA, KKIA, KFIA and PMIA
KAIA	King Abdulaziz International Airport in Jeddah
KFIA	King Fahad International Airport in Dammam
KKIA	King Khalid International Airport in Riyadh
KSA or Kingdom or Saudi Arabia	The Kingdom of Saudi Arabia
Labour Law	The Saudi Arabia Labour Law (as amended)
Lead Manager	HSBC Saudi Arabia Limited
Listing Rules	The Listing Rules issued by the board of the CMA pursuant to its resolution number 3-11-2004 dated 20/8/1425H (corresponding to 4 October 2004G), as amended, pursuant to the resolution of the board of the CMA number 1-4-2012G dated 28/2/1433H (corresponding to 22 January 2012G) and further amended by resolution number 1-36-2012G dated 11/1/1434H (corresponding to 25 November 2012G)
LLC	Limited liability company
Lock-in Period	Saudia, NAGS and Attar may not dispose of any Shares during the period of 3 years from the date on which trading of the Offer Shares commences on Tadawul. After the expiry of this period, Saudia, NAGS and Attar may dispose of their Shares subject to the CMA's consent.
Management	The Senior Management of the Company

Defined Term or Abbreviation	Definition
Metrology and Environmental Protection Administration	The Saudi Arabian Metrology and Environmental Protection Administration
MOCI	The Ministry of Commerce and Industry of Saudi Arabia
Ministry of Defence	The Ministry of Defence of Saudi Arabia
Ministry of Interior	The Ministry of Interior of Saudi Arabia
Ministry of Labour	The Ministry of Labour of Saudi Arabia
NAGS	National Aviation Ground Support Company, a limited liability company incorporated in Saudi Arabia with Commercial Registration number 40300110136 on 02/01/1431H (corresponding to 18 December 2009G)
NAS	National Private Air Transport Services Company (National Air Services) Limited, a limited liability company incorporated in Saudi Arabia
NBV	Net book value
Net Proceeds	The proceeds of the Offering, after deducting all related expenses
NHS	National Handling Services Company, a limited liability company incorporated in Saudi Arabia with Commercial Registration number 4030110136 on 22/09/1415H (corresponding to 21 February 1995G) which is currently being voluntarily liquidated
Offer Price	SAR 50 per Offer Share
Offer Shares	56,400,000 Shares, representing 30% of the issued share capital of the Company
Offering	The initial public offering of the Offer Shares
Offering Period	The period starting on Wednesday 16/08/1436H (corresponding to 03/06/2015G) to and including Tuesday 22/08/1436H (corresponding to 09/06/2015G)
Ordinary General Assembly	An ordinary general assembly of the Shareholders convened in accordance with the By-Laws
PMIA	Prince Mohammed Bin Abdulaziz International Airport in Medina
Privatisation	The process by which Saudia initiated privatising a number of its business units, including its ground handling unit, pursuant to the resolution of the Supreme Economic Council No. 1/27 dated 14/02/1427H (corresponding to 14 March 2006G)
Qualified Foreign Investor	A foreign investor registered with the Authority in accordance with the Rules for Qualified Foreign Financial Institutions Investment in Listed Shares.
Related Party	In this Prospectus and pursuant to the glossary of defined terms used in the regulations and rules of the CMA issued pursuant to the CMA board decision number 4-11-2004 dated 20/8/1425H (corresponding to 4 October 2004G), as amended by CMA board decision number 3-58-2014 dated 17/1/1436H (corresponding to 10 November 2014G), a "related party» includes any of the following: a. affiliates of the Company; b. substantial shareholders of the Company owning five per cent or more of the Company's Shares; c. members of the Board of Directors or Senior Officers; d. members of the board of directors or senior officers of an affiliate of the Company; e. members of the board of directors or senior officers of substantial shareholders of the Company; f. the financial advisor and the legal advisor to the Company; g. any relatives of the persons described in (a) to (e) above; or h. any company controlled by any person described in (a) to (g), where "control" means the ability to influence the actions or decisions of another person through, whether directly or indirectly, alone or with a relative or affiliate (i) holding 30% or more of the voting rights in a company or (ii) having the right to appoint 30% of more of the members of the governing body, and a "controller" shall be construed accordingly
Rules for Qualified Foreign Financial Institutions Investment in Listed Shares	Rules for Qualified Foreign Financial Institutions Investment in Listed Shares Issued by the Board of the Capital Market Authority Pursuant to its Resolution Number (1-42-2015) Dated (15/7/1436H) Corresponding to (4/5/2015G) Based on the Capital Market Law issued by Royal Decree No. M/30 dated 2/6/1424H.
SAEI	Saudi Aerospace Engineering Industries

Defined Term or Abbreviation	Definition
SAR or Saudi Riyals	Saudi Arabian Riyal, the lawful currency of the Kingdom of Saudi Arabia
Saudia	Saudi Arabian Airlines Corporation
Saudia Ground Handling Agreements	The five ground handling agreements entered into between the Company and Saudia dated 15/1/1431H (corresponding to 1 January 2010G) (as amended on 29/2/1435H (corresponding to 1 January 2014G)) for the provision of ground handling services by the Company to Saudia at: a. KAIA; b. KFIA; c. KKIA; d. PMIA; and e. all Domestic Airports
Saudi Commission for Tourism and Antiquities	The Saudi Commission for Tourism and Antiquities in Saudi Arabia
Secretary	The secretary of the Board
Selling Agents	Al Rajhi Bank, Arab National Bank, Bank Albilad, Bank Aljazira, Banque Saudi Fransi, The National Commercial Bank, Riyad Bank, Samba Financial Group, Saudi British Bank, Saudi Hollandi Bank, Saudi Investment Bank and Alinma Bank
Selling Shareholders	Saudia, NAGS, Attar, SPAC and SARED
Senior Officers	Those officers of the Company identified at section 6.3 ("Corporate Structure and Governance – Senior Management")
Shares	Ordinary shares with a nominal value of SAR 10 each in the capital of the Company
Shareholders	Registered holders of Shares
Shareholders' Agreement	The shareholders' agreement dated 7 February 2010 between Saudia, the shareholders of NHS, Attar GH and Attar Travel (as amended) between the same parties and, in addition, NAGS. The parties to the Shareholders' Agreement have agreed that the Shareholders' Agreement shall automatically terminate upon Admission.
SOCPA	Saudi Organization for Certified Public Accountants
SPAC	Saudia Private Aviation Company Limited
SARED	Saudia Real Estate & Development Company Limited
Subscribers	Those Individual Investors subscribing for Offer Shares pursuant to the Offering
Subscription Application Form	The subscription application form to be used by Subscribers and the Institutional Investors (as the case may be) to subscribe to the Offer Shares
Subsidiary	National Handling Services Company, a limited liability company incorporated in Saudi Arabia with Commercial Registration number 4030110136 on 22/09/1415H (corresponding to 21 February 1995G) which is currently being voluntarily liquidated
Tadawul	The automated system for trading shares on the Exchange
Tibah	Tibah Operations Company Limited
Underwriters	HSBC Saudi Arabia Limited as a Lead Underwriter and Jadwa Investment Company as Co-Underwriter.
Underwriting Agreement	The underwriting agreement entered into between the Company, the Selling Shareholders and the Underwriters inconnection with the Offering

2. Risk Factors

Before deciding whether to purchase the Offer Shares, prospective investors are advised to carefully consider all the information in this Prospectus, particularly the risk factors described below. The risks described below may not include all the risks that the Company or its Subsidiary may encounter, and additional factors may exist that are not currently known by the Company and which may affect the Company and its Subsidiary's operations.

The Company's activities, financial position, results of operations, cash flows and its future operations could be adversely and materially affected if any of the following risks occur, which the Directors currently believe to be material, or if any other risks that the Directors have not identified, or that they currently consider not to be material, actually occur or become material.

Except as disclosed in this section of the Prospectus, the Directors confirm that, as of the date of this Prospectus, and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investors' decision to invest in the Offer Shares.

In the event of the occurrence of any other risk factors which the Company currently believes to be substantial, or the occurrence of any other risks that the Company did not identify, or that it does not currently consider to be material, the value of the Offer Shares may decrease and prospective investors may lose all or part of their investment in the Offer Shares.

The order in which the risks and the uncertainties are listed below is not intended to reflect their likely significance.

2-1 Risks related to the Company's Operations

2-1-1 Reliance on the provision of ground handling servies to Saudia and risks related to the termination or non-renewal of the Saudia Ground Handling Agreements

Saudia is the Company's largest client, with total revenue from Saudia pursuant to the Saudia Ground Handling Agreements accounting for approximately 58.8%, 57.6% and 54.4% of the Company's total revenues in 2012G, 2013G and 2014G, respectively.

The Saudia Ground Handling Agreements have a minimum term of seven years commencing on 28/2/1435H (corresponding to 1 January 2014G) and are due to expire on 16/5/1442H (corresponding to 31 December 2020G). There is no certainty that Saudia will wish to renew the Saudia Ground Handling Agreements at the end of their term for all the airports where the Company currently provides ground handling services to Saudia or that any new terms proposed by Saudia in relation to such agreements will be economically attractive or feasible for the Company to continue to provide the services to Saudia.

Furthermore, Saudia is entitled to terminate the Saudia Ground Handling Agreements (in their entirety or in part) if: (i) the Company commits a material and persistent breach of, or materially or persistently fails to observe, any of the obligations set out in the Saudia Ground Handling Agreements (for more information please see Section 13.1.4.1 ("Legal Information – Ground Handling Agreement with Saudia"); or (ii) the Company ceases to be licensed to undertake the services to be provided under the Saudia Ground Handling Agreements (as at the date of this Prospectus the Company holds 26 licenses obtained from GACA for its ground handling units at the International Airports and Domestic Airports). There is no certainty that Saudia will not terminate the Saudia Ground Handling Agreements if any of these events occur before the end of their term.

In the event that the Saudia Ground Handling Agreements are terminated before the end of their term due to one of the above reasons, or they are not renewed upon their expiration for all the current airports, or the Company fails to enter into a new agreement(s) with Saudia on similar terms as the Saudia Ground Handling Agreements, this will have a material adverse effect on the Company's business prospects, financial position and results of operations.

2-1-2 Reduction in the Company's profit margins due to the renewal of the Saudia Ground Handling Agreement on unfavourable terms

Under the Saudia Ground Handling Agreements, the Company is required to provide the relevant services to Saudia at fixed rates until the end of 2015G. As such, any material increase in the Company's operating expenditure before the end of 2015G will have a material negative effect on the Company's profit margins and financial position. The Company and Saudia have agreed to re-negotiate the prices on mutually agreed terms in the fourth quarter of 2015G. The Saudia Ground Handling Agreements provide that, in the event that Saudia and the Company do not reach a conclusive agreement in relation to the new prices at the end of 2015G, the Company shall nominate three experts in the aviation sector and Saudia shall select one of them, in order to determine the appropriate ground handling fees chargeable from 2016G to 2020G. The prices determined by the expert shall be final and binding on the Company and Saudia. Therefore, in the event that the Company and Saudia agree to prices (or, if applicable, the expert sets the prices) that are not economically attractive or feasible for the Company in 2016G, the Company will not be able to maintain the existing levels of profitability in the coming years from the ground handling services provided to Saudia. Furthermore, if fixed rates are agreed in return for the ground handling services provided by the Company during the period from 2016G to 2020G, the gradual increase in the

Company's operating expenditure (such as annual increases in salaries) will lead to a gradual decrease in the Company's profit margins. This will have a material adverse effect on the Company's business prospects, financial position and results of operations.

2-1-3 Disposal by Saudia of its Shareholding in the Company

Saudia is a substantial shareholder in the Company before and after the Offering, holding approximately 75% (directly and indirectly) of the Shares prior to the Offering, and it will hold approximately 52.5% of the Company's Shares after the Offering. However, there is a risk that Saudia could reduce or dispose of its shareholding in the Company following the Lock-in Period and thereby cease to be a substantial shareholder in the Company and, therefore, Saudia could be less incentivised to receive ground handling services from the Company, particularly if there is one or more competitor(s) in the market who may provide the same services (see section 3.2.6.3 ("Competition in the Ground Handling Services Segment")). As a result, there is no certainty that Saudia will wish to renew the Saudia Ground Handling Agreements at the end of their term for the airports where the Company currently provides ground handling services to Saudia. This will have a material adverse effect on the Company's business prospects, financial position and results of operations.

2-1-4 Breach of the Receivables Agreement by Saudia

The Company invoices and receives payment from Saudia after the provision of the relevant services and based on the credit terms agreed in the relevant Saudia Ground Handling Agreements. However, historically, Saudia has failed to settle the Company's invoices within the payment period specified in its respective agreement with the Company (being 90 days from the date of receipt of the relevant invoice).

The following table sets out the amount of unpaid receivables due from Saudia to the Company from 2012G until 2014G.

Table 2-1 Receivables due to the Company from Saudia and its subsidiaries

Time Period	2012G (Audited)	2013G (Audited)	2014G (Audited)
Unpaid receivables – beginning of period (SAR (million))	443	572	286
Revenues during period (SAR (million))	1,180	1,234	1,309
Amount recovered during period (SAR (million))*	1,051	1,520	1,155
Unpaid receivables – end of period (SAR (million))	572	286	440
Collection period for unpaid receivables (days)	157	127	101

Source: Company and audited financial statements.

*Amounts recovered include deductions from dividends distributions due to Saudia.

**The collection period is calculated based on the average amount of receivables (after deducting provisioned amounts).

The average collection period for receivables due from Saudia to the Company between December 2012G and December 2014G was 128 days, which represents an average delay in collection of 38 days beyond the agreed 90 day payment period set out in the Saudia Ground Handling Agreement.

Furthermore, Saudia does not pay to the Company ground handling services fees against specific invoices, but rather pays a fixed monthly payment, which the Company deducts from the total amount outstanding from Saudia. This causes difficulties in accurately assessing the age of receivables due from Saudia to the Company. Furthermore, this leads to an inaccuracy in the Company's provisioning against receivables due from Saudia, which may lead to a deficiency in the Company's provisions against the actual amounts. In the event Saudia objects to a large number of invoices issued by the Company, this will have a material negative impact on the Company's cash flow position, and in case the Company does not have sufficient provisions to cover such unpaid amounts by Saudia, this will have a material adverse effect on the results of the Company's operations and its financial position.

Timely payment of the Company's invoices by Saudia is particularly important to the Company's cash flow position. To help address this issue, on 17/8/1435H (corresponding to 15 June 2014G), the Company and Saudia entered into a receivables agreement for the payment and reconciliation of receivables due from Saudia to the Company (the "Receivables Agreement"). For more information please see section 13.1.4.2 ("Legal Information – Receivables Agreement"). As of the date of this Prospectus, Saudia has not implemented the Receivables Agreement, which has led to a receivables collection delay of 129 days as of 28 February 2015 G.

Given that the total amount of receivables due from Saudia to the Company exceeds the fixed monthly amount of SAR 60 million, any failure by Saudia to comply with the terms of the Receivables Agreement by settling the difference within 90 days will lead to the accumulation of additional unpaid receivables.

The continued failure by Saudia to comply with the terms of the Receivables Agreement and the continued delay in the payment of the relevant amounts to the Company will increase the total amount of receivables due from Saudia to the Company. This will have a material adverse effect on the Company operations, future prospects, financial position and results of operation. Furthermore, the value of the Offer Shares may decrease and prospective investors may lose all or part of their investment in the Offer Shares.

2-1-5 Delay in Receivables Collection from other Commercial Airlines

The Company invoices and receives payments from its customers after the provision of the relevant services and based on the credit terms agreed in the relevant ground handling agreements (which are between 30 and 60 days from the date of the invoice).

In the past, the Company has faced the situation of non-payment and/or delayed payment by its customers, whether due to certain financial difficulties its customers experienced or due to their insolvency, which has caused the Company to provision against such doubtful debts. As at 31 December 2014G, the total amount of unpaid receivables outstanding for more than 365 days amounted to SAR 3.7 million being due from more than 100 airline companies. As at 31 December 2014G, the Company made a provision of SAR 52.7million, reflecting an increase of SAR 32.7 million of which SAR 8.5 million was made against unpaid receivables other than the amounts due from Saudia (please see section 7 ("Management Discussion and Analysis") for more information).

Any material delay by the Company's customers in the payment of their invoices to the Company and/or any substantial increase in the amount of receivables due from customers will have a material adverse effect on the Company's future cash flows, its financial position and results of operation.

2-1-6 Dependence on Related Party Transactions

The Company depends heavily on a number of material and important transactions with Related Parties, such as Saudia and NAS. Saudia is a Related Party given that it is a substantial shareholder in the Company. NAS is a Related Party due to the fact that it has a common shareholder (being National Flight Services LLC) with the Company. National Flight Services LLC owns 39.2% of NAS's share capital and owns 40.9% of NAGS's share capital. NAGS owns 21% of the Company's share capital (please see section 4.4 ("Overview of the Selling Shareholders") for more information). These Related Party transactions include the ground handling agreements with each of Saudia and NAS and the ticket sales arrangements with Saudia. These Related Party transactions have accounted for 63.2%, 62.0% and 60.8% of the Company's revenues in 2012G, 2013G and 2014G, respectively. In addition, Saudia provides the Company with information technology services, maintenance services (through SAEI, a wholly-owned subsidiary of Saudia) and engineering services (through SARED, a wholly-owned subsidiary of Saudia). Please see section 13.1.4 ("Legal Information – Related Party Agreements"). Moreover, there is no guarantee that the Company will be able to find similar terms, conditions or prices if such agreements are entered into with independent third parties. Furthermore, there is no guarantee that all agreements with Related Parties will be renewed upon expiry, either because the counterparties do not agree or the Board or the General Assembly may not approve the renewal of such contracts. Since the Company relies heavily upon these contracts, their termination will have a material adverse impact on the Company's profitability and therefore its business, prospects, financial position and results of operations.

2-1-7 Change in Aircraft and Airport Technology

The Company provides a variety of services to its clients, with type of services varying based on the type of aircraft and the requirements of each client. Each type of service (such as terminal, baggage, cleaning and technical) has different operating margins and requires different types of equipment and staff, and the need for some of these services is directly linked to the level of technology available in the aircraft and the airport itself.

For example, new aircrafts are more technologically advanced and hence may require less support from ground handlers (such as GPUs given that new aircraft engines can start independently) which would reduce the number of services provided by the Company and consequently reduce the Company's revenues from such services. In addition, new airports that are currently under development in the Kingdom, including the new KAIA in Jeddah, are expected to be more efficient and more technologically advanced than the current airports and to have the capability to perform part of the ground handling services previously provided by the Company (such as ACUs).

Accordingly, some of the services provided by the Company in these airports may be rendered obsolete or may decline in volume, in which case the Company would lose the revenue generated from these services, which would have a material adverse effect on the Company's business prospects, financial position and results of operations.

2-1-8 Leases in the Name of Saudia

The Company depends heavily on certain premises located in International Airports and Domestic Airports. The Company has not signed lease agreements with GACA to occupy those premises in the Domestic Airports, and instead is presently occupying these premises pursuant to leases that have been entered into between Saudia and GACA. The Company believes that its premises in the Domestic Airports are vital for its business given that the Company cannot carry out its operations without them. However, despite not having lease agreements signed directly with GACA, the Company has been paying GACA the rent agreed between GACA and Saudia. The total rent paid by the Company for the premises was SAR 789,615 in 2014G, which represented 0.1% of the Company's total operating costs in that year.

The Company and GACA are negotiating the terms of the new leases for the Domestic Airports and as at the date of this prospectus, GACA has not yet agreed to enter into new lease agreements for each of these airports. Therefore, in the event that GACA does not sign new lease agreements with the Company in respect of such premises, the Company would be prevented from benefiting from the premises, which would have a material adverse effect on the Company's business prospects, financial position and results of operations.

2-1-9 Increase in Operating and Management Costs

The Company has historically obtained information technology services from Saudia without any formal legal contract between them or a clear agreement on pricing. Furthermore, all premises occupied by the Company at the International Airports (Saudia's premises in terminal 2 and 3 in KKIA, the south terminal in KAIA and all other premises leased by Saudia in PMIA and KFIA) and the Domestic Airports were under lease by Saudia from GACA and the Company did not pay rent for such premises. Moreover, the Company did not have insurance policies in its name covering its assets and business; instead, it benefitted from a comprehensive group insurance taken by Saudia. As such, the amount of fees payable by the Company to Saudia for the provision of such services and insurance cover to the Company was less than the actual cost of obtaining such services and insurance cover from third parties.

The Company has started to enter into the following agreements with the relevant parties:

- lease agreements with GACA in respect of its premises at KAIA, KKIA and KFIA and lease agreements with Tibah in respect of its premises at PMIA. This represents an increase of SAR 9.7 million in rental payments in relation to the International Airports in 2015G compared to 2014G;
- information technology service level agreement with Saudia. The contract price is approximately SAR 19 million. Given that the Company did not pay Saudia for information technology services in 2013G, this represents an increase of SAR 19 million in technology service expenditure in 2014G. Furthermore, the Company has agreed to pay Saudia a total amount of SAR 50 million, which represents the total cost of information technology services received from Saudia in 2012G, 2013G and 2014G. As of the date of this Prospectus, the Company has paid Saudia SAR 36 million of the total outstanding amount; and
- insurance agreements with Med Gulf Insurance Company, pursuant to which the Company is insured against certain liabilities arising out of, or in connection with, the Company's ground handling business. The total amount of premium paid for all insurance policies is SAR 5.4 million, which represents an increase of SAR 3.7 million in 2014G compared to the price paid by the Company to Saudia in 2013G.

The Company is presently attempting to sign new lease agreements in respect of the remaining Domestic Airports. The Company anticipates that the entry into new leases with GACA in respect of these airports will result in an increase in rent payable by the Company.

Over the past few years, there has been an ongoing increase in the Company's operating expenses. This was because, among other things, employees' salaries increased by 10% between 2012G and 2014G. The Company expects that operating expenses will continue to increase over the coming years.

In the event the Company fails to manage the increases in its operating expenses and to maintain its profit margins (by increasing the price of its services in line with the increase in its operating expenses), this will have a material negative impact on the Company's financial position and results of operations.

2-1-10 Accidents and Injuries During Operations

The Company faces certain operational risks in carrying out its activities inside airports and on airport aprons. For example, the Company provides (i) transportation services for passengers and crew, (ii) ramp services for passengers boarding and departing aircraft, (iii) aircraft towing services and (iv) aircraft load control services. In the event of a technical or human error during the provision of such services or any other Ground Handling Services, such errors may cause damage to property, injury or even loss of life.

If the Company is found liable for such damages, injuries or loss of lifes (whether such errors were intentional or unintentional), this will result in regulatory sanctions as well as litigation claims against the Company, which may result in the payment of damages, withdrawal of regulatory licenses and/or the suspension of the Company's operations. Furthermore, the Company's current insurance policies may not provide sufficient coverage for such liabilities. The occurrence of any of these events would have a material adverse effect on the Company's business prospects, financial position and the results of operations. Please see section 2.1.17 ("Risk Factors – Insurance Risks") for more information on the Company's insurance risks.

2-1-11 Dependence on Key Personnel

The Company is dependent on the abilities and experience of its Senior Officers and key personnel, both in administrative and operational areas. The Company cannot guarantee that it will succeed in retaining existing employees or attracting new employees with similar qualifications. If the Company fails to retain its Senior Officers and/or key personnel or if it fails to attract and retain employees with similar qualifications, this would have a material adverse effect on the Company's business prospects, financial condition and results of operations. Moreover, any amendments to the Labour Law or the regulations issued by the Ministry of Labour affecting the entry of expatriates into Saudi Arabia may limit the Company's ability to bring in expatriate workforce. The Company's expatriate workforce is considered important to the Company and its business, given that such expatriate workforce contributes to a high level of experience and quality in the Company's service offering. Any limitation to the Company's ability to bring in expatriate employees would have a material negative impact on the Company's operations and its profitability.

Additionally, the new competitors may attempt to recruit a substantial number of their staff from the Company as the Company's employees would be highly experienced in the ground handling market in Saudi (please see section 2.2.4. ("Competition and Privatization of Saudi Arabia's Airports") for more information on potential new competitors to the Company). This will result in the Company having a substantially higher employee turnover rate which would have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2-1-12 Dependence on Temporary and Seasonal Manpower

The Company requires the assistance of temporary staff during certain periods of the year, and as such the Company enters into supply arrangements with licensed manpower supply companies to obtain temporary manpower support, without signing direct employment contracts with such employees (the "Temporary Staff"). For example, the Company has previously signed manpower supply agreements with Al-Majal Services Group and Zahran Operation and Maintenance Company. The percentage of Temporary Staff compared to the total number of Company employees was 13%, 20% and 18.5% in 2012G, 2013G and 2014G, respectively.

Furthermore, during the Hajj season, the Company requires the assistance of a larger number of staff to manage the increased demand for Ground Handling Services. As such, the Company enters into manpower supply agreements with several international manpower supply companies to obtain manpower support from outside the Kingdom (the "Seasonal Staff" and collectively with the Temporary Staff, the "Outsourced Staff"). The Company is very reliant on the support provided by the Seasonal Staff during Hajj seasons. The total number of Seasonal Staff was 4,536 in 2013G and the Company requested 4,700 Seasonal Staff for 2014G, and such request has been approved by the Ministry of Labour.

The Outsourced Staff are employed for basic tasks that do not require any technical skill or knowledge and do not involve any interaction with the Company's customers, such as assistance with baggage loading/handling, cleaning of ground handling equipment and providing general security services.

In the event the Company does not obtain the required number of Outsourced Staff, whether due to (i) its inability to enter into manpower supply agreements with licensed manpower suppliers or (ii) the unavailability of Outsourced Staff when needed by the Company, this will have a negative impact on the quality of the Company's services which will negatively and materially impact the Company's operations and financial results.

Furthermore, the Company cannot revoke or cancel the agreements entered into with international manpower supply companies for the supply of Seasonal Staff. The manpower supply agreements entered into between the Company and the Seasonal Staff are executed several months ahead of the Hajj season. In the event of a reduction in the number of flights during the Hajj season (whether due to Government policy reducing the number of entry visas or due to the spread of infectious diseases for example), the Company will not require the services of all or part of the Seasonal Staff. Given that the Company cannot revoke its Seasonal Staff manpower supply arrangements, the cost of the Seasonal Staff will have a negative impact on the Company's profitability. During 2013G, the Company entered into an arrangement to obtain manpower support from Seasonal Staff for the Hajj season. The Company signed for a total number of 4,536 Seasonal Staff that season. However, the Government of Saudi Arabia announced that it was reducing the number of entry visas to be issued during the Hajj season due to expansion works on the Holy Mosques in Mecca, which led to a significant reduction in the number of flights arriving at KAIA and PMIA. Following that announcement, the Company was unable to cancel the manpower supply arrangements during the Hajj season, and the cost of such Seasonal Staff had a negative impact on the Company's profit margins in 2013G, with a loss of SAR 20 million in the Company's revenues and operating profit. Furthermore, in the event the cost of outsourcing the Seasonal Staff or the Temporary Staff increases significantly, this will have a material negative impact on the Company's financial performance.

The occurrence of any of such events in connection with the Outsourced Staff in the coming years will have a material negative impact on the Company's operations and financial performance. Please see section 6.7 ("Employees - Temporary Manpower") for more information on the Outsourced staff.

2-1-13 Dependence on Airport Equipment and Facilities and the Impact of Seasonal Air Travel

The Company relies heavily on the facilities and equipment available in airports in Saudi Arabia. During peak seasons such as summer vacation, Ramadan and Hajj seasons, the high volume of flights may lead to a breakdown in airport facilities or other airport equipment (such as a breakdown in the baggage conveyer belt or passenger information systems). The breakdown of airport equipment will limit the Company's ability to perform its services at the airports until the breakdown is remedied by the relevant airport management authority (which is the authority responsible for maintaining airport facilities and equipment and the entity responsible for compensating passengers and airline companies for the loss they may suffer as a result of such breakdowns). Furthermore, the high volume of passengers during the summer vacation, Ramadan and Hajj seasons may make it difficult for the Company to provide quality services in a timely manner. In the event such circumstances occur frequently or persist for a long period of time, or in the event the Company is unable to resolve such operational issues during peak seasons, this will have a material negative impact on the Company's reputation, results of operations and financial position.

2-1-14 Experience in Managing a Publicly Listed Company

Since its incorporation, the Company has been operated as a private company and, accordingly, the Senior Officers have limited or no experience in managing a publicly listed company and similarly they have limited or no experience complying with the laws and regulations pertaining to public companies in the KSA. In particular, the training that the Senior Officers will receive in managing a public listed company, coupled with the regulatory oversight and reporting obligations imposed on public companies, will require substantial attention from the Senior Officers, which may divert their attention away from the day-to-day management of the Company. Failure to comply in a timely manner with the regulations and disclosure requirements imposed on listed companies will expose the Company to regulatory sanctions and fines. In the event that substantial fines are imposed on the Company, the Company's operations and financial results in the future will be materially impacted which will have a material adverse effect on the Company's business prospectus, financial position and results of operations.

2-1-15 Compliance with Saudisation Requirements

As of the date of this Prospectus, approximately 49% of the Company's employees were Saudi nationals, which places the Company in the middle green category, meaning that the Company is currently in compliance with the Saudization requirements. However, the Company cannot guarantee that it will continue to attract Saudi employees and maintain its current Saudization ratio.

The Ministry of Labour may amend the "Nitakat" classification in the future, for example by including the Outsourced Staff in the calculation of the Saudisation percentages. If the Company fails to comply with the "Nitakat" program in the future, it may be categorised as falling within the yellow or the red categories (depending on the extent to which it is non-compliant with the "Nitakat" programme). In such an event, the Company will be subject to a number of sanctions. For more information please see section 6.7 ("Employees") for more information.

The occurrence of all or any of the above events in relation to Saudisation will have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2-1-16 Ability to Maintain Quality of Operations

The Company's ability to maintain high standards of operations is critical to maintain its existing customer base, win potential new customers and avoid potential litigations with its customers. There is no certainty that such standards will be maintained in the future. There is also a possibility that the Company's operations may be materially impacted if there is any aircraft damage, physical injuries to passengers or delay of airline operations due to the Company's activities. This will significantly impact the financial performance of the Company, particularly if it results in a considerable decrease in the Company's customer base or affects the Company's ability to win potential new customers. Any or all of such risks will have a material adverse effect on the Company's business prospects, financial position and results of operations.

As part of its ground handling services, the Company performs a load control service for aircrafts (for further details, see section 4.7 ("Overview of the Company's Services")) in order to ensure that the load distribution within the aircraft in relation to passengers and baggage is within certain specified limits. The Company prepares a load control certificate for each aircraft, which is then given to the flight captain for sign-off prior to take-off. In the event the limit is exceeded and/or the distribution of the loads within the aircraft is incorrect, there is a risk of severe accidents, particularly during take-off, which will result in significant claims against the Company and damage to its reputation. This will have a material adverse effect on the Company's business prospects, financial position and results of operations.

2-1-17 Insurance Risks

The Company has a number of insurance policies to cover potential liabilities arising from its business and operations, such as aviation liability insurance and medical insurance (for further details, see section 13.4 ("Legal Information - Insurance")). The Company cannot guarantee that its insurance coverage is sufficient to protect the Company from (i) substantial financial losses, (ii) personal injury claims from third parties, (iii) operational accidents or (iv) losses resulting from damage to the Company's properties. The Company may become subject to liabilities against which it is not insured adequately or at all. Furthermore, the Company's existing policies contain certain exclusions and limitations on coverage. In addition, the Company's insurance policies may not continue to be available and future insurance policies may not be available at economically acceptable premiums. Moreover, the Company's insurance policies in the future may not cover the full extent of claims brought against the Company.

Therefore, there is a risk that losses and liabilities from uninsured or underinsured risks may significantly increase the Company's costs which will materially impact the Company's business prospects, financial position and results of operations. Please see section 13.4 ("Legal Information – Insurance") for more information on the Company's insurance policies.

2-1-18 Risks related to Licences and Permits

The Company is required to obtain and maintain appropriate licences, permits and regulatory consents in respect of its activities, and renew such licences and permits periodically. For further details of the Company's licences and permits, see section 13.2 ("Licences and Permits").

Some of the Company's licences are for a limited duration and must be renewed periodically and others (such as the ISAGO certification, the ISO 9001-2008, the GACA licence and the license issued by the Saudi Commission for Tourism and Antiquities) require the Company and its operations to be audited on a regular basis to ensure compliance with the relevant standards. In addition, some of the Company's licences provide that the Company may be subject to certain penalties, or the relevant licence may be suspended or terminated if the Company fails to comply with the requirements of the relevant licence or fails the relevant audit exercises. Furthermore, when a licence is sought to be renewed or amended there can be no guarantee that the relevant authority would be prepared to renew or amend the scope of the relevant licence, or that if it were to do so that it would not impose conditions that are unfavourable to the Company. Moreover, there can be no guarantee that additional licences may not be required in the future in relation to the Company's business.

If the Company fails to renew a licence, or has a licence suspended or revoked, or has a licence renewed on unfavourable terms, or the Company is unable to obtain additional licences that may be required in the future, the Company will be required to cease certain operations which will result in operational interruptions and/or additional costs. Any one or combination of such risks will have a material adverse effect on the Company's business prospects, financial position and results of operations.

The Company's Affiliate, Al-Amad Saudi, has applied to GACA on 6/8/1435H (corresponding to 4 June 2014G) for a license to operate buses within certain International Airports and Domestic Airports. As of the date of this Prospectus, GACA has not issued a license in favour of Al-Amad Saudi to operate the buses (since the license application is currently under review by GACA), and therefore, Al-Amad Saudi is currently operating without a license from GACA. There can be no guarantee that GACA will issue this license in favour of Al-Amad Saudi or that the license, if issued, will not include unfavourable terms and conditions. If GACA does not issue a license in favour of Al-Amad Saudi, Al-Amad Saudi will have to cease its operations (which it commenced on 3 December 2013G), which will have a material adverse effect on Al-Amad Saudi's and the Company's (as a 50% shareholder in Al-Amad Saudi) financial performance.

2-1-19 Failure to Comply with Regulatory Requirements

The Company's business and activities are subject to regulations in Saudi Arabia. Given the diverse nature of the Company's activities, the Company is subject to regulations relating to safety, environment and aviation as imposed by GACA, IATA, Saudi Commission for Tourism and Antiquities and other relevant Government entities. Regulatory changes caused by political, economic and/or environmental factors could significantly impact the Company's operations and its financial position. The Company may deem it necessary or advisable to modify its operations in order to operate in compliance with such regulations and in the process may incur additional costs, which will have a material adverse effect on the Company's business prospects, results of operations and financial condition. In addition, a failure to comply with such laws and regulations will result in administrative and civil penalties, criminal sanctions or the suspension or termination of the Company's operations, and any breach will negatively impact the Company's operations, financial position and its expansion plans or growth.

2-1-20 Failure to Obtain Additional Funds

The Company has not resorted to financing from banks in the past and, therefore, the Company does not have a lending experience with banks. The Company may need additional funds in the future which it may need to obtain by securing loans from banks. There is no certainty that the Company will be able to obtain such loans in the future, if required. If the Company fails to secure such loans, or is unable to secure such loans on favourable terms, this will have a material adverse effect on the Company's business prospects, financial position and results of operations.

2-1-21 Litigation

The Company could become subject to litigation by its employees, customers and/or their passengers or other parties operating in the airports in which the Company operates, alleging injury or bringing claims related to operational accidents, quality of services, health and safety issues or any other reasons. If the Company becomes involved in protracted litigation and is found liable in respect of any such litigations or is subject to a costly settlement in respect of which the Company is not adequately insured or at all, this will adversely impact the Company's reputation, business prospects, financial condition and results of operations.

If a claim is for a significant amount of money or a large number of claims are brought against the Company and the Company was found liable to pay significant amounts in respect of such claims, this will have a material adverse effect on the Company's business prospects, financial condition and results of operations. For additional information on the Company's litigation claims please see section 13.5 ("Legal Information – Litigation").

2-1-22 The Ability of the Company to maintain its Good Reputation

The Company's ability to renew existing client contracts and win new customers depends on its ability to maintain a good reputation, both inside and outside Saudi Arabia. Any accidents caused by the Company's negligence or any reduction in the quality of services provided by the Company will cause significant damage to its reputation. Furthermore, in the event of a breakdown in the machinery or equipment that the Company utilises for the provision of its services (whether such machinery is owned or operated by the Company or by the relevant airport), this will negatively impact the Company's operations and the quality of its services which will also have a negative impact on the Company's reputation and will result in some of the Company's customer contracts being terminated and/or the Company being unable to win new customers. Any of these events, including reputational damage, will have a material adverse effect on the Company's business prospects, financial position and results of operations.

2-1-23 Goodwill and Intangible Assets

The Company owns certain intangible assets which were acquired pursuant to the Acquisition in 2011G. The intangible assets are comprised of the Company's goodwill, customer contracts and customer relationships. The Company's intangible assets amounted to SAR 1,012 million which accounted for 33.5% of the Company's total assets as of 31 December 2014G, which comprised of SAR 583 million in goodwill resulting from the Acquisition and SAR 403.1 million from customer contracts and relationships. The applicable amortization charge of SAR 55.64 million per year has been made by the Company in respect of customer contracts and relationships during 2012G and 2013G financial years. Furthermore, an amortization charge of SAR 51.7 million was made for the period ended 31 December 2014G. The Company records such amortization charges as general and administrative expenses.

The Company assesses the impairment of its total goodwill on an annual basis (which stood at SAR 583 million as at 31 December 2014G) by comparing the book value of its intangible assets against their redeemable value. This ensures that the book value of the Company's intangible assets remains accurate. The Company cannot guarantee that its intangible assets (and specifically its goodwill) will not be adversely impacted, given that the entry of new competitors into the ground handling market may lead to a reduction of the redeemable value of the intangible assets when compared to their book value, which means that the Company will need to write-off part or all of its intangible assets. This will have a negative impact on the Company's financial position and results of operations.

2-1-24 Incomplete Zakat Withholding

The Company has calculated the applicable Zakat amounts, paid the required amounts and obtained provisional Zakat certificates in respect of the Zakat withholding for the years 2008G to 2013G. (for more information, see section 13.2.4 ("Zakat and Income Certificate")). The Company has also calculated the applicable Zakat withholding and paid the required amount for 2014G but has not received a provisional Zakat certificate in respect of the Zakat withholding for 2014G.

Given that the Company has not received its final Zakat certificate for the years 2008G to 2014G, there is a risk that the DZIT might impose further Zakat payments on the Company for previous years. In the event such Zakat payments are substantial, this will have a material adverse effect on the Company's financial position and results of operations.

2-1-25 Failure to Expand the Company's Ground Handling and Other Services

The Company may have difficulties in expanding its operations in the International and Domestic Airports in light of the entry of new competitors into the ground handling market in Saudi Arabia. Moreover, in the event GACA awards a competitor an exclusive license to carry out ground handling services in one or more of the airports in Saudi Arabia, this will limit the Company's growth potential and its ability to provide its services to existing and new customers. In addition, the Company may invest a significant amount of funds to start a new service(s) or expand its operations without guarantee that such new service(s) or operational expansion will be profitable. All the aforementioned risks will negatively impact the Company's financial condition and operations which will have a material adverse effect on the Company's business prospects, financial condition and results of operations.

In early 2014G, GACA has granted an exclusive license to Al-Shati' Company to provide passenger transport and medical lift services in Abha and Qassim Airports, which caused the Company to lose SAR 4 million in revenue representing approximately 0.2% of the Company's total revenue in 2014G. On 9 April 2015, GACA announced that Siwssport Corporation was awarded a ground handling license to provide ground handling services in Saudi airports. Swissport Corporation is expected to commence its operations within six months from the date of GACA's announcement, as it is currently in the process of establishing a company in Saudi Arabia to obtain the regulatory approvals for carrying out ground handling services.

The Company cannot guarantee that GACA will not award additional licenses to other competitors in the future. In case exclusive licenses are awarded by GACA and result in limiting the Company's ability to provide ground handling services in the airports in Saudia Arabia, this will have a material negative impact on the Company's operations, its profitability and its financial position.

2-1-26 Impact of External Factors on the Company's Business

During peak operation seasons, such as Hajj, Umrah and the summer vacation season, air traffic in Saudi Arabia witness a significant increase in flights numbers . Such seasons have a significant impact on the Company's financial results. A significant decrease in aircraft movement during such high seasons (due to new Government policy reducing entry visas, security reasons or health-related issues for example) will have a material negative impact on the Company's operations and financial conditions. For example, in 2013G, the Government of Saudi Arabia announced that it was reducing the number of entry visas to be issued during the Hajj season due to expansion works on the Holy Mosques in Mecca, which led to a significant reduction in the number of flights arriving at KAIA and PMIA. This led to a loss of SAR 20 million in revenues. In the event that similar policy changes are implemented in the future, this will negatively impact the air traffic volume in the Kingdom's International Airports and Domestic Airports, which will have a negative impact on the Company's operations and financial results.

2-1-27 Failure to Register Trademarks

As at the date of this Prospectus, the Company has not registered its two trademarks (being the "SGS" trademark and the "Ahlan" trademark) with the Directorate of Trademarks at MOCI. Furthermore, Al-Amad Saudi has not registered its trademark with MOCI. Third parties may apply for the registration of these trademarks, which could (i) lead to litigation with the Company (or Al-Amad Saudi) in an effort to object to and/or cancel the registration of such trademarks by third parties or (ii) have a negative impact on the Company's reputation and the value of its trademarks. The litigation process may be time-consuming and expensive for the Company, which will negatively impact the Company's revenues and which will have a material adverse effect on the Company's financial condition and results of operations.

2-1-28 Unexpected Increase in Capital Expenditure

The Company relies on its equipment and machinery to provide its Ground Handling Services. At the end of each financial year, the Company's management estimates the capital expenditure budgeted for the purchase of equipment and machinery during the next financial year in light of (i) the anticipated growth in the Company's operations and (ii) the need to replace old or damaged equipment and machinery.

While the Company seeks to budget for capital expenditure, the actual capital expenditure incurred during the financial year may be higher than anticipated. This may be due to (i) an increase in the cost of equipment and machinery required, (ii) additional costs to expedite the shipment and/or import of equipment from the manufacturing company or (iii) the increase in cost of preventive maintenance and repair which is required to ensure that the equipment and machinery comply with the applicable regulatory and international standards in addition to the standards set by the Company's management.

As such, the Company may need access to additional funds to cover the increased capital expenditure cost (whether from internal or external sources), which may not be available at the time. In the event the Company is unable to secure such funds or there has been a significant increase in the required capital expenditure, this will negatively impact the Company's revenues which will have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2-1-29 Failure to Comply with the Competition Law

Although GACA has awarded the second ground handling license to Swissport Corporation to provide ground handling services at airports in Saudi Arabia, the Company is currently the sole provider of ground handling services to commercial airlines at all airports in Saudi Arabia. Some companies also provide certain ground handling services in the airports (please see section 2.2.4 ("Competition and Privatization of Saudi Arabia's Airports"). Upon the entry of new players in the market which are licensed to provide ground handling services, the Company must ensure that its activities and contractual arrangements comply with the Competition Law. As at the date of this Prospectus, the Company determines the price of its Ground Handling Services based on its negotiations and discussions with airlines, given that there are no other competitors in the market. Upon the entry of a new competitor to the ground handling market, the Company will be deemed to occupy a dominant position in the ground handling market, and as such, will be subject to the conditions and restrictions as per the Saudi Arabian Competition Law that seeks to minimize economic concentrations and anti-competitive practices.

The Saudi Arabian anti-competition council may take certain procedures to investigate the Company and its potential breaches of the Saudi Arabian Competition Law. In the event the Company is found to have violated the provisions of the Saudi Arabian Competition Law, and a judgment is issued to that effect, the Company may be subject to a fine of up to SAR 10 million. Furthermore, in the event the Company repeats any offence, the Saudi Arabian anti-competition council may order the temporary or permanent cessation of the Company's activities. Moreover, the litigation process may be time consuming and expensive for the Company, which will negatively impact the Company's revenues and financial condition.

2-1-30 Competitive Activities by Board Members

Members of the Board or the Shareholders may engage in activities that compete with the Company's activities. This could lead to a conflict of interest between the Company's business and the competing business that the Board member or Shareholder(s) are engaged in.

As of the date of this Prospectus, Mr. Rashed Al Mugait, an independent member of the Board, currently engages in activities that compete with the Company's tickets sales business. Mr. Rashed Al Mugait is the deputy chief executive officer for Al Tayyar Travel Group and the chief executive officer for Al Mousim Travel and Tours Co. Ltd, and both these companies engage in activities that are considered to be in competition with the Company's tickets sales activities. Section 13.1.6 ("Conflicts of Interest") provides details on the nature of the competing activities and the names of the competing companies. Nonetheless, given that Mr. Rashed Al Mugait engages in such competing activities, this may lead to a conflict of interest between Mr. Rashed Al Mugait's business and the business of the Company, which will have a negative impact on the Company's ticket sales operations, its financial position and results of operations.

2-2 Risks Related to the Market

2-2-1 International events, accidents or acts that may disrupt the Company's operations

As with other airports, there is always a risk of an event, accident or act occurring at or near the airport terminals in which the Company operates. If an event, accident or act occurs, operations may be disrupted for a period of time whilst the matter is investigated and any ensuing damage is repaired. This period may be greater than any period covered by the Company's business interruption insurance policy and consequently would impact the Company's operations which will have a material adverse effect on the Company's financial condition and results of operations.

Major international events such as the September 11, 2001 attacks in New York, USA, the war in Iraq and the Arab Spring in 2010 have, in the past, negatively affected the volume of air travel worldwide. As a substantial source of the Company's revenue is dependent on airline traffic in Saudi Arabia which, in turn, is linked to the passenger traffic in Saudi Arabia, an occurrence of events on a similar scale in the future (particularly if the event is related to Saudi Arabia or its neighbouring countries) will have a material adverse effect on the Company's business prospects, financial condition and results of operations. In addition, any hostilities between Saudi Arabia and its neighbouring countries or any further conflict in the Middle East or other events of general international concern (and any related economic impact of such events) will likely result in decreased air traffic, which will have a material adverse effect on the Company's financial condition and results of operations.

Certain circumstances may have a negative impact on the volume of air travel in Saudi Arabia during peak operation seasons, such as the spread of infectious diseases. The reduction of air travel into Saudi Arabia will negatively impact the Company's profitability and will have a material adverse effect on the Company's financial condition and results of operations.

2-2-2 Risks related to airlines could affect the Company's operations

Given that the Company provides its services exclusively to airline customers, the Company could potentially be affected by risks relating to airline industry. For example, global airline fuel prices have seen a sustained increase since 2009 and are expected to continue to increase. Higher fuel prices or a sudden spike in the fuel price can result in a hike in air fares charged by airlines which could result in a worldwide reduction in air travel and consequently a decrease of airline and passenger traffic at the airports, including Saudi Arabian airports. In addition, rising fuel costs might lead airlines to implement cost-cutting measures, including reducing the number of ground handling services they receive from ground handling companies, including the Company.

Such a result would have a material adverse effect on the Company's business prospects, financial condition and results of operations.

A decrease in air traffic in Saudi Arabia (for example, due to declines in tourism, a decline in the Saudi Arabian economy or a decline in business travel resulting from acts of violence or vandalism, major air disasters or another calamity) will have a severe effect on the Company and as such will result in reduced revenues for the Company. Saudia and NAS, two of the Company's key customers, are particularly sensitive to domestic economic developments, while airlines from elsewhere in the Middle East, North Africa and the Indian Sub-Continent could be affected by the Middle East's underlying economic fundamentals and changes to the labour market environment for foreign workers in the Kingdom. Any substantial reductions in the number of flights to Saudi Arabia will have a material adverse effect on the Company's business prospects, financial condition and results of operations.

There is a risk that the Company's customers may seek to handle their own ground handling activities, given that all airlines arriving in Saudi Arabia have the right to handle their own aircraft (for example by employing staff in Saudi Arabia to provide ground handling services to the respective airline's aircraft). This will negatively affect the Company's business and financial results, given that the Company's largest airline customers will have the capability to undertake such activities internally, and consequently the Company may lose such significant customers.

2-2-3 Risks related to the Kingdom and the Global Economy

The Company's operations depend on the economical condition of the Kingdom. The contribution of the oil sector to Saudi Arabia's GDP continues to be substantial despite the Government's diversification policies. Fluctuations in oil prices, in particular material declines in such prices, would have a direct adverse impact on the economy and the economic activity in Saudi Arabia. Such impact will have a material adverse effect on companies operating in Saudi Arabia, including the Company. Furthermore, any negative change in one or more macroeconomic factor or indicator in the Kingdom, including economic growth, exchange rates, interest rates, inflation, wage levels, foreign investment and international trade, will have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2-2-4 Competition and Privitization of Saudi Arabia's Airports

On 29/9/1435H (corresponding to 27 August 2014G), GACA notified the Company that it had issued a non-exclusive license to a new company to provide ground handling services at PMIA, and on 9 April 2015G, GACA announced that Siwssport Corporation was awarded the second ground handling license to provide ground handling services at airports in Saudi Arabia.

The entry of new players into the Saudi ground handling market will, for the first time, introduce strong competition for the Company in the Saudi airports (please see section 3.2.6.3 ("Competition in the Ground Handling Service Segment"). There is no guarantee that the Company will be successful in finding new customers or maintaining existing customers, which will have a material adverse effect on the Company's business prospects, financial condition and results of operations.

The new competitors might seek to compete with the Company through an aggressive pricing strategy in order to build market share. As a result, the Company's key customers may use the entry of the second ground handling player to demand lower prices or may resist increasing prices for the services they receive from the Company. This would reduce the profit margins that the Company is able to achieve from services provided to its airline customers and, therefore, reduce the profitability of the Company's operations as a whole.

New competitors may seek to compete with the Company only on a particular service (for example by only providing passenger and crew bus transportation services or services to individuals with special needs) rather than provide a comprehensive set of ground handling services. As such, new competitors may seek to acquire all or part of the market share in relation to a specific service in all or some of the International or Domestic Airports. This will negatively impact the Company's business, which will have a material adverse effect on the Company's prospects, financial position and results of operations.

Given that GACA has decided to allow new players to enter the ground handling market, GACA may also offer new entrants preferable conditions to encourage companies entering the market. Furthermore, GACA may offer a new entrant (or entrants) exclusivity of operations in one or more airports, which will prevent the Company from providing its Ground Handling Services in such airport(s). Moreover, GACA may award a new entrant (or entrants) exclusivity to provide one more specific ground handling service (as opposed to a full suite of ground handling services) in certain airports, which will prevent the Company from providing such specific services at the relevant airport(s). This will negatively impact the Company's business, which will have a material adverse effect on the Company's prospects, financial position and results of operations.

On 20/07/1435H (corresponding to 19 May 2014), GACA has publicized its future plans to privatize the airports in Saudi Arabia in order to support the growth of the aviation sector and improve the quality of airport operation in Saudi Arabia. GACA entered into a build, operate and transfer (BOT) contract for PMIA with a Saudi-Turkish Consortium that specializes in airport expansion projects, pursuant to which the Saudi-Turkish Consortium will operate PMIA for a specified period of time before transferring the airport back to GACA. Based on press releases made by GACA, GACA intends to establish wholly-owned subsidiaries, or companies held together with strategic private sector investors who possess the necessary expertise to own and operate certain airports in Saudi Arabia. This will have a negative impact on the Company's activities and its financial position in the event that:

- GACA awards an exclusive license to these operating subsidiaries/companies to provide ground handling services in the airports; or
- these operating subsidiaries/companies impose restrictive or unusual terms on the Company (for example by increasing the rent for lease of premises at the airports or by not providing sufficient space for the Company to carry out its activities).

This will have a material adverse effect on the Company's prospects, financial position and results of operations.

2-3 Risks Related to the Offer Shares

2-3-1 Effective Control by Saudia and NAGS

Following the Offering, Saudia and NAGS will collectively own 67.2% of the Shares. Saudia and NAGS will, therefore, be able to control all matters requiring Shareholder approval, including significant corporate transactions, capital adjustments and the election of Directors. As a result, Saudia and NAGS could exercise their rights (as shareholders) in a manner that may not be in the best interests of other Shareholders or that could have a material adverse effect on the Company's business prospects, financial condition and results of operations.

Furthermore, any change in the business strategy and/or policy towards the Company by Saudia or NAGS could result in unpredictable consequences for the Company's business which will have a material adverse effect on the Company's business prospects, financial condition and results of operations.

2-3-2 Absence of a Prior Market for the Shares

Prior to the Offering, there has been no public market for the Shares. Furthermore, there can be no assurance that an active trading market for the Shares will develop or be sustained after the Offering. If no active trading market for the Shares develops, the liquidity of the Shares will be affected, and this will negatively affect the market price of the Shares.

2-3-3 Liquidity and Volatility in the Share Price

Subscribers may not be able to resell their Offer Shares at or above the Offer Price, or at all, as the market price of the Offer Shares after the Offering may be adversely affected by factors outside of the Company's control, including, but not limited to, variations in the Company's results of operations, market conditions or changes in Government regulations. This will adversely affect the market price of the Shares.

2-3-4 Future Sales and Offerings

The sale of a substantial number of Shares in the public market following the completion of the Offering, or the perception that these sales will occur, could adversely affect the market price of the Shares.

Saudia, NAGS and Attar may not dispose of any of their Shares during their respective Lock-in Periods. After the expiration of their respective Lock-in Periods, Saudia, NAGS and Attar will require prior approval of the CMA in order to dispose of any Shares. Nevertheless, the sale of a substantial number of Shares by Saudia, NAGS and/or generally by any Shareholder, could have an adverse effect on the market for the Shares and result in a lower market price of the Shares which will have a material adverse effect on the value of the investment in the Company.

2-3-5 Dividend Payment

The distribution of dividends by the Company will depend upon a number of factors, including the future profit, financial position, capital requirements, statutory reserve requirements, balance of distributable reserves, available credit of the Company and general economic conditions and other factors that the Directors deem significant from time to time. Also, the Company's ability to declare and pay cash dividends on the Shares may be restricted by, among other things, covenants in any credit facilities that the Company may enter into in the future, the recovery of any accumulated losses in the future and provisions of Saudi Arabian law. Therefore, there can be no assurance that any dividend will ever be paid, nor can there be an assurance as to the amount, if any, of any dividend which will be paid in any given year.

2-4 Political and Regulatory Risks

2-4-1 Political Risks

Prospective investors should consider the geopolitical risks in the Middle East, which could have an adverse effect on the Kingdom's economy, the Company's customers and its operations. Such risks could adversely impact the value of any investment in the Company, which will have a material adverse effect on the Company's business prospects, financial condition and results of operations, and in turn, the value of an investment in the Company.

2-4-2 Regulatory Environment

The Company's businesses are subject to regulations in Saudi Arabia. Given the diverse nature of the Company's activities, the Company is subject to regulations relating to safety, environment and aviation issued by GACA, IATA, Saudi Commission for Tourism and Antiquities, MOCI and the Metrology and Environmental Protection Administration. The regulatory environment in which the Company operates may be subject to change. Regulatory changes caused by political, economic, technical and/or environmental factors could materially impact the Company by restricting the development of its operations, services and its growth. The Company may deem it necessary or advisable to modify its operations in order to operate in compliance with such regulations and in the process may incur additional costs, which will have a material adverse effect on the Company's business prospects, results of operations and financial condition. In addition, failure to comply with such laws and regulations will result in administrative and civil penalties or may incur additional costs. There can be no guarantee that the Company will not, in due course, be in breach of the relevant regulations, the conditions set out in its licenses, its negligence or any other reason. As such, any breach will negatively impact the Company's operations, business prospects and its financial position.

2-4-3 The Company is subject to various environmental regulations, which may adversely affect its operations

The Company's operations in the airports of Saudi Arabia are subject to environmental regulations relating to health, safety and the protection of the environment, including regulations with respect to air quality and public health and safety. Environmental claims for failure to comply with the legislation or regulations could expose the Company to liabilities in the future, including costs associated with clean-up of hazardous substances and court orders to cease or modify certain activities. In the event the Company is required to pay substantial amounts in respect of any damages and penalties or in the event the Company is subject to any court order to cease or modify its activities, this will have a material adverse effect on the Company's business prospects, financial condition and results of operations.

3. Market Overview

The Company appointed Oliver Wyman to conduct a study and prepare a report on the airline ground services market. Oliver Wyman is an international management consultancy firm. Founded in 1984G, Oliver Wyman is the consulting arm of Marsh & McLennan Companies, Inc., a US multinational professional services, risk management and insurance brokerage firm with approximately 54,000 employees worldwide. Oliver Wyman employs over 3,000 consultants in over 50 cities including Riyadh, Saudi Arabia and Dubai, United Arab Emirates, among others. Its areas of expertise include corporate strategy and operations across a wide range of industries, including aviation and aerospace in Saudi Arabia and the Middle East.

Unless expressly stated otherwise, the report prepared by Oliver Wyman is the source of the information relating to the airport ground handling services market in this section and section(s) the preliminary section 5 ("Overview of the Ground Handling Services Market in Saudi Arabia") above.

Oliver Wyman has provided and not withdrawn its written consent for the use of their findings in this Prospectus. Neither Oliver Wyman nor its employees or any of their relatives or affiliates has any shareholding or interest of any kind in the Company or any of its affiliates or related parties.

The Directors believe that the information and data provided in this Prospectus from other sources, including the report provided by Oliver Wyman in May 2014G, are credible. However, this information was not independently verified by the Company, its Directors, its Shareholders or Advisers and, therefore, the Company assumes no liability for the accuracy or completeness of this information.

3-1 Economic Growth in Saudi Arabia

Demand for the Company's products and services is driven primarily by the number of flight arrivals and departures to and from airports, also known as "movements". In turn, the number of flight movements is related to travel demand, strongly correlated to economic growth.

In 2012G and 2013G, real Gross Domestic Product ("GDP") growth rates in Saudi Arabia decreased to 5.8% and 3.8%, respectively, from 8.6% in 2011G. This trend was in-line with other countries in the region, partly attributable to a slowing down of oil demand growth and production rates. Despite the slowdown, growth in Saudi Arabia remains stronger than in many countries in the region, which have been more heavily affected by on-going political instability. Growth is also more robust than in mature markets, including the European Union, where public and private sectors continue to be challenged by the financial crisis. The table below illustrates a number of economic indicators of the Saudi Arabian economy for 2008G to 2013G, and provides estimates for 2014G.

Table 3-1 Economic indicators

Indicator	2008G	2009G	2010G	2011G	2012G	2013G	2014(e)
Nominal GDP (SAR Billion)	1,949.2	1,609.1	1,975.5	2,510.7	2,752.3	2,794.8	2,897.3
Real GDP growth rate (%)	8.4	1.8	7.4	8.6	5.8	3.8	4.1
Total Government revenue (SAR Billion)	1,179.7	578.6	822.1	1,193.4	1,383.1	1,240.7	1,235.0
Total Government expenditure (SAR Billion)	564.6	644.4	780.3	891.8	981.4	1,009.1	1,027.9
Current account balance (% of GDP)	25.5	4.9	12.7	23.7	22.4	17.4	15.8
Population (m)	25.8	26.7	27.1	28.4	29.2	30.0	30.6

Source: IMF World Economic Outlook, April 2014G. Data is actual for 2008-2013G, and estimated for 2014G.

3-2 Airline Industry Sector

Growth in the number of arrivals and departures to/from airports in Saudi Arabia will increase demand for the Company's products and services.

This section (i) analyses historic information in respect to the key drivers of the airline industry in Saudi Arabia; and (ii) sets out forecasts in respect to air traffic in the Middle East, including Saudi Arabia.

3-2-1 Historic Passenger Traffic

Air passenger traffic in Saudi Arabia is made up of domestic passengers travelling between Saudi Arabian airports for business and leisure, and international passengers travelling to/from Saudi Arabia, typically for business, as expatriate workers and labourers, or as pilgrims taking part in Hajj or Umrah.

According to the GACA, in 2013G over 68 million passengers passed through Saudi Arabia's airports (whether arriving or departing), an increase of 5% from 2012G.

Table 3-2 Passenger volumes by airport type ('000)

Airport	2007	2008	2009	2010	2011G	2012G	2013G
KAIA	16,309	17,643	17,758	19,893	22,898	27,111	26,581
% growth	-	8.2%	0.7%	12.0%	15.1%	18.4%	-2.0%
KKIA	11,783	11,540	12,674	13,616	14,889	17,069	18,585
% growth	-	-2.1%	9.8%	7.4%	9.3%	14.6%	8.9%
KFIA	4,092	4,164	4,423	4,835	5,531	6,422	7,311
% growth	-	1.8%	6.2%	9.3%	14.4%	16.1%	13.8%
PMIA	3,053	3,321	3,507	3,224	3,549	4,738	5,088
% growth	-	8.8%	5.6%	(-8.1%)	10.1%	33.5%	7.4%
Domestic Airports	6,353	5,642	5,927	6,385	7,594	9,433	10,555
% growth	-	-11.2%	5.1%	7.7%	18.9%	24.2%	11.9%
Total	41,590	42,310	44,289	47,953	54,461	64,773	68,120
% growth	-	1.7%	4.7%	8.3%	13.6%	18.9%	5.2%

Source: GACA Statistical Yearbooks 2008G-2013G;

Of the 68 million passengers passing through in 2013G, over 57 million were via the International Airports. This represented an increase of 4% in traffic for these airports from 2012G.

Meanwhile, overall passenger traffic in the Domestic Airports grew by 11.9% in 2013G, driven by increasing local airline traffic and the introduction of international flights from select regional airports, allowing carriers from neighbouring GCC markets to serve secondary destinations within Saudi Arabia.

3-2-2 Passenger Traffic Forecasts

Saudi Arabia and the Middle East are expected to be among the leading regions in the world in terms of international passenger traffic growth. The study was conducted by aircraft manufacturer Boeing, and examined passenger traffic within and between different regions. Growth within the Middle East is forecasted reach a compound annual growth rate of 5.7% over the 2013 – 2032G period.

The table below sets out the forecasted growth in the number of international passengers within and between different global regions between 2013G and 2032.

Table 3-3 Passenger Volume Growth Between Regions (CAGR 2013G – 2032)

	Africa	China	Europe	Middle East	N. America	C. America	S. America	N.E. Asia	S.E. Asia	S. Asia	Oceania
Africa	6.3%	-	4.8%	-	-	-	-	-	6.7%	-	-
China	-	6.9%	6.1%	-	6.3%	-	-	4.8%	7.5%	-	6.4%
Europe	4.8%	6.1%	3.6%	5.0%	3.5%	4.5%	4.8%	3.2%	5.0%	7.2%	-
Middle East	-	-	5.0%	5.7%	6.4%	-	-	-	6.6%	7.5%	-
N. America	-	6.3%	3.5%	6.4%	2.3%	4.2%	6.1%	2.2%	6.5%	-	4.2%
C. America	-	-	4.5%	-	4.2%	4.6%	6.5%	-	-	-	-
S. America	-	-	4.8%	-	6.1%	6.5%	7.4%	-	-	-	-
N.E. Asia	-	4.8%	3.2%	-	2.2%	-	-	2.5%	5.1%	-	3.5%
S.E. Asia	6.7%	7.5%	5.0%	6.6%	6.5%	-	-	5.1%	7.5%	8.4%	5.1%
S. Asia	-	-	7.2%	7.5%	-	-	-	-	8.4%	9.6%	-
Oceania	-	6.4%	-	-	4.2%	-	-	3.5%	5.1%	-	4.5%

Source: Boeing Current Market Outlook 2013G

Note: A "-" indicates that no specific forecast is available for that sub region to sub region growth

3-2-3 Pilgrims

Pilgrims from outside and inside Saudi Arabia perform Hajj and Umrah through licensed travel agencies and Tawafa establishments. The large influx of pilgrims to Makkah and Medina requires charter flights to support the highly seasonal traffic, providing additional opportunities for the Company.

As shown in the table below, from 2002-2012G the annual number of Hajj pilgrims has increased by 55%, representing an average growth of 5% per year. In 2013G, the number of Hajj pilgrims decreased by 37%, given that the Government of Saudi Arabia limited the maximum number of entry visas for Hajj and Umrah that may be issued for 2013G. In 2014, the number of Hajj pilgrims increased by 5.3% to a total of 2.1 million pilgrims.

Table 3-4 Pilgrim passenger charter traffic

Year		Hajj Pilgrims from within the Kingdom ('000s)	Hajj Pilgrims from outside the Kingdom ('000s)	Total ('000s)	Growth (%)
1423H	(2002G)	610.1	1,431.0	2,041.1	-
1424H	(2003G)	592.4	1,419.7	2,012.1	-1.4%
1425H	(2004G)	629.7	1,534.8	2,164.5	7.6%
1426H	(2005G)	700.6	1,557.4	2,258.1	4.3%
1427H	(2006G)	724.2	1,654.4	2,378.6	5.3%
1428H	(2007G)	746.5	1,707.8	2,454.3	3.2%
1429H	(2008G)	679.0	1,729.8	2,408.8	-1.9%
1430H	(2009G)	699.3	1,614.0	2,313.3	-4.0%
1431H	(2010G)	989.8	1,799.6	2,789.4	20.6%
1432H	(2011G)	1,099.5	1,828.2	2,927.7	5.0%
1433H	(2012G)	1,408.6	1,752.9	3,161.5	8.0%
1434H	(2013G)	Approx. 600.718	1,379.5	1980.2	-37.4%
1435H	(2014G)	696.2	1,389.1	2,085.2	5.3%

Source: Saudi Arabia Ministry of Hajj (foreign visitors in 1434H); Embassy of Saudi Arabia in the United States (1432H, 1433H); Supreme Judicial Council statement to Saudi Press Agency

Hajj passenger volume contractions in 2008 and 2009 were driven largely by the global financial crisis and ongoing expansion projects to develop the two holy Mosques. As the authorities were developing supporting infrastructure, including expanding transportation networks and accommodation for more pilgrims, the number of pilgrims permitted to travel to the two holy Mosques was temporarily reduced. Following this temporary reduction, the number of Hajj pilgrims increased by 20.6% in 2010 to 2.8 million.

In 2013G, the Saudi Government again temporarily reduced the number of people allowed to perform pilgrimage, stating a need to ensure safety while work was done to expand the Great Mosque. This coincided with an outbreak of Middle East Respiratory Syndrome ("MERS") virus in the country, leading to the Government advising that elderly and chronically ill Muslims defer Hajj to safeguard their own health. The total number of pilgrims permitted to perform Hajj in 2013G was reduced by approximately 35%, to approximately 2.1 million pilgrims.

Both official Government and non-official, publically-available sources expect that, in the longer term, the number of passengers travelling to Saudi Arabia to perform Hajj or Umrah or to visit the two holy Mosques will continue to grow.

3-2-4 Local Airlines

As of the date of the date of this Prospectus, Saudia and NAS are the two main carriers offering schedule services. Both operate domestic and international services. Saudia's and NAS' 2013G market shares were approximately 94% and 6% respectively, for the domestic market. In addition to Saudia and NAS, a number of non-scheduled carriers serve the BGA market.

GACA has granted new additional air carriers licenses, to two additional carriers, permitting both domestic and international operations. The two new operators are required to deploy at least 20% of their domestic capacity between Jeddah and Riyadh, using aircraft that seat a minimum of 100 passengers. The remaining 80% of capacity will be deployed on other domestic routes.

Qatar Airways is planning to launch an airline in Saudi Arabia under the name "Al Maha Airways". According to a press statement issued by Qatar Airways, dated 16/03/2015, the CEO of Qatar Airways, Mr Akbar Al baker, explained that it may take between six to eighteen months for Al Maha Airways to obtain a licence to operate in Saudi Arabia. Al Maha Airways will initially focus on operating flights between Abha, Al-Taif, Al-Madina, Al-Qassim, Jeddah, Riyadh, and Dammam as take-off and landing stations, and from Riyadh and Jeddah as international stations once the necessary approvals have been obtained. The airline will initially operate 10 aircraft, and will add 10-15 more per year until it reaches the strength of at least 50 Airbus narrow-body and wide-body aircraft, according to a statement made by CEO Akbar Al Baker at the Bahrain Air Show on 15/3/1435H (corresponding to 17 January 2014G).

The second license is being issued to Dammam-based Saudi Gulf Airlines. Saudi Gulf Airlines have placed an order for 16 Bombardier CS300 jets, which seat between 130 and 160 passengers, and have taken options for 10 more. The aircrafts are expected to be delivered received through 2015 and 2016. The airline intends to focus initially on core domestic routes to Jeddah and Riyadh from Dammam before expanding into Domestic Airports and international operations.

The entrance of two new carriers will increase the number of movements in Domestic Airports. If the two operators outsource their ground handling service requirements, the additional movements could increase commercial opportunities for the Company.

3-2-4-1 Local Airlines: Saudia

Saudia is the national carrier and the largest airline operating in Saudi Arabia. Saudia operated scheduled service to more than 127 destinations, split into 27 domestic and approximately 100 international markets.

At the start of 2014, Saudia was operating a fleet of 147 aircraft, either owned or leased. By 2015, Saudia expects to operate 164 aircraft, increasing to 230 by 2020. The additional aircraft will increase the number of movements in Saudi airports, increasing commercial opportunities for the Company.

In 2012G, the carrier transported 24.3 million passengers, registering year-on-year growth of 13.0%. The growth in 2012G followed similarly strong performance in 2011G, when the carrier registered robust expansion.

Table 3-5 Saudia historical passenger traffic growth

	2008	2009	2010	2011G	2012G
Saudia passengers carried (millions)	17.7	18.3	19.0	21.5	24.3
Growth (%)	-	3.4%	3.8%	13.2%	13.0%

Source: The Airline Monitor, October 2013G

Based on the airline's order book, Saudia is likely to continue sustained growth in the future, creating additional demand for the Company's products and services.

3-2-4-2 Local Airlines: NAS

NAS, a low cost carrier, is the second-largest carrier in Saudi Arabia. NAS operated scheduled service to 25 destinations, split into 8 domestic and 17 international markets.

In 2012G NAS was operating a fleet of 6 narrow-body and regional jet aircraft. During 2013G 10 additional Airbus A320 aircraft were added to the fleet, and by 2018 NAS is expecting to deploy another 10 to reach a fleet size of 26 aircraft. The expanded fleet will increase the number of movements in Domestic Airports, providing incremental commercial opportunities for the Company.

3-2-5 Foreign Airlines

Many foreign airlines operate to and from Saudi Arabia, transporting businessmen, expatriate workers and labours, and pilgrims. In 2013G, some of the key foreign airlines operating into Saudi Arabia were Emirates, Etihad, Flydubai, Air Arabia, Qatar Airways, Gulf Air, Egypt Air and Turkish Airlines. It is anticipated that the number of foreign airlines operating flights to Saudi Arabia will continue to increase as the Government continues to liberalize the aviation sector. Increased operations by foreign airlines into Saudi Arabia will also create incremental commercial opportunities for the Company's products and services.

3-2-6 Major GACA Initiatives

The Board understands that GACA has embarked upon various programs to encourage both local and international companies to participate in the development of KSA's airports, in order to raise the level of services and increase air traffic. Some of these programs are described below.

3-2-6-1 Expansion of International Airports

KAIA: Annual capacity is planned to increase from 17 million in 2012G to 80 million passengers a year by 2035G. The project will be developed in three phases at an estimated cost of SAR 42 billion.

Table 3-6 KAIA expansion

Phase	Expected completion	Estimated capacity (million passengers per year)
I	2015	30
II	2020	50
III	2025	80

The planned new terminal in Jeddah will include 46 departure gates, new aircraft hangers, a new control tower, a railway station connecting the airport to a public mass transit network, and a new aircraft maintenance facility.

KKIA: In December 2009 GACA's board of directors approved the expansion of KKIA, the first phase of which would increase airport capacity from 12 million to 25 million passengers per year. Another expansion phase, increasing capacity to 35 million passengers was announced in May 2013G and is scheduled to be completed by 2018G. The expansion will include new terminal buildings and connection to the city's mass transit network.

PMIA: In October 2011G GACA announced that it had awarded a Turkish-Saudi consortium a $1.5 billion (SAR 5.5 billion) contract to expand PMIA. The project is scheduled for completion in early 2015 and will increase the annual capacity of the airport from 4 million to 8 million passengers per year. Much of the expansion is being driven by growth in international traffic to Medina.

3-2-6-2 Expansion of historically Domestic Airports

Yanbu: The airport has undergone a significant expansion in 2009G. The airport has a capacity of around 600,000 passengers per year. This airport has been upgraded to a regional international airport and began receiving international flights in December 2009G.

Abha: On 16/1/2015G, Al Jabar Group announced that it had won the GACA tender for the expansion of Abha airport. The value of the expansion contract is SAR 1.8 billion. The expansion of the Abha airport is expected to be completed in 38 months and will include, inter alia, a 86,000 square meter terminal building with a capacity of 5 million passengers per year, 20 boarding gates, additional parking bays for aircraft and a parking area for passengers.

3-2-6-3 Competition in the Ground Handling Services segment

At present the Company is the largest provider of Ground Handling Services and products to commercial airlines in Saudi Arabia, with operations in all International and Domestic Airports. At present, the following companies are considered competitors of the Company:

- Arabasco, which is a company specialising in the provision of aircraft services (such as ground handling services and maintenance and operation activities) for private non-commercial aircraft, with a presence in both KAIA and KKIA.
- Future Light Aircraft Services Company, which is a company specializing in the provision of aircraft services (such as ground handling services and maintenance and operations activities) for privet non-commercial aircraft, with a presence in PMIA.
- GACA has licensed a Saudi-Turkish consortium to provide ground handling services in PMIA in competition with the Company. Moreover, as part of a build, operate and transfer agreement entered into between GACA and the Saudi-Turkish consortium for the expansion of PMIA, the Company and the new competitor will provide ground handling services to the PMIA expansion, which is expected to reach commercial operation in the first half of 2015G. However, this consortium's operations are restricted to PMIA and consequently may not be a major risk to the Company.
- Pursuant to communications from Abha and Prince Nayef Bin Abdulaziz Airports to the Company, exclusive passenger transport and medical lift operation contracts (for a period of 10 years) have been awarded to Al-Shati' Company since the begging of March 2014G in these two domestic airports.

In addition to the above, on 9 April 2015, GACA announced that Siwssport Corporation was awarded with the second ground handling license to provide ground handling services at airports in Saudi Arabia. Swissport Corporation is due to commence its operations within six months from the date of GACA's announcement.

3-3 Ground Handling Services Market

3-3-1 Ground Handling Services Market Overview

The ground handling services market encompasses all activities required to prepare an aircraft following arrival at an airport and prior to departure for its subsequent operation. The core service categories often include:

- **Ramp services,** comprising all services provided while the aircraft is on a ramp or apron such as pushing the aircraft back from its stand and towing it to the taxiway, baggage handling, potable water provision, waste removal, and refuelling, among others.
- **Cabin services,** sometimes called Fleet services, which includes all services which ensure passenger comfort such as cleaning.
- **Passenger services,** which include all activities inside the passenger terminal such as check-in and boarding.
- **Transport services** for passengers and crew, typically between aircraft and terminal. Catering, specifically the loading and unloading of food, drink and packaging

Many airlines choose to operate some or all of these services themselves, particularly in their hub airports. However, estimates from the IATA suggest that over half of the ground handling which takes place in commercial airports is outsourced by the airlines to external operators, including specialist ground handling companies, airports and other airlines.

The market for ground handling services in Saudi Arabia includes most core ramp, cabin, passenger and transport services. Ground handling service providers may also supply additional technical services, such as connecting aircraft to GPU.

Unlike in many other countries, however, fuel supply, catering services and cargo handling services are not included in the core set of ground handling activities. These activities are provided by separate service agents, who require different operating licenses in the Kingdom.

At present, the Company is a licensed provider of ground handling services and products in the Kingdom of Saudi Arabia, licensed to provide water, passenger, baggage and technical ramp services throughout all of the Kingdom's International and Domestic Airports (all 27 airports).

3-3-2 Current Market for Ground Handling Services

In 2013G there were approximately 270,000 aircraft movements executed in Saudi Arabia's airports. Saudia aircraft, including commercial scheduled operations and executive jet/private aviation turns, represented 62.7% of all turns in the country's airports, making the airline the single-largest buyer of ground handling services in the Kingdom. NAS, the third largest segment, was responsible for 8.5% of all turns. 44 carriers from the Middle East/North Africa (MENA) segment operated into Saudi Arabia, including but not limited to Emirates, Etihad, Fly Dubai, Air Arabia, Egypt Air and Turkish Airlines, representing the second-largest segment with 21.4% of all turns. The remaining turns were distributed between carriers from the Indian Sub-Continent including operators such as Air India and Pakistan International Airlines, International carriers including operators like British Airways and Lufthansa, and operators of BGA aircraft, typically corporate jets.

Together, in 2013G the Saudi carriers Saudia and NAS accounted for over 70% of the ground handling of market volume.

3-3-3 Projections for Ground Handling Services Market

Overall market volume is projected to grow at an average rate of 10.1% per year between 2013G and 2018.

Saudia is forecast to expand turns at an average rate of 6.5% per year through 2018, when it is expected to account for 53.0% of movements in Saudi Arabia. The steady volume growth reflects Saudi Arabia's network expansion plans in the domestic market, as well as increased international operations that fuel growth at a more modest pace.

NAS is forecast to register 16.6% turn growth in Saudi Arabia through 2018, and is expected to represent 11.3% of the market by the end of that period. The significant growth is driven by the airline's fleet expansion plans: in 2013G NAS received 10 new A320 narrow-body aircraft and will add another 10 by 2018. The deployment of these additional aircraft is projected to significantly increase traffic and turns, increasing ground handling service opportunities.

MENA carrier turns in Saudi Arabia are forecast to grow at an average rate of 5.5% per year, driven largely by increasing penetration of secondary and tertiary markets in Saudi Arabia by low cost carriers based in neighboring Middle East countries. By 2018, the MENA operators are estimated to represent 17.3% of turn volume.

A key driver of market volume growth between 2015 and 2018 is the deployment of additional domestic capacity by two new airline operators entering the market, Al Maha Airways and Saudi Gulf Airlines. Al Maha plans to launch in late 2014 and expects to grow its fleet size by 10 each year, from 10 aircraft at launch to a total strength of 50 aircraft. Saudi Gulf, which intends to begin operations once all regulatory approvals have been obtained, recently ordered 16 Bombardier aircraft with options for 10 more. Both players plan to operate domestic and international flights, with an initial focus on routes between the largest Domestic Airports. The two airlines are estimated to account for 13.0% of 2018 turn volume.

Carriers from the Indian Sub-Continent, who are responsible for transporting significant migrant labor traffic to Saudi Arabia, are expected to grow at an average rate of 6.1% per year through 2018 and are estimated to represent 3.0% of the turns at the conclusion of the forecast period. The sustained growth is contingent on the continued importance of Saudi Arabia as an employment Centre for labor from the Indian Sub-Continent.

International carrier growth into Saudi Arabia is expected to be negligible throughout the forecast period due to limitations on landing rights in Saudi Arabia's airports. Historically, the Government has been reluctant to grant additional landing permissions to carriers based in Europe, Asia and the Americas. Although the Government is considering further liberalization, which would permit the international carriers to expand their operation into Saudi Arabia, progress has thus far been modest and is not expected to significantly impact market volumes through 2018. In 2018 the segment is anticipated to account for 2.1% of turn volume in Saudi Arabia.

The Business/General Aviation (BGA) segment is expected to continue growing at an average rate of 4.3% per year through 2018, continuing its historical trajectory of modest improvement in the Saudi Arabian market. By 2018, the BGA segment is expected to represent 0.2% of the total market volume.

Table 3-7 Aircraft turns ('000s) 2013G – 2018

Market segment	2013G	2014E	2015E	2016E	2017E	2018E
Saudia	169.2	180.0	191.6	203.9	217.2	231.5
NAS	22.9	29.6	38.2	41.3	44.8	49.4
MENA	57.8	61.0	64.3	67.9	71.6	75.5
New airlines operating on domestic routes (Al Maha Airlines and Saudi Gulf Airlines)	-	1.8	11.7	37.0	46.0	56.9
Indian Sub-Continent airlines	9.6	10.2	10.9	11.5	12.2	13.0
International	9.4	9.4	9.4	9.4	9.4	9.4
Business / General Aviation (BGA)	0.8	0.8	0.8	0.9	0.9	0.9
Total	**269.7**	**292.8**	**326.8**	**372.0**	**402.1**	**436.7**

Source: Company historic movement data, Saudia growth forecasts, NAS growth forecasts, Oliver Wyman analysis

Note: Forecasts based on best-available, public and published data, including but not limited to: airline network projections, confirmed airline fleet orders, consensus-based industry forecasts and historical growth rates.

Note: The total number of flights in 2014 was 290,200, of which 175,500 were operated by Saudia and 32,600 were operated by NAS, while the remaining flights were operated by other airlines. Al Maha Airways and Gulf airlines had not yet commenced operations in 2014.

3-3-4 Competition in the Ground Handling Services market

As discussed in section 3.2.6 ("Major GACA Initiatives"), a further ground handling license is expected to be issued during 2015G. The new player will be required to provide a complete suite of ground handling services in KAIA, KKIA and KFIA, and may offer services in the Domestic Airports if they choose to do so.

In addition, a second operator has already committed to launching operations in PMIA and is expected to commence operations in 2015G.

Another competitive pressure facing the Company is the option for airlines to "self-handle," or furnish ground handling services independently for proprietary aircraft. As of this time, there are no indications that any of the Company's largest clients are investing in the infrastructure necessary to execute ground handling services independently. The option to "self-handle" is typically only carried out by operators with significant scale and breadth in a market. As of mid-2013G and for the next two to three years, only Saudia and NAS are estimated to have the potential scale for economically viable "self-handling." Neither Saudia nor NAS has (i) made public an intention to "self-handle," or (ii) appears to be acquiring the necessary equipment to launch "self-handling" operations.

4. The Company

4-1 Historical Background

Saudi Ground Services Company, a Saudi Closed Joint Stock Company in accordance with the Minister of Commerce and Industry Resolution No.171/Q issued on 17/7/1435H (corresponding to 6 May 2014G) with Commercial Registration No. 4030181005, was founded as a limited liability company in Saudi Arabia on 11/7/1429H (corresponding to 14 July 2008G). The Company's address is in Khalidiah District and its head offices are located in Jeddah. The Company was incorporated in 2008 as a wholly-owned subsidiary of Saudia in accordance with (i) the resolution of the Supreme Economic Council No. 1/27 dated 14/02/1427H (corresponding to 14 March 2006G), which approved the Privatisation program for Saudia and (ii) Royal Decree No. M/70 issued on 15/8/1428H (corresponding to 28 August 2007G), which allowed Saudia to incorporate wholly-owned subsidiaries in Saudi Arabia. However, the Company did not undertake any activities from its incorporation until 25/01/1432H (corresponding to 31 December 2010G), pending the completion of the Acquisition process.

On 23/2/1431H (corresponding to 7/2/2010G), the Company entered into agreements with Saudia, Attar Travel Company and Attar Ground Handling Company (which were the only companies providing ground handling services in Saudi Arabia at the time) to acquire their respective ground handling businesses. The Company also entered into an agreement with NHS shareholders to acquire their entire issued shareholding in return for issuing new shares in the Company which represent the value of the businesses that were transferred to the Company from each shareholder and for fulfilling the Acquisition requirements under the Companies Regulation, which require a limited liability company to have a minimum of two shareholders. Therefore, the Company transferred two per cent of its shareholding in NHS to Saudi Air Transport Company). It should be noted that NHS is in the process of being liquidated.

As a result, the Company became the sole ground handling provider across all airports in the Kingdom at that time, as each of the merged parties ceased to provide ground handling services starting from 26/1/1432H (corresponding to 1/1/2011G).

On 28/10/1431H (corresponding to 7 October 2010G), Saudia, Attar Travel Company and Attar Ground Handling Company, the shareholders of NHS and NAGS (a company wholly-owned by the shareholders of NHS and incorporated on 02/01/1431H (corresponding to 18 December 2009G)) entered into an amendment agreement to the Shareholders' Agreement pursuant to which the parties agreed to transfer the rights and obligations of (i) the shareholders of NHS, including the right to receive the new shares in the Company, to NAGS and (ii) Attar Travel Company and Attar Ground Handling Company, including the right to receive the new shares in the Company, to Attar. The transfer of the parties' respective businesses took effect on 26/01/1432H (corresponding to 1 January 2011G), and the Company issued shares to its three Shareholders: Saudia, Attar and NAGS.

The aim of the merger of these businesses was to consolidate the ground handling resources of all the ground services companies, thereby achieving synergies and improving the overall quality and sustainability of ground handling services across all airports in Saudi Arabia. The merger was also aimed at stabilising the ground handling market in Saudi Arabia.

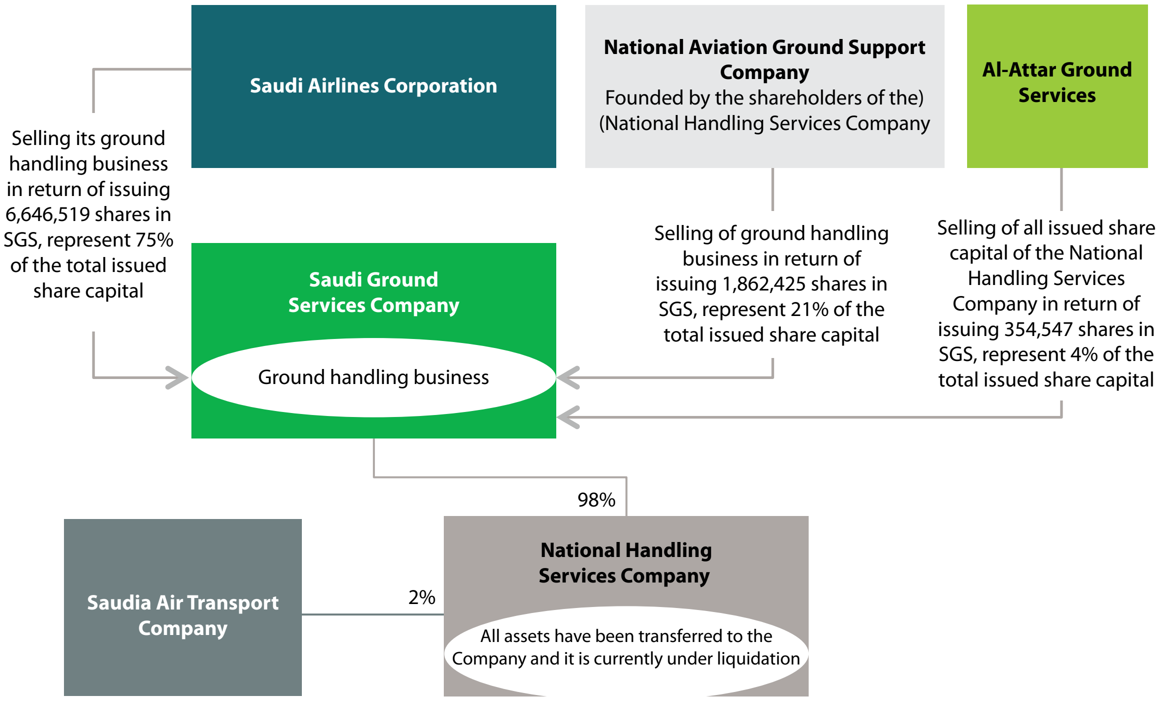
Figure 4-1 Ground services providers before the Acquisition

Source: Company

Figure 4-2 Ground services providers after the Acquisition

Saudi Ground Services Company acquired the ground handling business of:

1- Saudi 2- Al-Attar Travel and Al-Attar Ground Handling, and the total issued share capital of National Handling Services Company.



Source: Company

Table 4-1 History

Year	Milestone
1988G	Commencement of ground handling services by Saudia
2006G	Separation of the ground services of Saudia into a strategic business unit
2006G	Commencement of ground handling operations in KKIA, KFIA and KAIA
2007G	Commencement of ground handling services in Qasim and Yanbu and commencement of passenger services to international airlines in KKIA
2008G	Privatisation of the ground handling unit of Saudia and the incorporation of the Company as a limited liability company in preparation for the transfer of assets and businesses to the unit
2008G	Combination of passenger and ground handling services at KFIA and commencement of operations in around 22 Domestic Airports
2009G	Commencement of passenger services in KKIA and PMIA
2010G	Commencement of passenger services in KAIA
2011G	Completion of the Acquisition
2012 - 2013G	IATA approval awarded for ticket sales agency services
2014G	Commencement of ticket sales and travel agency operations
2014G	Completion of the conversion of the Company to a Joint Stock Company

Source: Company

4-2 Corporate History

In accordance with Royal Decree No. M/70 issued on 15/8/1428H (corresponding to 28 August 2007G), which allowed Saudia to incorporate wholly-owned subsidiaries in Saudi Arabia, Saudi Ground Services Company was founded as a limited liability company (wholly-owned by Saudia) in Saudi Arabia with commercial registration number 4030181005 on 11/7/1429H (corresponding to 14 July 2008G) with a share capital of SAR 500,000 (five hundred thousand Saudi Riyals) divided into 5,000 (five thousand) shares of SAR 100 (one hundred Saudi Riyals) each. On 23/01/1432H (corresponding to 29 December 2010G) the share capital of the Company was increased from SAR 500,000 (five hundred thousand Saudi

Riyals) to SAR 886,869,100 (eight hundred eighty six million eight hundred sixty nine thousand one hundred Saudi Riyals) divided into 8,868,691 (eight million eight hundred sixty eight thousand six hundred ninety one) shares of SAR 100 (one hundred Saudi Riyals) each and the new shares resulting from such increase were issued in favour of Saudia, NAGS and Attar in consideration for the acquisition by the Company of their respective ground handling business and the acquisition by the Company of the entire issued shareholding of NHS as part of the Acquisition process explained in 4.1 (Historical Background).

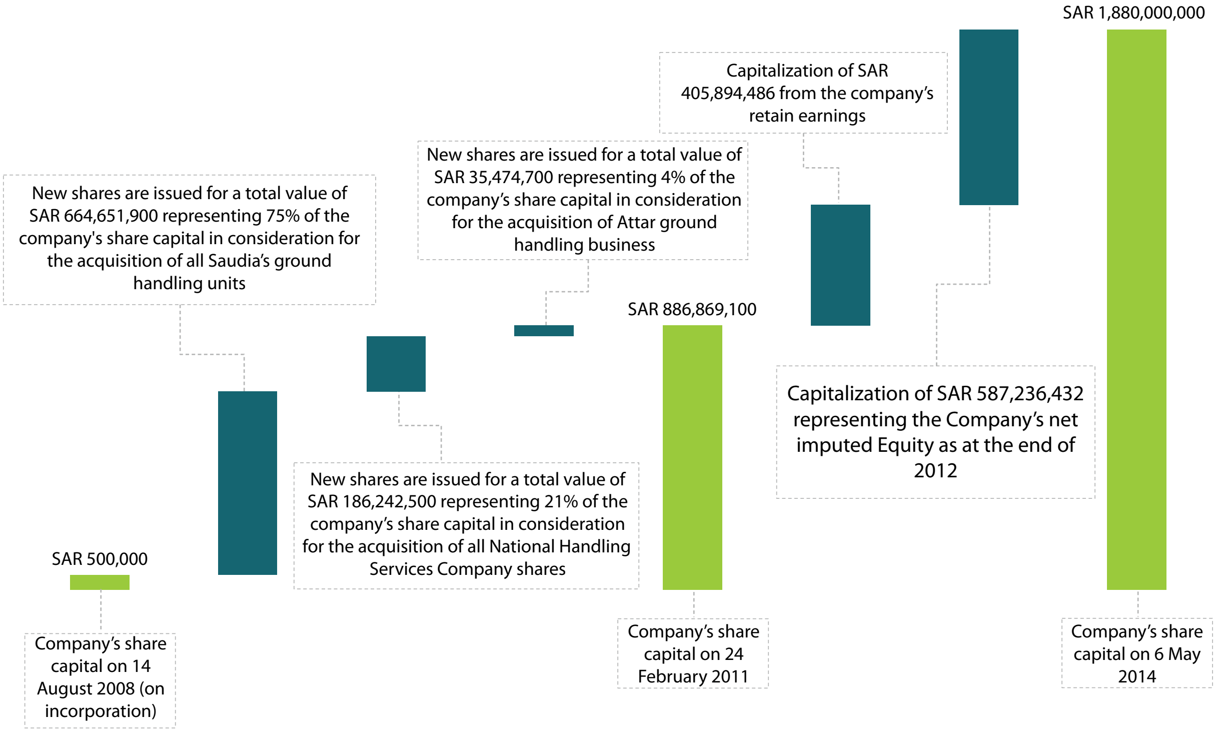
At the Conversion General Assembly held on 24/5/1435H (corresponding to 25 March 2014G), the Shareholders approve the increase of the share capital of the Company from SAR 886,869,100 (eight hundred eighty six million eight hundred sixty nine thousand one hundred Saudi Riyals) to SAR 1,880,000,000 (one billion eight hundred eighty million Saudi Riyals) divided into 188,000,000 (one hundred eighty eight million) ordinary shares of SAR 10 (ten Saudi Riyals), each through a capitalisation of (i) SAR 405,894,468 (four hundred and five million eight hundred ninety four thousand four hundred sixty eight Saudi Riyals) from the Company's retained earnings; and (ii) SAR 587,236,432 (five hundred eighty seven million two hundred thirty six thousand four hundred thirty two Saudi Riyals) representing the Company's net imputed equity as at the end of 2012G, and simultaneously, the Company was converted from a limited liability company into a joint stock company pursuant to the Resolution of the Minister of Commerce and Industry Number 171/K dated 7/7/1435H (corresponding to 6 May 2014G) with a share capital of SAR 1,880,000,000 (one billion eight hundred eighty million Saudi Riyals) divided into 188,000,000 (one hundred eighty eight million) shares. Given that closed joint stock companies must have a minimum of five shareholders, SPAC and SARED (both wholly-owned subsidiaries of Saudia) were issued shares in the Company.

Table 4-2 Shareholding History

	At incorporation (July 2008G)		After the Acquisition (February 2010G)		After conversion into a joint stock company (May 2014G)	
Shareholder	Number of Shares	%	Number of Offer Shares	%	Number of Offer Shares	%
Saudi Arabian Airlines Corporation	5,000	100%	665,152	75%	135,360,000	72%
Saudia Private Aviation Company Limited	-	-	-	-	2,820,000	1.5%
Saudia Real Estate & Development Company Limited	-	-	-	-	2,820,000	1.5%
National Aviation Ground Support Company	-	-	186,243	21%	39,480,000	21%
Attar Ground Handling Company	-	-	35,475	4%	7,520,000	4%

Source: Company

Figure 4-3 Share Capital History



Source: Company

4-3 Shareholding Structure

The following table summarizes the shareholding structure of the Company before and after the Offering:

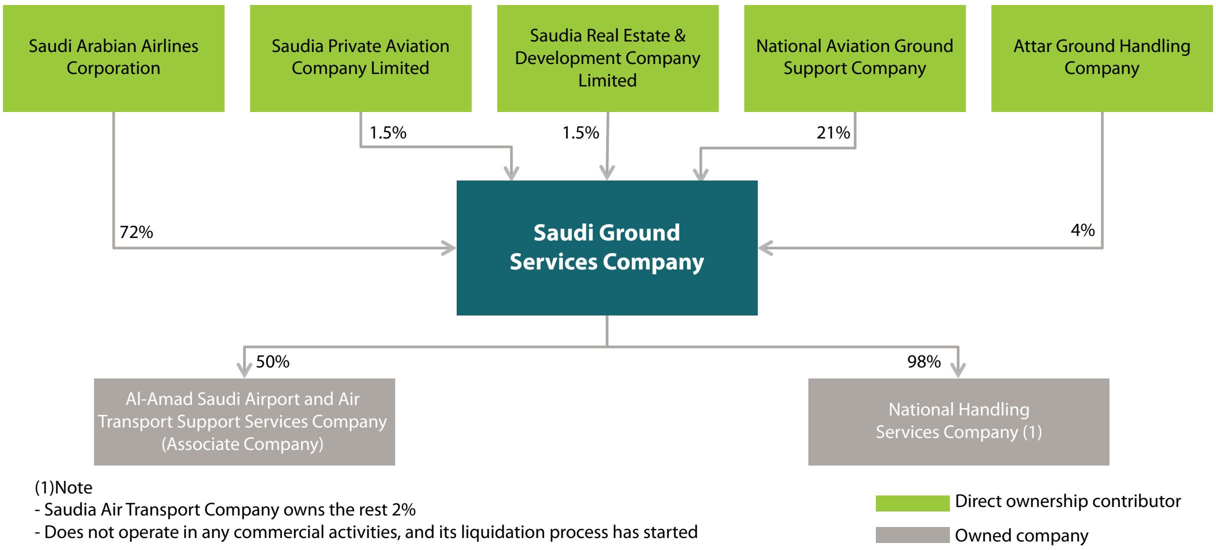
Table 4-3 Shareholders

	Pre-Offering				Post-Offering		
Shareholder	Shares	Capital (SAR)	%	Number of Offer Shares	Shares	Capital (SAR)	%
Saudi Arabian Airlines Corporation	135,360,000	1,353,600,000	72%	36,660,000	98,700,000	987,000,000	52.5%
Saudia Private Aviation Company Limited	2,820,000	28,200,000	1.5%	2,820,000	0	0	-
Saudia Real Estate & Development Company Limited	2,820,000	28,200,000	1.5%	2,820,000	0	0	-
National Aviation Ground Support Company	39,480,000	394,800,000	21%	11,844,000	27,636,000	276,360,000	14.7%
Attar Ground Handling Company	7,520,000	75,200,000	4%	2,256,000	5,264,000	52,640,000	2.8%
Public	-	-	-	-	56,400,000	564,000,000	30%
Total	**188,000,000**	**1,880,000,000**	**100%**	**56,400,000**	**188,000,000**	**1,880,000,000**	**100%**

Source: Company

Figure 4-4 Company's Group Structures

The following chart sets out the structure of the Company's group as at the date of this Prospectus.



Source: Company

4-4 Overview of the Selling Shareholders

4-4-1 Saudi Arabian Airlines Corporation

Saudia, the national flag carrier of Saudi Arabia, was founded as a Government agency under the control of the Ministry of Defence pursuant to the Royal Decree number M/24 dated 18/7/1385 (corresponding to 11 November 1965G). On 9/12/1432H (corresponding to 5 November 2011G), Royal Order number A/230 was issued, which brought about certain changes to Saudia's organizational structure and the aviation sector in Saudi Arabia. Pursuant to Royal Order A/230 (i) the duties and responsibilities of operating civil airports and regulating the civil aviation sector were transferred from the Saudi Arabian Ministry of Defence to GACA, (ii) GACA's chairman shall preside as chairman of Saudia's board of directors, (iii) Saudia's board of directors is to be re-organised and re-elected and (iv) Saudia shall, from an organizational perspective, fall under the supervision of the Prime Minister.

After the issuance of the Royal Order A/230, the Council of Ministers issued Resolution number 28 dated 15/2/1433H (corresponding to 1 January 2012G), which provides that (i) Saudia shall be an independent public institution with independent legal status and as such, its by-laws, issued pursuant to Royal Decree number M/24 dated 18/7/1385 (corresponding to 11 November 1965G), shall be amended accordingly, (ii) Saudia shall, from an organizational perspective, fall under the supervision of the Prime Minister, (iii) Saudia's head office shall be located in Jeddah and (iv) Saudia's board of directors is to be re-organised and re-elected and shall comprise of the following members:

- GACA's chairman or his deputy shall preside as chairman of Saudia's board;
- Saudia's director general shall preside as a member of Saudia's board;
- four members representing Government bodies (provided their rank is not less than fifteen or an equivalent thereof); and
- five members from the private sector.

Saudia shall have a general manager that is appointed pursuant to a board resolution issued by Saudia's board of directors, in accordance with the Council of Ministers Resolution number 266 dated 21/6/1435H (corresponding to 22 April 2014G). The Government representatives and the representatives of the private sector shall be appointed to Saudia's board pursuant to a resolution issued by Council of Ministers based on the recommendation of GACA's chairman.

As at the date of this Prospectus, Saudia's board of directors is comprised of the following members, which have been appointed for a term of 3 years pursuant to Council of Ministers Resolution number 321 dated 25/9/1433H (corresponding to 23 July 2014G).

Table 4-4 Saudia's Board Members

Board Member	Position	Occupation
His Excellency Sulaiman Abdullah Al-Hamdan *	Chairman	Chairman of GACA
His Excellency Mr. Mohammad bin Hmoud Al Mazyad	Member	Assistant to the Minister of Finance
His Excellency Mr. Mohammad bin Saleh Al Dehaam**	Member	Deputy Minister of Economy and Planning
His Excellency Mr. Faisal bin Hamad Al Saqer	Member	Deputy Chairman of GACA
Mr. Ahmad bin Saleh Al Humaidan	Member	Representative of the Ministry of Labour
Mr. Abdulaziz bin Mohammad Al Athel***	Member	Businessman (Al Kasa Global Construction Contractors)
Mr. Abdulrahman bin Rashid Al Rashid****	Member	Businessman (Chairman of the Eastern Chamber of Commerce and Industry)
Mr. Abdullah bin Said Al Mubti	Member	Businessman (Chairman of the Chamber of Commerce and Industry)
Mr. Saleh bin Nasser Al Jasser	Member	Head of Saudia
Mr. Abdulhadi Ali Shayef	Member	Businessman

* Appointed pursuant to Royal Order number A91 dated 9/04/1436H (corresponding to 30/01/ 2015G)

** Replaced His Excellency Mr. Ahmad bin Ibrahim Al Hakmi

*** Membership renewed for an additional 3 years as of 24/4/1433H (corresponding to 18 March 2012G)

**** Membership renewed for an additional 3 years as of 24/4/1433H (corresponding to 18 March 2012G)

Saudia's board of directors has full authority to carry out its business, manage its affairs and implement its general policies, and has the power to establish one or more committees comprising of members of the board and may delegate part of its authority to such committees. Saudia's board of directors has the authority to delegate part of its authority to the chairman of Saudia's board or its general manager, and may delegate to any member of the board the specific authority to complete or undertake a specific task. While Saudia is an independent public institution, the administrative and financial regulations applicable to ministries and governmental agencies in Saudi Arabia do not apply to Saudia or its board of directors.

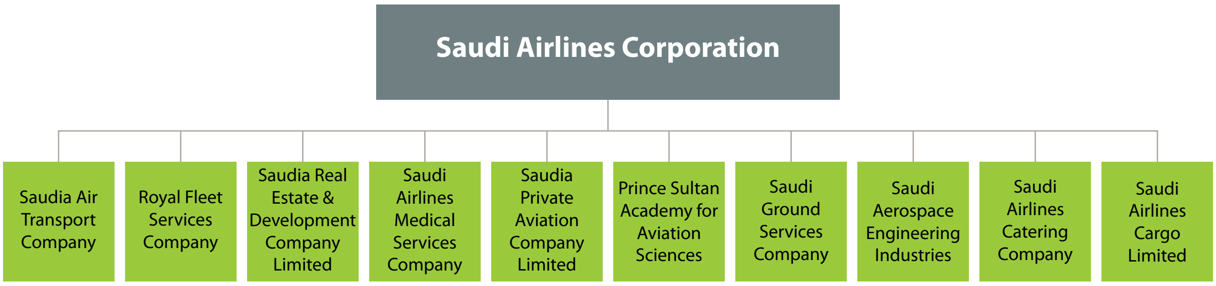
Pursuant to (i) the resolution of the Supreme Economic Council No. 1/27 dated 14/02/1427H (corresponding to 14 March 2006G), which approved the privatisation program for Saudia, and (ii) Royal Decree No. M/70 issued on 15/8/1428H (corresponding to 15 August 2007G), which allowed Saudia to incorporate wholly-owned subsidiaries in Saudi Arabia, Saudia incorporated a number of subsidiary companies in anticipation of the privatisation of its business units. The aforementioned privatisation program was to be carried out in several stages, which would ultimately result in Saudia becoming a holding company to several operating subsidiary companies. The privatisation program has already commenced in respect of Saudia's catering, ground handling, technical and resource management, training, cargo, sales and airline activities. Saudia is required to continue to implement the privatisation program given that Saudia is in charge, pursuant to the implementation programme, to implement the privatisation steps and in accordance with the following principles:

- The secondary operating units will be transferred to subsidiary companies (strategic commercial profit-generating companies) which are owned by Saudia in partnership with investors from the private sector;
- Saudia's financial, administrative, legal, human resources and operational departments will be restructured; and
- Saudia's airline business will be restructured to become a commercially operational unit.

Saudia has already privatised several of its units and has established the following subsidiaries in cooperation with other investors:

- The Company (Saudi Ground Services Company);
- Saudi Airlines Catering Company, which has offered a number of its shares for subscription by the public in 2012G;
- Saudi Airlines Cargo Limited; and
- SAEI (Saudi Aerospace Engineering Industries).

Figure 4-5 Saudia's Structure Chart



Source: Saudia

As at 28/2/1435H (corresponding to 1 January 2014G), Saudia operated a fleet of 147 planes (either owned or leased) on more than 127 domestic and international scheduled routes in the Middle East, Africa, Asia, Europe and North America. Saudia also operates both domestic and international charter flights, mostly during Ramadan and the Hajj season. The airline's main operational base and head office is at KAIA, Jeddah. Other major operational hubs are in Riyadh, Dammam and Medina. In addition to this, Saudia also operates cargo, and private aviation services, either by itself or together with strategic partners.

Following the Offering, Saudia will hold 98,700,000 Shares representing 52.5% of the Company's share capital and will continue to be the largest shareholder in the Company.

4-4-2 Saudia Private Aviation Company Limited ("SPAC")

SPAC is a limited liability company registered in Jeddah under commercial registration number 4030182668 dated 9/9/1429H (corresponding to 9 September 2008G) with a share capital of SAR 500,000. SPAC is wholly owned by Saudia. The activities of SPAC include operating private aviation flights on demand for unscheduled flights and operating domestic and international scheduled flights. Following the Offering, SPAC will no longer hold, directly or indirectly, any Shares.

4-4-3 Saudia Real Estate & Development Company Limited ("SARED")

SARED is a limited liability company registered in Jeddah under commercial registration number 4030181931 dated 12/8/1429H (corresponding to 14 August 2008G) with a share capital of SAR 500,000. SARED is wholly owned by Saudia. The activities of SARED include:

- managing, developing and maintaining real estate,
- constructing on, selling and leasing land plots,
- constructing, managing, developing and maintaining buildings that are related to aviation, and
- constructing, managing, developing and maintaining commercial, residential, hotels and road resting areas.

Following the Offering, SARED will no longer hold, directly or indirectly, any Shares.

4-4-4 Attar Ground Handling Company

Attar is a limited liability company registered in Jeddah under commercial registration number 4030178662 dated 24/4/1429H (corresponding to 1 May 2008G) with a share capital of SAR 1,000,000.

The activities of Attar include the provision of aircraft and hotel bookings and reservations services, entry visa processing services, arranging for the issuance of international drivers licences, arranging for travel insurance and providing airport reception services as well as other ancillary services. Furthermore, Attar was appointed as a ticket and hotel sales agent for several airlines and hotels.

Following the offering, Attar will hold 5,264,000 Shares representing 2.8% of the Company's share capital.

The folliwng table sets out the shareholders in Attar.

Table 4-5 Shareholders in Attar

No.	Shareholder	No. of Shares	Value per Share	Total Value	Percentage
1	Sami Attar	130	1,000	130,000	26%
2	Siddik Attar	85	1,000	85,000	17%
3	Ghassan Attar	85	1,000	85,000	17%
4	Marwan Attar	80	1,000	80,000	16%
5	Hassan Attar	80	1,000	80,000	16%
6	Lamya' Attar	40	1,000	40,000	8%
7	**Total**	**500**		**500,000**	**100%**

Source: Attar

4-4-5 National Aviation Ground Support Company

NAGS is a limited liability company registered in Riyadh under commercial registration number 1010288111 dated 2/6/1431H (corresponding to 16 May 2010G) with a share capital of SAR 1,000,000. The main activities of NAGS include the provision of maintenance services to aircraft operating in KSA airports. Furthermore, NAGS carries out first line maintenance and A-Check maintenance on aircraft. NAGS also provides ancillary services including training services for aircraft maintenance, airport operation services and maintenance of ground handling equipment. NAGS is owned by various shareholders, who are individuals and companies, with the substantial shareholder being National Flight Services LLC, which owns around 41% of the shares of NAGS. Following the offering, NAGS will hold 27,636,000 Shares representing 14.7% of the Company's share capital.

Table 4-6 Shareholders in NAGS

No.	Shareholder	No. of Shares	Value per Share	Total Value (SAR)	Percentage
1	National Flight Services LLC	40,889	10	408,890	40.9%
2	Abdullah and Abdulaziz Kanoo LLC	16,926	10	169,260	16.9%
3	Naser Bin Ibrahim Bin Al Rasheed	10,185	10	101,850	10.2%
4	Fal Arabia Holding LLC	3,667	10	36,670	3.7%
5	Al Bilad for Trade and Economy Establishment	8,333	10	83,330	8.3%
6	Arabian Company for Catering and Trading LLC	10,000	10	100,000	10%
7	Al Ahsa Development Company	5,000	10	50,000	5%
8	Khaled Al Baltan	5,000	10	50,000	5%
9	**Total**	**100,000**		**1,000,000**	**100%**

Source: NAGS

Note: NAGS is a shareholding company that is listed on the Exchange.

*All percentages are approximated.

Table 4-7 Shareholders in National Flight Services LLC (Limited Liability Company)

No.	Shareholder	No. of Shares	Value per Share	Total Value (SAR)	Percentage
1	Makshaf Services Company Limited	30	5,000	150,000	30%
2	Makshaf Commercial Investments Company	70	5,000	350,000	70%
3	**Total**	**100**		**500,000**	**100%**

Source: National Flight Services LLC

National Flight Services LLC owns 39.2% of NAS's share capital and owns 40.9% of NAGS's share capital.

Table 4-8 Shareholders in Makshaf Services Company Limited (Limited Liability Company)

No.	Shareholder	No. of Shares	Value per Share	Total Value (SAR)	Percentage
1	Prince Faisal bin Khalid bin Sultan bin Abdulaziz Al Saud	100	1,000	100,000	10%
2	Princess Abeer bint Turky bin Abdulaziz Al Saud	620	1,000	620,000	62%
3	Prince Fahd bin Khalid bin Sultan bin Abdulaziz Al Saud	60	1,000	60,000	6%
4	Princess Hala bint Khalid bin Sultan bin Abdulaziz Al Saud	60	1,000	60,000	6%
5	Princess Masha'el bint Khalid bin Sultan bin Abdulaziz Al Saud	60	1,000	60,000	6%
6	Princess Sara bint Khalid bin Sultan bin Abdulaziz Al Saud	100	1,000	100,000	10%
7	**Total**	**1000**		**1,000,000**	**100%**

Source: Makshaf Services Company Limited

Table 4-9 Shareholders in Makshaf Commercial Investments Company (Limited Liability Company)

No.	Shareholder	No. of Shares	Value per Share	Total Value (SAR)	Percentage
1	Makshaf Services Company Limited	300	1,000	300,000	30%
2	Prince Faisal bin Khalid bin Sultan bin Abdulaziz Al Saud	70	1,000	70,000	7%
3	Princess Abeer bint Turky bin Abdulaziz Al Saud	440	1,000	440,000	44%
4	Prince Fahd bin Prince Fahd bin Khalid bin Sultan bin Abdulaziz Al Saud	40	1,000	40,000	4%
5	Princess Hala bint Khalid bin Sultan bin Abdulaziz Al Saud	40	1,000	40,000	4%
6	Princess Masha'el bint Khalid bin Sultan bin Abdulaziz Al Saud	40	1,000	40,000	4%
7	Princess Sara bint Khalid bin Sultan bin Abdulaziz Al Saud	70	1,000	70,000	7%
8	**Total**	**1,000**		**1,000,000**	**100%**

Source: Makshaf Commercial Investments Company

Table 4-10 Shareholders in Abdullah and Abdulaziz Kanoo LLC (Limited Liability Company)

No.	Shareholder	No. of Shares	Value per Share	Total Value (SAR)	Percentage
1	Abdullah bin Ali Kanoo and Partner Co.	8,500	1,000	8,500,000	50%
2	Adulaziz bin Kasem Kanoo and Partners Co.	8,500	1,000	8,500,000	50%
4	**Total**	**17,000**		**17,000,000**	**100%**

Source: Abdullah and Abdulaziz Kanoo LLC

Table 4-11 Shareholders in Fal Arabia Holding LLC (Limited Liability Company)

No.	Shareholder	No. of Shares	Value per Share	Total Value (SAR)	Percentage
1	Fahed Mohammad Saleh Al-Athel	850	1,000	850,000	85%
2	Badriyah Hussain Mansoor Assaf	20	1,000	20,000	2%
3	Ghada Fahd Mohammad Al-Athel	10	1,000	10,000	1%
4	Badr Fahd Mohammad Al-Athel	20	1,000	20,000	2%
5	Mohammad Fahd Mohammad Al-Athel	20	1,000	20,000	2%
6	Turky Fahd Mohammad Al-Athel	20	1,000	20,000	2%
7	Falwa Fahd Mohammad Al-Athel	10	1,000	10,000	1%
8	Masha'el Fahd Mohammad Al-Athel	10	1,000	10,000	1%
9	Hala Fahd Mohammad Al-Athel	10	1,000	10,000	1%

No.	Shareholder	No. of Shares	Value per Share	Total Value (SAR)	Percentage
10	Muneera Fahd Mohammad Al-Athel	10	1,000	10,000	1%
11	Sayteh Fahd Mohammad Al-Athel	10	1,000	10,000	1%
12	Rabe'a Fahd Mohammad Al-Athel	10	1,000	10,000	15
13	**Total**	**1000**		**1,000,000**	**100%**

Source: Fal Arabia Holding LLC

Table 4-12 Shareholders in Al Bilad for Trade and Economy Establishment

No.	Shareholder	Commercial Registration No.	Date of Incorporation	Share Capital (SAR)
1	His Excellency Prince Turky bin Mohammad bin Fahd Al Saud	1010006589	(19/1/1393H)	1,150,000

Source: Al Bilad for Trade and Economy Establishment

Table 4-13 Shareholders in Arabian Company for Catering and Trading LLC

No.	Shareholder	Total Value (SAR)	Percentage
1	Sabih Taher Darwish Al Masri	50,000,000	20%
2	Khalid Sabih Taher Al-Masri	197,500,000	79%
3	Qimmat Al-Sahra' Commercial Services Company	2,500,000	1%
4	**Total**	**250,000,000**	**100%**

Source: Arabian Company for Catering and Trading LLC

Table 4-14 Shareholders in Qimmat Al-Sahra' Commercial Services Company

No.	Shareholder	Total Value (SAR)	Percentage
1	Khalid Sabih Taher Al-Masri	100,000	20%
2	Sabih Taher Darwish Al-Masri	400,000	80%
4	**Total**	**500,000**	**100%**

Source: Qimmat Al-Sahra' Commercial Services Company

4-5 Vision, Objective, Mission and Strategy

4-5-1 Vision

The Company's vision is to consolidate its position as the leading airline ground handling company in Saudi Arabia.

4-5-2 Objective

The Company's objective is to remain the first choice service provider to the Company's customers. The Company aims to provide its customers with the highest standard of quality, performance and professionalism in connection with its Ground Handling Services. Furthermore, the Company aims to focus on its growth and the promotion of its reputation and the preservation of its leading position as a provider of Ground Handling Services. The Company also seeks to achieve even higher standards of safety and professionalism when providing its Ground Handling Services.

4-5-3 Mission

The Company's mission is to provide a high quality of service to its airline customers and to achieve high levels of safety and efficiency in the provision of such services.

4-5-4 Strategy

The Company's strategy is to focus on the following main areas:

- Improve the quality and safety of its ground handling operations through the implementation of best international standards and practices;
- Active development of its workforce through the development of the Company's training plans and streamlining its organisational structure to achieve high efficiency in its operations;

- Continue to employ more Saudi nationals in order to give effect to its ambitious Saudisation policy and to comply with the Saudisation requirements imposed by the Ministry of Labour;
- Prepare the Company for the entry of potential competitors in the Saudi ground handling market through offering cost-effective services across all the airports in which it operates in order to retain existing customers and attract new customers;
- Use cutting-edge equipment, technologies, processes and policies to achieve the Company's mission with a particular focus on safety and security;
- Improve the Company's systems and processes, including improving its automated systems, with a view to reducing costs; and
- Identify and implement new services in an innovative manner to continuously increase the offering to airline customers and other profitable projects.

The Company has implemented a balanced scorecard and a strategic management system to align its business activities to the vision and strategy of the Company, improve internal and external communications and monitor performance against strategic goals.

4-6 Competitive Advantages

There are a number of factors that give the Company an advantage over potential competitors and provide a platform for sustainable and profitable growth. The key advantages are outlined below.

4-6-1 Relationship with Saudia

The Saudia Ground Handling Agreements provide a number of important benefits to the Company. The Company's revenues under these agreements for each of 2012G, 2013G, 2014G accounted for approximately 58.8%, 57.6%, 54.4%, respectively, of the Company's total revenues. The long-term nature of such agreements provides the Company with considerable stability in terms of revenues.

The Saudia Ground Handling Agreements have a term of seven years starting from 1/3/1435H (corresponding to 1 January 2014G). Under the Saudia Ground Handling Agreements, the Company provides the relevant services to Saudia at the same rates as it has charged historically; however, the parties have the right under such agreement to renegotiate the relevant rates in the last quarter of 2015G. The Company also has an intimate understanding of Saudia's business needs, which is an important advantage over its competitors. Moreover, the Company believes that Saudia's position as a significant shareholder in the Company provides the necessary incentive for Saudia to continue to work with the Company. Please refer to section 13.1.4.1 ("Ground Handling Agreement with Saudia").

4-6-2 Qualified and Experienced Management Team

The Company has a qualified and experienced management team. The Company benefits from the experience of many of its staff who have been with the Company (and with Saudia's ground handling prior to the Privatisation and Acquisition) for many years. The presence of such a qualified and experienced management team translates into a high standard of service to the Company's customers. This is reflected in the Company's strong financial position over the past few years. Since the Acquisition, the Company has successfully recruited a number of new managers in senior positions with extensive international and local experience in the airline ground handling industry.

4-6-3 Economies of Scale

The ground handling agreements entered into between the Company and numerous local and international airlines have enabled the Company to achieve economies of scale in all parts of its ground handling operations which, in turn, has enabled the Company to offer competitive prices to its customers. The economies of scale also provide the Company with operational flexibility enabling it to better use its resources across different airports and customers. The Company was able to increase the volume of services provided by increasing the number of employees available during working hours to service a larger number of aircraft. Furthermore, the Company has been able to purchase its raw materials at better prices due to the increase in the number of aircraft it services.

4-6-4 Quality

The Company gives particular focus to the quality and safety of its work. The Company operates facilities that reach the highest international standards of safety and quality, which enables it to provide the airport ground handling services in an efficient manner. The Company holds several certifications and has received various international awards and accreditations in relation to the quality of its airport ground handling services, the most recent being the ISAGO accreditation from IATA in 2013G. The table below sets out some of the recent awards and accreditations received by the Company.

Table 4-15 Awards and Accreditations

Award/accreditation	Year
ISO 9001:2008 for the Quality Management Systems of the Company for ground handling services in Saudi Arabian airports	2008G
IATA Approved Training Academy – Stanford and Harvard Programs	2012G
IATA Passenger Sales Agency	2012G
IATA Authorized Training Centre(ATC)	2012G/2013G
ISAGO certification from IATA	2013G

Source: Company

4-6-5 Established Operations and State of the Art Facilities

A key differentiating factor between the Company and competitors is the penetration of the Company into the ground handling market in Saudi Arabia. As at the date of this Prospectus, the Company provides ground handling services across the four International Airports, being KAIA, KFIA, KKIA and PMIA, along with providing services in all the Domestic Airports, which has enabled the Company to develop its experience in providing ground handling services in Saudi Arabia. The Company believes that its proven track record in providing ground handling services in Saudi Arabia combined with its established systems and processes in the relevant airports will allow it to continue to maintain its leading position in the market and also cater to those Domestic Airports that open up to international air traffic.

In addition, the Company has continuously invested in state-of-the-art ground handling equipment conforming to the IATA and the airlines' standards in order to provide cost-effective and efficient service to its customers. The Company expects to continue investing in such equipment, given its strong balance sheet and the increasing air traffic in Saudi Arabia that the Company has to service. The Company has also invested heavily in its IT infrastructure to increase efficiency across its operations. A competitor may find it difficult to make the same levels of investment in equipment, given the high cost of such equipment and the uncertainty of returns that a competitor could expect from the Saudi ground handling market.

4-6-6 Training and Personnel

The Company has invested heavily in its employees and has a highly skilled and experienced workforce across all the airports in Saudi Arabia where it provides services. The Company has an IATA approved training Centre for its employees which provides the employees with the necessary skills and training to provide high levels of service to the customer airlines. The Company is also continuing to invest heavily in its Saudisation policy which has led to an increased number of Saudi nationals being employed, trained and deployed by the Company across the various airports, which is in-line with the Ministry of Labour's Saudisation policy.

4-7 Overview of the Company's Services

The Company provides various services to airlines as part of the IATA standard ground handling agreement. The IATA standard ground handling agreement sets out a wide range of services that can be provided by ground handling companies. The Company provides a large proportion of such services to its airline customers, although the extent of the services varies between airlines. For instance, Saudia receives all the services provided by the Company, whereas other airlines choose to receive only certain services based on their needs. The following sets out an overview of the services provided by the Company.

4-7-1 Passenger Services

The Company's passenger services include the following:

4-7-1-1 Arrival / Departure Services in KSA

Departure

The Company provides check-in services to passengers on behalf of certain airlines at the departure terminals in the relevant airports. This includes accepting baggage that is to be checked in, the issuance of boarding passes and also processing upgrades of passengers at the check-in counters. The Company also operates excess baggage counters at the terminals to process and receive payment for any baggage that exceeds the relevant passenger's allowance or in the event of carrying special classes of goods such as live animals.

Where an airline has overbooked a particular flight and a passenger is unable to board the flight, the Company provides assistance to the passenger with arranging hotel accommodation (on airlines' directions) and related ground transportation.

In addition, the Company provides personnel at the relevant boarding gates to check the boarding pass and identification of all passengers to ensure passengers board the correct flights and also for security reasons.

The Company also provides personnel to guide passengers from the check-in counters to immigration (in the case of international flights) and subsequently to the relevant lounge (for first and business class passengers) or to the relevant boarding gate.

From the boarding gate, the Company provides a bus service (where it is not possible to use an aerobridge) to transport passengers to the airplane and assist the crew with the boarding of the passengers.

Arrival

On arrival, where it is not possible to use an aerobridge, the Company provides a bus service to transport passengers to the terminals. The Company also provides personnel to assist transit passengers (where applicable) and direct passengers to the baggage claim areas in the terminal. A dedicated team is also available to assist passengers with special needs.

4-7-1-2 Ticket Sales

On 13/1/1434H (corresponding to 27 November 2012G), IATA approved the Company's application to act as an IATA agent to sell airline passenger tickets. Furthermore, on 24/3/1435H (corresponding to 25 January 2014G), the Saudi Commission for Tourism and Antiquities granted the Company a Travel Agency License which allows the Company to conduct travel agency activities which include the sale of airline tickets.

The Company has leased premises at KAIA to operate a ticket sales branch at this airport and is currently in the process of finalising and signing a lease for other branches at other airports. The Company plans to establish branches at the remaining International Airports in the future by leasing space in these airports. Furthermore, the Company operates as an IATA agent to sell and carry out reservations for airline passenger tickets on behalf of 45 airlines. Please see section 13.1.4 ("Legal Information – Related Party Agreements") for more information on such leases.

4-7-1-3 Special needs services

The Company provides assistance for passengers with special needs or limited mobility by providing wheelchairs and supervising the provision of medical stretchers and oxygen tanks.

The Company also provides medical hi-lifts to airlines to carry passengers with special needs between the ground and the aircraft cabin. The Company receives payment from the relevant airline for the provision of this service and it is a substantial source of revenue for the Company. The Company provides this service exclusively to Saudia and on a 'non-exclusive' basis at the Domestic Airports. The Company intends to acquire additional medical lifts in order to provide this service to other airlines as well.

4-7-2 Representation, Administration and Supervision

The Company provides liaison and administrative services with the local authorities and GACA for various airlines and ad-hoc and chartered flights, particularly during the Hajj and Umrah season. The services include, amongst others, providing the necessary reports to the relevant authorities in each airport regarding the services provided by the Company, including details of any mishaps or accidents.

4-7-3 Ramp Services

The Company provides various services that are collectively termed as ramp services. This includes:

4-7-3-1 Baggage handling

The Company provides baggage handling services to airline customers as part of its standard ground handling agreement. At the departure terminal, the Company provides personnel to accept baggage that is to be checked in, to transport the baggage to a common collection area operated by the Company and to conduct the physical screening of baggage (in addition to the electronic scans performed by the governmental authorities).

The Company transports the baggage from the common collection area to the aircraft and vice versa on arrival. The Company also loads the baggage into the aircraft by either a unit load device ("ULD") loading method (for large aircraft) or bulk loading method (for smaller aircraft).

The Company uses a conveyor belt loader to load and offload baggage to and from the aircraft in the bulk loading method for smaller aircraft while it uses a hi-loader to lift the baggage into the storage hold area of large aircraft in the ULD loading method. The Company operates baggage tractors to transport baggage to and from the aircraft across the airside.

The Company also operates a lost and found baggage centre in some of the airports to assist passengers with the identification of mishandled baggage and to log related complaints. The Company has access to an international database which allows it to provide details of mishandled baggage to all ground handling companies worldwide, which increases the chances of locating mishandled baggage. In the event the mishandled baggage is found, the Company supervises its collection and return to the customer on behalf of the customer airline.

The Company entered into an agreement with Saudia on 22/10/1431H (corresponding to 1 October 2010G) to operate a central baggage store in Saudi Arabia where unclaimed baggage will be stored for a period of six months before being auctioned, with any proceeds being given to Saudia. For more information, please see section 13.1.4.6 ("Central Baggage Warehouse Agreement with Saudia").

4-7-3-2 Fleet services

The Company provides various technical services to the aircraft which include ramp services for passengers to alight/board the cabin of the aircraft, the moving of aircraft on the taxiway and the cleaning of aircrafts, as described below.

Moving aircraft

The Company provides marshals who provide visual signalling to the aircrafts during parking at the terminal using IATA standard signals.

The Company also operates towing or push-back tractors which move the aircraft to and from the terminal to the taxiway. The Company provides the push-back service in all the airports in which it operates except for five of the Domestic Airports where the service is not required. On parking, the Company provides wheel chocks that are objects placed in front or behind the aircraft wheels to prevent it from moving forwards or backwards. The Company provides these services to the airlines as part of its standard ground handling agreement. As part of the push-back service, the Company also provides qualified personnel to operate headsets to communicate with the crew to manoeuvre the aircraft away from the parking bays at the terminals.

The Company also provides push-back services to aircrafts operated by Saudia Cargo in certain airports. The Company can also transport cargo from cargo flights to the terminals and vice versa on an ad-hoc basis. In addition, the Company transports Aramco's cargo according to the agreement entered with Aramco's on 19/04/1422H (corresponding to 15 January 2001G)

Cleaning aircraft

The Company provides interior cleaning services for aircraft and does so as part of its standard ground handling package for airline customers. This service is provided by the Company's fleet services department, and has been provided since the Company's inception.

The cleaning services include cleaning the seats and carpets, re-stocking the aircraft cabin amenities and disinfecting it. The Company also provides an additional service of cleaning the windshield of the aircraft upon request of the airline for a stipulated fee. The Company also provides deep cleaning services for Saudia on a periodic basis and for other airlines upon request.

The Company also operates lavatory service trucks to service the aircraft's lavatories and water trucks to provide potable water to the aircraft.

4-7-4 Airmail Services

The Company provides courier mail handling services to a number of courier companies in accordance with mail handling services agreements that have been entered into with each company, under which the Company transports mail cargo from the respective couriers to the terminals and vice versa.

4-7-5 Load control, Communications and Flight Operations

The Company provides communication services between the aircraft and the terminals and receives, processes and sends all messages using the airlines originator code or double signature procedure. It also operates the wireless communication channels between the ground station and the aircraft. The Company also helps prepare the captain's manifest, load sheets, load information report and other relevant reports for the airlines' flights.

4-7-6 Support Services

The Company provides support services to customer airlines including ULD management service for both passenger and cargo aircraft. This involves providing safe storage of various types of ULDs and streamlined distribution as per operational requirements, complete with tracking and stock control records. Moreover, the Company is currently in the process of implementing an automation and computer services check-in system.

The Company has an Operations Command Centre ("OCC") in each airport in which it receives instructions from the aircraft and transmits them to the terminals. In addition, the Company also operates a Flight Information Centre ("FIC") to receive and transmit information in relation to various flights to the various units within the Company in order to mobilise them and synchronise their activities prior to the relevant aircraft landing or taking off. The Company does not receive a separate payment for operating the OCC or the FIC.

The Company conducts the load control checks for certain airlines to ensure that the load within the aircraft, which includes the baggage and passengers, is correctly distributed within certain specified load limits. The Company prepares a load control certificate that is handed to the flight captain for sign-off prior to take-off. The Company does not provide this service to all airlines as certain types of aircraft have automated loading checking systems. The Company also provides all ground support equipment including ACU and GPU, subject to an additional charge.

The Company also performs crew administration services for airline crews of certain foreign airlines, which includes their transportation to and from the aircraft and other assistance. The Company levies a charge per crew member for this service.

4-7-7 Security

The Company provides assistance with security checks prior to boarding the aircraft, identification of passengers, offloading baggage of passengers who were denied boarding or failed to board and positive identification of baggage by passengers.

4-8 Overview of Al-Amad for Passenger Bus Service

The Company and Al-Amad Company for Commerce and Supplies ("Al-Amad Commerce") own 50 per cent each of the issued share capital of Al-Amad Saudi Airport and Air Transport Support Services Company ("AlAmad Saudi"), which is a limited liability company that was established on 27/10/1434H (corresponding to 3 September 2013G) with commercial registration number 4030254190, located in Jeddah and having a share capital of SAR 500,000 for the purposes of providing a bus service to transport passengers and crew from the aircraft to the terminal and vice versa.

Al-Amad Commerce is a Saudi limited partnership registered on 22/11/1407H (corresponding to 19 July 1987G) with commercial registration number 4030057952, and has been involved in the provision of passenger bus services at PMIA, KKIA, KFIA, KAIA and Tabouk since 2013G. Al-Amad Commerce initially provided its services to various airlines, including Saudia. Subsequently, both the Company and Al-Amad Commerce agreed to incorporate Al-Amad Saudi to combine their operations and expand the passenger bus service network across the airports in Saudi. Al-Amad Saudi, having its independent employees, team and administration, commenced its operations in 27/10/1434H (corresponding to 3 September 2013G). Al-Amad Saudi issued its first audited financial statements for the financial year ended 31 December 2014G. Al-Amad Saudi's net profit for this period was SAR 43 million, of which SAR 21.5 million represented the Company's entitlement.

For more information on Al-Amad Saudi, please see section 13.8 ("Legal Information – Al-Amad Saudi").

Table 4-16 Shareholders in Al-Amad Saudi

No.	Shareholder	Total Value of Shares	Percentage of Capital
1	The Company	250,00	50%
2	Al-Amad Commerce	250,000	50%
3	**Total**	**500,000**	**100%**

Source: Company

Table 4-17 Shareholder in Al-Amad Commerce

No.	Shareholder	Total Value of Shares	Percentage of Capital
1	Farid Jarallah Saleh Al-Hirazi	400,000	80%
2	Nizar Faridd Jarallah Saleh Al-Hirazi	100,000	20%
3	**Total**	**500,000**	**100%**

Source: Company

4-9 Overview of NHS

NHS is a limited liability company registered in the commercial register with number 4030110136 on 22/9/1415H (corresponding to 22 February 1995G) with a share capital of SAR 100,000,000. As part of the Acquisition, the Company acquired shares of NHS pursuant to the share and purchase agreement dated 23/2/1431H (corresponding to 7 February 2010G). The Company's current ownership in NHS stands at 98 per cent with Saudi Air Transport Company (a limited liability company registered in the commercial register, with number 4030182520 on 2/8/1429H (corresponding to 5 August 2008G)) owning the remaining 2 per cent. All of the business and assets of NHS (including the employees) were transferred to the Company as part of the Acquisition. The Company has commenced the voluntary liquidation of NHS according to the shareholders resolution on 26/04/1435H (corresponding to 26 February 2014G), which also appointed Saleh bin Samran Al-Johani as a liquidator to proceed with the necessary legal procedures for liquidation.

4-10 New Initiatives and Plans

The Company is pursuing new business opportunities that would add to the products and services it already offers and utilizing its capabilities and infrastructure. The Company currently aims to expand its operations in the International Airports and Domestic Airports but not elsewhere. At present, the Company does not have plans to expand outside the International Airports and Domestic Airports in the Kingdom.

The following sections set out a summary of the Company's plans which have been approved by the Board.

4-10-1 Meet and Assist Services ("Ahlan")

The Company has launched a Meet and Assist service or "Ahlan" in January 2014G which is currently in its trial phase. The purpose of the service is to provide assistance to passengers in the terminals, including assistance with check-in, security clearance, immigration formalities and porter and trolley assistance. Initially "Ahlan" will be the provision of passenger welcome and assistance at the terminal, but in the future the Company plans to offer additional services as part of this offering, including the provision of a door-to-door service to transport the passenger to the airport, assist with check-in, immigration and transporting to the aircraft.

As at the date of this Prospectus, the "Ahlan" service is being provided initially in KAIA, KFIA and KKIA and is expected to be provided in PMIA in the future. The service is provided for both arrival and departure terminals on both international and domestic flights, including Saudia and other international carriers. The Company has opened a dedicated website for the "Ahlan" service and expects most bookings to be done through the website. The Company established a dedicated call centre to take bookings from the customers for such service.

The Company expects to deploy specially trained agents to provide the "Ahlan" service at the four international airports.

The Company has applied for the registration of the trademark "Ahlan" with MOCI (for further details see section 13.3 ("Intellectual Property")).

4-10-2 Local Representation for Ad-Hoc and Chartered Operators

The Company plans to provide representation services for those airlines that operate in the Kingdom on an ad-hoc or seasonal basis, such as Hajj and chartered flights.

As part of this service, the Company will be required, in coordination with GACA, to file the slot requests for the airlines in addition to filing technical information on the aircraft that will be used by the respective airline. The Company will also be responsible to ensure that the principal airline has transmitted sufficient funds into the Kingdom to meet all of its liabilities in the form of payments to local suppliers and service providers, together with the payments to GACA.

4-10-3 Altea Departure Control System (DCS)

Saudia has made an offer to the Company to have an Altea DCS System installed in each of KAIA, KFIA, KKIA and PMIA. The Altea DCS System is a software package used for check-in services and will be used by the Company in instances where the airline requires the Company to do so. Pursuant to this arrangement, Saudia will be responsible for the installation of this Software at the relevant airports and will receive a fee from the Company for the same. The Company will on-sell this Software to those airline customers that require this service, for a reciprocal fee. Many airlines have their own check-in software which they could require the Company to use when checking in passengers on their aircraft instead of the Altea DCS System.

5. Administrative Support Departments

The Company has a number of administrative departments that support its various business activities. Set out below is a brief description of the activities of some of the key departments:

5-1 SQS Department

The safety, quality and security ("SQS") department is responsible for maintaining and ensuring the implementation of policies in-line with international standards on safety, quality and security in the Company's operations in Saudi Arabia. The SQS department manages the Company's Risk Management program, which allows the Company to identify and mitigate potential risks that may affect the Company's ability to protect its people and clients and to achieve its corporate goals. Some of the key functions of the SQS department are:

- maintaining and implementing the Company's safety policy;
- establishing a system for safety management education and safety awareness;
- establishing, supervising and controlling safety and quality audits and a surveillance system within the organization and ensuring compliance with the Company's quality management system;
- establishing safety relations with external agencies such as GACA, customer airlines, IATA and others;
- performing internal safety and quality audits (at headquarters and all stations) and engaging external auditors (where necessary) to identify and remedy any non-conformance with the Company's safety and quality policy;
- co-ordinating with the training department to ensure continued education of the Company's employees in perceiving and discharging safety responsibilities in their day-to-day operations; and
- applying a common framework for the management of risks to ensure the Company's accountability for its business health including its people, clients, operations, management and financial viability.

5-2 Finance Department

The Finance Department is responsible for implementing prudent financial practices throughout the Company, aligned to internationally accepted practices, with a view to maintaining practices that are transparent, compliant with statutory requirements and in-line with the Company's strategic objectives. Some of its key functions include:

- treasury management (including deposit and accounting of collections from clients, payment to suppliers and accounting thereof and optimising fund utilisation);
- undertaking appropriate financial controls (including prudent accrual basis of accounting and fair recording of expenses, assets and liabilities) and profitability measures;
- developing, updating and maintaining the Company's financial policies and accounting procedures;
- designing, developing and maintaining appropriate cost control measures (i.e. the control of inventories and operational expenses);
- preparing and consolidating detailed budgets and budget forecasts for each business division;
- monitoring the Company's performance against set budgets and producing monthly reports in relation thereto; and
- Expenses & Procurement.

5-3 Marketing and Sales Department

The Marketing and Sales Department works towards generating and increasing revenue for the Company and increasing its profitability. It is responsible for the marketing and sales of the Company's services. The functions of the department include pricing and sales analysis, brand management, management of external communications such as press releases and product management, in addition to participating in various global seminars, conferences and industry related events.

The department is also responsible for business development, procuring new customers and managing existing customer relationships.

Some of the department's key functions include:

- increasing overall revenue year-on-year by obtaining new clients;
- helping maintain the profit margin and total turnover of the Company with existing clients;
- preparing and submitting reports to the management on the analysis of sales and conducting periodic pricing studies in order for the Company to remain competitive; and
- renewing customer contracts, undertaking regular consumer feedback and remedying any issues.

5-4 Human Resources Department

The Human Resources Department is responsible for the recruitment of personnel and the implementation of the Company's personnel policies, including regular updates to reflect changing needs and circumstances. The Human Resources Department coordinates activities such as recruitment, employee transfers, localisation, training and development, employment benefits and health and safety.

The Human Resources Department is responsible for formulating and implementing the guidelines and policies for the Company's personnel, taking into account the various legal and ethical requirements, including non-discrimination, the right to equal opportunity and safety of the employees as well as assuring transparency in the recruitment, promotion and development of employees.

5-5 Operations Department

The Operations Department is responsible for supervising the Company's operations in Saudi Arabia. Working with the operations managers in each of Riyadh, Dammam, Jeddah, Medina and the Domestic Airports. the Operations Department is also responsible for creating a framework for the Company's operations and implementing any projects that the Company has initiated in any of the airports it operates in Saudi Arabia. The Operations Department is also responsible for aviation security.

Some of its key functions include ensuring:

- operations in all airports are appropriately supervised and are in-line with the Company's policies;
- compliance with all applicable aviation standards, including ISAGO requirements; and
- compliance with requirements imposed by customer airlines.

5-6 Information Technology Department

The main responsibilities of the Information Technology Department are to:

- maintain the functionality and optimal condition of the Company's existing hardware and software systems;
- upgrade such systems as necessary;
- maintain the existing infrastructure and communications networks of the Company;
- manage the security and quality of the Company's IT systems;
- procure the renewal of the software licences that the Company uses;
- (successfully develop and implement new applications, either internally or through external providers;
- identify and implement IT projects that are essential to the Company's strategy and objectives;
- monitor utilisation of the IT technologies the Company has invested in to ensure they are utilised in a cost-effective manner;
- manage the flow of information and knowledge across the organisation; and
- develop new technologies to fit the Company's needs.

5-7 Planning Department

The Planning Department is responsible for the creation and supervision of plans for each of the following areas: maintenance, quality control, engineering and administration, training and systems, procedures, development and compliance. The Planning Department co-ordinates with the respective business units of the Company and monitors the implementation of its plans in each of these areas.

As of the date of this Prospectus, the Company does not have a research and development department and the Company does not engage in any research or development activities.

5-8 Legal Department

The Legal Department is responsible for:

- providing legal advice to the Board of Directors, Senior Officers and Company departments and reviewing all contracts, legal documents and constitutional documents;
- preparing draft contracts and agreements;
- commencing legal proceedings against third parties and representing the Company before the courts;
- reviewing all regulations and instructions issued by Government bodies in relation to the Company's business and activities;
- supervising and managing the engagement of external legal counsel when required by the Company;
- supervising general assembly meetings; and
- liaising with ministries and Government departments in Saudi Arabia.

5-9 Audit Department

The Company has an Audit department which audits the Company's accounts and is responsible for the development and implementation of audit policies. The general manager of the audit department works closely with the audit managers in each of Riyadh, Dammam, Medina and Jeddah to audit the Company's accounts and also liaise with the Company's external auditors.

The audit encompasses both risk management and audit processes and the examination and evaluation of the adequacy and effectiveness of the Company's governance and risk management systems. This includes:

- evaluating the processes for reporting information within the Company's organisation;
- evaluating the internal governance processes and monitoring the same;
- reporting significant risk exposures, including risks related to fraud; and
- evaluating and monitoring the internal policies and procedures established to ensure compliance with relevant laws and regulations.

6. Corporate Structure and Governance

6-1 Board Members

The Company has an experienced Board of Directors, composed of highly qualified and respected individuals in the business community. None of the Directors held any Shares prior to the Offering.

Table 6-1 SGS Board Members

Name	Position	Nationality	Status and independence	Representation	Direct Share ownership after the Offering*	Indirect Share ownership after the Offering	Date of Appointment
Mr. Saleh Al-Jasser	Chairman	Saudi	Non-executive / non-independent	Saudia	None	None	14 August2014G
Mr. Ayed Al-Jaeed	Member	Saudi	Non-executive / non-independent	NAGS	None	None	6 May 2014G
Mr. Attian Al-Hazmi	Member	Saudi	Non-executive / non-independent	NAGS	None	None	6 May 2014G
Mr. Nader Ahmed Khalawi	Member	Saudi	Non-executive / non-independent	Saudia	None	None	6 May 2014G
Mr. Yousef Abdulqader Attiah	Member	Saudi	Non-executive / non-independent	Saudia	None	None	6 May 2014G
Mr. Omar Jafri	Member	Saudi	Non-executive / non-independent	Saudia	None	None	6 May 2014G
Mr. Abdullah Al Huwaish	Member	Saudi	Non-executive / independent	-	None	None	6 May 2014G
Mr. Rashid Al Mugait	Member	Saudi	Non-executive / independent	-	None	None	6 May 2014G
Vacant**	-	-	-	-	-	-	-

Source: Company

* In accordance with the Companies Regulations, each Director owns Shares with a total value of SAR 10,000, and such Shares have been transferred to each Director and the corresponding share certificates have been deposited with the National Commercial Bank. After completion of the listing of the Company's shares on the Saudi Stock Exchange, (with a total value of SAR 10,000) will be deposited with an authorised person as guarantee shares for membership of each Director to the Board. The Directors were appointed during the Conversion General Assembly.

** The Company undertakes to appoint an independent Board Member at the first Ordinary General Assembly meeting following the Offering.

Osama Shaikh is the secretary of the Board and does not hold any shares in the Company.

6-1-1 Resumes of Directors

Saleh Nasser Al-Jasser

Age: 49

Nationality: Saudi

Position: Chairman of the Board

Education:

- Saudi Oxford Advance Management Programme, Oxford University, U.K (2009G).
- Advanced Management Programme, Harvard Business School, USA, (2007G).
- General Management Programme, Cranfield University, UK (2002G).
- Marketing Telecommunications, INSEAD, France (2001G).
- Master of Business Administration, King Saud University, Riyadh, Saudi Arabia (1995G).
- Associate Credit Programme, Chase Manhattan Bank, New York, USA (1991G).
- Bachelor of Science in Industrial Engineering, King Abdulaziz University, Jeddah, Saudi Arabia (1990G).

Current Positions:

- Member of the board of Saudia (governmental institution) (flag carrier in Saudi Arabia) (from 2012G to present)
- Chairman of the board of Saudi Air Transport Company (limited liability company) (air transport services) (from 2014G to present)
- Chairman of the board of Saudi Airlines Catering Company (listed joint stock company) (airline catering services) (from 2014G to present)
- Chairman of the board of Saudi Airline Cargo Company (limited liability company) (airline cargo services) (from 2014G to present)
- Chairman of the board of SAEI (limited liability company) (aircraft engineering services) (from 2014G to present)
- Member of the board of the National Shipping Company of Saudi Arabia (listed joint stock company) (marine transport) (from November 2011G to present)

Work Experience:

- Chief executive officer of National Shipping company of Saudi Arabia (from 2010G to 2014G)
- Member of the board of BUPA Arabia (listed joint stock company) (insurance sector) (from March 2011G to 2014G)
- Member of the board of Saudi Research and Marketing Company (listed joint stock company) (printing and publication sector) (from 2010G to 2014G)
- Member of the board of National Chemical Carriers (from November 2010G to 2014G)
- Member of the board of Etihad Etisalat MOBILY (listed joint stock company) (telecommunication and information technology) (from December 2009G to 2014G)
- Managing director for Toyota Operations at Abdul Latif Jameel Group (from 2006G to 2010G)
- Managing director for Lexus operations (from 2003G to 2006G)

Ayed Al-Jaeed

- Age: 60
- Nationality:Saudi
- Position: Director

Education:

- Bachelor of Flying Sciences, King Faisal Air Academy, Saudi Arabia (1975G)
- Master of Military Sciences, Military Combat Institute, Leavenworth, USA 1989

Current Positions:

- Personal assistant to His Highness Prince Khaled Bin Sultan Bin Abdulaziz (from 1994G to present)
- Chief executive officer of Makshaf Services Company (holding company) (from 1996G to present)
- Chairman of the board of NAGS (limited liability company (aircraft maintenance and services)) (from 2010G to present)
- Chairman of NAS (closed joint stock company) (air transport and aircraft operation) (from 2006G to present)
- Chairman of Al-Haya Newspaper (private institution (printing and publication)) (1998G to present)

Work Experience:

- Chairman of Falcon Air Cargo Saudi Arabia (from 1997G to 2013G)
- Held several executive and senior positions with the Saudi Arabian army and received recognition for 20 years of service as well as US Military recognition and received several medals of honour, including the King Faisal Medal (Second Degree) and the Kuwait Liberation Medal (First Degree)
- Head of several divisions of the air force, including the head of the F-15 aircraft evaluation division.

Attian Al-Hazmi

- Age: 66
- Nationality: Saudi
- Position: Director

Education:

- Master of Military Sciences and Administration, Saudi Armed Forces College, Saudi Arabia (1987G)
- Bachelor of Flying Science, King Faisal Air Academy, Saudi Arabia (1973G)
- Squadron Commander Training Diploma, UK/USA (1991G)
- Command and Staff Training Diploma, USA (1984G)
- Command and Staff Diploma, USA (1984G)

Current Positions:

- CEO of NAGS (from 2010G to present)
- Acting CEO of National Flight Services (limited liability company (Aviation and Tourism services to businessmen)) (from 2013G to present)
- Board member of NAS ExecuJet (limited liability company (aircraft services to businessmen)) (from 2013G to present)

Work Experience:

- Chief executive officer at NHS (ground handling services) (from 2006G to 2010G)
- Member of the committee for merger of ground handling units into the Company (from 2009G to 2010G)
- Head of the committee for the merger of United Aircraft Services and National Flight Service (from 2005G to 2006G)
- Deputy Base Commander of King Abdullah Naval Base in Al-Ghaybeh (from 1999G to 2002G)
- Commander of air transport (from 1997G to 1999G)
- Assistant to commander of air transport (from 1993G to 1997G)
- Commander of air transport (in training) (from 1992G to 1993G)
- Head of air force intelligence management (from 1991G to 1992G)
- Air operations transport commander (from 1988G to 1991G)

Rashid Al Mugait

- Age: 72
- Nationality:Saudi
- Position: Director

Education:

- Bachelor of Science in Mechanical Engineering, Riyadh University (currently King Saud University) (1970G)

Current Positions:

- President of Al Mousim Travel & Tours Co. Ltd. (limited liability company (travel and tourism)) (from 1977G to present)
- Deputy chief executive officer for Al Tayyar Travel Group (Saudi Arabian listed joint stock company (travel, tourism, hotel and resorts development)) (from 2010G to present)
- Member of the board of Al Yamama Cooperative Housing (society under the Ministry of Social Affairs in Saudi Arabia (development of real estate and provision of social services) (from 2010G to present)
- Member of the board of Charity Social Fund (charity fund under the Ministry of Social Affairs (provides training for low-income individuals)) (from 2011G to present)
- Member of the board of the Joint Committee of the International Union for Air Transport (comprised of aviation and tourism company representatives) (from 2012G to present)
- Chairman of Starjet Active Internet (British Virgin Islands limited liability company (distributor of Worldspan travel technology in Saudi Arabia under licenses from SAGIA)) (from 1999G to present)
- President of Hajjz Telecommunications (limited liability company (information technology and telecommunications solutions)) (from 1999G to present)
- President of WAMAD Information Technologies (limited liability company (information technology) (from 2004G to present)

Work Experience:

- Vice chairman of the board of the National Committee for Travel and Tourism Agents (an advisory committee under the Saudi Commission for Tourism and Antiquities (travel agency advisory)) (from 2011G to present)
- Vice president of the Travel and Tourism Agents Committee at the Chamber of Commerce (a committee under the Chamber of Commerce (facilitating the travel and tourism business)) (from 2013G to present)

Abdullah Al Howaish

- Age: 52 years
- Nationality: Saudi
- Position: Director

Education :

- Bachelor of Economics, King Abdulaziz University, Jeddah, Saudi Arabia (1985G)

Current Positions:

- Managing director of Amlak International (Saudi Arabian closed joint stock company (real estate development and finance)) (from 2006G to present)
- Member of the board of directors of Amlak International (Saudi Arabian closed joint stock company (real estate development and finance)) (from 2006G to present)
- Member of the board of directors of Abdullah Al Howaish Investment Company (limited partnership (wholesale and retail trading of foodstuff) (from 2008G to present)
- Member of the board of directors of Al Ittifaq Steel (Saudi Arabian closed joint stock company (reinforced steel manufacturing) (from 2011G to present)

Work Experience:

- Member of the board of directors of SABB Takaful a listed joint stock company (insurance) (from 2010G to 2014G)
- Chairman of the audit & review committee of SABB Takaful a listed joint stock company (insurance) (from 2011G to 2014G)
- Director at Fawaz Al-Hokair Company (Saudi Arabian listed joint stock company (retail and mixed-sector) (from 2007G to 2008G)

- Chairman of the board of Saudi Credit Information Company (finance) (from 2004G to 2006G)
- Member of the board of Saudi Credit Information Company (finance) (from 2002G to 2004G)
- First general manager and general manager of credit risks at the Arab National Bank (from 2001G to 2006G)
- First credit officer with the National Commercial Bank (from 1999G to 2001G)
- General manager for corporate banking with Saudi British Bank (from 1992G to 1999G)

Yousef Abdulqader Attiah

- Age: 61
- Nationality:Saudi
- Position: Director

Education:

- Master of Business Administration, King Abdulaziz University, Jeddah (1990G)
- Bachelor of Public Administration, King Abdulaziz University, Jeddah (1988G)
- Secondary Education Certificate (1973G)

Current Positions:

- Executive vice president of strategic projects at Saudia (from 2013G to present)
- Member of the Company's Board (2013G to present)

Work Experience:

- Assistant general manager of commercial affairs at SGS (from 2011G to 2013G)
- Assistant general manager of market with Saudia (from 2010G to 2011G)
- Vice president of customer services at Saudia (from 2003G to 2011G)
- General manager for on-board services at Saudia (from 1997G to 2003G)
- Assistant general manager for support services at Saudia (from 1992G to 1997G)
- Manager of Saudia's passenger services at Saudia (from 1979G to 1992G)
- Customer services supervisor at Saudia (from 1977G to 1979G)
- Service agent at Saudia (from 1974G until 1977G)

Omar Bin Abdullah Jafri

- Age: 58
- Nationality: Saudi
- Position: Director

Education:

- Doctorate of Marketing, University of Alabama, USA (1989G)
- Master of Business Administration, King Fahd University of Petroleum and Minerals, Saudi Arabia (1982G)
- Bachelor of Industrial Engineering, King Fahd University of Petroleum and Minerals, Saudi Arabia (1980G)

Current Positions:

- Assistant to the executive general manager of Saudia (from 2009G to present)
- Member of the board of Sita Global (non-profit company owned by aviation companies with branches in international locations (technical aviation solutions) (from 2008G to present)

Work Experience:

- Assistant to the general manager of training and development at Saudia (from 2006G to 2009G)
- Assistant to the general manager of marketing at Saudia (from 1997G to 2006G)
- Member of the board of directors of NAS limited liability company (from 2001G until 2006G)
- Member of the board of Yemeni Airlines (from 2004G until 2007G)

Nader Ahmed Khalawi

- Age: 56
- Nationality: Saudi
- Position: Director

Education:

- Doctorate in Marketing, King Fahd University of Petroleum & Minerals, Saudi Arabia (1982G)
- Bachelor of Mechanical Engineering, King Fahd University of Petroleum & Minerals, Saudi Arabia (1983G)

Current Positions:

- Chief executive officer of SAEI (limited liability company) (from 2011G to present)
- Vice president of aircraft maintenance at Saudia (from 2009G to present)
- Board member of Middle East Propulsion Company (limited liability company) (aircraft engine maintenance) (from 2011G to present)
- Board member of Aircraft Accessories & Components Company (limited liability company) (aircraft component maintenance) (from 2012G to present)

Work Experience:

- Member of the board of the Advanced Electronics Company (electronics company) (from 2011G to 2012G) as a representative of Saudia
- General manager of major base maintenance at Saudia (from 1998G to 2009G)
- Board member of Al Salam Aircraft Company (limited liability company) (aircraft maintenance) as a representative of Saudia (2009G)
- Manager of the technical support centre at Saudia (from 1990G to 1998G)
- Shift manager for aircraft at Saudia (from 1988G to 1990G)
- Maintenance section manager at Saudia (from 1986G to 1988G)
- Aircraft maintenance technician at Saudia (from 1985G to 1986G)

6-2 The Secretary of the Board

Osama Shafiq Hussain Shaikh

- Age: 47 years
- Nationality: Saudi
- Position: Secretary of the Board

Education:

- Bachelor's Degree in Architectural Engineering, King Fahed University of Petroleum and Minerals (1993G)
- Master in Project Management, Houston University, USA (2006G)
- IATA Certified Trainer (2011G)
- Advanced financial statements analysis certificate (2003G)
- Morrisby Profile certificate (2000G)
- Project and tender development certificate (1995G)

Current Positions:

- Secretary of the Board (from 2014G to present)
- General manager of strategy (from 2013G to present)

Work Experience:

- General manager of policy & procedures and corporate training at SGS (from 2011G to 2013G)
- Manager of safety, TQM and security at SGS (from 2009G to May 2011G)
- Manager of marketing and sales at SGS (from 2006G to 2009G)
- Manager of maintenance at Saudia's catering unit, Jeddah (from 2004G to 2006G)
- Assistant manager of HR & training at Saudia catering unit (from 199G to 2004G)
- Project engineer at Directorate of Agriculture and Water (from 1994G to 1996G)

6-3 Senior Management

The Company is managed by a highly experienced team with the necessary knowledge and skills to manage the Company's operations. The Company is organized into three departments each of which reports to the CEO.

Set out below is a summary of the composition of the senior management team:

Figure 6-1 Organization Structure Chart

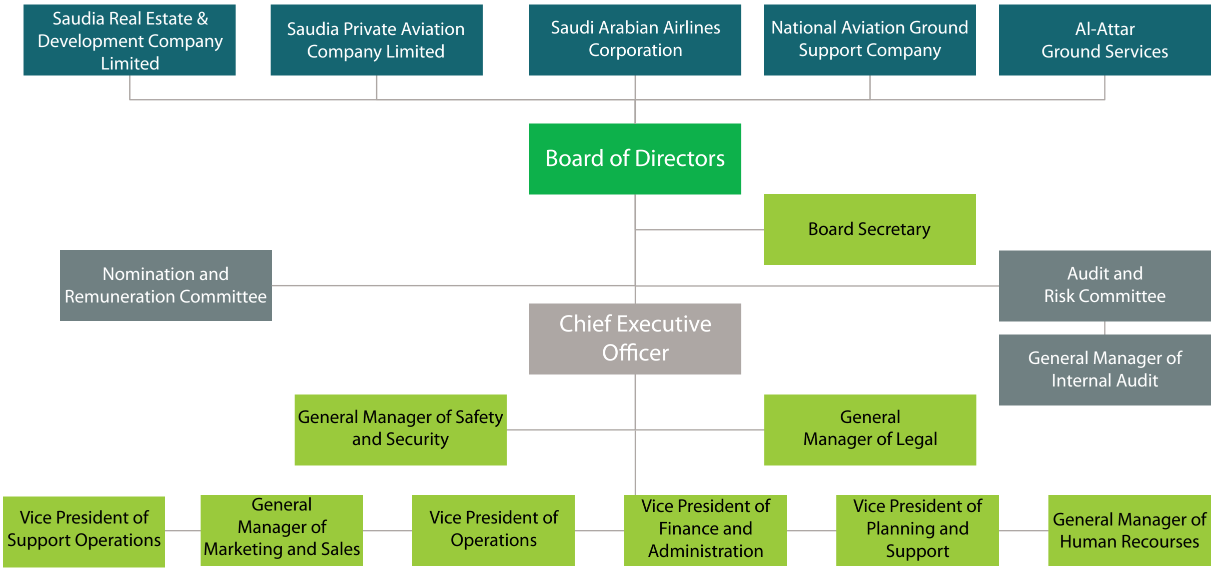


Table 6-2 Company's Senior Management

Name	Position	Nationality	Age	No. of Shares held Pre-Offering	No. of Shares held Post-Offering
Mr. Qaid Bin Khalaf Al-Otaibi	CEO	Saudi	57	None	None
Mr. Mohamed Safyeldin Salem	VP Finance & Administration	Egyptian	56	None	None
Mr. Ahmed Y. Fallata	VP Planning & Support	Saudi	54	None	None
Mr. Suhail Bin Farj Al-Hamad	VP Support Operations	Saudi	52	None	None
Mr. Talal Hussain Abdul Muhsen	VP Operation	Saudi	64	None	None
Mr. Ali Al-Lift	GM Human Resources	Saudi	49	None	None
Mr. Ahmad Bin Mohammed Bin Ahmad Jannah	GM Marketing & Sales	Saudi	54	None	None
Mr. Hani Saeed Al Ghamdi	GM Audit	Saudi	38	None	None
Mr. Moteb Saud Al-Zahrani	GM SQS	Saudi	48	None	None
Mr. Mohammad Mahmoud Bakhreibah	GM Legal	Saudi	49	None	-None

Source: Company

6-3-1 Resumes of Senior Management

Qaid Bin Khalaf Al-Otaibi

- Age: 57
- Nationality: Saudi
- Position: CEO (from 2014G to present)
- Date of Appointment: 1 February 2014G

Education:

- Master of Technology Management from the Arabia Gulf University (2000G)
- Bachelor from the King Abdulaziz University (1991G)
- Attended several training programs relating to the management of air transport from IATA and the International Civil Aviation Organization
- Recognised IATA trainer in the field of customer services and sales (from 1985G)
- Certified trainer for several fields, including ticket pricing, balance and weight principles in relation to aircraft, safety in airport ground areas and others (1980G)

Current Position:

- CEO of the Company (from 2014G to present)

Work Experience:

- Assistant general manager of ground operations at Saudia (from 2011G to 2014G)
- General manager of international stations at Saudia (from 2010G to 2011G)
- General manager for customer services training with Saudia (from 2007G to 2010G)
- Senior manager for customer services with Saudia (from 2002G to 2007G)
- Senior manager of customer services training with Saudia (from 1989G to 2002G)

Mohamed Safyeldin Salem

- Age: 56
- Nationality: Egyptian
- Position: Vice President of Finance
- Date of Appointment: 13 May 2014G

Education:

- Bachelor of Commerce, Ain Shams University, Egypt (1979G)
- Certified Accountant licensed by the Egyptian Society for Accountants and Auditors (1985G)
- Secondary School (1975G)

Work Experience:

- Vice President of Finance at the Company (from 2014G to present)
- General Manager of Finance at the Company (from 2011G to 2014G)
- Senior Manager of Finance at the Company (from 2009G to 2011G)
- Financial Consultant and Analyst with the Egyptian Capital Market Association (from 2006G to 2009G)
- Financial controller at Saudia's catering unit (from 1990G to 2004G)
- Financial auditor at a private company (from 1986G to 1990G)
- Audit manager at Deliotte (from 1983G to 1986G)
- Auditor at Deloitte (from 1980G to 1983G)

Ahmed Y. Fallata

- Age: 54
- Nationality: Saudi
- Position: Vice President of Planning & Support
- Date of Appointment: 1 May 2011G

Education:

- Certified Project Management from the Engineers Training Centre in Jordan (2010G)
- Certified IATA Airport Ground Handling Operations (2005G)
- Secondary School (1979G)

Work Experience:

- Vice President of Planning and Support with the Company (from 2014G to present)
- Vice president of Planning at Saudia (from 2011G to 2014G)
- Vice president of Operations at NHS (from 2007G to 2011G)
- Station manager at KAIA with National Flight Services (from 1997G to 2007G)
- Cargo services supervisor with the United Aircraft Services Co. (from 1995G to 1997G)
- Ramp and cargo services offices with Saudi Tourist and Travel Bureau (from 1987G to 1995G)

Suhail Bin Farj Al-Hamad

- Age: 52
- Nationality:Saudi
- Position: Vice President of Support Operations
- Date of Appointment: 1 December 2014G

Education:

- Certificate of Higher Education, Hamad Balkhabar Schoole (1991G)

Work Experience:

- Vice President of Support Operations with the Company (from 2014G to present)
- General manager of support operations with the Company in Riyadh (from 2011G to 2014G)
- General manager of support operations with Saudia in Riyadh (from 2007G to 2011G)
- Manager of support operations with Saudia in Riyadh (from 2006G to 2007G)
- Manager of support operations with Saudia in Dammam (from 1996G to 2006G)

- Assistant manager of support operations with Saudia in Al-Dahran (from 1994G to 1996G)
- Support operations supervisor with Saudia in Al-Dahran (from 1988G to 1994G)
- Government affairs manager with the American Base Academy in Al-Dahran (from 1985G to 1988G)

Talal Hussain Abdul Muhsen

- Age: 64
- Nationality: Saudi
- Position: Vice President of Operations
- Date of Appointment: 1 October 2011G

Education:

- Secondary School

Work Experience:

- Vice President of Operations with the Company (from 2011G to present)
- Assistant General Manager for flight services with Saudia (from 2010G to 2011G)
- General manager of Jeddah Station at Saudia (from 2007G to 2010G)
- Manager of Saudia's American region (from 1995G to 2007G)
- Regional Manager for Saudia for Central and North America (from 1992G to 1995G)
- Manager for Saudia in the United States of America (from 1990G to 1992G)
- Manager of Saudia in Washington (District of Columbia), USA for Saudia (from 1988H to 1990G)
- Manager for Saudia in Thailand (from 1983G to 1988G)
- Manager of sales with Saudia (from 1980G to 1983G)
- Trainer in the marketing and sales department with Saudia (from 1978G to 1980G)
- Sales Representative with Saudia (from 1973G to 1978G)

Ali Al-Lift

- Age: 49
- Nationality: Saudi
- Position: General Manager of Human Resources
- Date of Appointment: 13 August 2014G

Education:

- Expert certificate in human resources from the Arab Human Resource Centre in Riyadh (2007G)
- Bachelor in Business Management from Washington International University, USA (2003G)
- Diploma in Business Management from the Chamber of Commerce, Riyadh (1997G)
- Secondary education certificate from Al-Yamama School, Riyadh (1987G)

Work Experience:

- Deputy General Manager for Human Resources for the Company in Riyadh and Dammam (from 2011G to 2014G)
- Manager of employee affairs and services with Saudia's ground services division and subsequently with the Company (from 2007G to 2011G)
- Manager of human resources in Saudia's catering division (from 2000G to 2007G)
- Assistant manager of human resources in Saudia's catering division (from 1998G to 2000G)
- Senior supervisor of human resources in Saudia's catering division (from 1993G to 1998G)
- Supervisor for SAS, the Scandinavian operator of Saudia's catering division (from 1992G to 1993G)
- Coordinator for SAS, the Scandinavian operator of Saudia's catering division (from 1990G to 1992G)

Ahmad Bin Mohammed Bin Ahmad Jannah

- Age: 54
- Nationality: Saudi
- Position: General Manager of Marketing and Sales
- Date of Appointment: 12 May 2014G

Education:

- Secondary Education (arts major) King Abdulaziz High School (1979G)

Work Experience:

- General Manager of Marketing and Sales with the Company (from 2013G to present)
- General manager of Jeddah Station at Saudia (from 2010G to 2013G)
- Senior manager of passenger services department at Saudia (from 2002G to 2010G)
- Manager of aircraft movement at Saudia (from 1992G to 2002G)
- Assistance manager of aircraft movement at Saudia (from 1992G to 1992G)
- Flight information supervisor at Saudia (from 1988G to 1992G)
- Load and weight control at Saudia (from 1983G to 1988G)

- Field services instructor at Saudia (from 1981G to 1983G)

Hani Saeed Al Ghamdi

- Age: 38
- Nationality: Saudi
- Position: General Manager of Audit
- Date of Appointment: 12 February 2015G

Education:

- Bachelor of Economics and Administration, King Saud University, Al-Qassim, Saudi Arabia (2002G)
- Masters in Professional Accounting, King Abdulaziz University, Jeddah, Saudi Arabia (2011G)

Work Experience:

- Secretary to the Audit Committee at the Company (from 2014G to 2015G)
- Internal Audit Manager at the Company (from 2011G to 2014G)
- Head of tariff and sales analysis at Saudia (from 2008G to 2011G)
- Financial auditor at Saudia (from 2007G to 2008G)
- Head of risks management at Saudia (from 2006G to 2007G)
- Senior auditor at Ernst & Young (from 2003G to 2006G)
- Accountant at Arthur Anderson (from 2002G to 2003G)

Moteb Saud Al-Zahrani

- Age: 47
- Nationality: Saudi
- Position: General Manager of SQS
- Date of Appointment: 20 August 2013G

Education:

- Bachelor in English Language, 1995G

Work Experience:

- General Manager of SQS (from 2014G to present)
- General Manager of Jeddah Station (from 2011G to 2014G)
- Head of the Marketing and Sales Department (from 2008G to 2011G)
- General Manager of domestic stations (from 2007G to 2008G)
- Head of the Audit and Quality Assurance Department in Saudia's ground services division (from 2001G to 2007G)
- Operations Manager at Saudia's ground services division (from 1999 to 2001G)
- Systems Manager at Saudia's ground services division (from 1996 to 1999G)
- Assistant Systems Manager at Saudia's ground services division (from 1995 to 1996G)
- Senior Administrative Supervisor at Saudia's ground services division (from 1994 to 1995G)
- Supervisor at Saudia's ground services division (from 1993 to 1994G)
- Translator at King Fahad Hospital in Al-Baha (from 1990 to 1993G)

Mohammad Mahmoud Bakhreibah

- Age: 49
- Nationality: Saudi
- Position: General Manager of Legal
- Date of Appointment: 22 November 2013G

Education:

- Bachelor of Law, King Abdulaziz University, Jeddah (1991G)

Work Experience:

- General Manager of Legal with the Company (from 2013G to present)
- Head of legal affairs at Saudia (from 2009G to 2013G)
- Legal advisor at Saudia (from 2000G to 2009G)
- Legal researcher at Saudia (from 1997G to 2000G)
- Security officer at Saudia (from 1992G to 1997G)

6-4 Corporate Governance

The Company's policy is to adopt high standards of corporate governance. The Company undertakes to comply with the Corporate Governance Regulation issued by the Capital Market Authority as it considers compliance with the Corporate Governance Regulation important to its success. The Corporate Governance Regulation requires the implementation of a clear policy on transparency and disclosure that will help to ensure that the Board acts in the best interests of the Shareholders and presents a clear and fair view of the financial condition of the Company and the results of its operations.

The Company must comply with paragraphs (i) and (j) of article 5, article 9, paragraphs (b), (c) and (d) of article 10, paragraphs (c), (e) and (g) of article 12, article 14 and article 15 of the Corporate Governance Regulation. As of the date of this Prospectus, the Company complies with the following articles under the Corporate Governance Regulation:

- paragraph (i) of article five, given that Shareholders are entitled to review the minutes of General Assembly meetings;
- paragraphs (c) and (e) of article 12, given that all of the Company's Board members are non-executives and the Company has more than the minimum number of independent Board members on the Board;
- article 14, given that the Company's Board has established an Audit Committee comprised of four non-executive members; and
- article 15, give that the Company's Board has established a Nomination and Remuneration Committee.

In addition, the Company has implemented a corporate governance policy regulating conflicts of interest by the Board of Directors, Senior Officer and Shareholders in accordance with paragraph (b) of article 10 of the Corporate Governance Regulation. The Directors approved the Company's corporate governance policy in 2014G and the Company approved the corporate governance policy in the extraordinary general assembly meeting held on 23/11/1435H (corresponding to 19 September 2014G).

The Company's corporate governance policy includes the following sections:

- Related Party transactions.
- Disclosure and transparency policies.
- Shareholder matters.
- Agenda of the Board of Directors.
- Shareholders' guide.
- Conflict of interest policy.
- Professional conduct rules.
- Audit regulations.
- Remuneration and Nomination Committee regulations.
- Risk Review regulations.

Please refer to section 6.4.1 ("Audit Committee") for more information on the Audit Committee's role and functions.

The Company is not complying with paragraph (j) of article 5, article 9 or paragraph (g) of article 12, given that the Company is not, as of the date of this Prospectus, a listed company. The Company undertakes to comply with these articles as soon as the Capital Market Authority issues approval for the listing of the Company's shares.

The Company confirms that it complies with articles 69, 70 and 71 of the Companies Regulations, and also complies with article 18 of the Corporate Governance Regulation. Article 18 of the Corporate Governance Regulation states "the board member shall not, without a prior authorization from the general assembly, to be renewed each year, have any interest (whether directly or indirectly) in the company's business and contracts. The activities to be performed through general bidding shall constitute an exception where a board member is the best bidder. A board member shall notify the board of directors of any personal interest he/she may have in the business and contracts that are completed for the company's account. Such notification shall be entered in the minutes of the meeting. A board member who is an interested party shall not be entitled to vote on the resolution to be adopted in this regard neither in the general assembly nor in the board of directors. The chairman of the board of directors shall notify the general assembly, when convened, of the activities and contracts in respect of which a board member may have a personal interest and shall attach to such notification a special report prepared by the company's auditor". Article 71 of the Companies Regulations stipulates that "the company shall not grant any cash loan to its board members or provide any guarantee in respect of any loan entered into by a board member with third parties". Article 18(c) of the Corporate Governance Regulation sets out the same language under article 71 of the Companies Regulations.

The Company's internal control systems have been adopted in all its departments. Currently, the Company has two corporate governance committees; the Audit Committee and the Nomination and Remuneration Committee, which are responsible for reviewing the Company's operations within their particular areas of expertise and presenting their findings and suggestions to the Board. Furthermore, the Company undertakes to comply with all decisions and instructions issued by the Capital Market Authority in relation to the provisions of the Corporate Governance Regulation.

The Company's Board comprises of nine Directors appointed by the Conversion General Assembly (in its meeting approving the conversion of the Company into a joint stock company) for a term not exceeding five years. However, one Board Member, Mr. Mansour Al-Bosaili, submitted his resignation on 17/2/1436H (corresponding to 9 December 2014G) due to personal reasons. The Conversion General Assembly also appointed the independent Board members in accordance with the provisions of the Corporate Governance Regulation. The Board of Directors will ensure, among other things, that:

- all Committees will have clear terms of reference that outline the roles and responsibilities of each committee; and
- minutes of all meetings are prepared, reviewed and approved by the Board of Directors.

In accordance with Article 6(b) of the Corporate Governance Regulation, the Shareholders adopted the accumulative voting method in relation to the appointment of Board members at the extraordinary general assembly meeting held on 23/11/1435H (corresponding to 18 September 2014G). This method of voting gives each Shareholder voting rights equivalent to the number of Shares he/she holds. He/she has the right to use all of his/her voting rights for one nominee or to divide their voting rights between his/her selected nominees without any duplication of these votes. This method increases the chances for minority shareholders to appoint their representatives to the Board through the right to accumulate votes for one nominee.

6-4-1 Audit Committee

The Audit Committee oversees financial risk management and the internal control aspects of the Company's operations. The duties and responsibilities of this committee include the following:

- Engaging or dismissing the external auditors and recommending their compensation to the Board;
- Supervising the activities of the external auditors and approving any activity beyond the scope of work agreed upon with the external auditors;
- Reviewing the comments of the external auditors on the annual financial statements and following up on the decisions that have been taken in light of the comments;
- Reviewing the interim and annual financial statements prior to presenting them to the Board;
- Supervising the Company's auditing department to verify its efficacy in discharging the tasks and duties assigned to it by the Board;
- Reviewing the auditing system and drafting a written report with its recommendations;
- Reviewing the audit reports and pursuing the implementation of the recommendations set out therein;
- Reviewing and commenting on the audit plan with the external auditor; and
- Reviewing and commenting on the applicable accounting policies and providing the Board with recommendations thereon.

The Audit Committee is comprised of the following members:

Table 6-3 Audit Committee Members

Name	Role
Mr Abdullah Al Huwaish	Chairman
Mr Attian Al-Hazmi	Member
Mr Rashid Al Mugait	Member
Mr Omar Jafri	Member

Source: Company

6-4-2 Nomination and Remuneration Committee

The Nomination and Remuneration Committee oversees the nomination of directors to the Board and the remuneration policy for the directors. The duties and responsibilities of this committee include the following:

- Recommending nominations to the Board;
- Reviewing the appropriate skills needed for Board membership each year and generating a description of the capabilities and qualifications required for the membership of the Board, including the amount of time that a Director is required to dedicate to the Board's functions;
- Reviewing the structure of the Board and submitting recommendations on potential changes;
- Identifying the strengths and weaknesses of the Board and, if necessary, proposing corrective actions that are consistent with the Company's interests;
- Verifying annually the independence of the independent Directors and ensuring the absence of any conflict of interest if a Director serves as a member of the Board of another company; and
- Drawing up clear policies for the remuneration of the Board members and senior executives, using performance criteria in the determination of such remuneration.

Table 6-4 Nomination and Remuneration Committee Members

Name	Role
Mr Attian Al-Hazmi	Member
Mr Yousef Attiah	Member
Vacant*	Chairman

Source: Company

* The Company undertakes to appoint an independent Board Member during the first Ordinary General Assembly meeting following the Offering.

6-4-3 The Company's Undertakings following Admission

Following Admission, the Company plans to:

- complete Form 8 (relating to compliance with the Corporate Governance Regulation) and, in the event that the Company does not comply with any of the requirements of the Corporate Governance Regulation, to explain the

reasons for such non-compliance;
- provide the Authority with the date on which the first General Assembly will be held following Admission so that a representative may attend;
- submit Related Party transactions and contracts for the General Assembly's approval (in accordance with the Companies Regulations and Corporate Governance Regulation) on an annual basis, provided that any Related Party shall be prohibited from voting on such resolution (please refer to Section 6.5.3 "Related Party Agreements" for details of Related Party transactions involved members of the Board); and
- appoint an independent Board Member at the first Ordinary General Assembly meeting following the Offering in accordance with the Corporate Governance Regulation.

Similarly, following Admission, the Board undertakes to:

- record all of its resolutions and deliberations in the form of written minutes of the meeting which shall be executed by its members; and
- include brief details of any transactions with Related Parties in the agenda of General Assemblies so that the Shareholders may be given the opportunity to approve such transactions at such meetings in accordance with articles 69 and 70 of the Companies Regulations and article 18 of the Corporate Governance Regulation.

6-5 Service Contracts

6-5-1 Directors

The members of the Board of Directors were appointed by the Conversion General Assembly (in its meeting approving the conversion of the Company into a joint stock company) and all members of the Board are non-executives. The Board of Directors exercises its powers pursuant to the By-Laws and the Companies Regulations. The members of the current Board of Directors have been appointed for a period of five years as of 6 May 2014G, except for the Chairman of the Board who was appointed on 14 August 2014G. All Board members are non-executives and there are no contracts entered into between the members of the Board of directors and the Company. Members of the Board of Directors are only remunerated for their services (please see section 6.5.3 ("Remuneration of Directors and Senior Officers and the Secretary").

The responsibilities of the Chairman and the other members of the Board of Directors can be summarised as follows:

6-5-1-1 The Chairman

- Ensuring the clarity of the Board's functions, framework of duties and the basis for the division of responsibilities.
- Ensuring the clarity and precision of the Board's business plan and the priority of topics brought before the Board.
- Ensuring that the Board's responsibilities adhere to and fulfil the vision and strategy of the Company.
- Leading the Board in selecting the CEO who will be responsible for the administration of the Company.
- Supporting the Committees through administrative guidance and performance evaluation.
- Voting in relation to the appointment of senior management and executive officers.
- Assessing the performance of the Directors.

6-5-1-2 The Board

- Approving the mission and vision statements.
- Participating in the overall direction and planning of the Company's future plans.
- Overseeing the Executive Committee in ensuring the effective implementation of policies and objectives of the Company.
- Participating in determining the Company's strategies and priorities and monitoring the effective and efficient utilisation of the Company's assets.
- Approving the appointment of the CEO, the members of the senior management and executive officers.
- Documenting the deliberations and the resolutions issued by the Board through minutes executed by its members.
- Including any related-party transactions on the agenda of the General Assemblies to approve the same.
- Assisting in the evaluation and assessment of the executive officers and Board members.
- Approving the Company's annual budget.

6-5-2 CEO

Mr. Qaid Bin Khalaf Al-Otaibi is employed as the Chief Executive Officer of the Company under an employment contract dated 21 February 2014G.

Mr. Qaid Bin Khalaf Al-Otaibi's remuneration consists of a monthly salary, housing and transportation allowances as well as medical, social security and retirement benefits. Furthermore, the Board has granted Mr. Qaid Bin Khalaf Al-Otaibi an annual bonus which is equal to a percentage of his annual salary, which is conditional on the Company realising a profit.

Table 6-5 CEO, VP Finance and Board Secretary Contracts

Name	Position	Nationality	Age	Contract Date	Contract Term
Mr. Qaid Bin Khalaf Al-Otaibi	CEO	Saudi	57	21 February 2014G	One year. Automatically Renewable
Mr. Mohamed Safyeldin Salem	VP Finance & Administration	Egyptian	56	23 June 2014G	Two years
Mr. Osama Shaikh	Board Secretary	Saudi	46	16 May 2006G*	Unlimited Term

Source: Company

* MR. Shaikh was transferred from the ground handling unit at Saudia to the Company and his service is deemed to be continuous.

Table 6-6 CEO, VP Finance and Board Secretary Contracts

Name	Position	Nationality	Age	Contract Date	Contract Term
Mr. Ahmed Fallata	VP Planning & Support	Saudi	54	1 May 1997G*	Unlimited Term
Mr. Talal Bin Hussain Bin Abdul Muhsen	VP Operation	Saudi	64	-	-
Mr. Ali Al-Lift	GM Human Resources	Saudi	49	3November 1990G	Unlimited Term
Mr. Ahmed Jannah	GM Marketing & Sales	Saudi	54	-	-
Mr. Hani Saeed Al Ghamdi	GM Audit	Saudi	38	1 November 2006G*	Unlimited Term
Mr. Moteb Saud Al-Zahrani	GM SQS (A)	Saudi	47	16 October 1993	Unlimited Term
Mr. Mohammad Mahmoud Bakhreibah	GM Legal	Saudi	49	-	-
Mr. Suhail Bin Faraj Al-Hamad	VP Support Operations	Saudi	52	1 December 2014G*	Unlimited Term

Source: Company

*These employees were transferred from the ground handling unit at Saudia to the Company and their service is deemed to be continuous.

Each of Talal Abdul Muhasen, Ahmed Jennah and Mohammad Mahoud Bakhreibah are working with the Company as seconded employees from Saudia pursuant to the Council of Ministers resolution number 44 of 4/2/1434H (corresponding to 17 February 2012G) and the Secondment Agreement entered into between the Company and Saudia.

6-5-3 Remuneration of Directors and Senior Officers and the Secretary

Payment of remuneration to the Directors is made in accordance with article 74 of the Companies Regulations based on the Council of Ministers Resolution number 202 dated 13/8/1404H (corresponding to 4May 1984G). Pursuant to the Company's By-Laws, Director remuneration shall not exceed 10% of the Company's net profits after distribution of dividends to the Shareholders.

The total remuneration paid to the Directors and the Company's Senior Officers (which are 8 individuals including the chief executive officer and the vice president of finance) for the financial years ended 31 December 2012G, 2013G and 2014G are set out in the table below.

Table 6-7 Director and Senior Officer Remuneration

	2012G SAR Million	2013G SAR Million	2014G SAR Million
Directors	2.7	2.3	2.3
Members of Company committees	-	-	-
Senior Officers (8 employees)	5.2	5.8	6.1
Total	**7.9**	**8.1**	**8.4**

Source: Company

The Directors are prohibited from voting on decisions relating to their own remuneration. The Directors and the Senior Officers of the Company are prohibited from borrowing from the Company.

6-6 Conflicts of Interest

Neither the Company's By-Laws nor any of its internal regulations and policies grants a member of the Board of Directors the power to vote on any contract or offer in which he has a direct or indirect interest. This is in accordance with article 69 of the Companies Regulations, which stipulates that "a director may not have any interest whether direct or indirect in the transactions or contracts made for the account of the company except with an authorization from the ordinary general assembly". Furthermore, article 69 of the Companies Regulations further requires a member of the Board to notify the Board of Directors of any personal interest he/she may have in the transactions or contracts to be entered into by the Company. The chairman of the Board of Directors is obliged to notify the General Assembly of the transactions and contracts in which a director has a personal interest, provided that such notification shall be accompanied by a special report from the Company's auditor. A conflicted member of the Board of Directors may not vote on any resolution approving the entry into the transaction and/or contract in which he/she has a direct or indirect interest. Based on the foregoing, the Board of Directors confirms that:

- they will comply with articles 69 and 70 of the Companies Regulations and article 18 of the Corporate Governance Regulation;
- they will not vote on General Assembly resolutions that relate to any related party transaction or contract in which the members of the Board of Directors have a direct or indirect interest; and
- they will not compete with the Company's business, and all future Related Party transactions will be concluded on an arm's length basis and in accordance with article 70 of the Companies Regulations.

Section 13 ("Legal Information") sets out the members of the Board of Directors with a direct or indirect interest in the transactions and/or contracts entered into by the Company. Section 13 ("Legal Information") also sets out the details of a member of the Board that carries out activities similar to or competing with the Company's activities.

6-7 Employees

6-7-1 Company's employees

As of 31 December 2014G, the Company had approximately 11,458 employees of which approximately 5,741 were Saudi nationals and 5,718 were expatriates, representing approximately 49% and 51%, respectively, of the Company's total workforce. The Ministry of Labour also calculates the average Saudisation percentage over the last six months, which resulted in a Saudisation percentage of 49% for the Company.

Table 6-8 Senior Management (Saudis and Non-Saudis) in Saudi Arabia

	2012G			2013G			2014G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Senior Management – General Management	4	4	8	8	3	11	9	1	10
Senior Management – Operations	4	-	4	8	-	8	6	0	6
Total	**8**	**4**	**12**	**16**	**3**	**19**	**15**	**1**	**16**

Source: Company

Table 6-9 Administrative, Operational Staff (Saudis and Non-Saudis) in Saudi

	2012G			2013G			2014G		
	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Administrative Staff	336	349	685	342	349	691	327	286	613
Operations Staff	4,309	5,084	9,393	4,947	4824	9,771	4,734	5,718	10,452
Total	**4,645**	**5,433**	**10,078**	**5,289**	**5173**	**10,462**	**5,061**	**6,004**	**11,065**

Source: Company

The strength and success of the Company can be attributed to the expertise and experience of its employees. It is the Company's policy to ensure that the staff have adequate qualifications and training in-line with international standards and receive the necessary training to enable them to perform their duties and tasks effectively and efficiently. The Company opened the academy for training and qualification 2010G, which is a well-equipped training Centre with highly qualified tutors in order to train and supervise its employees. In addition, the Company has sought the assistance of major IATA accredited companies to develop the training programme for the Company's employees. For example, the Company has entered into a contract with a service provider to provide a program titled "Engineering personality and team performance" for approximately 80 of the Company's employees in both Riyadh and Jeddah.

In 2012G and 2013G, the Company received an IATA authorisation and is approved as an IATA authorised training centre to conduct training for certain IATA programs, including air cargo rating, shipping guidelines for infectious substances, airport operations, ground operations management and airline revenue management.

Table 6-10 Saudisation by Division

Department	Management	2012G			2013G			2014G		
		Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total	Saudi	Non-Saudi	Total
Domestic stations										
Airport terminals and operatiopns		415	9	424	437	9	446	463	18	481
Total Domestic Station	-	415	9	424	437	9	446	463	18	481
International stations										
Operations		1,020	4,432	5,452	1,235	4,204	5,439	902	3,581	4,483
Airport Terminals		2,874	647	3,521	3,275	614	3,889	4,033	1,832	5,865
Total		**3,894**	**5,079**	**8,973**	**4,510**	**4,818**	**9,328**	**4,935**	**5,413**	**10,348**
Total All Operations	-	**4,309**	**5,088**	**9,397**	**4,947**	**4,827**	**9,774**	**5,398**	**5,431**	**10,829**
General Management										
Audit and Quality Control		23	6	29	22	4	26	25	4	29
Luggage Services		20	2	22	20	2	22	18	17	35
CEO Office		11	8	19	11	39	50	11	12	23
Control and Supervision		4	1	5	3	1	4			
Engineering Management		26	65	91	30	60	90	6	21	27
Finance		23	38	61	17	39	56	19	29	48
General Manager of Joint Ground Services		3	2	5	3	2	5	1	1	1
General Manager of Operation		1	4	5	1	4	5	3	2	5
General Manager of Controls and Procedures		2	2	4	1	0	1	1	-	1
General Manager of Maintenance		35	116	151	33	92	125	20	33	53
Human Resource Department		117	21	138	119	20	139	99	22	121
Information Technology Department		24	6	30	36	6	42	36	_7	43
Internal Audit Department		3	8	11	5	9	14	4	9	13
Customer Care – Jeddah		0	0	0	1	0	1	7	_	7
Legal Department		6	0	6	7	0	7	5	_	5
Medical Department		3	14	17	4	13	17	4	14	18
Systems and Procedures Department		0	0	0	0	3	3	_	3	3
Procurement Department		17	9	26	18	11	29	16	9	25
Marketing and Sales Department		11	8	19	11	9	20	12	10	22
Strategic Planning Department		1	1	2	1	1	2	1	1	2
Training		12	7	19	11	7	18	14	9	23
Facilities Management		0	26	26	0	24	24	29	81	110
VP Operations		1	2	3	1	0	1	6	_	6
VP Planning		1	3	4	3	3	6	6	3	9
Total Management	-	**344**	**349**	**693**	**358**	**349**	**707**	**343**	**287**	**629**
Total All Staff	-	**4,653**	**5,437**	**10,090**	**5,305**	**5,176**	**10,481**	**5,741**	**5,718**	**11,458**

Source: Company

It is worth noting that, Al-Amad Saudi (the Company's Affiliate) has engaged a total of 122 (one hundred and twenty two) employees of which 22 (twenty two) are Saudi nationals. As such, Al-Amad Saudi has complied with applicable Saudisation percentages.

6-7-2 Seconded Employees

Furthermore, the Company currently has Saudi employees that have been seconded from Saudia to the Company pursuant to the (i) Council of Ministers resolution number 44 of 4/2/1434H (corresponding to 18 December 2012G), and (ii) the Secondment Agreement entered into between the Company and Saudia. The number of seconded employees decreased every year pursuant to reaching their retirement age or leaving work as the number of employees was 998 at the end of 2012G, 923 at the end of 2013G and 860 as at the date of this Prospectus. Please see section 13.1.4.5 for more information on this Secondment Agreement.

The Directors do not believe that the retirement of the Saudia seconded employees will lead to an increase in cost of the Company's employees. This is because the Company will replace the retired Saudia employees with employees currently employed with the Company.

6-7-3 Temporary Manpower

The Company requires temporary manpower during certain periods of the year and, as such, it enters into supply arrangements with licensed manpower leasing companies to obtain manpower support in Saudi Arabia. These personnel are used to conduct rudimentary tasks that do not require any technical skill or knowledge and do not involve any interaction with the Company's customers, such as assistance with baggage loading/handling, cleaning of ground handling equipment and providing general security services. No employment agreements are entered into by the Company pursuant to these manpower supply arrangements; instead, the Company simply enters into a manpower supply agreement with the respective manpower supplier.

This type of arrangement is beneficial to the Company as it is able to mobilise manpower at short notice and on a temporary basis rather than using full time employees to provide the services set out above. This is especially useful to satisfy demand during busy periods such as Hajj, Umrah and the summer vacation. The average number of temporary workers was 1,720 in 2012G, 2,850 in 2013G and 2,800 in 2014G.

6-7-4 Seasonal Staff

The Company normally applies to the Ministry of Labour to obtain visas for seasonal staff in order to manage the increased demand for Ground Handling Services during the Hajj season. As such, the Company enters into employment agreements with all seasonal staff for a term of three to five months. The total number of seasonal staff was 4,536 in 2013G and 4,700 in 2014G.

This arrangement is more cost-effective for the Company compared to the temporary manpower arrangement. However, it is worth noting that the employment contracts of seasonal workers cannot be terminated even if the Company becomes aware that flights/demand during the Hajj season will be reduced.

6-7-5 Saudisation Policies

As at the date of this Prospectus, approximately 5,741 of the Company's employees were Saudi nationals. The Company has been, and continues to be, fully committed to achieving the Government's policy on Saudisation. For this reason, the training and development of Saudi citizens' skills and capabilities are a high priority of the Company. At the date of this Prospectus, the Ministry of Labour has not created a "Nitakat" sector classification specifically for ground handling services companies and, as such, the Company's classification falls under "airline operator", which requires high percentages of Saudisation. The Company has applied to the Ministry of Labour requesting the amendment of its classification to a "maintenance, operation and cleaning company" and a second classification for "travel and tourism agency", given the similarities between the Company's activities and this class. Given that the Saudisation requirements for a "maintenance, operation and cleaning company" and "travel and tourism agency" are lower than that of an "airline operator", the Company believes that the reclassification will improve its "Nitakat" category.

Furthermore, it is worth noting that the Company currently has 860 Saudi national employees that have been seconded from Saudia to the Company as part of the Privatisation pursuant to the Council of Ministers resolution number 44 of 4/2/1434H (corresponding to 17 December 2012G) and the Secondment Agreement entered into between the Company and Saudia. These employees are not counted towards the Saudisation percentage given that they are considered employees of the public sector. Please see section 13.1.4.5 ("Legal Information—Employee Secondment Agreement with Saudia") for more information on this Secondment Agreement.

Furthermore, the Company has completed the transfer of residencies for 2,309 expatriate employees from Saudia to the Company as part of the Privatisation and Acquisition. The transfer of such expatriate employees to the Company has had a negative effect on the Company's Saudisation percentages.

The current percentage of Saudi employees at the Company places it in the medium green category, meaning it is compliant with the requirements of the "Nitakat" programme. The current percentage of Saudi Arabian employees to the total number of employees engaged by the Company is 49%. . Furthermore, the Ministry of Labour may amend the "Nitakat" classification in the future, for example by including the Outsourced Staff in the calculation of the Saudisation percentages. If the Company fails to comply with the "Nitakat" program in the future, it may be categorised as falling within the yellow or the red categories (depending on the extent to which it is non-compliant with the "Nitakat" programme). In such an event, the Company will be subject to a number of sanctions, including:

- the suspension of the Company's applications for work visas;
- the suspension of the Company's applications to transfer the sponsorship of an employee or a potential employee;
- the Company's expatriate employees will be prevented from changing their occupation in their work visas;
- the Company may not open files for its entities with the Ministry of Labour; and
- the Company's expatriate employees may transfer their employment and work visas to companies falling under the green and premium categories without the Company's consent.

7. Management Discussion and Analysis

The following Management Discussion and Analysis ("MD&A") of the financial condition and results of the Company (the "Company") has been prepared by the Management on a consolidated basis and is based upon, and should be read together with, the audited financial statements for the years ended 31 December 2012G, 2013G, and 2014G, which have been audited by KPMG Al Fozan & Al Sadhan (the "Auditors") in addition to the notes thereto for each case.

The Auditors do not themselves, nor do any of the partners or employees of the Auditor (nor any relatives of such partners or employees) have any shareholding or interest of any kind in the Company. The Auditors have furnished and not withdrawn their written consent to the reference in the Prospectus as to their role as auditors of the Company for the 3 financial years ended 31 December 2012G, 2013G, and 2014G.

All amounts are in Saudi Riyals unless otherwise stated. The amounts are rounded to the nearest thousand with percentages rounded to the first place after the decimal point.

Directors' Declaration for Financial Statements

This MD&A contains certain forward looking comments and statements in connection with the Company's future prospects based on the Management's current plans and expectations regarding the Company's growth, results of operations and financial conditions. As such, this MD&A involves risks and uncertainties, and the actual outcome and performance of the Company could differ from that expressed or implied by these forward looking comments as a result of various factors and future events, including those discussed below (i.e. "risk factors") and elsewhere in the Prospectus.

- The Directors declare that - to the best of their knowledge - the financial information presented in the Prospectus is extracted without material change from the audited financial statements and that such statements have been prepared in accordance with SOCPA accounting standards.
- The Directors of the Company acknowledge that there is no intention to make any fundamental change in the nature of the activity of the Company and that the Company's operations did not stop in a way that could affect or have affected its financial position significantly during the past twelve months. The Directors also acknowledge that there has been no material adverse change in the financial position or prospects of the Company during the last three financial years, in addition to the period from 1 January 2014G until the date of the Prospectus.
- The Directors assert that the Company will have enough funds to fulfil the working capital requirements for the 12 months following the date of the Prospectus, and declare that neither the capital of the Company nor its Subsidiary is subject to any option agreement.
- The Directors declare that there are no mortgages or claims on the Company's assets as of the date of this Prospectus, except what has been declared in this section and other parts of this Prospectus.
- The Directors declare that no commissions, discounts, brokerages or other non-cash compensation were granted by the Company to any member of the Board, senior manager, or expert in relation to the Offering in the three years immediately preceding the date of submitting the listing application.

7-1 Company Overview

SGS is registered in the Kingdom of Saudi Arabia under commercial registration number 4030181005 dated 11 Rajab 1429H, corresponding to 14 July 2008G, with a capital of 500 thousand Saudi Riyals consisting of 5,000 equal shares valued at 100 Saudi Riyals. As part of the privatization of the Ground Support Services Division ("GSS") of Saudi Airlines ("Saudia"), Saudia incorporated Saudi Ground Services Company ("SGS" or the "Company") as a subsidiary in accordance with the Royal Decree no. 70/m on 14/8/1428H (corresponding to 15/8/2007G). On February 7, 2010G, Saudia signed a Sale and Purchase Agreement to acquire the ground handling business of Attar Travel and the entire issued share capital of NHS, and the Ground Supporting Services Division of Saudia.

Upon the acquisition, which took effect on 29 December 2010G, the capital was increased from 500 thousand Saudi Riyals to 886.9 million Saudi Riyals consisting of 8.9 thousand shares valued at 100 Saudi Riyals each. The Company's capital increased by 933.1 million on 6 May 2014G to reach 1.88 billion Saudi Riyals, consisting of 188 thousand shares of 10 Saudi Riyals each, through the capitalization of retained earnings and imputed equity adjusted with excess consideration. As per the revised Articles of Association of the Company, Saudi Arabian Airlines Corporation transferred shares to Saudi Airlines Private Aviation and Saudi Arabian Airlines Real Estate Developers as new shareholders, in order to reach the minimum requirement of five shareholders,.

7-1-1 Basis of preparation

(i) Accounting standards applied

The consolidated financial statements include the financial statements of the Company and the National Handling Services, its subsidiary, as described in Note (1) and collectively referred to as the "Company". The preparation of financial statements in accordance with the accounting standards generally accepted in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants.

(ii) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, using the accrual basis of accounting and the going concern concept.

(iii) Functional and presentational currency

The consolidated financial statements are presented in Saudi Arabian Riyals (SAR) which is the functional currency of the Company.

(iv) Basis of the financial statements consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries as shown in Note (1) above. A subsidiary is an entity that is controlled by the Company and is called under control when the Company has the ability to control the financial and operating policies of the entity so as to obtain economic benefits from its activities. In control assessment, it is taken into consideration the potential voting rights currently applied. The inclusion of financial statements of subsidiaries in the consolidated financial statements is from the date that control is taken until the date that control is ceased.

The financial statements of the subsidiary for the same fiscal period as the Company are prepared using the same accounting policies.

(v) Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgments, 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 judgment and estimates are as follows:

(1) Impairment of non-financial assets:

The Company assesses at each reporting date, or more frequently if events or changes in circumstances indicate, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an 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.

(2) Provision for doubtful debt:

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade 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.

(3) Provision for slow moving inventory items:

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

(4) Useful life 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.

7-1-2 Significant accounting policies

The following significant accounting policies have been applied to all periods presented in the consolidated financial statements. There have been reclassifications of certain comparative figures to conform to the current year presentation.

(i) Cash and cash equivalents

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.

(ii) Trade receivables

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

(iii) Inventories

Inventories are valued at lower of cost (determined principally by the weighted average method) and net realizable value. Spares parts are valued at cost, less any provision for slow-moving items.

(iv) 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 year. Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of assets as follows:

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

(v) 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.

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.

(vi) 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 recognized 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 Company equity and any gain / (loss) arising is recognized directly in equity.

(vii) Intangible assets

(1) Goodwill:

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

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

(2) Other intangible assets:

Other intangible assets represent the customer contracts and customer relationships.

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

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

(3) Impairment of assets:

Financial assets, property, plant 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.

(viii) 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 consolidated statement of income.

(ix) Provisions

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

(x) Leases

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

Assets purchased under finance lease are recorded at the lower of their fair value and the present value of the minimum lease payments at the inception of the lease and are depreciated over their expected useful lives on the same basis as owned assets. Finance costs are charged to the 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 consolidated statement of income on a straight line basis over the lease term.

(xi) 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 consolidated statement of income.

(xii) Revenue recognition

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

(xiii) Income from bank deposits

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

(xiv) Foreign currencies

Transactions denominated in foreign currencies are translated to the functional currencies of the Company at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currencies of the Company at the foreign exchange rate ruling at that date. Exchange differences arising on translation are recognized in the 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.

(xv) 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 consolidated statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

(xvi) Operating costs

Operating costs incurred during the period in relation to the activities performed to generate revenue for the period are charged to the consolidated statement of income.

(xvii) 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.

7-2 Results of operations

7-2-1 Income statements

The table below presents the consolidated income statements for the three years ended 31 December 2012G, 2013G, and 2014G.

Table 7-1 Consolidated income statements 2012G-2014G

Historical Income Statement						
SAR in 000s	2012G Audited	2013G Audited	2014G Audited	YoY '12-'13	YoY '13-'14	CAGR '12-'14
Revenue	2,007,121	2,143,849	2,408,026	6.8%	12.3%	9.5%
Operating costs	(1,173,890)	(1,308,628)	(1,526,293)	11.5%	16.6%	14.0%
Gross profit	**833,232**	**835,221**	**881,732**	**0.2%**	**5.6%**	**2.9%**
G&A expenses	(228,640)	(209,706)	(255,079)	(8.3%)	21.6%	21.4%
Share of profit from an equity accounted investee	-	-	21,503	-	-	-
Operating income	**604,591**	**625,514**	**648,156**	**3.5%**	**3.4%**	**3.5%**
Other income	2,453	3,608	27,618	47.1%	665.5%	235.6%
Finance charges	(3,256)	(1,892)	(1,200)	(41.9%)	(36.5%)	(39.3%)
EBIT	**603,788**	**627,230**	**674,574**	**3.9%**	**7.5%**	**5.4%**
Zakat	(14,498)	(21,270)	(17,593)	46.7%	(17.3%)	10.2%
Net income	**589,290**	**605,960**	**656,981**	**2.8%**	**8.4%**	**5.6%**
Key performance indicators						
Number of flights	260,789	269,732	290,120	-	-	-
Average revenue/flight (SAR)	7,696	7,948	8,300	-	-	-
Average operating cos/flight (SAR)	4,501	4,851	5,261	-	-	-
Average GP/flight (SAR)	3,195	3,096	3,039	-	-	-
Revenue growth	12.1%	6.8%	12.3%	-	-	-
As % of revenue				**Percentage points change**		
GP (%)	41.5%	39.0%	36.6%	(2.6)	(2.3)	(4.9)
G&A (%)	11.4%	9.8%	10.6%	(1.6)	0.8	2.0
Operating Income (%)	30.1%	32.5%	30.5%	(0.5)	(2.0)	(5.3)
EBIT (%)	30.1%	29.3%	28.0%	(0.8)	(1.2)	(2.2)
NI (%)	29.4%	28.3%	27.3%	(1.1)	(1.0)	(2.1)

Source: Company

The increase in revenue by 136.7 million Saudi Riyals in 2013G, from 2.0 billion Saudi Riyals in 2012G to 2.1 billion Saudi Riyals in 2013G, was driven by the increase in revenues of both Saudia and non-Saudia airlines, which contributed 54.8 million Saudi Riyals and 107.0 million Saudi Riyals to the increase, respectively. The non-Saudia airlines revenue growth was mainly on the back of higher tariff rates, and the increase in the price of services provided, whereas the increase in Saudia revenue was driven by higher volumes. Miscellaneous revenue decreased by 25.1 million Saudi Riyals in 2013G compared to 2012G due to the decline in flight activity in the Hajj season of 2013G, as miscellaneous revenue is largely dependent on Hajj seasons, as well as the discontinuation of the management of one of King Khalid International Airport lounges.

Revenue continued to grow in 2014G and increased by 264.2 million Saudi Riyals (an increase of 12.3% compared to 2013), driven by both non-Saudia and Saudia flights, which contributed 176.0 million Saudi Riyals (67% of the ground handling revenues increase) and 75.0 million Saudi Riyals (28% of the ground handling revenues increase), respectively. While miscellaneous revenue represented the rest of the increase by 13.2 million Saudi Riyals. The revenue increase in 2014G was due to an overall growth in volume (number of flights increased by 7.6%, from 270,000 in 2013G to 290,000 in 2014G) and tariff increase (average revenue per flight increased by 4.0%).

Gross profit only increased by 2 million Saudi Riyals (+0.2%) in 2013G, despite the growth in revenue by 136.7 million Saudi Riyals (6.8%), due to an increase in operating costs at a rate of 11.4%, which exceeded revenue, mainly as a result of an increase in the Company's employees operating expenses by 17.8%. In 2014 Gross profit increased by 46.5 million Saudi Riyals, where revenues increased by 12.3% compared to 2013G, and an increase in operating expenses of 16.6%.

Gross margin declined by 2.6 percent in 2014G, as compared to 2013G, as the increase in operating costs outpaced the growth in revenue over the period. Staff costs increased as a percentage of revenue as the Company had increased the number of employees to prepare for the Hajj season prior to the Government's decision to reduce the number of flights because of the haram expansion in 2014. In 2013G, the drop in gross margin by 2.3 percentage points was due to an increase in manpower costs, whereby the government of Saudi Arabia decreased the number of hajj flights due to the expansion works in the Makkah Haram, while the Company had already entered into a binding contracts for the supply of temporary labour. The inability to modify those contracts impacted gross profit because of the increase in operating costs as a proportion of revenue. Gross profit was also impacted due to the reclassification of certain staff costs from general and administrative expenses to operating costs.

In 2013G, General and administrative expenses decreased by 18.9 million Saudi Riyals mainly due to the reclassifications of certain staff to operating costs, as well as the recording of an IT support provision for 5.5 million Saudi Riyals as compared to 15.4 million Saudi Riyals in 2012G.

General and administrative expenses increased in 2014G by 45.4 million Saudi Riyals, compared to 2013G, mainly due to exceptional provisions taken in 2014G relating to prior years. Those provisions included fees that might be charged due to the Company using Saudia's IT system, of which 33.8 million Saudi Riyals is related to prior years, as well as a provision for doubtful debts of 52.7 million Saudi Riyals, where the largest contributor was the provisions of Saudi Airlines and its subsidiaries.

Other income relates to several non-core services provided to airline companies, such as car rental, laundry and emergency accommodation that are charged back to airlines on a cost plus basis, usually during the hajj seasons. Other income also includes the gain realized on the disposal of machinery and equipment. Other income in 2014G largely consisted of the gain amounting to 27.6 million Saudi Riyals realized on the company receiving an amount of 22.2 million Saudi Riyals from human resources development fund regarding the motivational programs that the fund carries out to employ Saudis.

On 27/10/1434H (corresponding to 3/9/2013G), SGS and Al Amad for Trade and Supplies Company agreed to form Saudi Amad Airport Services Company (SAASC) on a basis of 50% ownership for each party. In 2014G, the regulatory procedures were finalized and SGS recorded SAASC as an equity investment (i.e. an affiliate company) given that SGS does not have control of this company. The share of profit from an equity accounted investee of 21.5 million Saudi Riyals represents SGS's share of SAASC's 2014G net profit. For further details, please refer to table 12-7.

In 2013G, depreciation expenses increased by 11.7 million Saudi Riyals, to reach 67.0 million Saudi Riyals driven by the 2012G additions observing a full year effect, coupled with new additions to fixed assets in 2013G for 132.1 million Saudi Riyals. Depreciation expense increased by 12.2 million Saudi Riyals in 2014G, mainly due to additions in 2013G and 2014G.

Finance charges relate to a bank loan transferred to SGS from Attar Ground Handling following the acquisition of Attar Ground Handling in 2010. The loan was fully repaid by April 2014G.

Revenue

Table 7-2 Consolidated income statements 2012G-2014G

	2012G		2013G		2014G		YoY. '12-'13	YoY. '13-'14	CAGR '12-'14
	Revenue	Flights	Revenue	Flights	Revenue	Flights			
KAIA (Jeddah)									
Saudia	426,020	48,016	439,513	48,231	473,146	50,602	3.2%	7.7%	5.4%
Non-Saudia	341,525	41,691	353,439	39,462	428,789	45,197	3.5%	21.3%	12.0%
	767,544	**89,707**	**792,953**	**87,693**	**901,935**	**95,799**	**3.3%**	**13.7%**	**8.4%**
KKIA (Riyadh)									
Saudia	353,243	52,350	375,785	51,686	391,627	51,375	6.4%	4.2%	5.3%
Non-Saudia	203,667	23,832	236,302	27,255	264,129	27,731	16.0%	11.8%	13.9%
	556,909	**76,182**	**612,087**	**78,941**	**655,756**	**79,105**	**9.9%**	**7.1%**	**8.5%**
KFIA (Dammam)									
Saudia	97,834	15,713	106,897	17,260	112,521	17,907	9.3%	5.3%	7.2%
Non-Saudia	112,507	15,564	125,598	16,241	143,930	18,405	11.6%	14.6%	13.1%

	2012G		2013G		2014G		YoY. '12-'13	YoY. '13-'14	CAGR '12-'14
	Revenue	Flights	Revenue	Flights	Revenue	Flights			
	210,341	**31,276**	**232,495**	**33,501**	**256,451**	**36,312**	**10.5%**	**10.3%**	**10.4%**
PMIA (Madina)									
Saudia	80,446	12,728	79,979	12,801	81,450	13,453	(0.6%)	1.8%	0.6%
Non-Saudia	59,638	6,639	70,466	7,280	98,935	10,299	18.2%	40.4%	28.8%
	140,084	**19,366**	**150,445**	**20,081**	**180,384**	**23,752**	**7.4%**	**19.9%**	**13.5%**
Domestic airports									
Saudia	221,958	37,726	232,094	39,249	250,515	42,108	4.6%	7.9%	6.2%
Non-Saudia	59,113	6,533	97,654	10,269	123,653	13,046	65.2%	26.6%	44.6%
	281,071	**44,259**	**329,748**	**49,518**	**374,168**	**55,153**	**17.3%**	**13.5%**	**15.4%**
Gross									
Saudia	1,179,500	166,532	1,234,268	169,227	1,309,259	175,444	4.6%	6.1%	5.4%
Non-Saudia	776,450	94,257	883,459	100,506	1,059,435	114,676	13.8%	19.9%	16.8%
	1,955,950	**260,789**	**2,117,727**	**269,732**	**2,368,694**	**290,120**	**8.3%**	**11.9%**	**10.0%**
Miscellaneous	51,171	na	26,122	na	39,331	na	(49.0%)	50.6%	(12.3%)
Total	**2,007,121**	**260,789**	**2,143,849**	**269,732**	**2,408,026**	**290,120**	**6.8%**	**12.3%**	**9.5%**
% of Revenue									
Saudia	58.8%	63.9%	57.6%	62.7%	54.4%	60.5%			
Non-Saudia	38.7%	36.1%	41.2%	37.3%	44.0%	39.5%			
Miscellaneous	2.5%		1.2%		1.6%				

Source: Company

SGS is spread across all the Kingdom's airports. King Abdulaziz International Airport, King Khaled International Airport, King Fahd International Airport, and Prince Mohamad Bin Abdulaziz International Airport are classified as international airports, with the remaining airports classified as domestic airports as they mostly operate flights within the Kingdom of Saudi Arabia.

King Abdulaziz International Airport was the largest contributor to revenue and represented an average of 37.6% to the cumulative revenue over the period 2012G-2014G, King Khaled International Airport was the second largest contributor to revenue with an average of 27.8% to the cumulative revenue, followed by King Fahd International Airport with 10.7%. Domestic airports, which include 23 local airports, contributed 15.0% to the cumulative revenue, with Prince Mohamad Bin Abdulaziz International Airport contributing the remaining 6.9% to cumulative revenue. The increase in revenue by 136.7 million Saudi Riyals in 2013G was driven by King Khaled International Airport, which contributed 40.4% to total revenue, followed by King Abdulaziz International Airport with 18.6%. Domestic airports contributed 35.6% to the increase.

Revenue increased by 264.2 million Saudi Riyals in 2014G, mainly due to the growth in revenue related to King Abdulaziz International Airport, which contributed 109.0 million Saudi Riyals to the total increase in revenue over the period.

King Abdulaziz International Airport

King Abdulaziz International Airport consists of three terminals, with one that serves Saudia and NAS, one that serves the remaining airline companies, and one for Hajj flights. King Abdulaziz International Airport is the main airport gateway to Makkah and therefore experiences an increase in operations during the Hajj and Umrah seasons.

Revenues from King Abdulaziz International Airport increased by 25.4 million Saudi Riyals over the period 2012G-2013G despite a 5.3% drop in Hajj related flights over the period. The drop in Hajj related flights was mainly due to expansion works in the Holy Mosque in Makkah. The increase from non-Saudia airlines totalled 11.9 million Saudi Riyals over the period.

Revenues from King Abdulaziz International Airport increased by 109.0 million Saudi Riyals in 2014G, driven by the increase in revenue related to non-Saudia flights by 75.3 million Saudi Riyals, and the increase in revenue related to Saudia flights by 33.6 million Saudi Riyals. King Abdulaziz International Airport was the highest contributor to the increase in revenue over the period, representing 41.3% of the total growth.

King Khaled International Airport

King Khaled International Airport was the largest contributor to the revenue increase in 2013G, contributing 55.2 million Saudi Riyals. King Khaled International Airport does not experience seasonality in the same manner as King Abdulaziz

International Airport, with operations evenly spread throughout the year. Non-Saudia customers were the main drivers behind the increase in revenue in 2013G, contributing 32.6 million Saudi Riyals. This was mainly due to the launch of several regional low cost airlines, and the ramp up and increase of certain regional flagship carriers' flights to King Khaled International Airport. Flights handled in King Khaled International Airport increased by 2,759 between 2012G and 2013G, mainly driven by low cost carriers increasing the number of scheduled flights to King Khaled International Airport.

Revenues from King Khaled International Airport recorded a 43.7 million Saudi Riyals increase in 2014G, despite the relatively small increase in the number of flights in 2014G, as a result of airlines using wider bodies planes which are charged higher handling rates.

King Fahd International Airport

King Fahd International Airport experienced a revenue increase of 22.2 million Saudi Riyals in 2013G. In 2013G, the growth in revenue was distributed between Saudia (9.1 million Saudi Riyals) and non-Saudia (13.1 million Saudi Riyals) airlines driven by an increase in tariffs rate and an increase in volume (Saudia flights handled increased by 1,548 flight and non-Saudia flights increased by 677 flights).

Revenues from King Fahd International Airport experienced an increase of 24.0 million Saudi Riyals in 2014G, mainly driven by revenue related to non-Saudia customers, which increased by 18.3 million Saudi Riyals, and revenue related to Saudia, which increased by 5.6 million Saudi Riyals.

Prince Mohamad Bin Abdulaziz International Airport

Travellers mostly visit Madina for the purposes of visiting the Holy Mosque and, as such, the airport experiences seasonality as a result of Hajj and Umrah visitors which are concentrated around specific months during the year. Revenue and flights grew by 7.4% and 3.7%, respectively in 2013G, driven by the increase in the number of flights over the period. In 2014G, revenues grew by 19.9% due to an increase in weekly flights for some regional airlines such as Egypt Air, Etihad Airways and FlyNas. Other airlines represented 28.5 million Saudi Riyals of the increase between 2013G and 2014G.

Domestic airports

Revenues from domestic airports recorded the second highest growth in revenue over the period 2012G-2013G. Non-Saudia flights handled increased by 3,736 flights (+57.2%) between 2012G and 2013G mainly driven by low cost airlines, which contributed 2,707 flights to the increase, and Qatar Airways launching flights to Qassim in 2013G. The increase in revenue continued into 2014G, where revenue increased by 44.4 million Saudi Riyals, in-line with the increase in air traffic by 2,777 flights.

Miscellaneous revenue

Miscellaneous revenue amounted to 51.2 million in 2012G, 26.4 million in 2013G, and 39.3 million in 2014G. Miscellaneous revenue is mainly generated from a 10 million Saudi Riyals contract to provide manpower to Saudi Aramco airports, in addition to various other revenue sources. Miscellaneous revenue decreased in 2013G, mainly due to a drop in miscellaneous Hajj revenue and the discontinuation of the management of one of the King Khaled International Airport's business lounges. Miscellaneous revenue increased by 13.2 million Saudi Riyals in 2014G, driven by the addition of new revenue streams, such as the sale of Saudia tickets.

Table 7-3 Revenue by service, 2012G-2014G

SAR in 000's	2012G	2013G	2014G	YoY '12-'13	YoY. '13-'14	CAGR '12-'14
Saudia						
Terminal handling	470,037	465,260	501,191	(1.0%)	7.7%	3.3%
Technical services	242,348	260,784	289,282	7.6%	10.9%	9.3%
Basic handling package – domestic airports	204,393	208,498	250,515	2.0%	20.2%	10.7%
Baggage handling	136,638	161,777	133,631	18.4%	(17.4%)	(1.1%)
Cleaning	122,764	133,587	131,330	8.8%	(1.7%)	3.4%
Other	3,320	4,362	3,310	31.4%	(24.1%)	(0.2%)
Gross revenue – Saudia	**1,179,500**	**1,234,268**	**1,309,259**	**4.6%**	**6.1%**	**5.4%**
Non-Saudia						
Basic handling package	617,251	714,791	877,076	15.8%	22.7%	19.2%
Equipment income	138,899	142,131	157,830	2.3%	11.0%	6.6%

SAR in 000's	2012G	2013G	2014G	YoY '12-'13	YoY. '13-'14	CAGR '12-'14
Other	20,300	26,537	24,529	30.7%	(7.6%)	9.9%
Gross revenue – Non-Saudia	**776,450**	**883,459**	**1,059,435**	**13.8%**	**19.9%**	**16.8%**
Miscellaneous	51,171	26,122	39,331	(49.0%)	50.6%	(12.3%)
Total revenue	**2,007,121**	**2,143,849**	**2,408,026**	**6.8%**	**12.3%**	**9.5%**

Source: Company

The services provided to Saudia at the four international airports (King Abdulaziz International Airport, King Khaled International Airport, King Fahd International Airport and Prince Mohamad Bin Abdulaziz International Airport) are split into four categories: (i) terminal services, (ii) technical services, (iii) baggage handling services, and (iv) cleaning/fleet services:

- **Terminal handling services:** Passenger services in arrival and departure terminals including assistance for passengers with special needs and security services.
- **Technical services:** Aircraft support activities including loading, communication, coordination and management activities, as well as airport ramp activities such as aircraft marshalling.
- **Baggage handling services:** Baggage sorting, loading and offloading from the aircraft, transportation of baggage to and from airport, conveyor belts and aircraft load control.
- **Cleaning services:** Interior cleaning of the aircraft, lavatory truck service, water truck service and aircraft disinfection.

SGS classifies Saudia revenue from domestic airports under "Basic Handling Package – domestic airports". Please refer to section 7.4 for more information on the services offered by the company.

Revenue from non-Saudia customers is recorded under "Basic Handling Package" and the services provided include terminal handling services, baggage services and cleaning services. Any additional services required by the airline, either not covered by the basic handling package are required in excess of the maximum ground time of 2 hours, are recorded as equipment income (for example; Ground Power Unit, Air Conditioning Unit, towing, etc.).

The tariff rates for the above mentioned services differ by type of aircraft and type of flight with flights being classified as follows:

- **Terminating:** is an aircraft terminating a flight and not having a departure for more than two hours.
- **Originating:** is an aircraft which has been on the ground for more than two hours.
- **Transit:** is an aircraft making an intermediate landing for commercial reasons where a change of load occurs.
- **Turnaround:** is an aircraft terminating a flight and subsequently originating another flight following a complete change of load within two hours.

Turnaround flights have the highest handling rate, followed by transit flights, originating flights, and finally terminating flights.

Revenue by customer

The Company's main customer is Saudia, which represented 54.4% of total revenues in 2014G. Non-Saudia (foreign airlines and low cost budget airlines), represented 44.0% of total revenue in 2014G, while miscellaneous revenue represented 1.6%.

In 2013G, the increase in revenue was mainly driven by non-Saudia customers, which contributed 107.0 million Saudi Riyals to the increase, while Saudia contributed 54.8 million Saudi Riyals to the increase.

Revenue increased by 264.2 million Saudi Riyals in 2014G, driven by the growth in revenue realized from non-Saudia customers by 176.0 million Saudi Riyals, followed by Saudia which increased by 75.0 million Saudi Riyals over the period.

Miscellaneous revenue from Saudia includes services that are not covered in the basic ground services package (i.e. terminal handling services, baggage services and cleaning services), and consist mostly of special baggage services that are not included in the basic handling package.

Saudia revenue

The increase in Saudia's revenue in 2013G by 54.8 million Saudi Riyals was mainly driven by baggage services (+25.1 million Saudi Riyals) and technical services (+18.4 million Saudi Riyals). Revenue from basic handling package was the main driver behind the increase in Saudi Airlines revenue in 2014G, and was largely driven by the increase in the number of flights to domestic airports (+7.3%).

The movement in revenue by service over 2012G – 2014G was as follows:

- Ground services revenue in passenger's terminals decreased by 1.0% in 2013G due to drop in the number of Hajj related flights, and increased in 2014G in-line with the growth in operations.
- Technical services revenue grew at 7.6% and 10.9% in 2013G and 2014G, respectively, mainly due to the growth in operations in King Khalid International Airport in 2013G, and in King Abdulaziz International Airport in 2014G.
- Baggage services revenue grew by 18.4% 2013G, driven by the increase in the volume of flights handled and the

introduction of new services such as: (i) baggage ID services (launched in 2013G), (ii) expansion of medical lift handling service in 2013G, (iii) cargo services, (iv) dangerous goods and other baggage warehouse handling services expanded and added in 2013G. Baggage services decreased by 17.4% in 2014G, mainly due to the reclassification of revenue of 19.1 million Saudi Riyals from baggage services to ground services in passengers terminals, and revenue from passenger bus services transportation services offered in 2013G (9.3 million Saudi Riyals in 2013G, compared to nil in 2014G) to an associate company.

- Cleaning services grew by 8.8% over 2013G, driven by an overall increase of volume of flights handled, and due to the introduction of new services such as (i) leather cleaning which started in last quarter of 2012G with full year impact in 2013G, (ii) carpet cleaning, (iii) expanded windshield cleaning services introduced in 2013G, and (iv) additional category of manpower service provision which started in 2013G. Cleaning services decreased by 17.4% in 2014G, mainly due to reclassifying the amount of 19.1 million Saudi Riyals into the basic handling package for domestic airports.
- Revenue from the basic handling package for domestic airports remained stable between 2012G-2013G, increasing by 2.0% mainly driven by an increase in Saudia's flights to domestic airports by 1,523 flights and increased by 20.2% over 2013G-2014G driven by an increase in Saudia's traffic by 2,859 flight and the reclassification of a portion of Saudia's baggage revenue to the basic handling package for domestic airports.

Non-Saudi revenue

The main non-Saudia players operating in domestic airports are FlyNas, Fly Dubai, Egypt Air and Nile Air, which averaged 71.6% of non-Saudia domestic airport traffic over 2012G-2013G. FlyNas is currently the only airline, in addition to Saudia, which operates between Saudi domestic airports and international destinations. In 2013G, two new domestic airlines were granted licenses to operate routes between Saudi domestic airports, though the timeline on the commencement of their operations has not been determined yet.

The increase in non-Saudia's revenue in 2013G by 107.0 million Saudi Riyals and by 176.0 million Saudi Riyals in 2014G was driven by revenue from the basic handling package, which contributed 97.5 million Saudi Riyals and 162.3 million Saudi Riyals to the increase in 2013G and 2014G, respectively. This increase in revenue was in-line with the growth in the number of flights (by a CAGR of 10.3% over 2012G-2014G) and the annual increase in rates charged by SGS upon the renewal of customer contracts.

Miscellaneous revenue from Saudia includes services that are not covered the basic ground services package (i.e. terminal handling services, baggage services and cleaning services) such as fines for delays and overnight stops.

Operating costs

Table 7-4 Breakdown of operating costs 2012G-2014G

Operating costs						
SAR in 000s	2012G	2013G	2014G	YoY '12-'13	YoY '13-'14	CAGR '12-'14
SGS employees	612,751	721,797	879,129	17.8%	21.8%	19.8%
Seconded employees	180,733	167,399	194,429	(7.4%)	16.1%	3.7%
Outsources labor	148,088	141,964	138,028	(4.1%)	(2.8%)	(3.5%)
Equipment maintenance	54,000	57,879	81,070	7.2%	40.1%	22.5%
Depreciation	50,659	59,854	72,616	18.2%	21.3%	19.7%
Other	127,659	158,482	161,021	24.1%	1.6%	12.3%
Total	**1,173,890**	**1,307,376**	**1,526,293**	**11.4%**	**16.7%**	**14.0%**

Source: Company

Manpower costs (SGS employees, seconded employees and outsourced labour) represented 79.9% of total operating costs. The remaining expenses are mostly related to maintenance and depreciation charges. Operating costs increased by 133.5 million Saudi Riyals in 2013G, and by 218.9 million Saudi Riyals in 2014G, driven by the increase in SGS employees' cost by 109.0 million Saudi Riyals in 2013G and 157.3 million Saudi Riyals in 2014G.

SGS employees' costs

SGS employees cost represented 48% and 55% of total operating cost in the period 2012G – 2014G. The increase in SGS employees cost in 2013G and 2014G was due to the increase in the number of employees and in salaries and related benefits, in-line with the increase in operations (revenue increased at a CAGR of 9.5%).

The average number of SGS employees increased from 10,078 during 2012G to 10,462 in 2013G due to (i) an increase in handled flights, (ii) an increase in number of days of operations of the Hajj terminal for the Umrah period from 9 months in 2011G to 11 months in 2013G, and (iii) the Company's strategy to gradually reduce its reliance on seconded employees and outsourced labour to maintain customer service quality.

The increase in salaries and benefits mainly resulted from:

- a 5% salary increment in 2013G for all employees along with staff promotions;
- an increase in Saudisation rate from 37.2% as of December 2012G to 46.6% as of December 2013G;
- an increase in total housing allowances by 18.5 million Saudi Riyals (25%) in 2013G, which resulted from certain amendments in SGS's HR policy in which they raised the maximum annual housing allowance for Saudi employees, and expatriate employees in certain grades were given the option to take housing allowance instead of staff accommodation. This amendment was effective in June 2012G, thus the full year effect was observed in 2013G;
- an increase in medical cost contract by 27.4% (8.0 million Saudi Riyals) due to a change in the Company's policy that entitles employees' parents to get medical insurance, and
- an increase in social insurance by 34.4% (7.1 million Saudi Riyals), which resulted from replacing a number of expatriate employees with Saudis.

Employees' costs increased by 21.8% (+157.3 million Saudi Riyals) in 2014G, due to:

- An increase in the average number of employees, from 10,462 in 2013G to 11,065 in 2014G, in-line with the expansion of operations (i.e. number of flights increased by 7.6% over the period).
- Management's decision to promote all Saudi employees graded between levels four and five and to implement a 5% salary increment for all employees.
- Management's decision to distribute bonuses across all staff levels retroactively (resulting in an accrual of 18.5 million Saudi Riyals), as compared to previous years where only high level Management used to receive bonuses.

Seconded employees' costs

Seconded employees' relate to staff that were transferred from Saudi Arabian Airlines (previously the Ground Handling Division) to the Company upon its establishment after the merger. According to the sale and purchase agreement dated 23/2/1431H (corresponding to 7 February 2010G) between Saudia and SGS, Saudi Arabian Airlines shall reimburse SGS for all costs of those seconded employees who are 45 years of age or older and whose salaries exceed 10,000 Saudi Riyals per month. As of 31 December 2014G, the Company had approximately 475 employees who fit the above criteria (i.e. were above 45 years of age and were paid salaries in excess of 10,000 Saudi Riyals per month). SGS pays those employees their salaries in full and later offsets the portion of the salaries above 10,000 Saudi Riyals due from Saudia from the payables to Saudia.

As a percentage of total operating costs, seconded employees' cost declined from 15.4% in 2012G to 12.7% in 2014G. This was mainly due to seconded employee who elected to leave the Company or reached retirement age.

Outsourced labour costs

The number of outsourced labor fluctuates throughout the year, and ranges from 6,000 in the peak season of Hajj, down to 2,000 in low seasons. Outsourced labor costs undergo the same seasonality as revenue due to Hajj/Umrah, with the bulk of those costs being concentrated in King Abdulaziz International Airport.

Outsourced labor costs decreased by 10.1 million Saudi Riyals between 2012G and 2014G, and decreased as a percentage of total operating costs from 12.6% in 2012G to 9.0% in 2014G. The drop in outsourced labor costs was in-line with the company's strategy to reduce its reliance on outsourced employees that are more costly than direct staff.

Equipment maintenance

Equipment maintenance represents mainly the cost of maintenance of the ground handling equipment. The equipment maintenance is covered by a maintenance contract, which has been signed for 5 years In November 2013G.

Equipment maintenance costs increased by 23.2 million Saudi Riyals in 2014G, as compared to 2013G, mainly due to the full year effect of the new maintenance contract that covers all maintenance cost for an annual fee of 81.0 million Saudi Riyals.

Other operating costs

Other operating costs in 2012G to 2014G mainly comprised of staff meal cost provided by Saudia Catering, staff accommodation rent, vehicles repair and maintenance not covered by the equipment maintenance contract, rental charges at airports and staff uniforms.

Gross profit

Table 7-5 Gross profit per airport, 2012G-2014G

Gross profit per airport						
SAR in 000s	2012G	2013G	2014G	YoY '12-'13	YoY '13-'14	CAGR '12-'14
Riyadh	281,623	298,528	297,256	6.0%	(0.4%)	2.7%
Jeddah	236,246	190,701	208,829	(18.9%)	8.9%	(6.0%)
Dammam	112,495	114,097	121,344	1.4%	6.4%	3.9%
Madina	37,472	31,321	41,561	(16.4%)	32.7%	5.3%
Domestic airports	165,395	200,574	212,742	21.3%	6.1%	13.4%
Total	**833,232**	**835,221**	**881,732**	**0.4%**	**5.4%**	**2.9%**
Gross profit margin				**Percentage points change**		
Riyadh	49.5%	48.3%	44.8%	(1.2)	(3.6)	(4.8)
Jeddah	29.8%	23.8%	22.8%	(5.9)	(1.2)	(7.1)
Dammam	50.3%	46.5%	44.7%	3.8))	(1.8)	(5.6)
Madina	26.4%	20.8%	23.1%	(5.6)	2.3	(3.4)
Domestic airports	58.8%	60.8%	56.7%	2.0	(4.2)	(2.2)
Total	**41.5%**	**39.0%**	**36.6%**	**(2.5)**	**(2.4)**	**(4.9)**

Source: Audited financial statements and Management information

Gross profit increased slightly by 0.24% in 2013G, from 833.2 million Saudi Riyals in 2012G to 835.2 million Saudi Riyals in 2013G. The drop in gross margin was driven by the increase in staff costs, despite the decline in the number of Hajj flights in 2013G compared to 2012G, and the reclassification of some staff costs from general and administrative expenses to operating costs.

Gross margin decreased by 2.4 percent in 2014G,despite a 45.5 million Saudi Riyals (5.4%) increase in gross profits over the period, mainly driven by:

- The 21.8% increase in staff costs, in-line with the increase in number of employees.
- The distribution of 18.5 million Saudi Riyals in bonuses in 2014G (compared to nil in previous years).
- Equipment maintenance expense increased by 23.2 million Saudi Riyals over the period 2013G-2014G, mainly due to the new maintenance contract which covers all equipment maintenance costs for an annual cost of 81.0 million Saudi Riyals.

In 2013G, all airport posted an increase in gross profit, with the exception of King Abdulaziz International Airport which reported a decline in gross profit by 18.9% over the period 2012G-2013G and Prince Mohamad Bin Abdulaziz International Airport, which also reported a drop in profitability (-16.4%) due to the drop in Hajj and Umrah operations in 2013G. The decline in number of pilgrims is due to the Government's decision to limit visas issued due to expansion works in the Holy Mosque in Makkah. In 2014G, all airports witnessed an increase in gross profit with the exception of King Khaled International Airport, which reported a slight decrease of 0.4%.

King Khaled International Airport

King Khaled International Airport gross margins remained relatively stable (between 49.5% and 48.3%) over the period 2012G to 2013G mainly as a result of the high volume in operations which is evenly distributed throughout the year (i.e. no Hajj and Umrah seasonality) which leads to improved planning and utilization of resources and greater control over operating costs.

King Khaled International Airport's gross profit increased in-line with the increase in revenue. It generated the highest gross profit across all airports in 2014G (297.3 million Saudi Riyals), contributing 33.7% to the total gross profit (35.7% in 2013G and 33.8% in 2012G). Gross margin decreased by 3.6 percent in 2014G, however, due to the increase in staff cost.

King Abdulaziz International Airport

King Abdulaziz International Airport's gross profit declined at a CAGR of 6.0% over the period 2012G to 2014G despite the increase in its revenue at a CAGR of 8.4%. Gross margin decreased from 29.8% in 2012G, to 23.8% in 2013G and to 22.8% in 2014G. The main reason for this decrease in gross margin of King Abdulaziz International Airport in 2013G is the increase in staff costs and the concurrent decrease in Hajj and Umrah revenues. Hajj and Umrah operations usually increase total margins, as customers are charged higher rates than for regular scheduled flights. The government's decision to cut down the number of Hajj and Umrah flights in 2013G as a result of construction works in the holy mosque in Makkah adversely impacted margins, as the government's decision came after the company had committed to bringing additional contracted labour.

Gross profit increased by 8.9% in 2014G, mainly due to an increase in revenue by 109.9 million Saudi Riyals. Despite the increase in gross profit, gross margin decreased by 1.2 percent in 2014G, driven by the increase in staff costs due to managements' decision to implement a 5% salary increment and to distribute bonuses across all employee levels.

King Abdulaziz International Airport reported the lowest gross margin in 2014G, despite reporting the highest number of flights and revenue, due to the following:

- SGS operates an additional terminal (Hajj terminal) which results in a duplication of resources with excess capacity as well as lower gross margins;
- During Hajj season, the Company hired temporarily staff for a short period that are more costly than regular workers;
- The increase in total direct personnel costs, following the increase in the average number of staff coupled with an increase in salaries and staff benefits; and
- Operating costs grew at a faster rate than revenues.

King Fahd International Airport

King Fahd International Airport's gross profit increased at a CAGR of 3.9% over the period 2012G to 2014G in-line with the increase in revenue (CAGR of 10.4%).

In 2013G, King Fahd International Airport gross margin decreased by 3.8 percentage points when compared to 2012G, to reach 46.5% as a result of an increase in salaries and staff benefits and an increase in private airports technical manpower by 2.8 million Saudi Riyals representing a one-off penalty. Gross margin decreased to 44.7% in 2014G, mainly due to an increase in the number of employees and a c. 5% salary increment provided to all employees.

Prince Mohamad Bin Abdulaziz International Airport

Prince Mohamad Bin Abdulaziz International Airport gross profit increased at a CAGR of 5.3% over the period 2012G to 2014G in-line with the increase in revenue (CAGR of 13.5%), despite a drop in gross margin by 3.4 percentage points over the same period.

Prince Mohamad Bin Abdulaziz International Airport had one of the lowest gross margin percentage when compared to other airports, mainly due to:

- Having the lowest Saudia handling rates across all airports;
- Hajj and Umrah seasonality which requires additional costs for the usage of temporary seasonal staff (c. 6.8 million Saudi Riyals in 2012G, 3.8 million Saudi Riyals in 2013G, and 5.6 million Saudi Riyals in 2014G); and
- Lower ability to absorb fixed costs due to the relatively low flights volume. As of 31 December 2014G, Prince Mohamad Bin Abdulaziz International Airport's share in equipment comprised 10.0% of total equipment's net book value, compared to King Fahd International Airport (8.5%), despite King Fahd International Airport handling approximately 53% more flights in 2014G, mainly due to idle capacity that's utilized only during the Hajj season.

Prince Mohamad Bin Abdulaziz International Airport gross margin dropped from 26.4% in 2012G to 20.8% in 2013G due to (i) decrease in Hajj and Umrah operations as a result of the construction work at the Holy Mosque in Makkah, and (ii) increase in salaries and staff benefits. Gross margin increased in 2014G to 23.1%, due to economies of scale achieved in-line with the increase in scheduled flights from other airlines such as FlyNas, Egypt Air, and Etihad which resulted in an overall increase in other airlines flights of 41.5% over the same period.

Domestic Airports

Domestic airports have generated the highest gross margin with 58.8% (2012G), 60.8% (2013G), and 56.7% (2014G). This was mainly due to:

- Higher handling rates as compared to international airports in order to compensate for lower flight volume; and
- Using outsourced labour across the 23 domestic airports that are less costly than SGS full time staff as they are paid according to the number of flights handled.

Domestic airports' gross margin dropped to 56.7% in 2014G, mainly due to the reliance on seconded staff with relatively higher costs, as well as management's decision to promote all Saudi employees whom are located in domestic airports.

General and administrative expenses

Table 7-6 General and administrative expense breakdown, 2012G-2014G

General and administrative breakdown						
SAR in 000s	2012G	2013G	2014G	YoY '12-'13	YoY '13-'14	CAGR '12-'14
Staff related expenses	113,163	83,355	71,904	(26.3%)	(13.7%)	(20.3%)
Amortization	55,604	55,604	51,743	0.0%	(6.9%)	(3.5%)
Rent, motor vehicles and other costs	38,192	45,081	72,159	18.0%	60.1%	37.5%
Provision for doubtful debts	17,066	20,000	52,687	17.2%	163.4%	75.7%
Depreciation	4,614	5,666	6,586	22.8%	16.2%	19.5%
Total	**228,640**	**209,706**	**255,079**	**(8.3%)**	**21.6%**	**5.6%**

Source: Audited financial statements and Management information

General and administrative expenses decreased in 2013G by 18.9 million Saudi Riyals and amounted to 209.7 million Saudi Riyals, mainly as a result of a reclassification of costs related to certain employees into operating costs in 2013G.

"Rent, motor vehicle and other costs" mainly includes head office rental cost, maintenance of equipment, telecommunication expenses, and other miscellaneous expenses. These expenses have been on a decreasing trend mainly due to a decrease in rent as a result of the gradual combination of the merged offices into one in 2013G. Other costs also included a provision of 15.4 million Saudi Riyals and 5.5 million Saudi Riyals in 2012G and 2013G, respectively, against fees that Saudia might charge SGS for using its IT system.

Provision for doubtful debt amounted to 17.1 million Saudi Riyals, 20.0 Saudi Riyals and 52.7 million Saudi Riyals in 2012G, 2013G and 2014G, respectively, and related to Saudia and non-Saudia long outstanding receivables.

In 2014G, the Company started implementing a new system for recording provision for doubtful debts, which entails recording a provision of 50% on the amounts aged between 181 and 365 days, and 100% on the amounts aged above 365 days. This is compared to the old process of provisioning on a case-by-case basis that was undertaken in previous years.

General and administrative expenses increased to 255.1 million Saudi Riyals in 2014G, mainly due to provisions recorded, including an IT provision of 33.8 million Saudi Riyals related to SGS's usage of Saudia's SAP IT system, as well as other systems used for primary internal activities, such as accounting and human resources, as well as a provision of doubtful debt totalling 52.7 million Saudi Riyals as a result of the company's new policy of calculating those provisions.

General and administrative expenses include amortization charges related to the intangible assets that arose from the merger with Attar and NHS. The intangibles subject to amortization are: (i) customer contracts which refer to existing contracts that the acquired entities have with customers that are ongoing in nature, and (ii) customer relationships arising from the fact that the acquired entities have established relationships with customers.

The amortization period represents the remaining useful life of the intangible asset and is the period over which the Company expects to realize an economic benefit from the asset. With respect to the useful life of customer contracts, the remaining useful life was determined to be 5 years for NHS and 3 years for Attar. As for customer relationships, the remaining useful life was determined to be 20 years for both Attar and NHS, which is the timeframe over which those relationships are expected to provide economic benefit to the Company based on the estimates of the accounting advisor responsible for the purchase price allocation exercise.

The amortization charges for customer contracts and customer relationships totalled 32.2 million Saudi Riyals and 23.4 million Saudi Riyals in each of 2012G, and 2013G, respectively. Attar's customer contracts were fully amortized as of the end of 2013G.

Amortization charges related to intangibles decreased to 51.7 million Saudi Riyals in 2014G due to the full amortization of Attar's customer contracts by the end of 2013G. For further information regarding the accounting treatment and the mechanism of the acquisition, which resulted in the formation of the customer contracts, customer relationships, and goodwill account, please refer to section "Overview of the Acquisition".

7-2-2 Balance Sheets

Table 7–7 Historical balance sheets, 2012G - 2014G

Balance Sheet			
SAR in 000s	31 Dec. 2012G Audited	31 Dec. 2013G Audited	31 Dec. 2014G Audited
Cash and cash equivalents	360,486	427,224	519,420
Accounts receivables	870,040	528,003	718,215
Inventory, net	2,655	2,206	946
Prepayments and other current assets	86,873	106,178	111,309
Total current assets	1,320,054	1,063,610	1,349,890
Investment	-	-	66,579
Intangible assets	1,093,261	1,037,657	985,914
Property plant and equipment	448,022	532,257	543,196
Total non-current assets	**1,541,283**	**1,569,914**	**1,595,690**
Total assets	**2,861,337**	**2,633,525**	**2,945,580**
Current portion of long-term debt	6,590	7,098	-
Accounts payable	148,708	48,658	30,706
Current portion of obligation under finance lease	97	-	-
Accrued expenses and other current liabilities	181,669	216,113	184,059
Accrued Zakat	15,822	20,158	23,982
Total current liabilities	**352,885**	**292,027**	**238,747**
Long-term debt, non-current portion	12,778	5,680	-
Employees' end of service benefit	144,496	178,228	222,256
Total non-current liabilities	157,275	183,908	222,256
Total liabilities	**510,160**	**457,935**	**461,003**
Share capital	886,869	886,869	1,880,000
Increase in share capital	-	993,131	-
Imputed additional equity	1,122,283	-	-
Excess consideration transferred	(535,046)	-	-
Statutory reserve	112,713	173,309	239,007
Retained earnings	764,358	104,281	365,569
Total shareholders' equity	**2,351,176**	**2,157,590**	**2,484,576**
Total liabilities and equity	**2,861,337**	**2,633,525**	**2,945,580**

Source: Audited financial statements and Management information

Key Ratios			
SAR in 000s	31 Dec. 2012G	31 Dec. 2013G	31 Dec. 2014G
ROA	22.2%	22.0%	23.6%
ROE	27.0%	26.8%	28.3%

Source: Company

*ROA = Net income/Average total assets

**ROE = Net income/Average total equity

The Company's assets are mainly comprised of intangible assets (i.e. goodwill, customer contracts and customer relationships), property and equipment, receivables from Saudia and non-Saudia customers, and cash and cash equivalents.

As of 31 December 2014G, intangible assets were comprised of (i) goodwill of 582.8 million Saudi Riyals (ii) customer relationships (374.8 million Saudi Riyals) and (iii) customer contracts (28.3 million Saudi Riyals), which arose from the acquisition of NHS and Attar in 2011G. Goodwill is annually tested for impairment while customer relationships and customer contracts are amortized over 3 to 20 years.

Property and equipment increased from 448.0 million Saudi Riyals as of 31 December 2012G to 532.3 million Saudi Riyals as of 31 December 2013G and then to 543.2 million Saudi Riyals as of 31 December 2014G mainly from assets additions of 151.3 million Saudi Riyals in 2013G and 127.1 million Saudi Riyals in 2014G. Most of these additions were related to airport equipment. Work in progress amounted to 12.4 million Saudi Riyals as of 31 December 2014G and mainly related to advance payments to fixed asset suppliers.

Accounts receivable represent dues from Saudia and its affiliates, as well as Non-Saudia customers. Accounts receivable increased in 2014G mainly as a result of an increase in Saudia and affiliates' balance from 311.2 million Saudi Riyals as of 31 December 2013G to 496,7 million Saudi Riyals as of 31 December 2014G, in-line with the expansion in the operations of Saudia and its affiliates (Saudia's monthly payment has remained fixed at 60 million Saudi riyals, whereas the Company's monthly revenue from Saudia averages approximately 100 million Saudi Riyals), and not applying the receivables agreement referred to in the legal information section. For more information, please refer to section 2-4-1-13 "receivables agreement"

Inventory amounted to 0.9 million Saudi Riyals (net of a provision of 1.0 million Saudi Riyals) as of 31 December 2014G, mainly was comprised of spare parts and uniforms. Inventory decreased between 31 December 2012G and 31 December 2013G driven by a decrease in spare parts and uniforms that were used up in operations and as a result of an increase in staff. Inventory decreased to 0.9 million Saudi Riyals as of 31 December 2014G due to the maintenance contract with Saudia Aerospace Engineering Industries, which reduced the company's need for storing spare parts.

Prepayments and other receivables amounted to 111.3 million Saudi Riyals at 31 December 2014G were mainly comprised of prepaid medical insurance, advances to staff, advance payments to suppliers in addition to other expenses.

Accounts payable consist of payables due to suppliers (mostly labour suppliers) and dues to Saudia and affiliates. The balance decreased between 2012G and 2013G mainly driven by a settlement of an affiliate balance (Saudia Aerospace Engineering Industries) by 42.0 million Saudi Riyals. Accounts payable mostly comprised of payments to suppliers of labour as of 31 December 2014.

Accruals and other liabilities amounted to 184.1million Saudi Riyals as of 31 December 2014G, and mainly comprised of accrued staff costs (82.1 million Saudi Riyals), accrued rents of 40.1 million Saudi Riyals, advance payments from customers totalling 8.6 million Saudi Riyals, and miscellaneous accruals of 53.2 million Saudi Riyals.

Bank loan was carried over from the acquisition of Attar, one of the merged entities. The loan was fully repaid as of April 2014G.

Contingent liabilities amounted to 10.5 million Saudi Riyals as of 31 December 2014G, and comprised of bank guarantees to:

- The Ministry of Finance regarding labour visa amounting to 7.9 million Saudi Riyals;
- GACA regarding Hajj operations amounting to 2.3 million Saudi Riyals; and
- Other amounts totalling 0.3 million Saudi Riyals.

Finance lease was in respect ofrelated to the purchase of certain airport equipment by NHS in 2009, and was fully repaid as of 31 December 2013G.

Shareholders' Equity is comprised of share capital, imputed equity, excess consideration transferred, statutory reserve, and retained earnings. Excess consideration transferred was a result of the Company being 75% owned by Saudia post-merger, and thus Saudia was identified as the acquirer in the transaction. As a result, the Ground Support Services Division of Saudi Airlines net assets (130.1 million Saudi Riyals) were transferred to the Company at book value, with no separate goodwill nor intangibles recognized. Share capital issued to Saudia was 664.7 million Saudi Riyals, thus to offset this increase in equity over assets, a contra-equity account called excess consideration transferred of negative 535.0 million Saudi Riyals was presented as part of equity.

SGS increased its capital to 1.88 billion Saudi Riyals in 2014G, comprised of 188 million share at 10 Saudi Riyals per share. The increase, amounting to 993.1 million Saudi Riyals, was made through the capitalization of retained earnings and imputed equity adjusted with excess consideration

Overview of the Acquisition

On 23/2/1431H (corresponding to 7 February 2010G), the Company signed a Shareholders' Agreement with Attar Ground Handling and Attar Tourism and the shareholders of NHS to acquire their ground handling businesses. As a result of this agreement, the Company acquired the Ground Support Services Division of Saudia, ground handling business of Attar and the 100% issued capital of NHS in return for shares in the Company.

Shares were issued to:

1. Saudi Airlines in return for the acquisition of commercial operations and assets related to ground services;
2. NHS in exchange for the transfer of all shareholders' shares in NHS; and
3. Attar in exchange for the acquisition of commercial operations and assets related to ground services.

Accounting Treatment Associated with the Acquisition

In the absence of guidance under SOCPA for such transactions, the guidance of IFRS was followed, specifically "IFRS 3: Business Combinations" which pertains to business combinations and acquisitions.

In accordance with this accounting standard, since the Ground Support Services Division of Saudi Airlines was 100% owned by Saudia and the Company is 75% owned by Saudia post acquisition, the management has identified Saudia as the acquirer in this transaction and adopted "book value accounting". Accordingly, the net assets transferred from Saudia's Ground Support Services Division were recorded by the Company at their book value (130.1 million Saudi Riyals) with no separate goodwill or intangibles relating to Ground Support Services Division recognized on the Company's balance sheet as part of this transaction. As a result, excess consideration transferred was presented within equity.

Given that Attar and NHS had no controlling stake in the Company pre and post-acquisition, their net assets and shares were transferred at fair market value as of 1 January 2011G, in accordance with the same aforementioned accounting standard.

In preparation for the transaction, PricewaterhouseCoopers valued the 3 companies using the standard valuation methods (discounted cash flow, market approach and net assets approach), and arrived at values of 1,175 million Saudi Riyals for NHS and 169 million Saudi Riyals for Attar. And given that the fair market value of both companies exceeded their net book values, the accountant (Ernst & Young) used the Purchase Price Allocation method to distribute the difference between the fair market value and the net asset book value, also in accordance with IFRS 3: Business Combinations.

The difference between the book value and the fair market value is used to revalue tangible assets and the remainder of the difference is classified under intangible assets as follows:

- Customer contracts: ongoing contracts initiated by the acquired companies;
- Customer relationships: the acquired companies' relationship with clients; and
- Goodwill: the remainder of the fair market value of the acquired company after deducting the fair market value of net assets and customers contracts and relationships.

Table 7-8 Intangible assets breakdown

Intangible assets breakdown (31 Dec 2014G)				
SAR in 000s	Amortization period	Cost	Accumulated amortization	Net balance
NHS				
Customer contracts	5 years	141,594	(113,275)	28,319
Customer relationships	20 years	403,847	(80,769)	323,078
Goodwill	Na	519,164	Na	519,164
NHS total intangibles		1,064,605	(194,045)	870,560
Attar				
Customer contracts	3 years	11,585	(11,585)	-
Customer relationships	20 years	64,628	(12,926)	51,702
Goodwill	na	63,652	na	63,652
Attar total intangibles		139,865	(24,511)	115,354
Total intangibles		**1,204,470**	**(218,555)**	**985,915**

Acquisition (1 January 2011)				Total
SAR in 000s	Ground Support Services Division	NHS	Attar	
Net tangible assets	130,106	110,396	29,135	269,637
Intangible assets				
Goodwill	-	519,164	63,652	582,816
Customer contracts	-	141,594	11,585	153,179
Customer relationships	-	403,847	64,628	468,475
Total intangibles	-	**1,064,605**	**139,865**	**1,204,470**
Total net assets	**130,106**	**1,175,001**	**169,000**	**1,474,107**

Acquisition (1 January 2011)				Total
SAR in 000s	Ground Support Services Division	NHS	Attar	
Share capital issued	665,152	186,243	35,475	886,869
Imputed additional equity	-	988,759	133,526	1,122,284
Excess consideration transferred	(535,046)	-	-	(535,046)
Total equity	**130,106**	**1,175,001**	**169,000**	**1,474,107**
% ownership based on share capital issued	75.0%	21.0%	4.0%	-

Source: Audited financial statements and Management information

*The net tangible assets of GSS were acquired at book value, while those of Attar and NHS were acquired at fair value as per IFRS 3.

Assets

Table 7-9 Property and equipment – NBV by category

Property and equipment						
SAR in 000s	31 Dec. 2012G	% of total	31 Dec. 2013G	% of total	31 Dec. 2014G	% of total
Airport equipment	400,148	89.3%	438,377	82.4%	454,854	83.7%
Work in progress	15,528	3.5%	19,204	3.6%	12,361	2.3%
Land	-	0.0%	27,464	5.2%	27,464	5.1%
Motor vehicles	11,006	2.5%	18,850	3.5%	19,921	3.7%
Lease improvements	8,202	1.8%	11,833	2.2%	11,924	2.2%
Furniture, fixtures and equipment	7,536	1.7%	9,484	1.8%	11,863	2.2%
Computer equipment and applications	5,601	1.3%	7,045	1.3%	4,809	0.9%
Total	**448,022**	**100.0%**	**532,257**	**100.0%**	**543,196**	**100.0%**

Source: Audited financial statements and Management information

Fixed assets are primarily comprised of airport equipment of 454.9 million Saudi Riyals (83.7% of the 31 December 2014G net book value). The additions made over 2012G to 31 December 2014G were to replace existing old equipment, whereby the airport authority does not permit equipment age to exceed 20 years.

Table 7-10 Investment in Associates

Investment in Associates as of 31 December 2014G	SAR in 000s
Effective ownership interest (%)	50%
Capital contribution in cash	13,523
Expenses incurred on behalf of associates	3,381
Transfer of property and equipment at net book value	28,173
Share of profit from an equity accounted investee	21,503
Total	**66,579**

Source: Audited financial statements and Management information

On 27/10/1434H (corresponding to 3/9/2013G), SGS and Al Amad for Trade and Supplies Company agreed to form Saudi Amad Airport Services Company (SAASC) on a basis of 50% ownership for each party. SAASC is operated by its own independent management team. In 2014G, the regulatory procedures were finalized and SGS recorded SAASC as an equity investment given that SGS does not have control in this associate. This investment totalled 66.6 million Saudi Riyals as of 31 December 2014G, and consisted of:

- SGS's cash contribution to SAASC's capital totalling 13.5 million Saudi Riyals,
- Expenses incurred by SGS on SAASC's behalf totalling 3.4 million Saudi Riyals,
- Property and equipment transferred from SGS's fixed assets to SAASC at net book value totalling 28.2 million Saudi Riyals, and
- SGS's 50% share in SAASC's net profit for 2014G totalling 21.5 million Saudi Riyals

Table 7-11 Accounts receivable

Accounts receivables			
SAR in 000s	31 Dec. 2012G	31 Dec. 2013G	31 Dec. 2014G
Saudia and affiliates	591,164	311,244	496,723
Non-Saudia customers	328,029	258,671	287,056
Less: provision for doubtful debts	(49,153)	(41,912)	(65,563)
Total	**870,040**	**528,003**	**718,215**

Source: Audited financial statements and Management information

Table 7–12 Days sales outstanding (DSO)

	31 Dec. 2012G	31 Dec. 2013G	31 Dec. 2014G
DSO - Saudia and affiliates	157	127	101
DSO - Non-Saudia customers	124	113	90
DSO – total	140	119	95

Source: Company

Saudia and affiliates receivables

The receivables of Saudia and its affiliates amounted to 496.7 million Saudi Riyals as of 31 December 2014G, and were
The receivables of Saudia and its affiliates amounted to 496.7 million Saudi Riyals as of 31 December 2014G, and were
comprised of Saudia (338.3 million Saudi Riyals), Saudi Airlines Cargo (59.3 million Saudi Riyals), Saudi Private Aviation (66.5 million Saudi Riyals), and 0.2 million Saudi Riyals from Saudi Airlines Catering.

Between 2012G and 2013G, receivable from Saudia and affiliates decreased to 311.2 million Saudi Riyals mainly as a result of offsetting part of the dividends balance due to Saudia directly from its receivable. This drop resulted in a DSO improvement of 30 days between 2012G and 2013G. As of 31 December 2014G, accounts receivable increased to 496.7 million Saudi Riyals in-line with the expansion of regular operations.

In 2014G, SGS reviewed Saudia's credit terms and extended them to 90 days from 60 days upon the delivery of invoice which is usually sent out in 10 to 15 days from the beginning of each month. Starting from November 2011G (with the exception of one payment relating to March 2012G), Saudia has been paying SGS an amount of 60 million Saudi Riyals on a monthly basis for the ground handling services provided.

The Company entered into an agreement with Saudi Airlines on 16/08/1435H (corresponding to 14 June 2014G) regarding the repayment of amounts due from Saudia, as follows:

1. The Company will issue monthly invoices for ground services rendered to Saudia.
2. Saudia will make a fixed monthly payment of 60 million Saudi Riyals to the Company regardless of the value of the monthly invoice issued.
3. Differences will be settled within a 90 day period in case of any discrepancy between the monthly invoice and the fixed 60.0 million Saudi Riyals monthly payment.
4. Amounts due to either party will be reviewed semi-annually and cleared within 10 days of the review date.

Non-Saudia receivables

Non-Saudia receivables reached 328.0m Saudi Riyals in 2012G mainly due to: (i) an increase in operations, (ii) an increase in existing customers' rates, and (iii) the launch and ramp up of new airlines. In 2013G, the balance dropped by 69.4 million Saudi Riyals, to reach 258.7 million Saudi Riyals as of 31 December 2013G. The drop was mainly due to (i) an improved collection process (resulting in an 11 day improvement in DSO between 2012G and 2013G, and (ii) scaled back Hajj operations. In 2014G, accounts receivables from non-Saudia increased by 28.4 million Saudi Riyals, to reach 287.1 million Saudi Riyals as of 31 December 2014G, with the top ten clients comprising 55.3% of the balance. DSO improved over the period, reaching 90 days as compared to 113 days as of 31 December 2013G.

SGS offers its non-Saudia customers credit terms of 30 days from the delivery of invoice which is usually issued on a monthly basis. As of 31 December 2014G, balances outstanding for more than 80 days amounted to 14.8 million Saudi Riyals and were partly covered by a provision of 8.5 million Saudi Riyals. The Company started implementing a new outstanding receivables policy for recording provisions for doubtful debts, by provisioning 50% of the receivables between 181 and 365 days, and 100% on the amounts above 365 days.

In 2014G, FlyNas committed to pay all ground handling invoices within 30 days of receipt. FlyNas has also committed to pay balances due from prior years based on monthly instalments as follows:

7-13 FlyNas repayment schedule:

Payment	Amount (SAR)	Month
1	1,500,000	February 2014G
2	1,500,000	March 2014G
3	1,500,000	April 2014G
4	1,500,000	May 2014G
5	3,500,000	June 2014G
6	3,500,000	July 2014G
7	3,500,000	August 2014G
8	3,500,000	September 2014G
9	3,500,000	October 2014G
10	2,000,000	November 2014G
11	2,000,000	December 2014G
12	2,000,000	January 2015G
13	2,000,000	February 2015G
14	2,000,000	March 2015G
15	2,000,000	April 2015G
16	2,000,000	May 2015G
17	3,500,000	June 2015G
18	3,500,000	July 2015G
19	4,000,000	August 2015G
20	4,301,852	September 2015G

Source: Company

As of the date of this Prospectus, FlyNas has not defaulted on any of the scheduled payments.

Table 7-14 Prepayments and other receivables

SAR in 000s	31 Dec. 2012	31 Dec. 2013	31 Dec. 2014
Prepayments	25,597	32,433	46,195
Staff related advances	12,695	24,150	25,064
Advance to investment	-	13,523	-
Advance to suppliers	16,717	15,830	12,380
Deposits	27,766	12,451	10,366
IPO related cost recoverable from shareholders	-	6,422	14,667
Other related parties' receivables	3,067		
Others	1,031	1,369	2,638
Total	**86,873**	**106,178**	**111,309**

Source: Company

Prepayments and other receivables amounted to 111.3 million Saudi Riyals as of 31 December 2014G, and mainly comprised of:

- prepayments of 46.2 million Saudi Riyals mainly related to medical insurance prepayments of 17.0 million Saudi Riyals, staff accommodation prepayments of 3.6 million Saudi Riyals and 3.6 million Saudi Riyals related to office rent expenses.
- staff related advances of 25.1 million Saudi Riyals, which mainly represent staff advances against end of service benefits and housing allowance advances,
- advances to fixed asset and labour suppliers of 12.4 million Saudi Riyals;

- security deposits amounting to 10.4 million Saudi Riyals mainly relating to a bank guarantee to the Ministry of Finance against obtaining temporarily labour visas for the Hajj season.

Advance for investment comprise of a 13.5 million Saudi Riyals advances to Al Amad for Trade and Supplies Company against a joint venture relating to passenger transportation inside airports, whereby Al Amad and SGS have became shareholders in Al Amad for Airport Service Company. As of 27 Shawal 1434H (corresponding to 3 September 2013G), the legal procedures were completed, and this investment is treated as an investment in affiliate.

Liabilities

Table 7-15 Accounts payable

Accounts payable			
SAR in 000s	31 Dec. 2012G	31 Dec. 2013G	31 Dec. 2014G
Due to related parties	95,972	23,783	12,676
Other suppliers	52,736	24,875	18,029
Total	**148,708**	**48,658**	**30,706**

Source: Company

Due to related parties are amounts due to Saudi Airlines and its subsidiaries, with the main amount as of 31 December 2014G being due to Saudia Aerospace Engineering Industries (7.3 million Saudi Riyals) in relation to a maintenance service contract in which Saudia Aerospace Engineering performs the maintenance work for SGS's equipment. The remaining amounts of 4.0 million Saudi Riyals and 1.4 million Saudi Riyals are related to Saudi Airlines and Saudi Airlines Catering respectively. Other suppliers amount is comprised of payments due to labour suppliers, and the highest 10 suppliers comprised 71.1% of the amount as of 31 December 2014G. Amounts outstanding for less than 90 days comprised 81.5% of the amount.

Table 7-16 Accrued expenses and other current liabilities

Accrued expenses and other current liabilities			
SAR in 000s	31 Dec. 2012G	31 Dec. 2013G	31 Dec. 2014G
Employee related accruals	70,627	79,506	82,114
Accrued rent	10,190	32,698	40,127
Due to a related party	69,446	46,914	31,038
Other accruals	22,310	49,076	53,220
Dividend payable	-	-	-
Advances from customers and others	9,096	7,919	8,598
Total	**181,669**	**216,113**	**184,059**

Source: Company

Accrued expenses and other current liabilities amounted to 184.1 million Saudi Riyals as of 31 December 2014G, and mainly comprised of employee related accruals of 82.1 million Saudi Riyals, other accruals of 53.2, million Saudi Riyals, advances from clients for 8.6 million Saudi Riyals, and accrued rent of 40.1 million Saudi Riyals.

As of 31 December 2014G, employee related accruals were mainly comprised of accrued vacation allowance (49.1 million Saudi Riyals), GOSI dues for the month of December (8.1 million Saudi Riyals), and other accruals and allowances related to employees. Other accruals amounting to 53.2 million Saudi Riyals as of 31 December 2014 comprised mainly of accrued temporary employees' costs of 20.0 million Saudi Riyals, a provision for technical services provided by Saudi Airlines for 15.6 million Saudi Riyals, and accrued staff tickets for 11.2 million Saudi Riyals (in addition to other miscellaneous accruals). Rent accruals include GACA rent of 31.8 million Saudi Riyals against the lease of certain airport areas, as well as accrued rent for the Company's offices and employees' lodging.

Table 7-17 End of service indemnity

End of service indemnity			
SAR in 000s	31 Dec. 2012G	31 Dec. 2013G	31 Dec. 2014G
Beginning balance	111,388	144,496	178,228
Transferred from NHS, Attar and GSS	-	-	-
Additions	36,598	39,839	52,173
Payments	(3,489)	(6,108)	(8,144)
Ending Balance	**144,496**	**178,228**	**222,256**

Source: Company

As of 31 December 2014G, the end of service indemnity balance amounted to 222.3 million Saudi Riyals (including the transferred employees from NHS and Attar Ground Handling).

The end of services indemnity balance excludes Saudia's seconded employees transferred to SGS whereby the end of service indemnity of the 859 (as of 31 December 2014G) public sector employees working at SGS shall be indemnified directly from Saudia, with no end of service provision accrued for them on SGS's books.

Table 7-18 Zakat base and provision calculation

Zakat base and provision calculation			
SAR in 000s	31 Dec. 2012G	31 Dec. 2013G	31 Dec. 2014G
Share capital	886,869	886,869	1,880,000
Dividends		-	-(329,995)
Reserves	537,781	877,071	104,281
Adjusted net profit	579,902	608,480	683,211
Provisions made during the year	141,136	161,452	183,611
Loans and leases	19,368	12,778	4,007
Others	612,833	587,236	173,309
Less: Property and equipment, dividends paid and inventory	(2,207,089)	(2,283,105)	(1,849,864)
Zakat base	570,800	850,782	848,559
Zakat at 2.5% higher of adjusted net profit or zakat base	**14,498**	**21,270**	**17,593**

Source: Company

Zakat is calculated annually and amounted to 14.5 million Saudi Riyals, 21.3 million Saudi Riyals, and 17.6 million Saudi Riyals for the years ending in 31 December 2012G, 2013G and 2014G, respectively.

Table 7-19 Zakat provision movement

Zakat provision movement			
SAR in 000s	31 Dec. 2012G	31 Dec. 2013G	31 Dec. 2014G
Balance at the beginning of the year	18,284	15,822	20,158
Transferred on acquisition	-	-	-
Provision for the year	14,498	21,270	17,593
Payments during the year	(16,959)	(16,934)	(13,769)
At end of the year	**15,822**	**20,158**	**23,982**

Source: Company

Upon calculating the Zakat base, and applying the 2.5% Zakat rate, the provisions for 2012G, 2013G, and 2014G amounted to 14.5 million Saudi Riyals, 21.3 million Saudi Riyals, and 17.6 million Saudi Riyals respectively.

SGS has filed and received temporary Zakat certificates for the years 2012G, 2013G. On 19 April 2015G, the Company filed for renewal of its temporary Zakat certificate, which expires on 30 April 2015G, upon paying 21.5 million Saudi Riyals in estimated Zakat for 2014G.

The DZIT queries for the years 2008G, 2009G and 2010G are due to the incorporation date of SGS as a limited liability company ("LLC") by Saudia in 2008G. Despite having an incorporation date in the year 2008G, the Company started actual operations on the effective date of the merger, which is 1 January 2011G, and as a result, the Company existed as a dormant entity with no operations for the period between legal incorporation (2008G) and start of operations (2011G). The Company has responded to all queries and provided supporting documents for the years 2008G to 2013G.

Although the Company has not received final Zakat certificates for the period 2008G-2014G, a Zakat provision of 24.0 million Saudi Riyals exists as of 31 December 2014G and should be sufficient to cover any contingent claims arising from the DZIT regarding those prior periods.

7-2-3 Shareholders' equity

Table 7-20 Statement of changes in shareholders' equity

	Share Capital	Proposed increase in share capital	Imputed additional equity	Excess consideration transferred	Statutory reserve	Retained earnings	Total
Balance at 31 December 2012G	**886,869,100**	**-**	**1,122,282,800**	**(535,046,368)**	**112,713,073**	**764,357,655**	**2,351,176,260**
Dividends paid	-	-	-	-	-	(799,547,000)	(799,547,000)
Net income	-	-	-	-	-	605,960,480	605,960,480
Proposed increase in capital through capitalization imputed equity adjusted with excess consideration paid	-	993,130,900	(1,122,282,800)	535,046,368	-	(405,894,468)	-
Transfer to statutory reserve	-	-	-	-	60,596,048	(60,596,048)	-
Balance as at 31 December 2013G	**886,869,100**	**993,130,900**	**-**	**-**	**173,309,121**	**104,280,619**	**2,157,589,740**
Dividends paid	-	-	-	-	-	(329,994,614)	(329,994,614)
Proposed increase in capital through capitalization of retained earnings, imputed equity adjusted with excess consideration transferred	993,130,900	(993,130,900)	-	-	-	-	-
Net income	-	-	-	-	-	656,981,157	656,981,157
Transfer to statutory reserves	-	-	-	-	65,698,116	(65,698,116)	--
Balance at 31 December 2014G	**1,880,000,000**	**-**	**-**	**-**	**239,007,237**	**365,569,046**	**484,576,283**

Source: Company

7-2-4 Cash flow statements

Cash flows

Table 7-21 Cash flow statements

Cash flow statement			
SAR in 000s	2012G Audited	2013G Audited	2014G Audited
Operating activities			
Income before Zakat	603,788	627,230	674,574
Adjustments for:			
Share of profit from an equity accounted investee			(21,503)
Depreciation	55,299	67,032	79,201
Amortization of intangible assets	55,604	55,604	51,743
Provision for employees' end of service benefits	36,598	39,839	52,173
Provision for doubtful debts	17,066	20,000	52,687
Written off inventory	-	957	-
Gain on disposal of property and equipment	-	(1,646)	(53,811)

Cash flow statement			
SAR in 000s	2012G Audited	2013G Audited	2014G Audited
Changes in operating assets and liabilities:			
Increase in accounts receivable	(232,753)	(287,307)	(242,900)
Decrease/(increase) in inventories	2,787	(507)	1,260
Increase in prepayments and other current assets	(35,451)	(19,305)	(13,422)
Increase/(decrease) in accounts payable	56,139	(90,366)	(17,952)
(Decrease)/increase in accrued expenses and other current liabilities	2,829	34,444	(32,054)
Cash from operations	**561,906**	**445,974**	**583,753**
Employees end of service benefits	(3,489)	(6,108)	(8,144)
Zakat paid	(16,959)	(16,934)	(13,769)
Net cash provided by operating activities	**541,458**	**422,933**	**561,841**
Cash flows from investing activities			
Purchase of property and equipment	**(132,132)**	**(151,284)**	**(127,083)**
Proceeds from disposal of property and equipment	-	1,663	211
Net effect of business combination of GS, NHS and Attar	-	-	-
Net cash used in investing activities	(132,132)	(149,621)	(126,872)
Cash flows from financing activities			
Dividends paid	(250,000)	(199,887)	(329,995)
Repayment of loan during the period	(6,113)	(6,590)	(12,778)
Repayment of obligations under finance leases	(1,231)	(97)	-
Net cash used in financing activities	**(257,344)**	**(206,573)**	**(342,773)**
Net increase in cash and cash equivalents	151,982	66,739	92,196
Cash and cash equivalents at beginning of the period	208,504	360,486	427,224
Cash and cash equivalents at the end of the period	360,486	427,224	519,420
Transfer of items of property and equipment to an equity accounted investee	-	-	28,173
Non-cash transactions	-	599,660	262,500
Dividend set-off against accounts receivables	-	9,684	-

Source: Audited financial statements and Management information

Operating activities

Cash from operating activities mainly consist of net income before Zakat, changes in operating assets and liabilities and adjustments for non-cash items such as depreciation, amortization and provisions.

Operating cash flows decreased from 541.5 million Saudi Riyals in 2012G to 422.9 million Saudi Riyals in 2013G mainly due to the increase in accounts receivables. Net operating cash flows increased by 138.9 million Saudi Riyals in 2014G mainly due to a lower decrease in accounts payables and a lower increase in accounts receivables.

7-3 Investing activities

Investing activities mainly comprise purchase of property and equipment, proceeds from sale of property and equipment and the net assets transfer that resulted from the business combination of GSS, Attar and NHS. Investing cash flows have mainly comprised of the purchase of airport equipment, as SGS has been upgrading its equipment over 2012G, 2013G and 2014G.

7-4 Financing activities

Financing activities are mainly comprised of dividends paid, repayment of the bank loan, and repayment of the finance lease.

In 2012G, 2013G and 2014G, the Company paid dividends of 250.0 million Saudi Riyals, 799.5 million Saudi Riyals (out of which 599.7 million Saudi Riyals was offset against dues from Saudia), and 330.0 million Saudi Riyals, respectively from retained earnings.

The Company fully repaid its bank loan in April 2014G, by paying the final instalment of 12.8 million Saudi Riyals.

8. Dividend Policy

Pursuant to article 108 of the Companies Regulation, each shareholder acquires the rights attached to the Company's shares, including the right to receive a portion of the dividend declared. The declaration and payment of any dividends will be recommended by the Board before being approved by the shareholders at a General Assembly meeting. The Company is under no obligation to declare a dividend and any decision to do so will depend on, amongst other things, the Company's historic and anticipated earnings and cash flow, financing and capital requirements, market and general economic conditions, the Company's Zakat position as well as legal and regulatory considerations. The distribution of dividends is subject to certain limitations contained in the By-Laws.

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- 10% of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the statutory reserve totals one-half of the Company's capital;
- the Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for such purpose or purposes as may be approved by the Ordinary General Assembly; and
- the remainder shall be distributed to the Shareholders provided that it should not be less than five per cent. of the paid-up capital.

The table below sets out the amounts of dividends distributed by the Company in the financial years ended 31 December 2012G, 2013G and 2014G.

Table 8-1 Distributed Dividends 2012G-2015G

	2012G	2013G	2014G	Q1 2015G
Announced Distributions for the Period	-	799,547(3)	443,463(5)	-
Distributions paid during the year	250,000(1)	799,547(3)	329,955	133,468(6)
Net Income	589,290	605,960	656,981	-(7)
Payout ratio	-(2)	-(4)	67.5%	0%

Source: Company

1. During 2012G, the Company distributed SAR 250 million as dividends for the financial year ended 2011G. The Company has not paid Saudia its share of the dividends, given that the dividends were used to offset receivables due and outstanding from Saudia to the Company.
2. It is not possible to calculate the payout ratio for 2012G, since dividends distributed out of 2012G profits were aggregated with 2013G dividends and were not identified as being related to 2012G.
3. During 2013G, the Company distributed SAR 799.5 million as dividends from its retained earnings from the previous financial years 2011G, 2012G and 2013G. Saudia's dividends were not paid out given that the dividends were used to offset receivables due and outstanding from Saudia to the Company. The Company confirmed that this is in compliance with Saudi laws and regulations.
4. It is not possible to calculate the payout ratio for 2013G, as the announced dividends for 2013G were aggregated with the profits of 2011G and 2012G and were not identified as being related to 2013G.
5. During 2014, the Company distributed cash dividends amounting to SAR 95.5 million, SAR 114.6 million and SAR 119.4 million for Q1, Q2 and Q3 of the same year. The Company also distributed cash dividends amounting to SAR 113.5 million in respect of Q4, which was distributed to the shareholders during Q1 of 2015G and paid out of Q4 of 2014G profits.
6. Paid in respect of Q4 2014G profits.
7. Since no audited financial statements are available for the period from the start of 2015G until the date of this prospectus, the net profit for this period is not included.

Save as stated above, there have been no dividend distributions or announcements in respect of the three years prior to the date of this prospectus. The Offer Shares shall be entitled to receive dividends declared (if any) by the Company after the date of this Prospectus.

9. Statements by Experts

The financial advisor, legal advisors, market consultant, auditor and financial diligence advisor have given and, as at the date of this Prospectus, have not withdrawn their written consent to the publication of their names, addresses, logos and the statements attributed to each of them in the context in which they appear in this Prospectus, and do not themselves, their employees or their employees' relatives have any shareholding or interest of any kind in the Company.

10. Declaration in respect of Directors

The Directors declare that:

- they have not at any time been declared bankrupt or been subject to bankruptcy proceedings;
- they have not been employed in a managerial or supervisory capacity by an insolvent company in the five years preceding the date of this Prospectus;
- they do not themselves, nor do any of their relatives or affiliates, have any material interest in any written or verbal contract or arrangement in effect or contemplated at the date of the Prospectus which is significant in relation to the business of the Company;
- except for the Director guarantee shares, neither they nor any of their relatives have a direct or an indirect interest in the Shares or the business of the Company and Al-Amad Saudi, and the Company and Al-Amad Saudi are prohibited from granting a loan to a member of the Board or guaranteeing a loan entered into by a member of the Board;
- no commissions, discounts, brokerages or other non-cash compensation were granted by the Company or Al-Amad Saudi to any member of the Board, senior manager, promoter or expert in connection to the issue or sale of any securities in the three years immediately preceding the date of this Prospectus;
- there has been no interruption in the Company's business or that of its subsidiaries that may affect or have a significant impact on their financial situation during 12 months preceding the date of this Prospectus;
- the Company does not carry out any activities outside Saudi Arabia;
- they will not vote on General Assembly resolutions that relate to any related party transaction or contract in which the members of the Board of Directors have a direct or indirect interest;
- there has been no material adverse change in the financial or trading position of the Company or any group member in the three years immediately preceding the date of this Prospectus and during the period from the end of the period covered in the external auditor's report to the date of this Prospectus;
- as at the date of this prospectus, the Company does not have any employee share schemes in place for its employees or any other arrangement involving the employees in the capital of the Company;
- the Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect the balance sheets;
- except as disclosed in this prospectus, the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have or may materially affect (directly or indirectly) its operations;
- the Company has insurance policies with sufficient insurance coverage to carry out its activities. The Company renews its insurance policies regularly to ensure continued insurance coverage;
- all agreements which the Company considers to be material or important or which have an impact on a subscriber's decision to invest in the Offer Shares have been disclosed. There are no other material agreements or contracts that have not been disclosed in relation to the Company's email;
- all Related Party contracts entered into by the Company have been disclosed and, at the date of the Prospectus, the Company has no intention to enter into any new agreements with Related Parties.
- the Shareholders whose names appear on page (iv) are the legal and beneficial owners of the Company.
- all increases in the capital of the Company are in compliance with the laws and regulations of Saudi Arabia, and the Company did not seek any external funding;.
- except as disclosed in this Prospectus and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investors' decision to invest in the Offer Shares;
- as at the date of this Prospectus, the Company and Al-Amad Saudi have obtained all necessary licenses and permits to carry out their business activities.
- except as disclosed in this Prospectus, the Company is not a party to any claims that could materially affect the business operations of the Company.
- the Company and Al-Amad Saudi have not issued any debt instruments, nor do they have any other term loans or any other material outstanding borrowings or indebtedness (including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments);
- none of the Company's or Al-Amad Saudi's other assets are under mortgage, right or charge;
- the Board of Directors further declares that the Company will have sufficient funds to meet the working capital requirements for 12 months effective from the date of the Prospectus;
- the Board of Directors declares that no shares of the Company are under option;
- as at the date of this Prospectus, the Company has no research and development department and does not carry out any research or development activities.
- the Board of Directors declares that the financial information appearing in this Prospectus and the consolidated financial statements for the years ended 2012G, 2013G and 2014G and the notes attached thereto by the auditor have been prepared in accordance with SOCPA accounting standards, which permit the use of international accounting standards in the absence of applicable standards under SOCPA;
- the Board of Directors further declares that all financial statements have been obtained from the consolidated financial statements for the years ended 2012G, 2013G and 2014G, and no material amendments have been made thereto;

In addition to the above, the Board of Directors confirms that:

- third-party information and data included in this Prospectus, including the information obtained or derived from the market research in respect of the airport ground handling sector conducted by Oliver Wyman, is reliable and have no reason to believe that such information is materially inaccurate
- the Company has prepared its internal control policies on sound principles where the Company has implemented a policy regulating and resolving possible conflicts of interest issues, which include the misuse of the Company's assets, and misfeasance due to Related Party transactions. The Company has ensured that its operational and financial policies are sound and it will ensure the implementation of the necessary supervisory controls in accordance with article 10 of the Corporate Governance Regulation in order to manage potential risks. The Directors review and revise internal monitoring controls on an annual basis;
- unless otherwise approved by the General Assembly, the Board of Directors and Senior Management do not have a direct or indirect interest in the transactions and contracts entered into by the Company;
- that no commissions, discounts, brokerages or other non-cash compensations were granted by the Company within the three years immediately preceding the application for listing in connection with the issue or sale of any securities;
- the members of the Board of Directors will notify the Board of any direct or indirect interest they may have in the transactions and contracts entered into by the Company, and this notification will be recorded in the minutes of the Board meeting;
- the members of the Board of Directors may not vote on any decision that relates to a transaction or contract with the Company in which they hold a direct or indirect interest;
- members of the Board of Directors and the Company's CEO shall not have the right to vote on decisions relating to their fees and remuneration;
- members of the Board of Directors shall not obtain a loan from the Company, and the Company shall not guarantee any loan entered into by a member of the Board of Directors; and
- the members of the Board of Directors shall not disclose to the Shareholders (unless in a General Assembly meeting) or third parties the Company secrets that they are privy to pursuant to their position as Directors.

The members of the Board of Directors undertake to:

- record all Board decisions by means of written minutes of meetings, which shall be signed by the members of the Board;
- disclose the details of any Related Party transactions in accordance with the Companies Regulations and the Corporate Governance Regulation in the agenda of the General Assembly meeting in order to allow the Shareholders the chance to approve such Related Party transactions in their General Assembly meetings; and
- comply with the provisions of articles 69, 70 and 72 of the Companies Regulations and article 18 of the Corporate Governance Regulation.

11. Capitalization

Prior to the Offering, the Selling Shareholders owned the entire issued share capital of the Company and, following the completion of the Offering, Saudia, NAGS and Attar will collectively own 70% of the share capital of the Company.

The table below sets out the capitalization of the Company as derived from the audited financial statements for the financial years ended 31 December 2012G, 2013G and 2014G. The following table should be read in conjunction with the relevant financial statements, including the notes thereto, in section 19 ("Accountant's Report").

Table 11-1 Capitalization for the Period 31 December 2012G –2014G

SAR	2012G	2013G	2014G
Total Liabilities	510,160,398	475,934,944	493,363,695
Share Capital	886,869,100	886,869,100	886,869,100
Proposed Increase in Share Capital	-	993,130,900	-
Imputed Additional Equity	1,122,282,800	-	-
Excess Consideration Transferred	(535,046,368)	-	-
Statutory Reserve	112,713,073	173,309,121	204,514,076
General Reserve	-	-	-
Retained Earnings	764,357,655	104,280,619	289,138,414
Total Shareholders' Equity	**2,351,176,260**	**2,157,589,740**	**2,373,652,490**
Total Liabilities and Shareholders' Equity	**2,861,336,658**	**2,633,524,684**	**2,867,016,185**

Source: Company

The Directors confirm that:

- none of the Company's share capital is under option;
- neither the Company nor its Subsidiary has any debt instruments as of the date of this Prospectus; and
- subject to any material adverse change in the Company's business, they believe that its existing cash balances and its cash flows will be sufficient to meet its anticipated cash needs for working capital and capital expenditure for at least 12 months following the date of this Prospectus.

12. Use of Proceeds

The total proceeds from the Offering are estimated to be SAR 2,820,000,000 of which SAR 40 million will be applied towards the Offering expenses, which include the fees of the Financial Advisor, the legal advisors, reporting accountants, the Underwriters, Selling Agents, marketing and printing and distribution fees as well as other fees related to the Offering. The Company will not bear any of the offering expenses, and these will be deducted from the offering proceeds. The selling shareholders will pay the offering expenses borne by the Company on their behalf after the offering.

The net proceeds of the Offering will be approximately SAR 2,780,000,000 which will be distributed to the Selling Shareholders pro rata to the number of Offer Shares which will be sold by each of them in the Offering. The Company will not receive any part of the proceeds from the Offering.

No commissions, discounts, brokerage or other non-cash compensation has been granted by the Company to any Director or any Senior Officer in the two years immediately preceding the date of the Prospectus. The Selling Shareholders will be responsible for, and shall pay, all fees, costs and expenses relating to the Offering.

13. Legal Information

13-1 Summary of Material Agreements

The Company has entered into a number of agreements with (i) airline customers; (ii) non-airline customers; and (iii) related parties. The Company is also a party to a number of leases pertaining to premises occupied or used by the Company. The following is a summary of those agreements and leases which the Company considers to be material or important or which have an impact on a subscriber's decision to invest in the Offer Shares. The Company believes that all such agreements and leases, in addition to the key provisions thereunder, have been included in this section and that there are no other agreements or leases which are material in the context of its business. These summaries do not purport to describe all the applicable terms and conditions of such agreements and leases and are qualified in their entirety by the respective agreements and leases.

Furthermore, full details of Related Party contracts can be found in the data room as documents available for inspection. Moreover, the Company's ground handling agreements are based on the standard IATA ground handling agreement and the company believes that there is no material deviation from the standard IATA ground handling agreement. The standard IATA ground handling agreement can be found in the data room as a document available for inspection.

Table 13-1 List of Material Agreements (1)

Number	Name of Agreement	Counter Party	Brief Description	Term & Renewal Mechanism	Price
Ground Handling Services Agreements					
1		Saudia	Provision by the Company of certain Ground Handling Services in certain airports in the Kingdom	29/2/1435H (corresponding to 1 January 2014G) – Seven years	(2)
2		Egypt Air	Provision by the Company of certain Ground Handling Services to Egypt Air in certain airports in the Kingdom	21/10/1434H (corresponding to 28 August 2013G) - 23/8/1437H (corresponding to 31 May 2016G) 28/6/1435H (corresponding to 28 April 2014G) - 24/8/1437H (corresponding to 31 May 2016G)	(2)
3		Emirates	Provision by the Company of certain Ground Handling Services to Emirates in certain airports in the Kingdom	28/5/1434H (corresponding to 9 April 2013G) - 19/3/1437H (corresponding to 31 December 2015G)	(2)
4		Fly Dubai	Provision by the Company of certain Ground Handling Services to Fly Dubai in certain airports in the Kingdom	17/6/1434H (corresponding to 17 April 2014G) - 12/3/1439H (corresponding to 30 November 2017G) 23/12/1434H (corresponding to 28 October 2013G) - 1/3/1438H (corresponding to 30 November 2016G)	(2)
5		Turkish Airlines	Provision by the Company of certain Ground Handling Services to Turkish Airlines in certain airports in the Kingdom	2/12/1434H (corresponding to 7 October 2013G) - 1/4/1438H (corresponding to 31 December 2016G) 4/3/1435H (corresponding to 5 January 2014G) - 1/4/1438H (corresponding to 31 December 2016G)	(2)

Number	Name of Agreement	Counter Party	Brief Description	Term & Renewal Mechanism	Price
6		Air India	Provision by the Company of certain Ground Handling Services to Air India in certain airports in the Kingdom	22/3/1434H (corresponding to 3 February 2012G) - 19/3/1437H (corresponding to 31 December 2015G)	(2)
7		NAS	Provision by the Company of certain Ground Handling Services in certain airports in the Kingdom	19/7/1432H (corresponding to 21 June 2011G) – extended for five years ending on 17/5/1442H (corresponding to 31 December 2020G) 14/9/1434H (corresponding to 22 July 2013G) - extended for five years ending on 17/5/1442H (corresponding to 31 December 2020G)	(2)
Courier Handling Agreements					
8	Courier Handling Agreement	Aramex	Provision of cargo handling and ground transport services by the Company in certain airports in the Kingdom	28/03/1435H (corresponding to 29 January 2014G) - 12/03/1438H (corresponding to 11 December 2016G) – renewals are subject to mutual agreement.	(2)
9	Courier Handling Agreement	TNT	Provision of cargo handling and ground transport services by the Company in certain airports in the Kingdom	30/3/1435H (corresponding to 30 January 2013G) - 02/04/1438H (corresponding to 31 December 2016G)	(2)
10	Courier Handling Agreement	Leisure Cargo	Provision of cargo handling and ground transport services by the Company in certain airports in the Kingdom	12/03/1435H (corresponding to 31 January 2014G) - 11/04/1438H (corresponding to 9 January 2017G)	(2)
11	Courier Handling Agreement	Heavyweight Air Express	Provision of cargo handling and ground transport services by the Company in certain airports in the Kingdom	3/12/1434H (corresponding to 8 October 2013G) - 01/06/1438H (corresponding to 28 February 2017G)	(2)
12	Courier Handling Agreement	Saudi Post	Transpiration of mail cargo from aircrafts to the terminals and vice versa	25/4/1436H (corresponding to 15 February 2015G) to 19/03/1437(corresponding to 31 December 2015G) automatically renewable by mutual agreement	(2)
Lease Agreements					
13	Lease Agreement		Leasing of premises by the Company at PMIA in order to carry out Ground Handling Services in PMIA	11/5/1436H (corresponding to 6 October 2013G) – automatically renewable	SAR 7,101,205 per year

Number	Name of Agreement	Counter Party	Brief Description	Term & Renewal Mechanism	Price
14	Lease Agreement	GACA	Leasing of premises by the Company at KKIA to carry out Ground Handling Services in KKIA	30/7/1434H (corresponding to 8 June 2013G) to 4/6/1459H (corresponding to 17 July 2037G) 29/4/1436H (corresponding to 18 February 2015G) to 23/12/1437H (corresponding to 25 September 2016G) - automatically renewable.	SAR 253,000 SAR 3,432,510
15	Lease Agreement	GACA	Leasing of premises by the Company at KKIA to carry out ticket sales activities	21/9/1435H (corresponding to 18 July 2015G) to 20/9/1436H (corresponding to 7 July 2015G) – renewable by mutual agreement.	SAR 450,000 per year
16	Lease Agreement	GACA	Leasing of premises by the Company at KFIA to carry out Ground Handling Services at KFIA	19/12/1435H (corresponding to 13 October 2014G) – one year automatically renewable.	SAR4,328,880
17	Lease Agreement	GACA	Leasing of premises by the Company at KAIA to carry out Ground Handling Activities at KAIA	11/5/1435H (corresponding to 12 March 2014G) - three years - automatically renewable	SAR 12,158,030 per year
18	Lease Agreement	GACA	Leasing of premises by the Company at KAIA in order to carry out ticket sales activities	11/5/1435H (corresponding to 12 March 2014G) - three years - automatically renewable	SAR 3,283,270 per year
19	Lease Agreement	GACA	Leasing of premises by the Company at KKIA	On 11/5/1435H (corresponding to 12 March 2014G)- three years- automatically renewable	SAR 2,321,904 per year
20	Lease Agreement	GACA	Leasing of premises by the Company at KKIA	11/5/1435H (corresponding to 12 March 2014G) - three years - automatically renewable.	SAR 1,279,470 per year
21	Lease Agreement	GACA	Leasing of premises by the Company at KAIA to carry out Ground Handling Activities at KAIA	19/1/1435H (corresponding to 12 November 2013G) - three years - automatically renewable.	SAR 139,481 per year
22	Lease Agreement	GACA	Leasing of premises by the Company at KAIA in order to carry out ticket sales activities	20/4/1435H (corresponding to 20 February 2014G) - renewable by the company request	SAR 163,200 per year
23	Operations Agreement	GACA	Provision of Ground Handling Services at the Hajj Terminal complex in KAIA	17/4/1433H (corresponding to 10 March 2012G) – One year - automatically renewable.	This agreement does not have a fixed price. The price is calculated based on the type and volume of service provided by the Company to its airline customers at the Hajj Terminal complex in KAIA

Number	Name of Agreement	Counter Party	Brief Description	Term & Renewal Mechanism	Price
Other Agreements					
24	Receivables Agreement	Saudia	Agreement regulating the payment and reconciliation of receivables due from Saudia to the Company	16/8/1435H (corresponding to 14 June 2014G). The agreement does not have a specified term.	The agreement does not include a price given that it operates as a framework agreement that regulates the continued settlement of receivables between Saudia and the Company
25	Maintenance Service Level Agreement	SAEI	Provision by SAEI of certain logistical support services to the Company, including maintenance report, engineering and support services	27/12/1434H (corresponding to 01 October 2013G) - 21/2/1440H (corresponding to 31 October 2018G) - five years - automatically renewable	The value of the services is SAR 81,000,000. The services are subject to a 5 % annual increase.
26	Employee Secondment Agreement	Saudia	Agreement for the secondment of certain Saudia employees to the Company	23/4/1435H (corresponding to 23 February 2014G) – The agreement does not have a definite term and will expire once all seconded employees retire or leave the Company	The agreement does not include a price given that it operates as a framework agreement that regulates the secondment of Saudia employees until their retirement.
27	Central Baggage Warehouse Agreement	Saudia	Operation by the Company of a central baggage warehouse in Al-Khalidiah City (KSA) and certain ancillary warehouses for lost baggage	26/5/1431H (corresponding to 10 May 2010G) – One year automatically renewable.	SAR 275,800 per month paid to the Company.
28	IT Service Level Agreement	Saudia	Provision by Saudia of a number of information technology-related services to the Company	24/11/1434H (corresponding to 29 September 2013) – Renewed on 8 December 2014G – Unlimited term pending the signature of another IT service level agreement.	SAR 19 million in 2013G. This agreement does not include a fixed price. The price is calculated based on the type and volume of services provided.
29	Ticket Sales Memorandum	Saudia	Operation by the Company of Saudia's ticket sales offices in KKIA, KFIA, KAIA and PMIA	10/6/1434H (corresponding to 30 April 2013G) – The agreement does not have a definite expiry date 22/7/1434H (corresponding to 1 June 2013G) – The agreement does not have a definite expiry date.	The agreement does not include a price given that it operates as a framework agreement between both parties.
30	Ticket Sales Operation Agreements	Saudia	Operation by the Company of Saudia's ticket sales offices in Jizan, Al-Baha, Ta'if, Sharurah and Bisha Domestic Airports	6/10/1434H (corresponding to 13 August 2013G) – One year automatically renewable 2/9/1434H (corresponding to 11 July 2013G) – One year automatically renewable.	(2)

Number	Name of Agreement	Counter Party	Brief Description	Term & Renewal Mechanism	Price
31	Engineering Service Level Agreement	SARED	Provision by SARED of engineering management and development services to the Company in connection with the construction of the Company's new headquarters in Jeddah	23/5/1435H (corresponding to 25 March 2014G) – The agreement expires upon completion of the design of the Company's new headquarters	SAR 9 million payable in instalments
32	Employee Housing Lease Agreement	Mohammed A'ed Contracting Institution	Leasing of premises for use as employee housing for the Company's expatriate employees.	1/3/1435H (corresponding to 2 January 2014G) to 1/6/1438(corresponding to 28 February 2017G) automatically renewable by mutual agreement	SAR 13 million per year

1- All agreements set out are valid or automatically renewable in accordance with the terms and conditions of the relevant agreement.

2- The price has not been disclosed as it is considered commercially sensitive information

13-1-1 Agreements with Key Customers

The Company has entered into ground handling agreements with various airline customers, each of which is based on the standard ground handling agreement published by IATA. As at the date of this Prospectus, the Company's key customers (other than Saudia and NAS) in terms of revenue are Egypt Air, Dubai Aviation Corporation ("Fly Dubai"), Emirates Airlines ("Emirates"), Turkish Airlines and Air India (together the "Key Airlines"). Under each of the ground handling agreements with the Key Airlines (the "Key Airline Agreements"), the Company is entitled to receive fees from the relevant Key Airline for the various Ground Handling Services it provides to each Key Airline at the rates agreed between the Company and each Key Airline in the relevant Key Airline Agreement. The Company's invoices should be settled by the relevant Key Airline within 30 (thirty) days of their receipt (except for Saudia which is required to settle invoices within 90 days of receipt). Under all Key Airline Agreements, the Company and each Key Airline has the right to terminate the agreement at any time by serving 60 (sixty) days' prior written notice on the other party. All Key Airline Agreements are governed by the laws of Saudi Arabia, and any dispute arising in relation to these agreements is to be referred to the courts of Saudi Arabia.

In addition to the above, some of the terms relating to such Key Airline Agreements are set out below:

13-1-1-1 Ground Handling Agreements with Egypt Air

On each of 21/10/1434H (corresponding to 28 August 2013G) and 28/6/1435H (corresponding to 28 April 2014G), respectively, the Company and Egypt Air entered into ground handling agreements pursuant to which the Company provides Ground Handling Services to flights operated by Egypt Air at the International Airports and Abha Domestic Airport, respectively.

The term of the ground handling agreements for the International Airports is 2 (two) years and 10 (ten) months ending on 23/8/1437H (corresponding to 31 May 2016G), and the term of the ground handling agreement for Abha airport is two (2) years commencing on 3/8/1435H (corresponding to 1 June 2014G) and ending on 24/8/1437H (corresponding to 31 May 2016G), and are each renewable by the agreement of both the Company and Egypt Air.

Egypt Air is entitled to terminate the agreements if the Company ceases to be licensed to undertake the Ground Handling Services to be provided under the agreements. In addition, either party has the right to terminate the agreements if certain insolvency-related events occur in relation to the other party.

13-1-1-2 Ground Handling Agreements with Emirates

On each of 28/5/1434H (corresponding to 9 April 2013G) and 11/7/1433H (corresponding to 1 June 2012G), respectively, the Company and Emirates entered into ground handling agreements, pursuant to which the Company provides Ground Handling Services to flights operated by Emirates at the International Airports.

The term of the ground handling agreements is 2 (two) years and 10 (ten) months ending on 19/3/1437H (corresponding to 31 December 2015G), and each are renewable by the written agreement of both the Company and Emirates.

Emirates is entitled to terminate the agreements if the Company ceases to be licensed to undertake the Ground Handling Services to be provided under the agreements. In addition, either party has the right to terminate the agreements if certain insolvency-related events occur in relation to the other party.

13-1-1-3 Ground Handling Agreements with Fly Dubai

On each of 17/6/1434H (corresponding to 17 April 2014G) and 23/12/1434H (corresponding to 28 October 2013G), respectively, the Company and Fly Dubai entered into ground handling agreements, pursuant to which the Company provides Ground Handling Services to flights operated by Fly Dubai at the International Airports and at each of Abha, Ta'if, Tabuk, Qaisumah and Yanbu Domestic Airports, respectively.

The terms of the ground handling agreements for the International Airports are approximately 3 (three) years and 7 (seven) months ending on 12/3/1439H (corresponding to 30 November 2017G), and the term of the ground handling agreements for the relevant Domestic Airports is approximately 3 (three) years and 3 (three) months ending on 1/3/1438H (corresponding to 30 November 2016G), and each renewable by the written agreement of both the Company and Fly Dubai.

Fly Dubai is entitled to terminate the agreements if the Company ceases to be licensed to undertake the Ground Handling Services to be provided under the agreements. In addition, either party has the right to terminate the agreements if certain insolvency-related events occur in relation to the other party.

13-1-1-4 Ground Handling Agreements with Turkish Airlines

On each of 2/12/1434H (corresponding to 7 October 2013G) and 4/3/1435H (corresponding to 5 January 2014G), respectively, the Company and Turkish Airlines entered into ground handling agreements, pursuant to which the Company provides Ground Handling Services to flights operated by Turkish Airlines at the International Airports and at each of Ta'if, Yanbu, Qaisumah and Abha Domestic Airports, respectively.

The terms of the ground handling agreements for the International Airports and Ta'if and Yanbu Domestic Airports are 3 (three) years and 2 (two) months ending on 1/4/1438H (corresponding to 31 December 2016G), and the term of the ground handling agreements for the Abha and Qaisumah Domestic Airports is 2 (two) years ending on 1/4/1438H (corresponding to 31 December 2016G), and each is renewable by the written agreement of both the Company and Turkish Airlines.

Turkish Airlines is entitled to terminate the agreements if the Company ceases to be licensed to undertake the Ground Handling Services to be provided under the agreements. In addition, either party has the right to terminate the agreements if certain insolvency-related events occur in relation to the other party.

13-1-1-5 Ground Handling Agreements with Air India

On 22/3/1434H (corresponding to 3 February 2012G), the Company and Air India entered into ground handling agreements pursuant to which the Company provides Ground Handling Services to flights operated by Air India at the International Airports.

The term of the ground handling agreements is 3 (three) years ending on 19/3/1437H (corresponding to 31 December 2015G) and each is renewable by the written agreement of both the Company and Air India.

Air India is entitled to terminate the agreements if the Company ceases to be licensed to undertake the Ground Handling Services to be provided under the agreements. In addition, either party has the right to terminate the agreements if certain insolvency-related events occur in relation to the other party.

13-1-2 Courier Express Mail Handling Agreements

The Company has entered into courier express mail handling agreements with various customers. The Company's customers in this area of operations are Saudi Tal for Commerce & Contracts ("Aramex"), SAB Express LLC for Transportation of Non-Postal Parcels ("TNT"), Leisure Cargo FZCO ("Leisure Cargo") and Heavyweight Air Express (together the "Courier Customers").

Under each of the cargo mail handling agreements with the Courier Customers, the Company is entitled to receive fees from the relevant Courier Customers for the various handling and transfer services it provides at the rates agreed upon between the Company and each Courier Customer in the relevant courier express mail handling agreement. All of the courier express mail handling agreements with Courier Customers are governed by the laws of Saudi Arabia and any dispute arising in relation to these agreements is to be referred to the courts of Saudi Arabia.

13-1-2-1 Courier Express Mail Handling Agreement with Aramex

On 28/03/1435H (corresponding to 29 January 2014G) the Company and Aramex entered into a courier express mail handling agreement, pursuant to which the Company provides handling and transfer services in respect of Aramex's consignments arriving at the KKIA commercial terminal to and from private aviation premises.

The Company's invoices should be settled by Aramex within 30 (thirty) days of their receipt. The term of the courier mail express agreement is 3 (three) years ending on 12/03/1438H (corresponding to 11 December 2016G) and is renewable by the mutual consent of the Company and Aramex. The Company and Aramex have the right to terminate the agreement at any time by serving 60 (sixty) days' prior written notice on the other party.

Aramex is required to issue and maintain a bank guarantee in favour of the Company for the amount agreed under the agreement. The Company has granted Aramex a credit limit against the services being provided equal to the value of the bank guarantee. Furthermore, the Company may impose a delay charge of 2% per month for any amounts that remain unpaid by Aramex beyond the agreed credit period.

13-1-2-2 Courier Express Mail Handling Agreement with TNT

On 29/3/1435H (corresponding to 30 January 2014G), the Company and TNT entered into a courier express mail handling agreement, pursuant to which the Company provides handling and transfer services for the transport of all TNT consignments at agreed points at KKIA.

The Company's invoices should be settled by TNT within 30 (thirty) days of their receipt. The courier mail express agreement terminates on 02/04/1438H (corresponding to 31 December 2016G) and is renewable by the mutual consent of the Company and TNT. The Company and TNT have the right to terminate the agreement at any time by serving 60 (sixty) days' prior written notice on the other party.

TNT is required to issue and maintain a bank guarantee in favour of the Company for the amount agreed under the agreement. Furthermore, the Company may impose a monthly delay for any amounts that remain unpaid by TNT beyond the agreed credit period.

13-1-2-3 Courier Express Mail Handling Agreement with Leisure Cargo

On 12/03/1435H (corresponding to 31 January 2014G), the Company and Leisure Cargo entered into a courier express mail handling agreement, pursuant to which the Company provides handling and transfer services in respect of Leisure Cargo's consignments arriving at the KKIA, KAIA and KFIA commercial terminals to and from private aviation premises.

The Company's invoices should be settled by Leisure Cargo within 30 (thirty) days of their receipt. The term of the courier mail express agreement is three years ending on 11/04/1438H (corresponding to 9 January 2017G) and is renewable by the mutual consent of the Company and Leisure Cargo.

Leisure Cargo is required to issue and maintain a bank guarantee in favour of the Company for the amount agreed under the agreement. The Company has granted Leisure Cargo a credit limit against the services being provided equal to the value of the bank guarantee. Furthermore, the Company may impose a monthly delay charge for any amounts that remain unpaid by Leisure Cargo beyond the agreed credit period.

13-1-2-4 Courier Express Mail Handling Agreement with Heavyweight Air Express

The Company and Heavyweight Air Express entered into a courier express mail handling agreement on 3/12/1434H (corresponding to 8 October 2013G) (which was amended on 25/12/1434H (corresponding to 30 October 2013G) pursuant to which the Company provides handling and transfer services in respect of Heavyweight Air Express's consignments arriving at the KKIA and KAIA commercial terminals to and from private aviation premises.

The Company's invoices should be settled by Heavyweight Air Express within 15 (fifteen) days of receipt. The term of the courier mail express agreement is 2 (two) years, commencing on the date of the agreement and ending on 24/09/1436H (corresponding to 11 July 2015G), and is renewable by the mutual consent of the Company and Heavyweight Air Express. The Company and Heavyweight Air Express have the right to terminate the agreement at any time by serving 60 (sixty) days' prior written notice on the other party.

13.1.2.5 Saudi Courier Express Mail Handling Agreement with Saudi Post

The Company and Saudi Post entered into a courier mail handling agreement on 25/04/1436H (corresponding to 15/2/2015G) pursuant to which the Company provides handling and transfer services in respect of Saudi Post's consignments arriving at the KKIA commercial terminals to and from private aviation premises.

Saudi Post is required to settle the Company's invoices is within 30 (thirty) days of their receipt. The term of the agreement commences on the date it is signed and ends on 19/03/1437H (corresponding to 31/12/2015G). It is renewable with the consent of both parties. The Company and Saudi Post may terminate the agreement at any time upon serving 60 (sixty) days' prior written notice to the other party.

13-1-3 Leases of Site in Airports

Below is a summary of certain lease agreements entered into by the Company with respect to its premises at the International Airports. With respect to the Company's premises at the Domestic Airports, the Company and GACA are currently negotiating the terms of the lease agreements. As at the date of this Prospectus, GACA has not signed any lease agreements with respect to Company's premises at the Domestic Airports.

KKIA Leases

The Company and GACA have entered into the following 2 (two) lease agreements in respect of premises located in KKIA:

- Lease agreement dated 30/7/1434H (corresponding to 8 June 2013G) for the lease of the Company's premises at KKIA's white land location. The lease term is 25 (twenty five) Hijri years ending on 4/6/1459H (corresponding to 17 July 2037G). The Company is required to pay annual rent to GACA in 1 (one) instalment before the start of each contract year. Under the agreement, if there is a delay in the payment of such rent by the Company, the Company is required to pay a late payment penalty of up to 10% (ten per cent) of the annual rent for each month of delay. This is to settle unpaid amounts due provided that the penalty should not exceed 30% of the annual rent.
- Lease agreement dated 29/4/1436H (corresponding to 18 February 2015G) in respect of premises at KKIA's. The lease term is 3 (three) Hijri years ending on 23/12/1437H (corresponding to 25 September 2016G) and is automatically renewable on expiration as long as no party sends a written notification, 90 days prior the expiration date, with their intention not to renew the agreement. Under the contract entered into with GACA, the Company is obliged to issue a bank guarantee in favour of GACA. The Company is required to pay annual rent to GACA in 1 (one) instalment before the start of each contract year. Under the agreement, if there is a delay in the payment of such rent by the Company, the Company is required to pay a late payment penalty chargeable under applicable Saudi laws.

GACA may terminate the agreements by serving a 30 day written notice to the Company if (i) termination would serve the public benefit or (ii) the Company commits a breach of the terms of the lease agreement, GACA is entitled to possess the Company's assests and sell them in proportion to the unpaid rent value. This agreement is subject to the laws of the Kingdom of Saudi Arabia and any dispute should be referred to the Board of Grievances.

The lease agreements are governed by the laws of Saudi Arabia and any dispute arising in relation to such agreement is to be referred to the Board of Grievances in Saudi Arabia.

Table 13-2 Premises Leased by the Company at KKIA and their Rent Value

Airport	Total area in square meters	Rent per annum
KKIA	25,109 (twenty five thousand one hundred and nine)	SAR 3,685,510 (three million six hundred eighty five thousand five hundred and ten Saudi Riyals)

Source: Company

KKIA Ticket Sales Office

The Company and GACA have entered into a lease agreement on 29/4/1436H (corresponding to 18 February 2015G) for premises at KKIA which will be used for the Company's ticket sales activities. The lease term commenced on 21/9/1435H (corresponding to 18 July 2014G) and expires on 20/9/1436H (corresponding to 7 July 2015G). The lease is renewable by notice from the Company to GACA, provided that GACA consents to such renewal. GACA may terminate the agreement by serving the Company with 90 (ninety) days notice if (i) termination would serve the public benefit, (ii) the Company commits a breach of the terms of the lease agreement or (iii) termination is required to ensure the proper operation of the airport.

Pursuant to the lease agreement, the Company is required to pay the total rent to GACA in 2 (two) instalments no later than 1 (one) month after the start of each contract year, and the second instalment no later than one month from the first day of the second half of the lease year. Furthermore, the Company is required to issue and maintain a bank guarantee in favour of GACA in the amount agreed under the lease agreement. Under the agreement, if there is a delay in the payment of such rent by the Company, the Company is required to pay a late payment penalty of up to 30% (thirty per cent) of the annual rent for each month of delay.

The lease agreements are governed by the laws of Saudi Arabia and any dispute arising in relation to any of the agreements is to be referred to the competent courts in Saudi Arabia.

Table 13-3 Ticket Sales Premises Leased by the Company at KKIA

Airport	Total area in square meters	Rent per annum
KKIA	30 m^2 (thirty square meters)	SAR 450,000 (four hundred fifty thousand Saudi Riyals)

Source: Company

KFIA Leases

The Company and GACA have entered into a lease agreement for the relevant premises located in KFIA on 11/2/1436H (corresponding to 3 December 2014G). Pursuant to the lease agreement, the Company is required to pay the total annual rent to GACA in 1 (one) instalment no later than 1 (one) Hijri month after the start of each contract year. Under the agreement, if there is a delay in the payment of such rent by the Company, the Company will have to pay a late payment penalty of 10% (ten per cent) of the annual rent for each month of delay to compensate for unpaid rents, provided that the penalty shall not exceed 30% (thirty per cent) of the annual rent. The term of the lease agreement is one Hijri year, automatically renewable unless KFIA notifies the Company of its intention not to renew.

The lease agreement is for a term of 1 (one) year and is automatically renewable unless terminated earlier in accordance with the lease agreement. GACA may terminate the agreement by serving 30 (thirty) days notice to the Company if (i) GACA determines that termination serves the public interest or, (ii) if the Company breaches any term or condition in the lease agreement. If the agreement is terminated due to a breach by the Company, GACA is entitled to possess and dispose of the Company's assets for a value proportionate to any amount owed under the lease agreement, by the Company to GACA, to settle such outstanding amounts.

The lease agreement is governed by the laws of Saudi Arabia and any dispute arising in relation to such agreement is to be referred to the Board of Grievances in Saudi Arabia.

The details of the premises leased by the Company from GACA at KIFA are set out in the table below:

Table 13-4 Premises Leased by the Company at KFIA

Airport	Total area in square meters	Rent per annum
KFIA	2,546 (two thousand five hundred forty six)	SAR 4,328,880 (four million three hundred twenty eight thousand eight hundred and eighty Saudi Riyals)

Source: Company

KAIA Leases

The Company and GACA have entered into the following lease agreements for the relevant premises located in KAIA:

- Lease agreement dated 11/5/1435H (corresponding to 12 March 2014G) for the lease of the Company's premises at the South Terminal. The lease is automatically renewable.
- Lease agreement dated 11/5/1435H (corresponding to 12 March 2014G) for the lease of the Company's premises at the North Terminal. The lease is automatically renewable.
- Lease agreement dated 11/5/1435H (corresponding to 12 March 2014G) for the lease of the Company's premises at the maintenance and servicing location at KAIA. The lease is automatically renewable.
- Lease agreement dated 9/1/1435H (corresponding to 12 November 2013G) for the lease of the a building located at the maintenance and servicing area. The lease is automatically renewable.
- Lease agreement dated 11/5/1435H (corresponding to 12 March 2014G)for the lease of the Company's office space at KAIA. The lease is automatically renewable.

Under all lease agreements, the Company is required to pay an annual rent to GACA in one instalment no later than one month after the start of each contract year. Under the lease agreements, if there is a delay in the payment of such rent by the Company, the Company will have to pay a late payment penalty of up to 10% (ten per cent) of the annual rent for each month of delay provided that the penalty should not exceed 30% of the annual rent.

The term of the relevant lease agreements is three years. All leases are automatically renewable unless terminated earlier in accordance with the terms and conditions of the relevant lease agreement. GACA may terminate the lease agreements by serving 30 (thirty) days' notice to the Company if (i) GACA determines that termination serves the public interest or, (ii) if the Company breaches any term or condition in the lease agreements. If the lease agreements are terminated due to a breach by the Company, GACA is entitled to possess and dispose of the Company's assets for a value proportionate to any amount owed under the terminated lease agreement by the Company to GACA to settle such outstanding amounts.

The lease agreements are governed by the laws of Saudi Arabia and any dispute arising in relation to any of the lease agreements is to be referred to the competent courts in Saudi Arabia.

The details of the premises leased and their relevant lease agreements are set out in the table below:

Table 13-5 Premises Leased by the Company at KAIA

Airport	Total area in square meters	Rent per annum
KAIA	47,979 (forty seven thousand nine hundred seventy nine)	SAR 19,182,155 (nineteen million one hundred eighty two thousand one hundred and fifty five)

Source: Company

KAIA Ticket Sales Offices

Furthermore, the Company and GACA entered into a lease agreement on 5/4/1435H (corresponding to 5 February 2014G) for premises at KAIA's South Terminal which will be used for the Company's ticket sales activities. The lease term commences on 20/4/1435H (corresponding to 20 February 2014G) and expires on 19/4/1438H (corresponding to 17 January 2017G). GACA may terminate the agreement by serving the Company with 30 (thirty) days notice if (i) termination would serve the public benefit, (ii) the Company commits a breach of the terms of the lease agreement or (iii) termination is required to ensure proper operation of the airport.

Pursuant to the lease agreement, the Company is required to pay the total annual rent to GACA in 1 (one) instalment no later than 1 (one) month after the start of each contract year (an amount of SAR 163,200 (one hundred sixty three thousand two hundred Saudi Riyals)). Furthermore, the Company is required to issue and maintain a bank guarantee in favour of

GACA in the amount agreed under the lease agreement. Under the agreement, if there is a delay in the payment of such rent by the Company, the Company is required to pay a late payment penalty of up to 30% (thirty per cent) of the annual rent for each month of delay to compensate for the unpaid amounts.

Under the agreement, the Company is prohibited from (i) using the premises for any purpose other than for the provision of ticket sales services and (ii) introducing any alterations to the leased premises without GACA's prior written consent.

The lease agreements are governed by the laws of Saudi Arabia and any dispute arising in relation to any of the agreements is to be referred to the competent courts in Saudi Arabia.

Table 13-6 Ticket Sales Premises Leased by the Company at KAIA

Airport	Total area in square meters	Rent per annum
KAIA	13 m^2 (approximately thirteen square meters)	SAR 163,200 (one hundred sixty three thousand two hundred Saudi Riyals)

Source: Company

PMIA Leases

The Company has entered into a lease agreement dated 11/5/1436H (corresponding to 2 March 2015G) with Tibah Operations Company Limited ("Tibah") to undertake ground handling activities at premises located in PMIA. Tibah was appointed to manage PMIA in 2012G. Under the lease agreement, the Company is required to pay the annual rent plus service charges to Tibah in one instalment no later than fifteen days after the issuance of each Tibah invoice. The rental amount is subject to an annual review by Tibah which is similar to the applicable rent at PMIA. The lease agreement shall expire upon the expiry of until the management agreement between Tibah and GACA. Tibah may terminate the lease agreement upon serving at least 30 days' written notice to the Company in the following cases:

1. the insolvency of the Company or the issue of a court order against the Company appointing a receiver;
2. failure to pay the rent after 10 days from the date of receiving notice; and/or
3. the Company's failure to respect the contract provision.

The lease agreement is governed by the laws of Saudi Arabia and any dispute or termination arising in relation to such agreement is to be referred to the competent courts in Saudi Arabia.

The details of the premises leased by the Company from Tibah are set out in the table below:

Table 13-7 Premises Leased by the Company at PMIA

Airport	Total area in square meters	Rent and Services charges per annum
PMIA	5,206.29 m2 (approximately six thousand seven hundred ninety eight)	SAR 7,101,205

Source: Company

KAIA Operation Agreements

The Company has entered into various operation agreements with Ports Projects Management and Development Co. (the "Operator") for the ground handling services rights of the Hajj Terminal Complex in KAIA, on 17/4/1433H (corresponding to 10 March 2012G) (as amended on 5/5/1435H (corresponding to 6 March 2014G). The agreements are for 1 (one) year and automatically renewable unless terminated earlier in accordance with the operation agreements. Under these agreements, if there is a delay in the payment of such charges by the Company, the Company is required to pay a late payment penalty of up to 30% (thirty per cent) of such charges. The Operator may terminate the agreement at any time for any reason it deems appropriate, and it can also stop any of the provided services for any reason. Furthermore, the Company may not (i) use the premises for any purpose other than for the provision of ground handling services or (ii) assign the agreement in whole or in part. The agreements are governed by the laws of Saudi Arabia and any dispute arising in relation to such agreements should be referred to the competent courts in Saudi Arabia.

13-1-4 Related Party Agreements

This section 13.1.4 ("Related Party Agreements") includes contracts entered into with Related Parties, which, as of the date of this Prospectus, are Saudia, NAS, SAEI and SARED. The Directors believe that all its Related Party contracts have been entered into on an arm's length basis. As at the date of this Prospectus, the Company does not provide services to, or receive services from, any Related Party without consideration payable in return. The Directors believe that this section 13.1.4 ("Related Party Agreements") includes all Related Party contracts entered into by the Company. Furthermore, full details of Related Party contracts can be found in the data room as documents available for inspection.

13-1-4-1 Ground Handling Agreement with Saudia

Overview

On 9/6/1431H (corresponding to 23 May 2010G), as amended on 29/2/1435H (corresponding to 1 January 2014G), the Company and Saudia entered into the Saudia Ground Handling Agreements, which are based on the standard ground handling agreement published by IATA, pursuant to which the Company provides Ground Handling Services to flights operated by Saudia at International Airports and Domestic Airports.

Exclusivity

As at the date of this Prospectus, pursuant to the Saudia Ground Handling Agreements, the Company is the sole provider of Ground Handling Services to flights operated by Saudia at the International Airports and Domestic Airports for the term of such agreements (as further described below). The Company understands that exclusive passenger transport and medical lift operation contracts have been awarded to Al-Shati' Company since the beginning of March 2014G in Abha and Prince Nayef Bin Abdulaziz Domestic Airports. However, as of the date of this Prospectus, Al-Shati' Company has not commenced operations in Abha and Prince Nayef Bin Abdulaziz Airports, and therefore, the Company still carries out passenger transport and medical lift operations for Saudia in these airports.

The Company understands that Saudia issued a letter to GACA's Chairman informing him that Saudia does not intend to use Al-Shati' Company's services in Abha and Prince Nayef Bin Abdulaziz Airports, and would rather continue using the Company as a provider of passenger transport and medical lift services in these Airports. GACA's Chairman formed a committee to evaluate Saudia's request.

Pricing and Payment Arrangements

Under the Saudia Ground Handling Agreements, the Company is entitled to receive fees from Saudia for the various Ground Handling Services it provides to Saudia at the rates agreed between Saudia and the Company for each such Ground Handling Service. The Company and Saudia have agreed that the prices of the Ground Handling Services will remain fixed until 29/3/1437H (corresponding to 31 December 2015G), after which date Saudia and the Company have agreed to enter into negotiations with a view to revise such prices.

Pursuant to the agreements, the Company invoices Saudia on a monthly basis for the Ground Handling Services provided and Saudia is required to settle such invoices within 60 (sixty) days of their receipt from the Company.

Term and Termination

The initial term of the Saudia Ground Handling Agreements is 7 (seven) years commencing on 29/2/1435H (corresponding to 1 January 2014G) and is automatically renewable thereafter unless terminated earlier in accordance with their terms. Saudia is entitled to terminate the agreement on the occurrence of any of the following events: (i) if the Company commits a material and persistent breach of, or materially or persistently fails to observe any of the obligations set out in the agreements; or (ii) if the Company ceases to be licensed to undertake the Ground Handling Services to be provided under the agreements. In the event the Company's ground handling license is revoked in respect of one or a number of airports in the Kingdom, the Saudia Ground Handling Agreements will terminate in respect of such airports. In addition, Saudia or the Company have the right to terminate the agreement if certain insolvency-related events occur in relation to the other party.

Governing Law and Dispute Resolution

The agreement is governed by the laws of Saudi Arabia and any dispute arising in relation to such agreement is to be referred to the Board of Grievances in Jeddah, Saudi Arabia.

13-1-4-2 Receivables Agreement

On 17/8/1435H (corresponding to 14 June 2014G), the Company and Saudia entered into a receivables agreement for the payment and reconciliation of receivables due from Saudia to the Company. The most notable provisions under this agreement are:

The Company invoices Saudia for the Ground Handling Services rendered by the Company to Saudia on a monthly basis.

Saudia pays the Company a fixed monthly amount irrespective of the amount invoiced by the Company.

In the event of a difference between the amount invoiced and the SAR 60,000,000 (sixty million Saudi Riyals) paid by Saudia to the Company, such difference shall be settled by Saudia within 90 (ninety) days from the date such amount is recorded as a debt due from Saudia. In the event the amount invoiced is lower than the SAR 60,000,000 (sixty million Saudi Riyals), the excess shall be used as payment towards the settlement, in full or in part, of any outstanding amounts which are due from Saudia to SGS.

The Company and Saudia shall, every 6 (six) months, review all amounts due to each other. (whether such amounts relate to the Ground Handling Services charges or otherwise). After the review is completed, the debtor party agrees that the due amount will be offset by the other party from any payables to be made within 10 (ten) days from the date of the offset.

This receivables agreement does not have a definite term, given that it operates as a framework agreement that regulates the continued settlement of receivables between Saudia and the Company.

As of the date of this Prospectus, Saudia has been paying the Company a fixed monthly amount of SAR 60 million. As such, Saudia and the Company have not, to date, implemented the receivables offset mechanism described in paragraph 4 above.

13-1-4-3 Agreement with NAS

On each of 19/7/1432H (corresponding to 21 June 2011G), 14/9/1434H (corresponding to 22 July 2013G) and 14/2/1435H (corresponding to 17 December 2013G), respectively, the Company and NAS entered into ground handling agreements. Pursuant to these agreements, the Company provides NAS with Ground Handling Services for flights operated by NAS at the International Airports and at the Domestic Airports. On 16/2/1436H (corresponding to 8 December 2014G), NAS and the Company agreed to extend the term of all three ground handling agreements (for all International Airports and Domestic Airports) such that all three ground handling agreements expire on 17/5/1442H (corresponding to 31 December 2020G). Each of the agreements is renewable by the written agreement of the Company and NAS.

Under the ground handling agreements, the Company invoices NAS for ground handling services rendered by the Company and NAS has 30 (thirty) days from receipt of the invoice to settle the invoiced amount.

Pursuant to the agreements, NAS is entitled to terminate the agreements if the Company ceases to be licensed to undertake the Ground Handling Services to be provided under the agreements. In addition, either party has the right to terminate the agreement if certain insolvency-related events occur in relation to the other party. The parties may not terminate the agreement for any other reason.

The agreement is governed by the laws of Saudi Arabia and any dispute arising in relation to such agreement is to be referred to the competent courts in Saudi Arabia.

13-1-4-4 Maintenance Service Level Agreement with SAEI

Overview

On 17/12/1434H (corresponding to 22 October 2013G), the Company and SAEI (a wholly-owned subsidiary of Saudia) entered into a service-level agreement for the provision by SAEI, from 27/12/1434H (corresponding 1/10/2013G), of a number of logistical support services to the Company, including maintenance of equipment, accident repairs, fuelling of all ground equipment, engineering support and other services requested by the Company.

Pricing and Payment Arrangements

Under the service level agreement, the Company pays SAEI a fixed fee of SAR 81,000,000 for all services provided. The prices for the relevant services are fixed, and SAEI is entitled to increase the amount of the services by 5% on an annual basis. Pursuant to the agreement, the Company is entitled to deduct certain amounts from the fees payable to SAEI, if SAEI fails to deliver its services within the time prescribed under the agreement. SAEI is required to invoice the Company within 15 (fifteen) calendar days of completion of the relevant service by SAEI, and the Company must settle such invoices within 30 (thirty) days from the date of such invoice.

Term and Termination

The term of the agreement is 5 (five) years from 27/12/1434H (corresponding to 1 October 2013G) and ending on 20/1/1440H (corresponding to 30 October 2018G), unless terminated earlier in accordance with the agreement, and is automatically renewable for successive annual periods. Each of SAEI and the Company may terminate the agreement during its term if the other party (i) commits a material and persistent breach of the agreement or (ii) undergoes an insolvency-related event. The Company may terminate the agreement at any time by giving SAEI 2 (two) years' written notice. In addition, SAEI may terminate the agreement if 50% (fifty per cent) or more of the Company's shares, or a substantial portion of the Company's assets, are acquired.

13-1-4-5 Employee Secondment Agreement with Saudia

Overview

As part of the Acquisition, Saudia and the Company entered into an agreement on 23/2/1431H (corresponding to 7 February 2010G) for the sale and purchase by the Company of Saudia's ground handling services' strategic business unit. Pursuant to this sale and purchase agreement, Saudia transferred various assets relating to its ground handling unit to the Company and also agreed to second a number of its public sector employees to the Company from 26/1/1432H (corresponding to 1 January 2011G) until such time as a Council of Ministers resolution was passed in relation to such employees. The Council of Ministers issued resolution number 44 of 4/2/1434H (corresponding to 17 December 2012G) pursuant to which Saudia was entitled to second its public sector employees to its privatised subsidiaries (which included the Company) until such employees reached their retirement age. In addition, the Director General of Saudia also issued resolution number 8351/10060130 dated 23/4/1434H (corresponding to 5 March 2013G) which provided that the relevant Saudia public employee sectors seconded to the Company shall remain seconded until such employees reach their retirement age.

Below is a summary of the terms relating to the secondment of the strategic unit employees at Saudia that were attached to the Council of Ministers issued resolution number 44 of 4/2/1434H (corresponding to 17 December 2012G):

- All seconded employees shall be subject to the employment terms implemented at the companies they have been seconded to, and all salary and bonus payrolls shall apply to them. The companies receiving the seconded employees shall be responsible for payment of their salaries, compensation and bonuses, provided that such amounts shall not be less than amounts they received during their time with Saudia.
- All subscriptions and payments towards retirement plans shall be in accordance with the Civil Retirement Regulation, taking into consideration the job promotions of the seconded employees.
- The companies receiving the seconded employees shall be responsible for the monthly employer's contribution towards subscriptions with the General Retirement Corporation, where it will be Saudia's responsibility to collect such monthly subscriptions.

In light of the foregoing, on 23/4/1435H (corresponding to 23 February 2014G) the Company entered into an agreement with Saudia to record certain arrangements in relation to such public sector employees seconded by Saudia to the Company. The total number of seconded employees is 860 (eight hundred and sixty). It should be noted that such 860 (eight hundred sixty) are not counted towards Saudisation percentages by the Ministry of Labour.

This secondment agreement does not have a definite term, given that it operates as a framework agreement that regulates the secondment of Saudia employees until their retirement.

Terms of Secondment

Under the agreement, the Company shall be responsible for all liabilities and obligations relating to such seconded employees. However, in respect of those secondees who are 45 (forty five) years of age or older, Saudia has agreed to reimburse the Company for all costs the Company incurs that exceed SAR 10,000 (ten thousand Saudi Riyals) in each calendar month in respect of each such secondee. According to the agreement, Saudia has agreed (i) to give the Company 12 (twelve) months' prior notice of termination of any such employee's secondment, (ii) not to terminate the employment of any secondee without the Company's prior consent and (iii) not to make any material changes to the promotions policy of the secondees without the Company's prior consent.

Governing Law and Dispute Resolution

The agreement is governed by the laws of Saudi Arabia and any dispute arising in relation to such agreement is to be referred to the Board of Grievances in Saudi Arabia.

13-1-4-6 Central Baggage Warehouse Agreement with Saudia

On 26/5/1431H (corresponding to 10 May 2010G), the Company and Saudia entered into an agreement in relation to the operation by the Company of a central baggage warehouse in Al-Khalidiah City (Jeddah), Saudi Arabia, and certain ancillary warehouses. Under the agreement, the Company will manage and operate the central baggage warehouse to store lost baggage of passengers flying with Saudia and to sell such lost baggage through an auction process if it remains unclaimed for more than six months. The Company's responsibilities include (i) receiving lost passenger baggage, (ii) separating and organising lost baggage, (iii) forwarding lost baggage to the passengers for identification and (iv) preparing unidentified lost baggage for sale by auction.

The term of the agreement is 1 (one) year and is automatically renewable unless terminated earlier in accordance with its terms. Saudia pays the Company a management and operation fee of SAR 275,800 (two hundred seventy five thousand eight hundred Saudi Riyals) per month that is invoiced by the Company on a fixed monthly basis and paid by Saudia within 90 (ninety) days of the invoice.

The Company has also entered into a lease agreement with Rakeen Steel Industries Company Ltd for the lease of the central baggage warehouse in Al-Nakheel (Jeddah), Saudi Arabia. The Company pays an annual rent of SAR 275,000 (two hundred seventy five thousand Saudi Riyals) which is payable in advance at the beginning of each year of the contract.

13-1-4-7 IT Service Level Agreement with Saudia

On 24/11/1434H (corresponding to 29 September 2013G), the Company entered into an IT service level agreement with Saudia. Pursuant to this agreement, Saudia has agreed to provide a number of information technology-related services to the Company. These services include granting the Company access to certain software and a communications platform provided by SAP to Saudia. The fees for the provision of these services are calculated on a cost-per-user basis. On 16/2/1436H (corresponding to 8 December 2014G), Saudia and the Company renewed this IT service level agreement extending its term indefinitely until such time that the parties enter into a new IT service level agreement in the future.

Under the agreement, the Company and Saudia are subject to mutual confidentiality obligations pursuant to which neither Saudia nor the Company is allowed to disclose to third parties confidential information relating to the other. In addition, Saudia is required to maintain adequate security measures to prevent unauthorised access to or disclosure of the Company's information. The Company pays an annual amount which is calculated based on the type and volume of services provided. The amount of services was SAR 19,000,000 in 2013.

13-1-4-8 Ticket Sales Memorandum with Saudia

On 10/6/1434H (corresponding to 30 April 2013G), the Company entered into a memorandum of understanding with Saudia pursuant to which the Company has agreed to operate Saudia's airport ticket offices in each of the KKIA, KFIA, KAIA and PMIA as of 22/7/1434H (corresponding to 1/6/2013G).

According to the memorandum, the Company will be responsible for ticket sales, issuance and reissuance of tickets, charging for overweight luggage, in addition to all other responsibilities undertaken by Saudia in Jeddah and Medina in connection with ticketing and charging for overweight luggage during pilgrimage seasons. The Company will also be responsible for forwarding funds received from the operation of the ticket offices to Saudia. Pursuant to the memorandum, Saudia shall provide the Company with the required premises, insurance and equipment to enable the Company to carry out its obligations under this memorandum.

This ticket sales memorandum does not have a definite term, given that it operates as a framework agreement between both parties.

13-1-4-9 Operation Agreements for Ticket Offices

On each of 6/10/1434H (corresponding to 13 August 2013G) and on 2/9/1434H (corresponding to 11 July 2013G), the Company entered into five ticket office operation agreements with Saudia. Pursuant to these agreements, the Company will operate all of Saudia's ticket sales stations at Jizan, Al-Baha, Ta'if, Sharurah and Bisha Domestic Airports.

Under these operation agreements, Saudia pays the Company the fees at the rates agreed upon between Saudia and the Company in the agreement. The Company will invoice Saudia on a monthly basis, and Saudia is required to settle such invoices within one month of receipt of the Company's invoice.

The term of the operation agreements is 1 (one) year, and is automatically renewable for successive annual periods. The Company and Saudia both have a right to terminate the agreement without cause by giving 60 (sixty) days' prior notice.

Disputes shall be settled amicably by direct negotiations between the Company's and Saudia's senior management or board of directors. The agreement is governed by the laws of Saudi Arabia.

13-1-4-10 Engineering Design Management Agreement

On 23/5/1935H (corresponding to 25 March 2014G), the Company entered into an engineering service level agreement with SARED. Pursuant to this agreement, SARED will provide engineering management and development services to the Company in connection with the construction of the Company's new headquarters in Jeddah, Saudi Arabia.

According to the agreement, the Company pays SARED SAR 9,000,000 (nine million Saudi Riyals) In the event SARED does not provide the services in a timely manner, the Company may impose a penalty of one per cent (but not exceeding 10% (ten per cent)) of the total contract price for every month of delay.

The agreement shall remain valid until completion of the headquarters building unless terminated earlier by either party serving 30 (thirty) days' prior notice. The designing phase has been completed and the Company is in the process of issuing the building permits to start the construction. It is expected that the construction will be completed within 3 years of the date of the prospectus.

13-1-5 Lease Agreements

13-1-5-1 Employee Housing Agreement

On 1/3/1435H (corresponding to 2 January 2014G), the Company and Mohammed A'ed Contracting Institution entered into a lease agreement pursuant to which the Company has leased premises for use as employee housing for its expatriate employees.

The term of the lease agreement is 3 (three) years ending on 1/6/1438H (corresponding to 28 February 2017G) and is automatically renewable unless either party notifies the other of its intention not to renew two months in advance.

Rent is SAR 13,000,000 (thirteen million Saudi Riyals) per year and is payable at the beginning of each contract year in advance.

The agreement is governed by the laws of Saudi Arabia and any dispute arising in relation to such agreement is to be referred to the competent courts in Saudi Arabia.

13-1-5-2 Other Leases

The Company has entered into 17 lease agreements including a lease agreement for its head offices, leases for its human resources team and other leases relating to employee housing. The total value of rent paid under all such leases is SAR 11,555,006 (eleven million five hundred fifty five thousand and six Saudi Riyals).

13-1-6 Conflicts of Interests

The following table sets out the Directors that have a conflict of interest in relation to contracts entered into with the Company.

Table 13-8 Conflicted Directors

Name	Contract	Interest in Contract
Ayed Al-Jaeed	• Ground Handling Agreement with NAS	Chairman of the board of directors of NAS
1. Saler Al Jasser 2. Nader Khalawi 3. Yousef Attiah 4. Omar Jafri	• Ground Handling Agreement with Saudia dated 15/1/1435H (corresponding to 1/1/2010G) • Saudia employees Secondment Agreement with Saudia • Central Baggage Warehouse Agreement with Saudia • IT Service Level Agreement with Saudia • Ticket Sales Memorandum with Saudia Operation Agreements for Ticket Offices with Saudia • Maintenance Service Level Agreement with SAEI • Engineering Service Level Agreement with SARED • SLA in ticket offices with Saudia • Receivables Agreements with Saudia	All three Directors are employed by Saudia

All Related Party contracts have been approved by the Company in its Extraordinary General Assembly dated 23/11/1435H (corresponding to 18 September 2014G).

Mr. Rashid Al Mugait, a non-executive independent Board member of the Company, is employed as chief executive officer/president by 2 (two) other companies (Al-Tayar Travel Group and Al Mousin Travel & Tours Co. Ltd). These 2 (two) companies operate in the travel and tourism sector, and as such, their activities are similar (and may even be in competition with) the Company's new tourism and ticket sales activities.

13-2 Licences and Permits

13-2-1 The Company has obtained the following licenses and permits:

Table 13-9 List of Licenses

Number	Issuing Entity	License Number	Licensed Activity	Issue Date	Expiry Date
1	IATA	71-488812	Sales Agent	27 November 2012G	None
2	Moody	21111209004	ISO 9001	5 November 2012G	4 November 2015G
3	IATA	278	ISAGO provider at KKIA	None	18 April 2017G
4	IATA	74	ISAGO provider at KAIA	None	18 February 2017G
5	IATA	277	ISAGO provider at KFIA	None	15 April 2017G

Number	Issuing Entity	License Number	Licensed Activity	Issue Date	Expiry Date
6	IATA	274	ISAGO provider at PMIA	None	21 February 2017G
7	Saudi Commission for Tourism and Antiquities	5003174	Travel and tourism activities	13/3/1435H	12/3/1437H
8	GACA	1/1/5/256	Ground handling activities at KAIA	4/6/1435H	3/6/1445H
9	GACA	2/1/5/256	Ground handling activities at KKIA	4/6/1435H	3/6/1445H
10	GACA	3/1/5/256	Ground handling activities at KFIA	4/6/1435H	3/6/1445H
11	GACA	4/1/5/256	Ground handling activities at PMIA	4/6/1435H	3/6/1445H
12	GACA	1	Ground handling activities at Abha airport	20/2/1434H	20/2/1437H
13	GACA	2	Ground handling activities at Al-Baha airport	20/2/1434H	20/2/1437H
14	GACA	3	Ground handling activities at Ta'if airport	20/2/1434H	20/2/1437H
15	GACA	4	Ground handling activities at Prince Nayeb Bin Abdulaziz airport	20/2/1434H	20/2/1437H
16	GACA	5	Ground handling activities at Tabuk airport	20/2/1434H	20/2/1437H
17	GACA	6	Ground handling activities at Jizan airport	20/2/1434H	20/2/1437H
18	GACA	7	Ground handling activities at Yanbu airport	20/2/1434H	20/2/1437H
19	GACA	8	Ground handling activities at Hafar Al-Batin airport	20/2/1434H	20/2/1437H
20	GACA	9	Ground handling activities at Al-Ahsa airport	20/2/1434H	20/2/1437H
21	GACA	10	Ground handling activities at Al-Jawf airport	20/2/1434H	20/2/1437H
22	GACA	11	Ground handling activities at Dawadmi airport	20/2/1434H	20/2/1437H
23	GACA	13	Ground handling activities at Gurayat airport	20/2/1434H	20/2/1437H
24	GACA	14	Ground handling activities at Al – Qaisouma airport	20/2/1434H	20/2/1437H
25	GACA	15	Ground handling activities at Al-Wajh airport	20/2/1434H	20/2/1437H

Number	Issuing Entity	License Number	Licensed Activity	Issue Date	Expiry Date
26	GACA	16	Ground handling activities at Bisha airport	20/2/1434H	20/2/1437H
27	GACA	17	Ground handling activities at Ha'il airport	20/2/1434H	20/2/1437H
28	GACA	18	Ground handling activities at Rafha airport	20/2/1434H	20/2/1437H
29	GACA	19	Ground handling activities at Sharurah airport	20/2/1434H	20/2/1437H
30	GACA	20	Ground handling activities at Turaif airport	20/2/1434H	20/2/1437H
31	GACA	21	Ground handling activities at Arar airport	20/2/1434H	20/2/1437H
32	GACA	22	Ground handling activities at Najran airport	20/2/1434H	20/2/1437H
33	GACA	23	Ground handling activities at Wadi Al-Dawasir airport	20/2/1434H	20/2/1437H

Source: Company

13-2-2 GACA Licences

As at the date of this Prospectus, the Company has obtained a GACA licence in respect of its ground handling units at the International Airports on 4/6/1435H (corresponding to 4 April 2014G) (ending on 3/6/1445H (corresponding to 16 December 2023G)) and the Domestic Airports on 20/2/1434H (corresponding to 2 January 2013G) (ending on 20/2/1437H (corresponding to 23 November 2015G)). The Company has also obtained GACA's approval to provide its "Ahlan" service as described in section 4.10.1 ("Meet and Assist Services ("Ahlan")).

The Directors believe that the Company does not require any additional licences or permits in respect of these ground handling services.

13-2-3 Saudi Commission for Tourism and Antiquities License

As at the date of this Prospectus, the Company has obtained license number 5003174 on 13/03/1435H (corresponding to 15 January 2014) from the Saudi Commission for Tourism and Antiquities in respect of selling airline tickets. The license expires on 12/3/1437H (corresponding to 24 December 2015G). In addition, the Company has established one branch at KAIA for the provision of ticket sales services and intends to establish branches in the three remaining International Airports.

13-2-4 Commercial Registration

The Company was converted from a limited liability company into a closed joint stock company with Commercial Registration No. 4030181005 pursuant to the Resolution of the Minister of Commerce and Industry Number 171/K dated 7/7/1435H (corresponding to 6 May 2014G). The Company's commercial registration expires on 11/7/1439H (corresponding to 27 March 2018G).

13-2-5 Zakat and Income Certificate

The Company has obtained a certificate of registration (which remains invalid pending settlement of final instalments) from the DZIT number 89164 dated 4/8/1435H (corresponding to 2 June 2014G) which expires on 11/7/1436H (corresponding to 30 April 2015G).

The Directors believe that (i) the Company has complied with all terms and conditions imposed by the DZIT and (ii) as at the date of this prospectus, there are no disputes between the Company and DZIT.

The Company's final Zakat withholding certificate has not yet been issued because the DZIT has requested additional information from the Company for the 2008G, 2009G, 2010G and 2011G financial years. The request related to the fact that the Company did not undertake any activities after its incorporation as a wholly-owned subsidiary of Saudia in 2008 pending completion of the Acquisition and the commencement of activities only began on 1 January 2011. The Company has responded to all requests made by the DZIT and provided all necessary documents in relation to the 2008G, 2009G, 2010G, 2012G and 2013G years. The Company is currently preparing its responses and supporting documents in respect of the 2011G year and aims to submit its responses to the DZIT.

13-3 Trade Marks

Except for the trademark "Ahlan Wasahlan", the Company has not registered its two trademarks (being the "SGS" trademark or the "Ahlan" trademark) with the Directorate of Trademarks at MOCI. Furthermore, Al-Amad Saudi has not registered its trademark with MOCI. As of the date of this Prospectus, the Company is in the process of changing its logo and will apply for its registration with the Directorate of Trademarks at MOCI. The Directors do not believe there is any risk involved in changing the Company's logo given that the changes are limited to the design of the logo, and not to the "SGS" trademark itself.

The Company has registered the trademark "Ahlan Wasahlan" under category 16 (which comprises the words "Ahlan Wasahlan" with two opposing brackets) under its name at the Directorate of Trademarks at MOCI. The Company has applied for an amendment to the trademark to read "Ahlan". The amended trademark has not been issued as of the date of this Prospectus, but the Company is expecting its issuance in the near future.

The Company and its Subsidiary rely on their respective names and logo as a brand which help to contribute to the success of their respective businesses and which support their competitive position in the market.

In addition, the domain name www.saudiags.com is registered under the Company's name and has been renewed until 24 June 2017G).

13-4 Insurance

Table 13-10 List of Insurance Policies

Number	Type of Insurance	Insurance Company	Maximum Coverage (SAR)	Insurance Period	Location	Material Exclusion
1	Aviation Liability Insurance	Med Gulf	750,000,000	1 January 2015G to 31 December 2015G	Inside Saudia Arabia Rest of world with respect to products	Injuries covered by other insurance policies, damage for which the Company has admitted fault, vandalism if the aircraft was not within airport territory or within the Company's possession and control
2	Cooperative Health Insurance	Tawuniya	Coverage varies according to employee and the type of treatment	1 July 2014G – 30 June 2015G	Inside Saudi Arabia. Coverage only extends outside Saudi Arabia with prior approval from the insurer	Several circumstances set out in the policy
3	Financial liability insurance	Med Gulf	970,500	1 January 2015G to 31 December 2015G	Inside Saudi Arabia	Not available
4	Equipment Insurance	Med Gulf	915,811,029	1 January 2015G to 31 December 2015G	Inside Saudi Arabia	Not available

Number	Type of Insurance	Insurance Company	Maximum Coverage (SAR)	Insurance Period	Location	Material Exclusion
5	Vehicle Insurance	Med Gulf	10,000,000	1 January 2015G to 31 December 2015G	Inside Saudi Arabia	Carrying goods on board, airside liability, transport of flammable substances, vehicles used for passenger transport and liability arising from drivers under the age of 21
6	Cash (in transit) Insurance	Med Gulf	293,000,000	1 January 2015G to 31 December 2015G	Inside Saudi Arabia	Not available
7	Electronics Insurance	Med Gulf	19,783,837	1 January 2015G to 31 December 2015G	Worldwide	Old equipment
8	Public Liability Insurance	Med Gulf	2,000,000,000	1 January 2015G to 31 December 2015G	Inside Saudi Arabia. Rest of the world only during work visits	Not available
9	Property All Risks Insurance	Med Gulf	87,808,447	1 January 2015G to 31 December 2015G	Inside Saudi Arabia	Not available
10	Workmen's Compensation Insurance	Med Gulf	732,000,000	1 January 2015G to 31 December 2015G	Inside Saudi Arabia	Not available
11	Fidelity Guaranty Insurance	Med Gulf	864,000	1 January 2015G to 31 December 2015G	Inside Saudi Arabia	Not available

The Company has aviation liability insurance coverage up to US$200,000,000 (two hundred million US Dollars) (approximately SAR 750,000,000 (seven hundred fifty million Saudi Riyals), provided by Med Gulf Insurance Company, pursuant to which the Company is insured against certain liabilities arising out of, or in connection with, the Company's business as a ground handler, including liabilities in respect of any bodily injury or property damage arising out of the possession, use, consumption or handling of any of the Company's equipment. The insurance policy covers legal liability arising out of the operation of any vehicles at any of the airports up to a maximum of 500 (five hundred) vehicles (as of the date of this Prospectus, 314 (three hundred fourteen) vehicles are insured) during the insurance policy's term. The Company has also obtained fidelity guarantee insurance (SAR 846,000 (eight hundred forty six thousand Saudi Riyals) in aggregate), money insurance, public liability insurance (SAR 2,000,000,000 (two billion Saudi Riyals) in aggregate), workmen's liability insurance (up to SAR 732,000,000 (seven hundred thirty two million Saudi Riyals) per occurrence), equipment all risks insurance (SAR 915,811,029 (nine hundred fifteen million eight hundred eleven thousand twenty nine Saudi Riyals) in aggregate), property all risks insurance (SAR 87,808,447 (eighty seven million eight hundred eight thousand four hundred forty seven Saudi Riyals) in aggregate) and electronic equipment all risks insurance (SAR 19,783,837 (nineteen million seven hundred eighty three thousand eight hundred thirty seven Saudi Riyals) in aggregate).

In addition, the Company has entered into a comprehensive health insurance policy with Bupa Arabia covering the employees of the Company.

The Directors believe that the Company's insurance policies sufficiently cover the Company and its business. The Company renews its insurance policies regularly to ensure continued insurance coverage.

13-5 Litigation

Litigation Claims as Defendant

The Company has confirmed that, as of the date of this Prospectus, it is involved in 15 (fifteen) litigation claims asserted by employees. The total amount claimed under all employment claims instituted against the Company is SAR 1,000,000 (one million Saudi Riyals).

Litigation Claims as Claimant

The Company has also commenced legal proceedings against (i) Bahrain Air for an amount of SAR 3,900,000 (three million nine hundred thousand Saudi Riyals) and (ii) Hellenic Imperial Airways for an amount of SAR 1,600,000 (one million six hundred thousand Saudi Riyals), where the Company is claiming its unpaid fees for ground handling services rendered.

The Board has confirmed that the Company is not party to any dispute or litigation claim (whether existing or threatened) that will have a material adverse effect on the Company's financial position.

13-6 Owned Property

The Company owns one property in Jeddah in Hay Abhar Al-Janoubi. The table below sets out the details of the Company's title deed to the aforementioned land.

Table 13-11 Title Deed in Company's Name

Name	Date and Reference Number	Location	Purpose
Saudi Ground Services Company	320204015087 (dated 29/12/1434H (corresponding to 2 November 2013G))	Jeddah - Hay Abhar Al-Janoubi	Construction of a new head office for the Company

13-7 Leases in the Name of Saudia

As of the date of this Prospectus, and despite the completion of the Privatisation and the Acquisition, the Company currently uses certain premises located at the Domestic Airports that have been leased by Saudia from GACA. The Company is in the process of signing new lease agreements directly with GACA in relation to such premises. However, there is no guarantee that the Company and GACA will agree to terms and conditions (i) that are identical or similar to the leases signed with Saudia or (ii) that are beneficial to or appropriate for the Company's business.

Below is a table setting out the details of the leases in the name of Saudia as of the date of this Prospectus.

Table 13-12 Leases in the Name of Saudia

Location	Purpose
Several locations in Domestic Airports	The Company uses several locations leased by Saudia from GACA at the Domestic Airports to provide its Ground Handling Services. The Company is in the process of signing new lease agreements with GACA in respect of such premises.

Source: Company

13-8 Al-Amad Saudi

The Company and Al-Amad Company for Commerce and Supplies ("Al-Amad Commerce") own 50 per cent. each of the issued share capital of Al-Amad Saudi Airport and Air Transport Support Services Company ("AlAmad Saudi"), which is a limited liability company that was established on 27/10/1434H (corresponding to 3 September 2013G) with commercial registration number 4030254190 and a share capital of SAR 500,000 (five hundred thousand Saudi Riyals) for the purposes of providing a bus service in KKIA, PMIA, KFIA and KAIA to transport passengers and crew from the aircraft to the terminal and vice versa. Al-Amad Saudi has two branches registered in the Kingdom, and is seeking GACA's approval to complete the necessary regulatory process for establishing branches in all International and Domestic Airports.

Al-Amad Commerce is a Saudi limited partnership registered on 22/11/1407H (corresponding to 19 July 1987G) with commercial registration number 4030057952, and has been involved in the provision of passenger bus services at PMIA, KKIA, KFIA, KAIA and Tabouk since 2013G. Al-Amad Commerce initially provided its services to various airlines, including Saudia. Subsequently, both the Company and Al-Amad Commerce agreed to incorporate Al-Amad Saudi to combine their operations and expand the passenger bus service network across the airports in Saudi. Al-Amad Commerce is owned by 2 (two) individuals; Farid Jar Allah Saleh Al Hirazi (owning SAR 400,000 (four hundred thousand Saudi Riyals) of Al-Amad Saudi's share capital) and Nizar Farid Jar Allah Al Hirazi (owning SAR 100,000 (one hundred thousand Saudi Riyals) of Al-Amad Saudi's share capital). Al-Amad Saudi's head office is located in Jeddah, Hay Al Rawda, Al Madina Nazil Road, Lotus Building 2.

Al-Amad Saudi has applied to GACA on 6/8/1435H (corresponding to 4 June 2014G) for a license to operate buses within certain International Airports and Domestic Airports. As of the date of this Prospectus, GACA has not issued a license in favour of Al-Amad Saudi to operate the buses (as the license application is currently under review by GACA), and therefore, Al-Amad Saudi is currently operating without a license from GACA. The buses are also licensed as 'public transport vehicles' under a licence from the Ministry of Transportation number 11590/03 dated 15/6/1435H (corresponding to 16 April 2014G) to transport deportees from a jail to an airport.

As at the date of this Prospectus, Al-Amad Saudi has entered into 32 (thirty two) agreements with airlines to provide transportation services at the International Airports.

The Company has not issued audited financial statements for Al-Amad Saudi. Furthermore, the members of the board of Al-Amad Saudi have not received any remuneration or bonuses.

Table 13-13 Shareholder in Al-Amad Commerce

No.	Shareholder	Total Value of Shares	Capital
1	Farid Jarallah Saleh Al-Hirazi	400,000	400,000
2	Nizar Fareed Jarallah Saleh Al-Hirazi	100,000	100,000
3	**Total**		**500,000**

Source: Company

Table 13-14 Directors in Al-Amad Commerce

Name	Position
Mr. Saleh Bin Nasser Al-Jasser	Member (Chairman)
Mr. Qaid Bin Khalaf Al-Otaibi	Member
Talal Mahmoud Abdullah Khudari	Member
Faris Jarallah Saleh Al-Hirazi	Member
Nizar Farid Jarallah Saleh Al-Hirazi	Member and chief executive officer

Source: Company

13-9 Description of Shares

Share Capital

The share capital of the Company is SAR 1,880,000,000 (one billion eight hundred eighty million Saudi Riyals), consisting of 188,000,000 (one hundred eight eight million) Shares with a nominal value of SAR 10 (ten Saudi Riyals) per Share, all of which are ordinary cash and in-kind shares.

Ordinary Shares

The Shares may not be issued at less than their nominal value. However, the Shares may be issued at an issue price higher than their nominal value, in which case the difference in value is to be added to the statutory reserve, even if the reserve has reached its maximum limit. A Share is treated as indivisible by the Company. In the event that a Share is owned by more than one person, they must select one of them to exercise, on their behalf, the rights pertaining to the Share, and such persons are jointly responsible for the obligations arising from the ownership of the Share. The transfer of Shares is governed by, and must comply with, the regulations governing companies listed on Tadawul. Transfers made other than in accordance with such regulations are void.

Rights of the Holders of Ordinary Shares

Under article 108 of the Companies Regulations, a Shareholder is vested with all the rights attached to Shares, which include in particular the right to receive a share in the profits declared for distribution, the right to a share in the Company's assets upon liquidation, the right to attend constituent General Assemblies and participate in the deliberations and vote on the resolutions proposed at such meetings, the right to dispose of Shares, the right to access to the Company's books and documents, the right to supervise the acts of the Board of Directors, the right to institute proceedings against the Directors and the right to contest the validity of the resolutions adopted at General Assemblies. According to the Companies Regulations, Shareholders are not entitled to require the Company to buy-back their Shares.

General Assemblies

A General Assembly duly convened is deemed to represent all the Shareholders and must be held in the city where the Company's head office is located. Any Shareholder, regardless of the number of Shares he holds, has the right to attend the meeting of the constituent General Assembly, and any Shareholder who holds at least 20 (twenty) Shares has the right to attend the meetings of the Ordinary and Extraordinary General Assemblies.

With the exception of the constituent General Assembly, the general meetings of Shareholders are either Ordinary General Assemblies or Extraordinary General Assemblies. With the exception of those matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly deals with all matters concerning the Company. The Ordinary General Assembly must be convened at least once a year, within 6 (six) months following the end of the Company's fiscal year. Additional Ordinary General Assemblies may be convened as required.

The Extraordinary General Assembly has the power to amend the By-Laws (to the extent permissible under the Companies Regulations). Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same requirements applicable to the Ordinary General Assembly.

Convening a General Assembly

The General Assembly must be convened by the Board of Directors. The Board of Directors must convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by Shareholders representing at least five per cent of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least 25 (twenty five) days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. Alternatively, the Company may send a notice containing the invitation to the Shareholders to attend the General Assembly by registered mail during the period set out above. A copy of the notice and the agenda shall be sent during the notice period set out above to the Companies Department at MOCI. A list of Shareholders attending the General Assembly in person or by proxy shall be prepared.

Quorum of an Extraordinary General Assembly

A meeting of the Extraordinary General Assembly is quorate if attended by Shareholders representing at least 50% (fifty per cent) of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within 30 (thirty) days following the time set for the first meeting. Notice of such meeting must be published in compliance with the procedures set out in section 13.9.5 above.

The second meeting is quorate if attended by Shareholders representing at least 25% (twenty five per cent) of the Company's capital.

Quorum of an Ordinary General Assembly

A meeting of the Ordinary General Assembly is quorate if attended by Shareholders representing at least 50% (fifty per cent) of the Company's capital. If such quorum is not present at the first meeting, a second meeting must be held within 30 (thirty) days following the time set for the first meeting. Notice of such meeting must be published in compliance with the procedures set out in section 13.9.5 above. The second meeting is deemed quorate irrespective of the number of Shares represented at such meeting.

Transfer of Shares

Trading in Shares is governed by the regulations applicable to companies listed on Tadawul, and any trading in the Shares that does not comply with such regulations is deemed void.

Voting Rights

Each Shareholder owning at least 20 (twenty) Shares has the right to attend a General Assembly and may authorize in writing another Shareholder (other than a member of the Board of Directors who is a Shareholder) to attend the General Assembly on his behalf. Any Shareholder may attend the meeting of the constituent General Assembly, regardless of the number of Shares he holds. Votes at the meetings of Ordinary and Extraordinary General Assemblies are counted on the basis of one vote for each Share represented at the meeting. Shareholders must adopt the accumulative voting method in relation to the appointment of Board members.

Resolutions of the Ordinary General Assembly are passed if supported by a simple majority of the Shares represented at the meeting. Resolutions of the Extraordinary General Assembly are passed if supported by a majority of at least 2/3 (two-thirds) of the Shares represented at the meeting. If the resolution relates to an increase or reduction in the Company's capital, extending the Company's term, dissolving the Company prior to the end of its term specified under the By-Laws or merging the Company with another company or organization, then such resolution may only be passed if supported by a majority of at least 3/4 (three-quarters) of the Shares represented at the meeting.

Each Shareholder has the right to discuss the items listed in the agenda for the General Assembly and to direct questions to the members of the Board and the Auditor in relation to such matters. The Board of Directors or the Auditor is required to answer questions from Shareholders other than when to do so may jeopardize the interests of the Company, for instance on commercially sensitive matters. Should a Shareholder consider the reply to be unsatisfactory, he can report to the General Assembly, whose resolution will be considered final.

Term of the Company

The term of the Company is 99 (ninety nine) Gregorian years commencing on the date of issuance of the Minister of Commerce and Industry's resolution announcing the conversion of the Company from a limited liability company to a closed joint stock company. The term of the Company may be extended by a resolution adopted by the Extraordinary General Assembly at least 1 (one) year prior to the expiry of its term.

Dissolution and Liquidation of the Company

Upon the expiry of the Company's term, or if, based on a proposal by the Board of Directors, the Extraordinary General Assembly decides to dissolve the Company, it will determine the method of liquidation and shall appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors cease upon the expiry of the Company's term. However, the Board of Directors remains responsible for the management of the Company until the liquidator(s) are appointed. The Company's administrative departments maintain their powers to the extent that they do not interfere with the powers of the liquidator(s).

13-10 Summary of Company's By-Laws

Name of the Company

Saudi Ground Services Company, a Saudi joint stock company.

Head Office

The head office of the Company is in Jeddah, Saudi Arabia. The Board of Directors may open other branches, offices or agencies within or outside of Saudi Arabia.

Objectives of the Company

The objectives of the Company are to provide the following aircraft ground handling and ancillary services:

- passenger services at passenger terminals, including: finalising travel procedures, issuing boarding passes, issuing baggage identification tickets, tracking lost baggage, providing wheelchair services for disabled persons, excess baggage services, arrival services, reception services (Ahlan), ticket sales services in the Kingdom's airports;
- apron services and baggage handling services including baggage transportation to and from the aircraft, baggage distribution, dealing with dangerous substances and applying specifications, loading and unloading baggage and using safety stops to assist with stopping the aircraft;
- technical services, including flight monitoring, flight information services, aircraft load control, aircraft signalling for landing and takeoff and communication services between captain and ground crew;
- fleet services, including cleaning of the aircraft, its tables, its floors, its lavatories, its windows, distributing all materials used in the aircraft and its lavatories, sanitising and disinfecting the aircraft, organising in-flight magazines, newspapers, airline magazines, food menus, earphones, replacing headrest and pillow covers, and cleaning the captain's main front;
- ground handling equipment services and technical equipment, including the provision of air start units (when engines are switched off), aircraft mobile air-conditioning units (until engines are switched on), ground power units and aircraft towing equipment;
- baggage services equipment, including passenger stairs, baggage conveyor belts, baggage transportation trucks, baggage load devices and passenger loading devices;
- fleet services equipment, including lavatory cleaning trucks, water transport trucks, special lifts for cleaning aircraft windows and passenger transport services, including the transport of passengers and crew to and from the aircraft;
- aircraft fuelling services;
- deportee transportation services;
- import and export for all equipment, tools, machinery, trucks, carriages and all other materials necessary for undertaking ground handling services for aircraft;
- management, operation and maintenance of buses, trucks, loaders, equipment and light and heavy machinery inside terminals and airport areas in the Kingdom; and
- employing qualified expatriate employees as required to cover the Company's operational demands during high/peak seasons.

The Company only carries out its business after obtaining the necessary approval from the competent authorities.

Participation in Other Companies

The Company may acquire an interest in, merge with, or participate in any manner with other corporations or companies engaged in a business which is similar to the business of the Company or that may assist the Company to achieve its objectives. The Company may also invest in any other company provided that its interest in such company does not exceed (i) 20% (twenty per cent) of the Company's free reserves; and (ii) 10% (ten per cent) of the capital of the company in which it is investing. The total value of the Company's investments in other companies should not exceed its free reserves. The Ordinary General Assembly should be informed of any such investment(s) at its next meeting.

Term of the Company

The term of the Company is 99 (ninety nine) Gregorian years commencing on the date on which the Minister of Commerce and Industry issued the resolution announcing the conversion of the Company from a limited liability company to a closed joint stock company. The term of the Company may be extended by a resolution adopted by the Extraordinary General Assembly at least one year prior to the expiry of its term.

Capital of the Company

The share capital of the Company is SAR 1,880,000,000 (one billion eight hundred and eight million), divided into 188,000,000 (one hundred eighty eight million) registered Shares of equal value of (SAR 10 (ten Saudi Riyals)) each. All Shares are of nominal value and shall not be issued at less than the par value.

Share Register

The nominal Shares shall be transferred by recording such transfers in the Shareholders' register containing the names of the Shareholders, their nationalities, their occupations, their domicile and address, the serial numbers of the Shares, and the amount paid-up on such Shares. The transfer of title to a Share shall not be effective vis-à-vis the Company or any third party except from the date on which the transfer is recorded in the Shareholders' register or the completion of the transfer process through Tadawul. Subscription in or ownership of the Shares by a Shareholder entails the acceptance by the Shareholder of the Company's By-Laws and his submission to the resolutions duly passed by the General Assemblies in accordance with the By-Laws, regardless of whether the Shareholder was present at such General Assemblies or whether he voted in favour of such resolutions.

Increase of Capital

The Extraordinary General Assembly may, once it has ascertained the economic feasibility of a capital increase step and after obtaining the approval of the competent authorities, adopt a resolution to increase the Company's capital once or several times by issuing new Shares having the same nominal value as the original Shares, provided that the Company's capital shall have been paid in full and subject to the requirements of the Companies Regulations. Such resolution shall specify the mode of increasing the capital. The Shareholders, who shall have pre-emptive rights to subscribe for the new Shares, shall be notified of their pre-emptive rights by notice published in a daily newspaper or by written notice sent to the Shareholders by registered mail. Such notice shall notify each Shareholder of the capital increase and set out the terms of subscription in the new Shares. Each Shareholder may exercise his pre-emptive rights, within 15 (fifteen) days of the publication of such notice or receipt of such notice by registered mail.

Shares issued pursuant to an increase in capital shall be allotted to those Shareholders who have elected to exercise their pre-emptive rights pro-rata to their respective shareholdings in the Company, provided that the number of Shares allocated to each Shareholder does not exceed the number of new Shares for which he has applied. Any remaining new Shares shall be allotted to the original Shareholders who have applied for more than their proportionate entitlement in the new Shares pro-rata to their respective shareholdings in the Company, provided that the number of Shares allocated to each such Shareholder does not exceed the number of new Shares for which he has applied. Any remaining new Shares shall be offered for public subscription.

Decrease of Capital

The Company may reduce its capital if it proves to be in excess of the Company's needs or if the Company sustains losses. Such decision must be made by a resolution of the Extraordinary General Assembly and requires the approval of the Minister of Commerce and Industry. Such resolution may only be passed after the preparation of a report by the Company's auditor's setting out the reasons for the reduction of the Company's capital, the obligations of the Company and the effect of such reduction on such obligations. The resolution shall set out the manner in which the reduction in capital is to be effected. If the reason for reducing the capital is due to the reduced amount being in excess of the Company's needs, the Company's creditors must be invited to express their objection to such reduction in capital within 60 (sixty) days from the date of publication of the resolution relating to the reduction in a daily newspaper published in the city where the Company's head office is located. If any creditor objects to the reduction in the capital of the Company and submits to the Company, within the said period, documentary evidence of his debt, the Company must settle such debt if it is due, or provide adequate security for its payment if it has not fallen due at the time.

Constitution of the Board of Directors

The Board is comprised of nine members appointed by the Ordinary General Assembly for a term not exceeding 3 (three) years. As an exception to the foregoing, the current Board was appointed for a term of five years, commencing on 7/7/1435H (corresponding to 6 May 2014G) and being the date of the Ministerial Resolution declaring the Company's conversion from a limited liability company to a closed, joint stock company.

Qualification Shares

Each member of the Board shall be a holder of a number of Shares having a nominal value of no less than SAR 10,000 (ten thousand Saudi Riyals). Such Shares shall be deposited in a bank designated by the Minister of Commerce and Industry within 30 (thirty) days from the date of the appointment of the Director. Such Shares shall be held to guarantee the liability of the Board members and shall be non-negotiable until the expiry of the period specified for hearing any action set out under article (76) of the Companies' Regulations or until a judgment is rendered in any such action. Should a Director fail to submit such qualification Shares within the specified period, his appointment to the Board shall be deemed null and void.

Vacancies

A Director's membership of the Board shall be terminated upon the expiry of the Board's term, on the Director's resignation or death or if he is declared bankrupt, insolvent or requests a settlement with his creditors or stops repaying his debts in accordance with any applicable laws or regulations in the Kingdom of Saudi Arabia. If the seat of a Director becomes vacant, the Board may appoint a temporary member to the vacant seat, provided that such appointment shall be laid before the next Ordinary General Assembly. The new Director shall complete the rest of his predecessor's term.

If the number of Directors falls below the quorum required for a Board meeting, an Ordinary General Assembly must be convened as soon as possible to appoint new Directors to the vacant seats on the Board.

Powers of the Board of Directors

Without prejudice to the powers conferred on the General Assembly, the Board shall be vested with full powers to manage the business of the Company and supervise its affairs within and outside the Kingdom of Saudi Arabia. For example, the Board is empowered, without limitation, to represent the Company in its relationship with others and before all Government departments, the Sharia Courts, the Board of Grievances, Labour Offices, Primary and Supreme Committees of Settlement of Labour Disputes, the Committee for the Enforcement of Negotiable Instruments, all other courts of law or judicial bodies, Boards of Arbitration, Police Departments, the Directorate of Civil Rights, Chambers of Commerce and Industry, all companies and establishments, participate in tenders, award contracts, enter into sale, purchase, rent, lease, representation, hedging and other documents, transactions and deals on behalf of the Company, receive repayment, receive rights with third parties, claim, defend, plead, settle, assign, deny, request oath, reject the same, pre-emptive rights, accept judgments and deny the same, arbitrate on behalf of the Company, request implementation of judgments, to accept and reject judgments on behalf of the Company, receive the resulting proceedings, obtain title deeds and request amendments thereof.

The Board of Directors of the Company may establish affiliates and participate in the establishment of new companies, open branches, sign all contracts, agreements and documents including, without limitation, articles of association of affiliated companies or those in which the Company shall participate, and to amend the same, their annexes, and all shareholder resolutions in such companies including the special resolutions pertaining to increase or decrease of the capital of these companies, assignments of shares, purchasing the same, attesting contracts and to sign at the Companies Department at MOCI and before the Notary Public, effect amendments, changes, additions, omissions, obtain and renew commercial registrations, grant loans to affiliate companies, guarantee their loans, sign agreements and deeds for public notaries and other official authorities, loan agreements, warranties, securities, assign priority in repayment of Company's debts, issue Sharia powers of attorney on behalf of the Company, sell, purchase or lease real estate, land, shares, and stocks in companies and other properties whether movable or immoveable, sell and pledge the Company's real properties and assets, movable and fixed, to guarantee the debts of the Company and its affiliates pursuant to the following conditions:

- the Board shall specify in its resolution to sell such assets and/or properties the reasons and justifications of such sale;
- the sale price shall be at least equal to the market price of such assets and/or properties;
- the sale shall be undertaken with immediate effect unless the circumstances necessitate otherwise, in which case, sufficient guarantees should be obtained; and
- such sale does not result in the Company's activities being suspended, or in any new obligations being assumed by the Company.

The Board shall have the right to deal with the Company's funds including, but not limited to the right to withdraw, deposit, receive, pay or appropriate money, deal with banks, obtain loans, invest funds in domestic and international markets. The Board shall have the right to grant loans to companies and persons (subject to regulations), issue rewards, appoint lawyers, auditors, legal accountants, employees, labourers and discharge the same, request visas, recruit manpower from outside the Kingdom of Saudi Arabia, contract with the same, determine their salaries, obtain residences and transfers of sponsorships and release the same.

The Board may conclude loan agreements with governmental funds and institutions regardless of the term of such loan agreements, conclude commercial loans, obtain loans and other credit facilities from Government bodies and financial institutions and from any other credit companies inside and outside the Kingdom of Saudi Arabia, issue letters of guarantee in favour of any third party, if it deems at its discretion that such guarantees serve the Company's interest; execute order notes and other negotiable instruments; and enter into all types of banking transactions and agreements for any term not exceeding the term of the Company. The Board shall observe the following conditions in respect of any loan having a term exceeding 3 (three) years:

- the Board shall specify, in its resolution to approve any such loan, the manner in which the loan will be used and how it will be repaid by the Company; and
- that the terms of the loan and the guarantees provided in relation thereto do not prejudice the interests of the Company, its Shareholders or the securities offered to the Company's creditors.

The Board of Directors shall also have the right to approve the Company's internal, financial, administrative and technical regulations, its policies and procedures pertaining to employees, to authorize the Company's executive officers and others to sign on behalf of the Company pursuant to the rules and regulations set by the Board, and to approve the Company's operations, plans and its annual balance sheets.

The Board shall have the right to discharge the Company's debtors from their obligations provided that the following conditions are fulfilled:

- one year has lapsed since the date on which the debt was created;
- the discharging of the debt shall not cause the Board to exceed the maximum amount of debt which the Board is entitled to discharge each year;
- the Board may not delegate its power to discharge debts to any party.

The Board has the right to delegate to one or more of its members or to third parties, any work or works or specific works, or any of its powers and to cancel such delegation or authorization in part or in its entirety.

Remuneration of Directors

The remuneration of Directors (if any) shall be determined by the Ordinary General Assembly in accordance with the decisions and instructions issued by the Ordinary General Assembly and the provisions of the Companies Regulations and the laws and regulations which are complementary thereto. Directors may in addition be paid an attendance and transportation allowance as determined by the Board of Directors and the regulations and decisions issued by the Ordinary General Assembly in this respect.

The annual report submitted by the Board of Directors to the Ordinary General Assembly shall contain a statement of all payments made to the members of the Board during the relevant fiscal year, including salaries, a share in profits, attendance allowance, expenses, and other benefits. This report shall also contain a statement of payments made in consideration for technical, administrative or consultancy assignments carried out by Board member(s) in favour of the Company and previously approved by the Ordinary General Assembly.

Chairman, Managing Director and Secretary

The Board shall appoint a Chairman from among its members. The Board of Directors may also appoint a managing director (the "Managing Director") from among its members. The Chairman shall have the power to convene the Board to meet, preside over its meetings and represent the Company before official and media congregations. The Chairman has a casting vote.

The Chairman shall also be authorized to individually or jointly represent the Company in its relationship with others and before all Governmental and private bodies, third parties, Sharia Courts, judicial committees, the Board of Grievances and all judicial committees inside and outside the Kingdom of Saudi Arabia, to defend, plead and to sign on behalf of the Company, all articles of association of companies where the Company is a party, and amendments and supplements thereto, and to sign all types of contracts, agreements, assignments, representations, settlements or any other matters or procedures where the Company is a party whether before the notary public or before Government and private organisations.

The Managing Director shall have such other powers as are specified by the Board of Directors and shall carry out such directions as are given to him by the Board of Directors.

The Board of Directors shall issue a resolution specifying the remuneration of each of the Chairman, the vice chairman and the Managing Director.

The Board of Directors shall appoint a Secretary from among its members or others and shall specify his duties, remuneration, and terms of service. The Secretary's duties shall include preparing, maintaining and keeping a register of proceedings and resolutions of the Board of Directors.

The term of the office of the Chairman, the vice chairman, the Managing Director, and the Secretary (if the Secretary is a Board member) shall not exceed their respective terms of service as Directors. The respective terms of the Chairman, the Managing Director, and the Secretary of the Board may be renewed.

Board Meetings

The Board of Directors shall be convened upon notice given by the Chairman. Such notice shall be in writing and delivered by hand or fax or email or sent by registered mail not less than seven days prior to the date set for the meeting, unless otherwise agreed by the Directors. The Chairman shall call a meeting of the Board if so requested by any two Directors.

Quorum and Representation

A Board meeting shall be quorate only if attended by the majority of Directors, attending either in person or in proxy (provided that the number of members attending in person shall not be less than four). In the event that a Director appoints another Board member to attend a Board meeting as his proxy, then such proxy shall be appointed in accordance with the following guidelines:

- a member of the Board of Directors may not act as proxy for more than one Board member at the same meeting;
- a proxy shall be appointed in writing; and
- a Board member acting by proxy may not vote on resolutions on which his principal is prohibited from voting.

Resolutions of the Board shall be adopted with the approval of the majority vote of the members present in person or represented by proxy and otherwise eligible to vote on the matter in question. In case of an equality of votes, the Chairman of the Board or the Director presiding over the Board in the absence of the Chairman shall have a casting vote.

The Board may adopt a resolution by circulation of resolutions in writing unless a Board member requests a meeting to deliberate on such resolution. Such Resolutions shall be adopted with the approval of the majority vote of the Directors and shall be laid before the Board in its next meeting.

Minutes of Meetings

Deliberations and resolutions of the Board shall be recorded in the form of minutes to be signed by the Chairman and the Secretary after being signed by the Board members. Such minutes shall also be recorded in a register to be signed by the Chairman and the Secretary.

Executive Committee

The Board of Directors may appoint committees with such powers as it deems appropriate and coordinate between these committees in order to expedite the process of making decisions in respect of matters submitted to these committees.

General Assembly

A General Assembly duly convened shall be deemed to represent all the Shareholders, and shall be held in the city where the Company's head office is located. Each Shareholder owning 20 (twenty) Shares (or more) shall have the right to attend a General Assembly, and each Shareholder may authorize another Shareholder (other than a member of the Board of Directors or employees of the Company) to attend the General Assembly on his behalf.

Ordinary General Assembly

The general meetings of Shareholders are either Ordinary General Assemblies or Extraordinary General Assemblies. With the exception of those matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall deal with all matters concerning the Company. The Ordinary General Assembly shall be convened at least once a year, within 6 (six) months following the end of the Company's fiscal year. Additional Ordinary General Assembly meetings may be convened as required.

Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Company's By-Laws, (to the extent permissible under the Companies Regulations). Furthermore, the Extraordinary General Assembly may pass resolutions on matters falling within the competence of the Ordinary General Assembly, subject to the same requirements applicable to the Ordinary General Assembly.

Manner of Convening General Assemblies

The General Assembly shall be convened by the Board of Directors. The Board of Directors shall convene a meeting of the Ordinary General Assembly if requested to do so by the auditors or by a number of Shareholders representing at least 5% (five per cent) of the Company's capital. The Company must publish an invitation to Shareholders to attend the General Assembly in the Official Gazette and in a daily newspaper circulated in the location of the head office of the Company, at least 25 (twenty five) days prior to the date of the General Assembly. The invitation must include the agenda of the meeting. Alternatively, the Company may send a notice containing the invitation to the Shareholders to attend the assembly by registered mail during the period set out above. A copy of the notice and the agenda shall be sent during the notice period to the Companies Department at MOCI. A list of Shareholders attending the General Assembly in person or by proxy shall be prepared.

Quorum of Ordinary General Assembly

A meeting of the Ordinary General Assembly shall be quorate if attended by Shareholders representing at least 50% (fifty per cent) of the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be held within 30 (thirty) days following the time set for the first meeting. Notice of such meeting shall be published in a manner prescribed in article (32) of the Company's By-Laws. The second meeting shall be deemed quorate irrespective of the number of shares represented at such meeting.

Quorum of Extraordinary General Assembly

A meeting of the Extraordinary General Assembly shall be quorate if attended by Shareholders representing at least 50% (fifty per cent) of the Company's capital. If such quorum is not present at the first meeting, a second meeting shall be convened in the same manner as set out in section 13.10.24 above.

The second meeting shall be quorate if attended by Shareholders representing at least 1/4 (one-quarter) of the Company's capital.

Voting Rights

Each Shareholder shall have 1 (one) vote for each Share that he represents at the constituent General Assembly. Votes at the meetings of Ordinary and Extraordinary General Assemblies shall be computed on the basis of 1 (one) vote for each Share represented at the meeting. Voting to appoint members of the Board of Directors shall be carried out in accordance with accumulative voting method. Members of the Board of Directors are prohibited from voting on a resolution of the General Assembly discharging the Board's liability during the period of service.

Voting Majorities

Resolutions of the constituent General Assembly and the Ordinary General Assembly shall be passed if supported by an absolute majority of the Shares represented at the meeting. Resolutions of the Extraordinary General Assembly shall be passed if supported by a majority of at least 2/3 (two-thirds) of the Shares represented at the meeting. If the resolution to be adopted at a General Assembly relates to an increase or reduction of the Company's share capital, extending the Company's term, dissolving the Company prior to the expiry of its term or merging the Company with another company or establishment, then such resolution shall be passed if supported by a majority of at least 3/4 (three-quarters) of the Shares represented at the meeting.

Rights of Shareholders at the Meetings of the General Assembly

Each Shareholder shall have the right to discuss the items listed in the General Assembly's agenda and to direct questions to the members of the Board and the Auditor in relation to such matters. The Board of Directors or the Auditor shall answer the Shareholders' questions to the extent that this does not jeopardize the interests of the Company. Should a Shareholder consider the reply unsatisfactory, he can report to the General Assembly whose resolution will be considered final.

Proceedings of the General Assembly

The General Assembly shall be presided over by the Chairman or, in his absence, the Director designated by him. The Chairman shall appoint a secretary for the meeting and a canvasser. Minutes of the meeting shall be prepared showing the names of the Shareholders present in person or represented by proxy, the number of the shares held by each, the number of votes attaching to such Shares, the resolutions adopted at the meeting, the number of votes in favour of and opposing such resolutions, and a comprehensive summary of the discussions that took place at the meeting. Such minutes shall be recorded after each meeting in a register to be signed by the Chairman of the General Assembly, the secretary and the canvasser.

Appointment of Auditor

The Company shall have an auditor to be selected from the auditors licensed to practice in Saudi Arabia. The auditor shall be appointed annually and its compensation shall be fixed by the Ordinary General Assembly. The Ordinary General Assembly may further reappoint the same auditor.

Access to Records

The auditor shall have access at all times to the Company's books, records, and any other documents, and may request information and clarification as it deems necessary. It may investigate the Company's assets and liabilities.

Auditor's Report

The auditor shall submit a report annually to the Ordinary General Assembly setting out the extent to which the Company has provided the auditor with the information and clarifications it has requested, any violations of the Companies Regulations and the By-Laws which it has discovered, and its opinion as to whether the Company's accounts are a true and fair reflection of the Company's position.

Financial Year

The Company's fiscal year shall commence on 1 January and expire on 31 December of each Gregorian year.

Annual Accounts

The Board of Directors shall prepare at the end of each fiscal year an inventory of the Company's assets and liabilities on such date, the Company's balance sheet and profit and loss account, a report on the Company's activities and its financial position for the preceding year and its proposals as to the distribution of the net profits. The Board of Directors shall prepare such documents at least 60 (sixty) days prior to the convening of the annual Ordinary General Assembly. The Board of Directors shall provide such documents to the auditor at least 55 (fifty five) days prior to the time set for convening the annual Ordinary General Assembly. Such documents shall be signed by the Chairman of the Board and a set thereof shall be available at the Company's head office for inspection by Shareholders at least 25 (twenty five) days prior to the time set for convening the General Assembly. The Chairman shall prompt the Company's balance sheet, profit and loss account, a comprehensive summary of the Board of Directors' report, and the full text of the auditor's report to be published in a newspaper circulated in the city where the Company's head office is located, and shall send copies of such documents to the Companies Department at MOCI at least 25 (twenty five) days prior to the date set for convening the annual Ordinary General Assembly.

Distribution of Annual Profits

After deducting all general expenses and other costs, the Company's annual net profits shall be allocated as follows:

- 10% (ten per cent) of the annual net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the statutory reserve totals one-half of the Company's capital;
- the Ordinary General Assembly may, upon request of the Board of Directors, set aside a percentage of the annual net profits to form an additional reserve to be allocated for such purpose or purposes as may be approved by the Ordinary General Assembly; and
- the remainder shall be distributed to the Shareholders provided that it should not be less than 5% (five per cent) of the paid-up capital.

Distribution of Dividends

The profits to be distributed among the Shareholders shall be paid at such place and time as determined by the Board of Directors, in accordance with the instructions issued by MOCI.

Company Losses

If the Company's losses total 3/4 (three-quarters) of its capital, then the members of the Board of Directors shall call a meeting of the Extraordinary General Assembly to consider whether the Company shall continue to exist or be dissolved prior to the expiry of the period specified therefore under article Six of the By-Laws. The Extraordinary General Assembly's resolution shall be published in the Official Gazette.

Disputes

Each Shareholder shall have the right to bring an action in the name of the Company against the members of the Board of Directors if they have committed a fault which has caused some particular damage to such Shareholder, provided that the Company still has the right to bring such action. The Shareholder shall notify the Company of his intention to file such action.

Dissolution and Winding up of the Company

Upon the expiry of the Company's term, or if it is dissolved prior to such time, the Extraordinary General Assembly shall, based upon a proposal by the Board of Directors, decide the method of liquidation, appoint one or more liquidators and specify their powers and fees. The powers of the Board of Directors shall cease upon the expiry of the Company's term. However, the Board of Directors shall remain responsible for the management of the Company until the liquidator(s) are appointed. The Company's administrative departments shall maintain their powers to the extent that they do not interfere with the powers of the liquidator(s).

The Companies Regulations

The Companies Regulations shall apply to all other matters not specifically provided for in the By-Laws.

14. Underwriting

Underwriters

The Company, the Selling Shareholders, the Lead Underwriter (being HSBC) and the Co-Underwriter (being Jadwa) have entered into the Underwriting Agreement pursuant to which the Underwriters have agreed, subject to certain conditions, to fully underwrite the Offering of 56,400,000 Shares. The principal terms of the Underwriting Agreement are set out below.

HSBC Saudi Arabia Limited Olaya Main Road Al Murooj District P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 1 299 2419 Fax: +966 (11) 1 299 2424 www.hsbcsaudi.com Email: saudiarabia@hsbc.com	HSBC
Jadwa Investment Company Sky Towers King Fahad Road, Olya District P.O.Box 60677 Riyadh 11555 Saudi Arabia Tel: +966 (11) 299 2419 Fax:+966 (11) 279 1571 www.jadwa.com Email: info@jadwa.com	جدوى للإستثمار Jadwa Investment

Sale and Underwriting of the Offer Shares

Under the terms of the Underwriting Agreement:

a) the Selling Shareholders undertake to the Underwriters that, on the first Business Day after the CMA approves the allocation of the Offer Shares following the end of the Subscription Period (the "Allocation Date"), they will:
   - sell and allocate the Offer Shares to any Subscriber or Institutional Investor whose application for Offer Shares has been accepted by a Selling Agent; and/or
   - sell and allocate to the Underwriters any Offer Shares that are not purchased by Individual Investors or Institutional Investors pursuant to the terms of the Offering; and

b) the Underwriters undertake to the Selling Shareholders that, on the Allocation Date, they will purchase any Offer Shares that are not subscribed for by Individual Investors or Institutional Investors as stated below.

Table 14-1 The Underwriters

Underwriter	Number of Offer Shares underwritten	Percentage of Offer Shares underwritten
HSBC Saudi Arabia Limited as being the Lead Underwriter	50,400,000	89%
Jadwa Investment Company being the Co-Underwriter	6,000,0000	11%

The Company has committed to satisfy all terms of the Underwriting Agreement.

14-1 Commission and Expenses

The Selling Shareholders will pay to the Underwriters an underwriting fee based on the total value of the Offering. Moreover, the Selling Shareholders agreed on behalf of the Company to pay the Underwriters' fees, costs and expenses in connection with the Offering.

15. Expenses

The total gross proceeds of the Offering are estimated at SAR 2,820,000,000 million, of which SAR 40,000,000 (thirty million Saudi Riyals) will be allocated to fees and expenses in connection with the Offering, including fees of each of the Financial Advisor, Lead Manager, Legal Advisors to the Offering, Legal Advisers to the Underwriters, Reporting Accountants, Marketing Consultant, printing and distribution expenses, in addition to underwriting expenses and other Offering related expenses. The Offering expenses will be deducted from the proceeds of the Offering. The Company will not be responsible for payment of the Offering expenses.

16. Waivers

The Company has not applied to the CMA for any exemption from the Listing Rules.

17. Subscription Terms and Conditions

The application for admission and listing of the Shares has been submitted to the CMA, in accordance with the Listing Rules.

All Subscribers must carefully read the subscription terms and conditions prior to completing the Subscription Application Form, since signing the Subscription Application Form constitutes acceptance and agreement to the subscription terms and conditions.

Subscription to Offer Shares

The Offering will consist of 56,400,000 Shares with a fully paid nominal value of SAR 10 (ten Saudi Riyals) per share and a premium of SAR 40 (forty Saudi Riyals) per share representing 30% of the share capital of the Company at an Offer Price of SAR 50 per Share and a total value of SAR 2,820,000,000. The Offering of Shares to the Individual Investors and the listing of the Offer Shares thereafter is conditional on the successful coverage of the Offering by Institutional Investors, where 100% of the Offering should be applied for by Institutional Investors. In the event the Offering is not covered during such time, the Offering will be cancelled. Furthermore, the CMA has the right to suspend this Offering if, after issuance of the CMA's approval to this prospectus, and prior to the registration and admission to listing of the Shares on the Exchange, a material adverse change has occurred in respect of the Company's operations.

The Offering is restricted to:

Tranche (A): Institutional Investors

This tranche Institutional investors consisting of a number of institutions and companies including investment funds as follows:

- publicly offered investment funds established in Saudi Arabia and investing in securities listed on the Exchange provided that the terms of the respective funds permit such investment, and provided that the terms and conditions of the CMA's Investment Funds Regulations are complied with;
- an Authorized Person licensed to carry out securities business in its capacity as a principal and which must comply with the capital adequacy requirements;
- a company listed on Tadawul through its investment portfolio which must be managed by an Authorized Person, including banks and insurance companies listed on Tadawul, provided that no conflict of interest arises and in accordance with the requirements that have been imposed by the CMA; and
- Government bodies and public institutions in Saudi Arabia, including companies which are wholly-owned by the Government of Saudi Arabia.

Once the subscription form has been signed by the Investment Institutions, they will submit a written undertaking letter confirming that they are in compliance with the above conditions. The Lead Manager reserves the right to decline any Subscription Application Form, in whole or in part, in the event any of the subscription terms and conditions are not met

Institutional Investors will initially be allocated 56,400,000 Shares, representing 100% of the Offer Shares. In the event that there is sufficient demand by Individual Investors, the Bookrunner has the right to reduce the number of Offer Shares provisionally allocated to Institutional Investors to 33,840,000 Shares, representing up to 60% of the Offer Shares, subject to the CMA's consent. 90% of the Tranche (A) Offered Shares are to be allocated to investment funds, which percentage shall be subject to change, in the event of insufficient demand for the remaining 10% of the Offered Shares from the remaining (non-investment fund) Institutional Investors, or in the event that the mutual funds do not subscribe to the full portion allocated to them (90%).

Tranche (B): Individual Investors

This tranche comprises individual investors, including Saudi Arabian natural persons, including Saudi women who are divorced or widowed and who have children by a non-Saudi husband who may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit provided that any such woman provides evidence that she is the child's mother and that she is widowed or divorced. The subscription by a person in the name of his divorced wife shall be deemed invalid in such cases and the relevant regulations shall be enforced against such person. Individual Investors may be allocated a maximum of 22,560,000 Shares representing up to 40% of the Offer Shares.

Establishment of Subscription Orders Register and Subscription by the Institutional Investors

The Institutional Investors shall submit an irrevocable subscription order for purchase of the Offer Shares accompanied with an undertaking of payment, prior to conclusion of fixing the Offer Price, which precedes commencement of the Offering Period. The Institutional Investor shall determine the number of Offer Shares they intend to subscribe for, which shall not be less than 100,000 Offer Shares, in addition to the required Offer Price. Subscriptions by the Institutional Investors shall commence during the Offering Period, which also include the Individual Investors, according to the terms, conditions and details contained in the Subscription Application Forms that have been delivered to the Institutional Investors.

Subscription by Individual Investors

Subscription Application Forms will be available during the Offering Period from branches of the Selling Agents and on their respective websites. The subscription will be open through the Internet, telephone and automated teller machines ("ATMs") at the branches of the Selling Agents that provide some or all of these channels to Subscribers who have recently participated in previous initial public offerings in Saudi Arabia, provided that the following requirements are satisfied:

- the Subscriber must have a bank account at the Selling Agent which offers such services; and
- there have been no changes to the personal information of the Subscriber since he/she last participated in an initial public offering.

The Selling Shareholders own 100% of the issued share capital of the Company. Institutional Investors and Individual Investors may obtain both a copy of this document, the mini prospectus and Subscription Application Forms from the following Selling Agents:

Al Rajhi Bank مصرف الراجحي	Al Rajhi Bank	Olaya Road P.O. Box 28, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 462 9922 Fax: +966 (11) 462 4311 www.alrajhi-capital.com Email: contactcenter1@alrajhibank.com
العربي anb	Arab National Bank	King Faisal Street P. O. Box 9802, Riyadh 11423 Kingdom of Saudi Arabia Tel: +966 (11) 402 9000 Fax: +966 (11) 402 7747 www.anb.com.sa Email: abinayba@anb.com.sa
بنك البلاد BANK ALBILAD	Bank Albilad	Salahuddin Road P.O. Box 140, Riyadh 11411 Kingdom of Saudi Arabia Tel: +966 (11) 479 8888 Fax: +966 (11) 479 8898 www.bankalbilad.com Email: mailgroupipo@albilad.com
بنك الجزيرة BANK ALJAZIRA	Bank Aljazira	Khalid Bin Alwalid Street P.O. Box 6277, Jeddah 21442 Kingdom of Saudi Arabia Tel: +966 (12) 651 8070 Fax: +966 (12) 653 247 www.baj.com.sa Email: info@baj.com
البنك السعودي الفرنسي Banque Saudi Fransi	Banque Saudi Fransi	Maathar Street P.O. Box 56006, Riyadh 11554 Kingdom of Saudi Arabia Tel: +966 (11) 404 2222 Fax: +966 (11) 404 2311 www.alfransi.com.sa Email: comunications@alfransi.com.sa
NCB الأهلي	National Commercial Bank	King Abdulaziz Road P.O. Box 3555, Jeddah 21481 Kingdom of Saudi Arabia Tel: +966 (12) 649 3333 Fax: +966 (12) 643 7426 www.alahli.com.sa Email: contactus@alahli.com

بنك الرياض riyad bank	Riyad Bank	King Abdulaziz Road P.O. Box 22622, Riyadh 11614 Kingdom of Saudi Arabia Tel: +966 (11) 401 3030 Fax: +966 (11) 404 2618 www.riyadbank.com Email: customercare@riyadbank.com
samba سامبا	Samba Financial Group	King Abdulaziz Road P.O. Box 833, Riyadh 11421 Kingdom of Saudi Arabia Tel: +966 (11) 477 4770 Fax: +966 (11) 479 9402 www.samba.com.sa Email: customercare@samba.com.sa
SABB ساب	The Saudi British Bank	Prince Abdulaziz Bin Musaed Bin Jlawy Street P.O. Box 9084, Riyadh 11413 Kingdom of Saudi Arabia Tel: +966 (11) 405 0677 Fax: +966 (11) 405 0660 www.sabb.com Email: sabb@sabb.com
البنك السعودي الهولندي Saudi Hollandi Bank	Saudi Hollandi Bank	Prince Abdulaziz Bin Musaed Bin Jlawy Street P.O. Box 1467, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 (11) 401 0288 Fax: +966 (11) 403 1104 www.shb.com.sa Email: csc@sadihollandibank.com
البنك السعودي للاستثمار The Saudi Investment Bank	The Saudi Investment Bank	Maathar Street P. O. Box 3533, Riyadh 11431 Kingdom of Saudi Arabia Tel: +966 (11) 478 6000 Fax: +966 (11) 477 6781 www.saib.com.sa Email: ir@saib.com.sa
مصرف الإنماء alinma bank	Alinma Bank	Alanood Tower King Fahad Street P.O. Box 66674 Riyadh 11586 Kingdom of Saudi Arabia Tel: +966 (11) 218 5555 Fax: +966 (11) 2185000 www.alinma.com Email: info@alinma.com

The Selling Agents will commence receiving Subscription Application Forms at their branches throughout Saudi Arabia for 7 days from 16/08/1436H (corresponding to 03/06/2015G) to Tuesday 22/08/1436H (corresponding to 09/06/2015G). Once the Subscription Application Form is signed and submitted, the Selling Agents will stamp it and provide the Subscriber with a copy of the completed Subscription Application Form. In the event that the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Selling Agents, the Subscription Application Form will be considered void.

Each Subscriber is required to specify the number of Offer Shares applied for in the Subscription Application Form at the Offer Price. Subscriptions for less than 10 Offer Shares or fractional numbers will not be accepted. Increments are to be made in multiples of 10.

Each Subscriber is required to submit the Subscription Application Form during the Offering Period accompanied with an:

- original and copy of the Subscriber's national identification card (in the case of individuals);
- original and copy of the family identification card (for family members);
- original and copy of a power of attorney (issued in favour of the person submitting the Subscription Application Form on behalf of Subscriber);
- original and copy of certificate of guardianship (for orphans);
- original and copy of the divorce deed (in the case of minor children of a Saudi woman who is divorced from a non-Saudi husband);
- original and copy of the death certificate (in the case of minor children of a Saudi woman from a deceased non-Saudi husband); and
- original and copy of the birth certificate (in the case of minor children of a Saudi woman who is widowed or divorced from a non-Saudi husband).

In the event that an application is made on behalf of a Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form accompanied with an original and a copy of the power of attorney supporting such person's authority to act on the behalf of the Subscriber. The power of attorney must be issued before a notary public for those who are in Saudi Arabia and must be legalized through a Saudi embassy or consulate in the relevant country for those residing outside Saudi Arabia. The Selling Agents will verify all copies against the originals and will return the originals to the Subscriber.

One Subscription Application Form should be completed for each head of family applying for himself and members appearing on his family identification card if dependent Subscribers apply for the same number of Offer Shares as the prime Subscriber. In this case: (i) all Offer Shares allocated to the prime Subscriber and dependent Subscribers will be registered in the prime Subscriber's name; (ii) the prime Subscriber will receive any refund in respect of amounts not allocated and paid for by himself and dependent Subscribers; and (iii) the prime Subscriber will receive all dividends distributed in respect of the Offer Shares allocated to himself and the dependent Subscribers (in the event the Shares are not sold or transferred). If a wife wants to subscribe for the Offer Shares in her name/to her account, she must complete a separate Subscription Application Form as a prime Subscriber. In such case, applications made by husbands on behalf of their spouses will be cancelled and the independent Subscription Application Form of the wives will be processed by the Selling Agent.

Separate Subscription Application Forms must be used if: (i) the Offer Shares that will be allocated are to be registered in a name other than the name of the prime Subscriber/head of the family; (ii) dependent Subscribers wish to apply for a different number of Offer Shares than the prime Subscriber; and (iii) a wife subscribes for Offer Shares in her name and to her account (in which case she must complete a separate Subscription Application Form as a prime Subscriber). In the latter case, the Subscription Application Forms made by husbands on behalf of their spouses will be cancelled and the independent application of the wives will be processed by the Selling Agent.

Saudi women who are divorced or widowed and who have children by a non-Saudi husband may subscribe for Offer Shares in the name(s) of any of those children who are minors for her benefit. The subscription by a person in the name of his divorced wife shall be deemed invalid and in such cases, the relevant regulations shall be enforced against that person.

Each Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in the Subscription Application Form submitted by the Subscriber for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price SAR 50 per share. Each Subscriber shall be deemed to have purchased the number of Offer Shares allotted to him/her upon: (a) delivery by the Subscriber of the completed Subscription Application Form to the Selling Agents; (b) payment in full by the Subscriber to the Selling Agents of the total value of Offer Shares subscribed for; and (c) delivery to the Subscriber by the Selling Agents the allotment letter specifying the number of Offer Shares allotted to him/her.

The total value of the Offer Shares subscribed for must be paid in full to a branch of the Selling Agents by the Subscriber authorizing a debit of its account held with the Selling Agent where the Subscription Application Form is being submitted.

If a submitted Subscription Application Form is not in compliance with the terms and conditions of the Offering, the Company shall have the right to reject, in full or in part, such an application. The Subscriber shall accept any number of Offer Shares allocated to him or her, as long as the number does not exceed the number of Offer Shares he has subscribed for.

1- Allocation and Refunds

The Lead Manager and Selling Agents shall open and operate escrow accounts named "SGS IPO". Each of the Selling Agents shall deposit all amount received by the Subscribers into the escrow accounts mentioned above.

Allocation of Offer Shares to Institutional Investors

Following the allocation of offer Shares to the Individual Investors, the Allocation of Offer Shares to Institutional Investors shall be determined by the Company (as it deems appropriate) after discussions with the Lead Manager after the allocation of Offer Shares to the Individual Investors is completed; provided, however, that the number of Offer Shares allocated to the Institutional Investors shall not be less than 33,840,000 (thirty three million eight hundred forty thousand) Shares representing up to 60% of the Offer Shares. 90% of the Offer Shares allocated to Institutional Investors will be allocated to investment funds. This percentage will be subject to amendment in the event that the other institutions do not fully subscribe to the remaining 10%, or in the event that the investment funds do not subscribe to the full portion allocated to them (90%).

Allocation of Offer Shares to Individual Investors

The minimum allocation per Subscriber is 10 Offer Shares, and the balance of the Offer Shares (if available) will be allocated on a pro-rata basis. In the event that the number of Subscribers exceeds 2,256,000 two million two hundred fifty sic thousands subscribers the Company will not guarantee the minimum allocation of 10 Offer Shares per Subscriber, and the Offer Shares will be allocated equally between all Subscribers. If the number of Subscribers exceeds 22,560,000 twenty two million five hundred and sixty subscribers the allocation will be determined in accordance with the recommendation of the Company and the Lead Manager. Excess subscription monies, if any, will be refunded to the Subscribers without any charge or withholding by the Selling Agents. Notification of the final allotment and refund of subscription monies, if any, will be made by Tuesday 29/08/1436H (corresponding to 16/06/2015G).

The Company will notify the Subscribers of the date on which the excess subscription monies will be refunded by the publication of a notice in local newspapers in Saudi Arabia, and will instruct the Selling Agents to refund the excess subscription to the Subscribers on such date.

The Selling Agents will send confirmation/notification letters to their Subscribers informing them of the final number of Offer Shares allocated together with the amounts, if any, to be refunded. The Selling Agents will also refund to the Subscribers any monies in respect of which no Offer Shares have been allocated to the relevant Subscribers, as provided in the confirmation/notification letters. Subscribers should communicate with the branch of the Selling Agents where they submitted their Subscription Application Form for any further information.

2- Acknowledgements

By completing and delivering the Subscription Application Form, the Subscriber:

- accepts that he is subscribing for the Offer Shares with the number of Offer Shares specified in the Subscription Application Form;
- warrants that he has read the Prospectus and understood all its contents;
- accepts the By-Laws and all subscription instructions and terms mentioned in the Prospectus;
- keeps his/her right to sue the Company for damages caused by incorrect or incomplete information contained in the Prospectus, or by ignoring material information that should have been part of the Prospectus and could affect his/her decision to purchase the Offer Shares;
- declares that neither himself nor any of his family members included in the Subscription Application Form has previously subscribed for any Offer Shares and that the Company has the right to reject all duplicate applications;
- accepts the number of Offer Shares allocated to him (to a maximum of the amount he has subscribed for) and all other subscription instructions and terms mentioned in the Prospectus and the Subscription Application Form; and
- warrants that he will not cancel or amend the Subscription Application Form after submitting it to the Selling Agents.

3- Miscellaneous

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators, and heirs; provided that, except as specifically contemplated herein, neither the Subscription Application Form nor any of the rights, interests, or obligations arising pursuant thereto shall be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

4- Resolutions and Approvals

1. The resolutions and approvals pursuant to which the Offer Shares shall be offered are as follows:
2. The Company's Board of Directors resolution dated 26/7/1435H (corresponding to 25 May 2014G).
   a. Saudia's director general approval to sell 36,660,000 of Saudia's shares (representing 27% of its Shares in the capital of the Company) dated 14/8/1435H (corresponding to 13 June 2014G)
   b. SPAC shareholder approval to sell 2, 820,000 of SPAC's shares (representing 1.5% of its Shares in the capital of the Company) dated 14/8/1435H (corresponding to 13 June 2014G).
   c. SARED shareholder approval to sell 2,820,000 of SARED's shares (representing 1.5% of its Shares in the capital of the Company) dated 14/8/1435H (corresponding to 13 June 2014G).
   d. NAGS's chairman's approval to sell 11,844,000 of NAGS's shares (representing 30% of its shares in the capital of the Company) dated 9/7/1435H (corresponding to 8 May 2014G).
   e. Attar's chief executives approval to sell 2,256,000 of Attar's shares (representing 30% of its shares in the capital of the Company) dated 20/7/1435H (corresponding to 19 May 2014G).
3. Attar's chief executives approval to sell 2,256,000 of Attar's shares (representing 30% of its shares in the capital of the Company) dated 20/7/1435H (corresponding to 19 May 2014G).

The CMA's approval of the Offering dated 17/07/1436H (corresponding to 06/05/2015G).

5- The Saudi Arabian Stock Exchange (Tadawul)

In 1990, full electronic trading in Saudi Arabia equities was introduced. Tadawul was founded in 2001 as the successor to the Electronic Securities Information System.

Trading on Tadawul occurs through a fully integrated trading system covering the entire process from trade order through to settlement. Trading occurs each business day between 11:00 am and 3.30 pm. After close of exchange trading, orders can be entered, amended or deleted from 10:00 am to 11:00 am. From 10:00 am, new entries and enquiries can be made. The trading hours change during the holy month of Ramadan.

Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. Market orders (orders placed at the best price) are executed first, followed by limit orders (orders placed at a price limit), provided that if several orders are generated at the same price, they are executed according to the time of entry.

Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website and Tadawul Information Link. The Tadawul Information Link supplies trading data in real time to information providers such as Reuters.

Exchange transactions are settled on a T+0 basis, meaning that ownership transfer takes place immediately after the trade is executed.

Issuers are required to report all material announcements via Tadawul for onward dissemination to the public. Surveillance and monitoring is the responsibility of Tadawul as the operator of the market. The aim of supervision is to ensure fair trading and an orderly market.

6- Entry of Orders

Trading in shares occurs on the "Tadawul" system through an integrated mechanism covering the entire trading process from execution of the trade transaction through settlement thereof. Trading occurs on each business day of the week between 11:00 am to 3:30 pm, Sunday to Thursday, during which orders are executed. However, other than during those times, orders can be entered, amended or deleted from 10:00am until 11:00 am. In addition new entries can be executed from 10:00am. These times change during the month of Ramadan and they are announced by the Management of Tadawul.

Tadawul performs the matching of orders based on the price and then time of entry. In general, market orders are executed first, followed by orders of limited price, and if several orders are entered at the same price, they are executed as they occur according to the time of entry. Tadawul distributes a comprehensive range of information through various channels, including in particular the Tadawul website on the Internet and Tadawul Information Link, which supplies trading data in real time to the information providers such as Reuters. Exchange transactions are settled on a T+0 basis the same day, meaning that shares ownership transfer takes place immediately after the trade transaction is executed.

The Company is required to disclose all decisions and information that are important for the investors via Tadawul. Surveillance and monitoring of the Market is the responsibility of the Tadawul system in its automated capacity in which the Market functions, to ensure fair trading and smooth flow of trading in shares.

7- Trading in the Shares on Tadawul

It is expected that dealings in the Shares will commence on Tadawul after finalization of the allocation of the Offer Shares. Tadawul will announce the start date of trading once this has been determined. Dates and times included in this Prospectus are indicative and may be changed or extended subject to the approval of the CMA. Following admission of the Shares to listing, Saudi nationals and nationals of other GCC countries, companies, banks and funds, as well as non-Saudi individuals who are residents in the Kingdom, will be permitted to trade in the Shares. Moreover, Qualified Foreign Investor and Applicant will be permitted to trade in the Shares in accordance with Rules for Qualified Foreign Financial Institutions Investment in Listed Shares. Furthermore, non-Saudi natural persons who are not residents in the Kingdom and institutions incorporated outside the Kingdom are permitted to acquire an economic interest in the Shares by entering into a swap agreement with a person authorised by the CMA to acquire, hold and trade in shares on Tadawul on behalf of a Foreign Investor (the "Authorised Person"). Under such swap agreements, the Authorised Person will be the registered legal owner of such Shares.

The Shares can only be traded after (i) the allocated Offer Shares have been credited to Subscribers' accounts at Tadawul, (ii) Shares in the Company have been admitted to listing, and (iii) its Shares listed on the Saudi Stock Exchange. Pre-trading is strictly prohibited and Subscribers entering into any pre-trading activities will be acting at their own risk. The Company shall have no legal responsibility in such an event.

Trading in the Shares on Tadawul is only effective if the trades are executed through the Exchange's electronic registration system. Any trading in the Shares through the transfer of the share certificates shall be void. A Shareholder may request a share certificate only as proof of ownership of his Shares, but such certificates cannot be used to trade in the Shares.

Trading of the Company's shares on Tadawul is subject to the provisions of Part 7 of the Listing Rules which relates to the voluntary cancellation or suspension of listing of the Company's Shares and the CMA's power to suspend or cancel the listing of the Company's Shares.

18. Documents available for Inspection

The following documents will be available for inspection at the Company's head office in Jeddah, between the hours of 9:00 am to 5:00 pm Saturday to Wednesday, one week prior to and during the Offering Period, provided that the inspection period shall not be less than 20 days prior to the end of the Offering Period:

- the Company's By-Laws (and its Subsidiary's by-laws), together with amendments;
- the Company's Articles of Association (and its Subsidiary's articles of association);
- the Company's Commercial Registration Certificate;
- Consolidated Audited Financial Statements for the financial years ended 31 December 2012G, 2013G and 2014G;
- the market study conducted by Oliver Wyman (in the English language);
- letters of consent from:
  - HSBC Saudi Arabia Limited to the inclusion of their name and logo in the Prospectus;
  - Jadwa Investment Company to the inclusion of their name and logo in the Prospectus
  - Clifford Chance Law Firm to the inclusion of their name and logo in the Prospectus;
  - KPMG Al Fozan & Al Sadhan to the publication of their Accountant's Report and the inclusion of their name and logo in the Prospectus;
  - Oliver Wyman to the publication of their report on the airline ground services market in Saudi Arabia and the inclusion of their name and logo in the Prospectus; and
  - PricewaterhouseCoopers LLP to the inclusion of their name and logo in the Prospectus;
- publication of the CMA approval of the Offering;
- copies of the Related Party agreements;
- Underwriting Agreement;
- the Company's valuation report;
- working capital report prepared by PricewaterhouseCoopers LLP;
- Shareholder resolution approving the sale of the Offer Shares by an initial public offering;
- Ministerial Resolution No. K171 dated 7/7/1435H (corresponding to 6 May 2014G) approving the conversion of the Company to a joint stock company;
- IATA Standard Ground Services Agreement;
- The Company's corporate Governance manual;
- Shareholders resolution to convert the Company to joint stock company.

19. Accountant's Report

This section contains the audited financial statements for the years ended 31 December 2012G, 2013G and 2014G. The financial statements have been prepared in conformity with the Generally Accepted Accounting Principles published by SOCPA and have been reviewed by KPMG Al Fozan & Al Sadhan in accordance with Generally Accepted Accounting Principles publish by SOCPA.

SAUDI GROUND SERVICES COMPANY LIMITED

(A Saudi Closed Joint Stock Company)

SPECIAL PURPOSE CONSOLIDATED
FINANCIAL STATEMENTS

December 31, 2014

with

INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Al Sadhan
Zahran Business Centre, Tower A, 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 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	23	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.

(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.

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.

i) 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.

(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.

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.

(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.

(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.

(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.

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:

	(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		Closing balance	
			2014	2013	2014	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	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.

SAUDI GROUND SERVICES COMPANY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013

with

INDEPENDENT AUDITORS' REPORT

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License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Saudi Ground Services Company Limited ("the Company") and its subsidiary (collectively referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2013 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 27 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 175 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 consolidated financial statements taken as a whole:

1. present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2013, 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 circumstances of the Group; and

2. comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Al Sadhan:

Ebrahim Oboud Baeshen
License No. 382

Jumada Al Thani 9, 1435H
Corresponding to April 9, 2014

SAUDI GROUND SERVICES COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED BALANCE SHEET

As at December 31, 2013

Expressed in Saudi Arabian Riyals

	Notes	2013	2012
ASSETS			
Current assets:			
Cash and cash equivalents	6	427,224,266	360,485,512
Accounts receivables	7	528,002,756	870,039,918
Inventories	8	2,205,510	2,655,217
Prepayments and other current assets	9	106,177,746	86,872,708
Total current assets		1,063,610,278	1,320,053,355
Non-current assets:			
Property and equipment	10	532,257,395	448,022,076
Intangible assets	11	1,037,657,011	1,093,261,227
Total non-current assets		1,569,914,406	1,541,283,303
Total assets		2,633,524,684	2,861,336,658
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	14(a)	7,097,741	6,589,834
Current portion of obligation under finance lease	14(b)	--	96,505
Accounts payables	12	48,658,055	148,707,851
Accrued expenses and other current liabilities	13	216,113,142	181,669,374
Accrued Zakat	23	20,157,990	15,822,261
Total current liabilities		292,026,928	352,885,825
Non-current liabilities:			
Long-term debt, non-current portion	14(a)	5,680,348	12,778,089
Employees' end of service benefits	15	178,227,668	144,496,484
Total non-current liabilities		183,908,016	157,274,573
Total liabilities		475,934,944	510,160,398
SHAREHOLDERS' EQUITY			
Share capital	4 & 16	886,869,100	886,869,100
Proposed increase in share capital	17	993,130,900	--
Imputed additional equity	4	--	1,122,282,800
Excess consideration transferred	4	--	(535,046,368)
Statutory reserve	18	173,309,121	112,713,073
Retained earnings		104,280,619	764,357,655
Total shareholders' equity		2,157,589,740	2,351,176,260
Total liabilities and equity		2,633,524,684	2,861,336,658

The attached notes 1 to 27 form an integral part of these consolidated financial statements.

SAUDI GROUND SERVICES COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

	Notes	2013	2012
Revenue		2,143,848,934	2,007,121,346
Operating costs		(1,307,376,371)	(1,173,889,659)
Gross profit		836,472,563	833,231,687
General and administrative expenses	19	(209,706,456)	(228,640,423)
Operating income		626,766,107	604,591,264
Other income - net	20	2,356,032	2,452,781
Finance charges	21	(1,892,115)	(3,256,447)
Income before Zakat		627,230,024	603,787,598
Zakat	23	(21,269,544)	(14,497,543)
Net income		605,960,480	589,290,055

The attached notes 1 to 27 form an integral part of these consolidated financial statements.

SAUDI GROUND SERVICES COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

Expressed in Saudi Arabian Riyals

	Notes	2013	2012
Operating Activities			
Income before Zakat		627,230,024	603,787,598
Adjustments for:			
Depreciation	10	67,031,603	55,299,180
Amortization of intangible assets	11	55,604,216	55,604,216
Provision for employees' end of service benefits	15	39,838,856	36,597,911
Provision for doubtful debts	7	20,000,000	17,066,497
Inventory write-off		957,040	--
Gain on disposal of property and equipment	20	(1,646,037)	--
		809,015,702	768,355,402
Changes in operating assets and liabilities:			
Increase in accounts receivables		(287,307,001)	(232,752,503)
(Increase)/ decrease in inventories		(507,333)	2,786,587
Increase in prepayments and other current assets		(19,305,038)	(35,451,451)
(Decrease)/ increase in accounts payables		(90,365,883)	56,139,472
Increase in accrued expenses and other current liabilities		34,443,768	2,828,504
Cash from operations		445,974,215	561,906,011
Employees' end of service benefits paid	15	(6,107,672)	(3,489,302)
Zakat paid	23(b)	(16,933,815)	(16,958,815)
Net cash provided by operating activities		422,932,728	541,457,894
Cash flows from investing activities			
Purchase of property and equipment	10	(151,283,780)	(132,132,105)
Proceeds from disposal of property and equipment		1,662,895	--
Net cash used in investing activities		(149,620,885)	(132,132,105)
Cash flows from financing activities			
Dividend paid	22	(199,886,750)	(250,000,000)
Repayment of loan during the year		(6,589,834)	(6,113,358)
Repayment of obligations under finance leases		(96,505)	(1,230,756)
Net cash used in financing activities		(206,573,089)	(257,344,114)
Net increase in cash and cash equivalents		66,738,754	151,981,675
Cash and cash equivalents at the beginning of the year		360,485,512	208,503,837
Cash and cash equivalents at the end of the year	6	427,224,266	360,485,512
Non-cash transaction:			
Dividend set off against accounts receivable		599,660,250	--
Related party payable set off against related party receivable		9,683,913	--

The attached notes 1 to 27 form an integral part of these consolidated financial statements.

SAUDI GROUND SERVICES COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2013

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, 2012	886,869,100	--	1,122,282,800	(535,046,368)	53,784,067	483,996,606	2,011,886,205
Dividend paid	--	--	--	--	--	(250,000,000)	(250,000,000)
Net income	--	--	--	--	--	589,290,055	589,290,055
Transfer to statutory reserve	--	--	--	--	58,929,006	(58,929,006)	--
Balance at December 31, 2012	886,869,100	--	1,122,282,800	(535,046,368)	112,713,073	764,357,655	2,351,176,260
Dividend paid (Note 22)	--	--	--	--	--	(799,547,000)	(799,547,000)
Net income	--	--	--	--	--	605,960,480	605,960,480
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)	--
Transfer to statutory reserve	--	--	--	--	60,596,048	(60,596,048)	--
Balance at December 31, 2013	886,869,100	993,130,900	--	--	173,309,121	104,280,619	2,157,589,740

The attached notes 1 to 27 form an integral part of these consolidated financial statements.

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

Saudi Ground Services Company ("the Company") is a limited liability company registered 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. The legal name "Saudi Airlines Ground Services Company" was changed to "Saudi Ground Services Company" under the same commercial registration number on Safar 20, 1432H, (corresponding to January 24, 2011).

The Company is engaged in providing aircraft cleaning, passenger handling, baggage and ground handling services to Saudia airlines, other local and foreign airlines at all airports in the Kingdom of Saudi Arabia.

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 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.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements comprise the financial statements of the Company and NHS, its subsidiary as mentioned in Note 1, collectively referred as "the Group". The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

(b) Basis of measurement

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

2. BASIS OF PREPARATION (continued)

(c) Functional and presentation currency

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

(d) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiary set forth in Note 1 above.

Subsidiary is an entity controlled by the Group. Control exists when the Group 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.

The financial statements of the subsidiary are prepared for the same reporting year as that of the Group, using consistent accounting policies.

(e) Use of estimates and judgements

The preparation of 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.

2. BASIS OF PREPARATION (continued)

(e) Use of estimates and judgements (continued)

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 trade receivables 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 trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

iii) Provision for slow moving inventory items

The 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 year.

(f) 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. Certain comparative figures have been reclassified to conform to current year presentation.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Trade receivables

Trade 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.

(d) 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 year. Depreciation is charged to the consolidated statement of income on a straight-line basis over the estimated useful lives of assets as follows:

	Years
Leasehold improvements	6-10
Airport equipment	7-10
Motor vehicles	5
Furniture, fixtures and equipment	4-10
Computer equipment and softwares	4

(e) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combination (continued)

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.

(f) 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.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets

Financial assets, property, plant 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.

(i) 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 consolidated statement of income.

(j) 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.

(k) 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 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 consolidated statement of income on a straight line basis over the lease term.

(l) 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 consolidated statement of income.

(m) Revenue recognition

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Income from bank deposits

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

(o) 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 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.

(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 consolidated statement of income unless required or permitted by generally accepted accounting principles in Kingdom of Saudi Arabia.

(q) Operating costs

Operating costs incurred during the period in relation to the activities performed to generate revenue for the period are charged to the consolidated statement of income.

(r) 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.

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.

4. BUSINESS COMBINATIONS (continued)

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.

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.

4. BUSINESS COMBINATIONS (continued)

	(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 is as follows:

	(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 1,123 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:

	2013	2012
Cash in hand	892,600	542,859
Cash at bank in current accounts	423,306,761	356,846,285
Short-term bank deposits, with original maturity of less than 90 days	3,024,905	3,096,368
	427,224,266	360,485,512

At December 31, 2013, cash at bank amounting to SR 3 million (2012: SR 5.07 million) is held in the name of related parties on behalf of the Company.

7. ACCOUNTS RECEIVABLES

Accounts receivables at December 31 comprise the following:

	2013	2012
Related parties (note 24a)	311,244,413	591,164,238
Other customers	258,670,827	328,028,861
Total	569,915,240	919,193,099
Less: provision for doubtful debts	(41,912,484)	(49,153,181)
	528,002,756	870,039,918

Movement in provision for doubtful debts is as follows:

	2013	2012
Opening Balance	49,153,181	32,086,684
Charge for the year (Note 19)	20,000,000	17,066,497
Receivables written-off against provision	(27,240,697)	--
Closing balance	41,912,484	49,153,181

8. INVENTORIES

Inventories at December 31 comprise the following:

	2013	2012
Spare parts	3,526,116	2,757,945
Spare parts write–off	(957,040)	--
Spare parts-net	2,569,076	2,757,945
Uniforms	787,530	1,048,368
Total	3,356,606	3,806,313
Less: provision for slow-moving items	(1,151,096)	(1,151,096)
	2,205,510	2,655,217

9. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2013	2012
Deposits	12,451,355	27,765,829
Prepayments	24,228,820	25,596,915
Advance to suppliers	15,829,919	16,717,476
Staff related advances	24,149,924	12,694,511
Advance for investment (note 9.1)	13,523,000	--
Other related parties receivables (note 24b)	2,193,763	3,067,233
IPO related cost recoverable from shareholders (note 9.2)	6,422,414	--
Others	7,378,551	1,030,744
	106,177,746	86,872,708

9.1 The Group has made cash consideration amounting to SR 13, 523,000 towards a proposed investment in joint venture, however the legal formalities and documentation has not yet been finalized by the Group as at 31.12.2013.

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 incurred on behalf of the shareholders.

10. PROPERTY AND EQUIPMENT

a) The movement in property and equipment during the year ended December 31, 2013 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, 2013	--	23,968,995	763,537,123	24,064,532	22,263,834	25,729,585	15,528,534	875,092,603
Additions	27,464,040	6,094,496	79,002,198	9,918,650	4,728,555	4,872,041	19,203,800	151,283,780
Transfer from capital work in progress	--	--	15,528,534	--	--	--	(15,528,534)	--
Disposals	--	--	(19,989,639)	(1,437,288)	--	--	--	(21,426,927)
Balance at December 31, 2013	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
Accumulated depreciation:								
Balance at January 1, 2013	--	15,766,846	363,389,287	13,058,279	14,727,805	20,128,310	--	427,070,527
Charge for the year	--	2,463,708	56,284,865	2,074,563	2,780,170	3,428,297	--	67,031,603
Disposals	--	--	(19,972,781)	(1,437,288)	--	--	--	(21,410,069)
Balance at December 31, 2013	--	18,230,554	399,701,371	13,695,554	17,507,975	23,556,607	--	472,692,061
Net book value:								
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
At December 31, 2012	--	8,202,149	400,147,836	11,006,253	7,536,029	5,601,275	15,528,534	448,022,076

10. PROPERTY AND EQUIPMENT (continued)

b) At 31 December 2013, airport equipment includes assets acquired under finance leases with a cost of SR 74.3 million (2012: SR 74.3 million). In accordance with the lease agreement, the title of leased equipment are transferred to the Company on the payment of final instalment made during the year.

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

d) Assets held by the Company and registered in the name of related parties are in the amount of SR 1.9 million.(2012: SR 8.5 million)

11. INTANGIBLE ASSETS

a) Intangible assets at December 31 comprise the following:

	2013	2012
Goodwill (note 11 (b))	582,815,659	582,815,659
Other intangible assets (note 11 (c))	454,841,352	510,445,568
	1,037,657,011	1,093,261,227

b) Goodwill at December 31, comprise the following:

	2013	2012
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.

11. INTANGIBLE ASSETS (continued)

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

	2013	2012
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	(111,208,432)	(55,604,216)
Charge for the year	(55,604,216)	(55,604,216)
Balance at the end of the year	(166,812,648)	(111,208,432)
Net book value at December 31	454,841,352	510,445,568

12. ACCOUNTS PAYABLES

Accounts payables at December 31 comprise the following:

	2013	2012
Due to related parties (Note 24c)	23,782,573	95,971,642
Other suppliers	24,875,482	52,736,209
	48,658,055	148,707,851

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	2013	2012
Employee related accruals	79,506,366	70,626,978
Due to a related party (Note 24d)	46,913,788	69,445,854
Other accruals	49,075,899	22,309,896
Accrued rent	32,698,024	10,190,297
Advances from customers and others	7,919,065	9,096,349
	216,113,142	181,669,374

14. LONG-TERM DEBT AND LEASE OBLIGATION

a) Long-term debt

Long-term debt at December 31 comprises the following:

	2013	2012
Current portion included under current liabilities	7,097,741	6,589,834
Non-current portion included under		
non-current liabilities	5,680,348	12,778,089
	12,778,089	19,367,923

The loan was obtained by Attar Ground Handling through its partner Attar Travel from Al Rajhi Bank in 2009. The loan bears financial charges based on the prevailing market rates. The loan is repayable in monthly instalments by 2015 as per the loan agreement. The loan agreement includes certain covenants, which among other things require certain financial ratios to be maintained. As stated in note 1, the Company acquired ground handling business of Attar therefore the loan obligation along with all the related covenants and pledges were transferred to the Company. The legal formalities in respect of transfer of loan to the Company are in progress.

b) Lease obligation

Airport equipments were purchased by National Handling Service Company under a finance lease agreement in 2009. Obligation under finance leases is payable in monthly instalments over a period up to three years. Instalments due within one year are shown as current liability. During the year the Company settled its final lease instalment.

15. EMPLOYEES' END OF SERVICE BENEFIT

	2013	2012
Opening Balance	144,496,484	111,387,875
Provision for the year	39,838,856	36,597,911
Payment made during the year	(6,107,672)	(3,489,302)
Closing balance	178,227,668	144,496,484

16. SHARE CAPITAL

At December 31, 2013 and 2012, the Company's share capital of SR 886,869,100 consist of 8,868,691 shares of SR 100 each, owned by the shareholders as follows:

	%	Amount
Saudi Arabian Airlines Corporation	75	665,151,900
National Aviation Ground Support	21	186,242,500
Attar Ground Services Company	4	35,474,700
Total	100	886,869,100

17. PROPOSED INCREASE IN SHARE CAPITAL

The Board of Directors of the Company has 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 will be made through capitalization of retained earnings, imputed equity adjusted with excess consideration. The Company has submitted legal documents to the Ministry of Commerce and Industry and is awaiting approval for the amendment to the articles of association and issuance of updated registration certificate of the Company.

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. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2013	2012
Employee related expenses	89,526,334	113,163,313
Amortization of intangible assets (Note 11(c))	55,604,216	55,604,216
Rent, motor vehicle expenses and other office costs	37,079,583	38,192,149
Provision for doubtful debts (Note 7)	20,000,000	17,066,497
Depreciation	7,496,323	4,614,248
	209,706,456	228,640,423

20. OTHER INCOME- NET

	2013	2012
Gain on disposal of property and equipment	1,646,037	--
Car rental income and other recharges	709,995	2,452,781
	2,356,032	2,452,781

21. FINANCE CHARGES

	2013	2012
Interest on long-term debt	1,221,216	1,697,693
Bank charges, exchange losses and other charges	670,899	1,558,754
	1,892,115	3,256,447

22. DIVIDEND DISTRIBUTION

During the year, the Company declared a cumulative dividend of SR 799,547,000 out of the profits of 2011, 2012 and 2013. The dividend was approved by the board on the following as stated below;

Date of approval	Amount (SAR)
18th February 2013	150,000,000
30th April 2013	200,000,000
18th December 2013	499,547,000
	799,547,000

23. ZAKAT

a) Charge for the year

	2013	2012
Charge for the year	21,269,544	14,497,543

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

	2013	2012
Share capital	886,869,100	886,869,100
Others	587,236,432	612,833,432
Reserves	877,070,728	537,780,673
Adjusted net profit	608,480,034	579,901,723
Provisions made during the year	161,452,392	141,136,353
Loans and leases	12,778,089	19,367,923
Deduction against written down value of property and equipment, dividends paid and inventories	(2,283,105,012)	(2,207,089,525)
Zakat base	850,781,763	570,799,679
Zakat @ 2.5% higher of adjusted net profit or Zakat base	21,269,544	14,497,543

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

23. ZAKAT (continued)

b) Accrued Zakat

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

	2013	2012
Balance at beginning of the year	15,822,261	18,283,533
Charge for the year	21,269,544	14,497,543
Payments during the year	(16,933,815)	(16,958,815)
At the end of the year	20,157,990	15,822,261

c) Status of Zakat

The Company has filed declaration up to financial year end December 31, 2012 with the Department of Zakat and Income Tax (DZIT). The Company also obtained Zakat certificate valid until April 30, 2014. DZIT has raised certain queries pertaining to financial years 2008 to 2011. The Company has provided the necessary information in response to DZIT queries and is in the process of finalizing the Zakat assessment for the years 2008 to 2011.

24. 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 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 receivables:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2013	2012	2013	2012
Saudi Arabian Airlines Corporation	Parent company	Trade / operations	1,153,165,478	1,125,720,622	202,964,691	507,301,441
Saudi Airlines – Cargo Company Limited (SACC)	Affiliate	Trade / operations	32,218,902	23,699,381	46,196,566	32,153,278
Saudi Aerospace Engineering Industries	Affiliate	Trade / operations	2,601,534	1,921,694	--	3,950,236
Saudi Private Aviation	Affiliate	Trade / operations	26,510,618	27,516,557	26,745,194	28,555,922
Royal Fleet Services	Affiliate	Trade / operations	16,154,748	12,702,470	35,337,962	19,203,361
					311,244,413	591,164,238

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Due from related parties - under prepayments and other current assets:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2013	2012	2013	2012
Saudi Arabian Airlines Corporation	Parent Company	Airline tickets	8,561,574	--	1,610,244	--
Saudi Airlines Catering	Affiliate	Rental charges	--	4,730,570	--	1,526,577
Attar	Affiliate	Loan adjustment	957,137	--	583,519	1,540,656
					2,193,763	3,067,233

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

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2013	2012	2013	2012
Saudi Arabian Airlines Corporation	Parent Company	Expenses incurred on behalf of the Company	--	25,666,592	--	25,500,405
Saudi Airlines Catering	Affiliate	Expenses incurred on behalf of the Company	34,791,550	37,814,408	2,159,125	7,177,152
Saudia Aerospace Engineering Industries	Affiliate	Expenses incurred on behalf of the Company	57,592,224	63,388,002	12,592,224	54,517,962
Saudia Airlines Cargo Limited (SACC)	Affiliate	Expenses incurred on behalf of the Company	255,101	809,013	1,271,330	1,016,229
Saudi Airlines Real Estate Developers	Affiliate	Expenses incurred on behalf of the Company	--	7,759,894	7,759,894	7,759,894
					23,782,573	95,971,642

(d) Due to related parties - under accrued expenses and other payables:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2013	2012	2013	2012
Saudi Arabian Airlines Corporation	Parent Company	Expenses incurred on behalf of the company	25,884,219	69,445,854	46,913,788	69,445,854

25. CONTINGENT LIABILITY

The Company's bank has provided, in the normal course of business, bank guarantees amounting to SR 11.8 million (2012: 27.6 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.

26. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade receivables, trade payables, 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. Trade receivables are mainly due from Saudia and other foreign airlines and are stated at their estimated realizable values. 50 % (2012: 47%) of trade 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 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 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.

27. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were approved and authorized for issue by the Board of Directors on Rabi Al Thani 26, 1435H, corresponding to February 26, 2014.

SAUDI GROUND SERVICES COMPANY LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

with

INDEPENDENT AUDITORS' REPORT

KPMG Al Fozan & Al Sadhan
Al Dainy Plaza
Al Madinah Road
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia

Telephone
Fax +966 2 605 0597
Internet

License No. 46/11/323 issued 11/3/1992

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Saudi Ground Services Company Limited ("the Company") and its subsidiary (collectively referred as "the Group") which comprise the consolidated balance sheet as at December 31, 2012 and the related consolidated statements of income, cash flows and changes in equity for the year then ended and the attached notes 1 through 22 which form an integral part of the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with generally accepted accounting standards in the Kingdom of Saudi Arabia and in compliance with Article 175 of the Regulations for Companies and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management has provided us with all the information and explanations that we require relating to our audit of these consolidated financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 consolidated financial statements taken as a whole:

1. present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2012, 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 circumstances of the Group; and

2. comply with the requirements of the Regulations for Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

For KPMG Al Fozan & Al Sadhan:

Ebrahim Oboud Baeshen
License No. 382

Shawwal 15, 1434H
Corresponding to August 22, 2013

SAUDI GROUND SERVICES COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED BALANCE SHEET

As at December 31, 2012

Expressed in Saudi Arabian Riyals

	Notes	2012	2011
ASSETS			
Current assets:			
Cash and cash equivalents	6	360,485,512	208,503,837
Accounts receivables	7	870,039,918	654,353,912
Inventories	8	2,655,217	5,441,804
Prepayments and other current assets	9	86,872,708	51,421,257
Total current assets		1,320,053,355	919,720,810
Non-current assets:			
Property and equipment	10	448,022,076	371,189,151
Intangible assets	11	1,093,261,227	1,148,865,443
Total non-current assets		1,541,283,303	1,520,054,594
Total assets		2,861,336,658	2,439,775,404
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt	14(a)	6,589,834	6,113,358
Current portion of obligation under finance lease	14(b)	96,505	1,327,261
Accounts payables	12	148,707,851	92,568,379
Accrued Zakat	18	15,822,261	18,283,533
Accrued expenses and other current liabilities	13	181,669,374	178,840,870
Total current liabilities		352,885,825	297,133,401
Non-current liabilities:			
Long-term debt	14(a)	12,778,089	19,367,923
Employees' end of service benefits	5	144,496,484	111,387,875
Total non-current liabilities		157,274,573	130,755,798
Total liabilities		510,160,398	427,889,199
SHAREHOLDERS' EQUITY			
Share capital	4&15	886,869,100	886,869,100
Imputed additional equity	4	1,122,282,800	1,122,282,800
Excess consideration transferred	4	(535,046,368)	(535,046,368)
Statutory reserve	16	112,713,073	53,784,067
Retained earnings		764,357,655	483,996,606
Total shareholders' equity		2,351,176,260	2,011,886,205
Total liabilities and equity		2,861,336,658	2,439,775,404

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

SAUDI GROUND SERVICES COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2012

Expressed in Saudi Arabian Riyals

	Notes	2012	2011
Revenue		2,007,121,346	1,790,601,372
Operating costs		(1,173,889,659)	(1,033,495,656)
Gross profit		833,231,687	757,105,716
General and administrative expenses	17	(228,640,423)	(202,098,805)
Operating income		604,591,264	555,006,911
Other income - net		2,452,781	3,064,493
Finance charges - net		(3,256,447)	(2,656,585)
Income before Zakat		603,787,598	555,414,819
Zakat	18	(14,497,543)	(17,574,146)
Net income		589,290,055	537,840,673

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

SAUDI GROUND SERVICES COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2012

Expressed in Saudi Arabian Riyals

	Notes	2012	2011
Operating Activities			
Income before zakat		603,787,598	555,414,819
Adjustments for:			
Depreciation	10	55,299,180	63,276,639
Amortization of intangible asset	11	55,604,216	55,604,216
Provision for employees' end of service benefits		36,597,911	37,642,823
Gain on disposal of equipment		--	(133,101)
		751,288,905	711,805,396
Changes in operating assets and liabilities:			
Increase in accounts receivables		(215,686,006)	(510,220,042)
Decrease / (increase) in inventories		2,786,587	(2,581,297)
Increase in prepayments and other current assets		(35,451,451)	(45,176,924)
Increase / (decrease) in accounts payables		56,139,472	(49,954,867)
Increase in accrued expenses and other current liabilities		2,828,504	87,344,398
Cash from operations		561,906,011	191,216,664
Employees' end of service benefits paid		(3,489,302)	(3,354,801)
Zakat paid	18	(16,958,815)	(3,262,134)
Net cash provided by operating activities		541,457,894	184,599,729
Cash flows from investing activities			
Purchase of property and equipment	10	(132,132,105)	(98,306,056)
Proceeds from disposal of property and equipment		--	136,832
Net effect of business combination of GS, NHS and Attar		--	129,480,378
Net cash (used in)/ provided by investing activities		(132,132,105)	31,311,154
Cash flows from financing activities			
Dividend paid		(250,000,000)	--
Repayment of loan during the year		(1,230,756)	(3,375,443)
Repayment of obligations under finance leases		(6,113,358)	(4,531,603)
Cash used in financing activities		(257,344,114)	(7,907,046)
Net increase in cash and cash equivalents		151,981,675	208,003,837
Cash and cash equivalents at the beginning of the year		208,503,837	500,000
Cash and cash equivalents at the end of the year	6	360,485,512	208,503,837

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

SAUDI GROUND SERVICES COMPANY LIMITED

(A Limited Liability Company)

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the year ended December 31, 2012

Expressed in Saudi Arabian Riyals

	Capital	Imputed additional equity	Excess consideration transferred	Statutory reserve	Retained earnings	Total
Balance at January 1, 2011	500,000	--	--	--	(60,000)	440,000
Additional share capital issued (notes 4 &15)	886,369,100	1,122,282,800	(535,046,368)	--	--	1,473,605,532
Net income	--	--	--	--	537,840,673	537,840,673
Transfer to statutory reserve	--	--	--	53,784,067	(53,784,067)	--
Balance at January 1, 2012	886,869,100	1,122,282,800	(535,046,368)	53,784,067	483,996,606	2,011,886,205
Dividend paid	--	--	--	--	(250,000,000)	(250,000,000)
Net income	--	--	--	--	589,290,055	589,290,055
Transfer to statutory reserve	--	--	--	58,929,006	(58,929,006)	--
Balance at December 31, 2012	886,869,100	1,122,282,800	(535,046,368)	112,713,073	764,357,655	2,351,176,260

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

1. ORGANIZATION AND PRINCIPLE ACTIVITIES

Saudi Ground Services Company ("the Company") is a limited liability company registered in the Kingdom of Saudi Arabia under Commercial Registration number 4030181005 dated 11 Rajab 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. The legal name "Saudi Airlines Ground Services Company" was changed to "Saudi Ground Services Company" under the same commercial registration number on 20 Safar 1432H, (corresponding to January 24, 2011).

The Company is engaged in providing aircraft cleaning, passenger handling, baggage and ground handling services to Saudia airlines, other local and foreign airlines at various airports in the Kingdom of Saudi Arabia.

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 of Industry on Muharram 23, 1432H (December 29, 2010). The effective date of the above-mentioned acquisition and transfer was agreed between the shareholders as January 1, 2011.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements comprise the financial statements of the Company and NHS, its subsidiary as mentioned in Note 1, collectively referred as "the Group". The accompanying consolidated financial statements have been prepared in accordance with the generally accepted accounting standards in the Kingdom of Saudi Arabia issued by the Saudi Organization for Certified Public Accountants (SOCPA).

2. BASIS OF PREPARATION (continued)

(b) Basis of measurement

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

(d) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiary set forth in Note 1 above.

Subsidiary is an entity controlled by the Group. Control exists when the Group 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.

The financial statements of the subsidiary are prepared for the same reporting year as that of the Group, using consistent accounting policies.

(e) Use of estimates and judgements

The preparation of 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:

2. BASIS OF PREPARATION (continued)

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 trade receivables 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 trade receivable is impaired. For significant individual amounts, assessment is made on an individual basis. Amounts which are not individually significant, but are overdue, are assessed collectively and a provision is recognized considering the length of time considering past recovery rates.

iii) Provision for slow moving inventory items

The 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 year.

2. BASIS OF PREPARATION (continued)

(f) Useful lives of property and equipment

The management determines the estimated useful lives of property and equipment for calculating depreciation. This estimate is 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. Certain comparative figures have been reclassified to conform to current year presentation.

(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) Trade receivables

Trade 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.

(d) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Property and equipment (continued)

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

	Years
Leasehold improvements	6 - 10
Airport equipment	7-10
Motor vehicles	5
Furniture, fixtures and equipment	4 - 10
Computer equipment and softwares	4

(e) 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.

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.

(f) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(h) Impairment of assets

Financial assets, property, plant 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.

(i) 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 consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) 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.

(k) 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 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 consolidated statement of income on a straight line basis over the lease term.

(l) 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 consolidated statement of income.

(m) Revenue recognition

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

(n) Income from bank deposits

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

(o) 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 consolidated statement of income.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Operating costs

Operating costs incurred during the period in relation to the activities performed to generate revenue for the period are charged to the consolidated statement of income.

(q) Expenses

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

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)
Cash and cash equivalents	93,320
Property and equipment	168,712
Receivables and other assets	70,927
Payables and other liabilities	(202,853)
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.

4. BUSINESS COMBINATIONS (continued)

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.

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)
Cash and cash equivalents	15,000
Property and equipment	94,570
Receivable and other assets	84,809
Payables and other liabilities	(83,983)
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

4. BUSINESS COMBINATIONS (continued)

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 is as follows:

	(SR '000)
Cash and cash equivalent	3,500
Property and equipment	72,882
Receivables and other assets	22,604
Payables and other liabilities	(69,851)
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 1,123 million under equity caption in the balance sheet.

b) **Following are the balances arising from these business combinations as presented in the shareholders' equity:**

	Imputed equity	Excess consideration
	(SR '000)	(SR '000)
from Saudia	--	535,046
from NHS	988,758	--
from Attar	133,525	--
	1,122,283	535,046

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:

	2012	2011
Cash in hand	542,859	415,218
Cash at bank in current accounts	356,846,285	204,997,975
Short-term bank deposits	3,096,368	3,090,644
	360,485,512	208,503,837

At December 31, 2012, cash at bank amounting to SR 5.07 million (2011: SR 204.4 million) is held in the name of related parties on behalf of the Company.

7. ACCOUNTS RECEIVABLES

Accounts receivables at December 31 comprise the following:

	2012	2011
Related parties (note 19a)	591,164,238	425,681,678
Other customers	328,028,861	260,758,918
Total	919,193,099	686,440,596
Less: Provision for doubtful debts	(49,153,181)	(32,086,684)
	870,039,918	654,353,912

8. INVENTORIES

Inventories at December 31 comprise the following:

	2012	2011
Spare parts	2,757,945	3,779,705
Uniforms	1,048,368	2,813,195
Total	3,806,313	6,592,900
Less: Provision for slow-moving items	(1,151,096)	(1,151,096)
	2,655,217	5,441,804

9. PREPAYMENTS AND OTHER CURRENT ASSETS

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

	2012	2011
Deposits	27,765,829	13,013,531
Prepayments	25,596,915	5,610,731
Advance to suppliers	16,717,476	6,189,839
Staff related advances	12,694,511	7,746,997
Other related parties receivables (Note 19b)	3,067,233	17,721,087
Others	1,030,744	1,139,072
	86,872,708	51,421,257

10. PROPERTY AND EQUIPMENT

a) The movement in property and equipment during the year ended December 31, 2012 is analyzed as under:

	Leasehold improve-ments	Airport equipment	Motor vehicles	Furniture, fixtures and equipment	Computer equipment & softwares	Capital work in progress	Total 2012
Cost:							
Balance at January 1, 2012	20,348,415	726,584,582	18,809,032	16,277,322	23,435,759	10,683,786	816,138,896
Additions	3,620,580	99,399,153	5,303,500	5,986,512	2,293,826	15,528,534	132,132,105
Transfer from capital work in progress	--	10,683,786	--	--	--	(10,683,786)	--
Adjustment	--	(73,130,398)	--	--	--	--	(73,130,398)
Disposals	--	--	(48,000)	--	--	--	(48,000)
Balance at December 31, 2012	23,968,995	763,537,123	24,064,532	22,263,834	25,729,585	15,528,534	875,092,603
Accumulated depreciation:							
Balance at January 1, 2012	13,948,608	393,803,007	7,620,225	12,267,150	17,310,755	--	444,949,745
Charge for the year	1,818,238	42,716,678	5,486,054	2,460,655	2,817,555	--	55,299,180
Adjustment	--	(73,130,398)	--	--	--	--	(73,130,398)
Disposals	--	--	(48,000)	--	--	--	(48,000)
Balance at December 31, 2012	15,766,846	363,389,287	13,058,279	14,727,805	20,128,310	--	427,070,527
Net book value:							
At December 31, 2012	8,202,149	400,147,836	11,006,253	7,536,029	5,601,275	15,528,534	448,022,076
At December 31, 2011	6,399,807	332,781,575	11,188,807	4,010,172	6,125,004	10,683,786	371,189,151

b) At 31 December 2012, airport equipment includes assets acquired under finance leases with a cost of SR 74.3 million (2011: SR 74.3 million). As per the lease agreement, the title to leased equipment will be transferred to the Company at the expiry of the lease term, on payment of the final instalment.

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

d) Assets held by the Company and registered in the name of related parties are in the amount of SR 3.98 million.(2011: SR 8.5 million)

11. INTANGIBLE ASSETS

a) Intangible assets at December 31 comprise the following:

	2012	2011
Goodwill (note 11 (b))	582,815,659	582,815,659
Other intangible assets (note 11 (c))	510,445,568	566,049,784
	1,093,261,227	1,148,865,443

b) Goodwill at December 31, comprise the following:

	2012	2011
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

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

	2012	2011
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	(55,604,216)	--
Charge for the year	(55,604,216)	(55,604,216)
Balance at the end of the year	(111,208,432)	(55,604,216)
Net balance at December 31	510,445,568	566,049,784

12. ACCOUNTS PAYABLES

Accounts payables at December 31 comprise the following:

	2012	2011
Due to related parties (Note 19c)	95,971,642	57,802,268
Other suppliers	52,736,209	34,766,111
	148,707,851	92,568,379

13. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

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

	2012	2011
Employee related accruals	70,626,978	95,470,241
Due to related parties (Note 19(d))	69,445,854	41,655,758
Other accruals	22,309,896	8,679,007
Accrued rent	10,190,297	17,460,987
Advances from customers and others	9,096,349	15,574,877
	181,669,374	178,840,870

14. LONG-TERM DEBT AND LEASE OBLIGATION

a) Long-term debt

Long-term debt at December 31 comprises the following:

	2012	2011
Current portion included under current liabilities	6,589,834	6,113,358
Non-current portion included under		
non-current liabilities	12,778,089	19,367,923
	19,367,923	25,481,281

The loan was obtained by Attar Ground Handling through its partner Attar Travel from Al Rajhi Bank in 2009. The loan bears financial charges based on the prevailing market rates. The loan is repayable in monthly instalments by 2015 as per the loan agreement. The loan agreement includes certain covenants, which among other things require certain financial ratios to be maintained. As stated in note 1, the Company acquired ground handling business of Attar therefore the loan obligation along with all the related covenants and pledges were transferred to the Company. The legal formalities in respect of transfer of loan to the Company are in progress.

14. LONG-TERM DEBT AND LEASE OBLIGATION (continued)

b) Lease obligation

Airport equipments were purchased by National Handling Service Company under a finance lease agreement in 2009. Obligation under finance leases is payable in monthly instalments over a period up to three years. Instalments due within one year are shown as current liability.

15. SHARE CAPITAL

At December 31, 2012 and 2011, the Company's share capital of SR 886,869,100 consist of 8,868,691 shares of SR 100 each, owned by the shareholders as follows:

	%	Amount
Saudi Arabian Airlines Corporation	75	665,151,900
National Aviation Ground Support	21	186,242,500
Attar Ground Services Company	4	35,474,700
Total	100	886,869,100

16. 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.

17. GENERAL AND ADMINISTRATIVE EXPENSES

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

	2012	2011
Employee related expenses	113,163,313	80,306,042
Amortization of intangible assets (Note 11(c))	55,604,216	55,604,216
Rent, motor vehicle expenses and other office costs	38,192,149	40,311,477
Provision for doubtful debts	17,066,497	22,630,579
Depreciation	4,614,248	3,246,491
	228,640,423	202,098,805

18. ZAKAT

a) Charge for the year

	2012	2011
Charge for the year	14,497,543	17,574,146

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

	2012	2011
Share capital	886,869,100	886,869,100
Others	612,833,432	(535,046,368)
Reserves	537,780,673	1,122,282,800
Adjusted net profit	579,901,723	(60,000)
Provisions made during the year	141,136,353	528,089,543
Loans and leases	19,367,923	83,778,533
Others	--	26,808,541
Deduction against written down value of property and equipment, dividends paid and inventories	(2,207,089,525)	(1,409,756,298)
Zakat base	570,799,679	702,965,851
Zakat @ 2.5% higher of adjusted net profit or Zakat base	14,497,543	17,574,146

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

b) Accrued Zakat

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

	2012	2011
Balance at beginning of the year	18,283,533	--
Transferred on acquisition	--	3,971,521
Charge for the year	14,497,543	17,574,146
Payments during the year	(16,958,815)	(3,262,134)
At the end of the year	15,822,261	18,283,533

c) **Status of Zakat**

The Company has filed declaration up to financial year end December 31, 2011 with the DZIT. The Company also obtained Zakat certificate valid until April 30, 2013. DZIT has raised certain queries pertaining to financial years 2008, 2009, 2010 and 2011. The Company is in process of collecting the necessary information to submit the responses to DZIT for these years.

19. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions are undertaken at mutually agreed terms and are approved by the management. Significant related party transactions for the year ended December 31 and balance arising therefrom are described as under:

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

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2012	2011	2012	2011
Saudi Arabian Airlines Corporation	Parent company	Trade / operations	1,125,720,622	1,114,593,799	507,301,441	402,716,244
Saudi Airlines – Cargo Company Limited (SACC)	Affiliate	Trade / operations	23,699,381	23,314,410	32,153,278	20,947,892
Saudi Aerospace Engineering Industries	Affiliate	Trade / operations	1,921,694	2,017,542	3,950,236	2,017,542
Saudi Private Aviation	Affiliate	Trade / operations	27,516,557	--	28,555,922	--
Royal Fleet Services	Affiliate	Trade / operations	12,702,470	--	19,203,361	--
					591,164,238	425,681,678

(b) Due from related parties - under prepayments and other current assets:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2012	2011	2012	2011
Saudi Arabian Airlines Corporation	Parent Company	Minimum cash requirement	--	16,180,432	--	16,180,432
Saudi Airlines Catering	Affiliate	Rental charges	4,730,570	--	1,526,577	--
Attar	Affiliate	Loan adjustment	--	1,540,656	1,540,656	1,540,655
					3,067,233	17,721,087

19. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2012	2011	2012	2011
Saudi Arabian Airlines Corporation	Parent Company	Expenses incurred on behalf of company	25,666,592	9,980,766	25,500,405	9,926,237
Saudia Catering	Affiliate	Expenses incurred on behalf of company	37,814,408	30,194,186	7,177,152	15,697,363
Saudia Aerospace Engineering Industries	Affiliate	Expenses incurred on behalf of company	63,388,002	48,962,307	54,517,962	31,971,452
Saudia Airlines Cargo Limited (SACC)	Affiliate	Expenses incurred on behalf of company	809,013	207,216	1,016,229	207,216
Saudi Airlines Real Estate Developers	Affiliate	Expenses incurred on behalf of company	7,759,894	--	7,759,894	--
					95,971,642	57,802,268

(d) Due to related parties - under accrued expenses and other payables:

Name	Relationship	Nature of transactions	Amount of transactions		Closing balance	
			2012	2011	2012	2011
Saudi Arabian Airlines Corporation	Parent Company	Expenses incurred on behalf of company	69,445,854	82,522,959	69,445,854	41,655,758

20. CONTINGENT LIABILITY

The Company's bank has provided, in the normal course of business, bank guarantees amounting to SR 27.6 million (2011: 13.2 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.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments carried on the consolidated balance sheet include cash and cash equivalents, trade receivables, trade 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. Trade receivables are mainly due from Saudia and other foreign airlines and are stated at their estimated realizable values.

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 Riyal 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 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.

22. BOARD OF DIRECTORS' APPROVAL

The consolidated financial statements were approved and authorized for issue by the Board of Directors on Ramadan 17, 1434H, corresponding to July 25, 2013.

SGS

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