SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2022
with
INDEPENDENT AUDITOR'S REPORT

SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2022

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 403029792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the shareholders of SAL Saudi Logistics Services Company

Opinion

We have audited the financial statements of SAL Saudi Logistics Services Company ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), that is endorsed in the Kingdom of Saudi Arabia, that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

To the shareholders of SAL Saudi Logistics Services Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with the governance regarding. Among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of SAL Saudi Logistics Services Company.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 2 April 2023
Corresponding to 11 Ramadan 1444H

SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	2022	2021
ASSETS			
Non-current assets			
Property and equipment	5	**705,366**	659,378
Right-of-use assets	6	**1,212,555**	1,283,618
Intangible assets	7	**14,299**	15,431
Total non-current assets		**1,932,220**	1,958,427
Current assets			
Construction work in progress	8	**30,758**	--
Trade receivables	9	**233,410**	185,160
Prepayments and other receivables	10	**147,066**	158,199
Short term Murabaha deposits	11	**--**	380,000
Cash and cash equivalents	12	**940,069**	491,590
Total current assets		**1,351,303**	1,214,949
Total assets		**3,283,523**	3,173,376
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**800,000**	800,000
Statutory reserve	14	**63,947**	27,706
Retained earnings		**226,561**	155,390
Actuarial loss		**(17,381)**	(20,806)
Total shareholders' equity		**1,073,127**	962,290
Non-current liabilities			
Long-term loan	15	**500,000**	500,000
Employees' end of service benefits	16	**77,976**	72,582
Lease liabilities	6	**1,287,944**	1,321,541
Total non-current liabilities		**1,865,920**	1,894,123
Current liabilities			
Current portion of lease liabilities	6	**63,719**	107,606
Trade payables	17	**64,922**	15,813
Accruals and other liabilities	18	**208,397**	191,502
Zakat payable	28	**7,438**	2,042
Total current liabilities		**344,476**	316,963
Total liabilities		**2,210,396**	2,211,086
Total equity and liabilities		**3,283,523**	3,173,376

The attached notes from 1 to 37 form an integral part of these financial statements.

SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**31 December 2022**	31 December 2021
Revenue	21	**1,222,650**	962,170
Cost of revenue	22	**(631,681)**	(476,194)
Gross profit		**590,969**	485,976
Other income	23	**13,207**	24,025
Selling and distribution expenses	24	**(30,251)**	(27,870)
General and administration expenses	25	**(147,411)**	(136,711)
Operating profit		**426,514**	345,420
Finance income	26	**18,882**	3,534
Finance costs	27	**(74,920)**	(70,437)
Profit before Zakat		**370,476**	278,517
Zakat	28	**(8,064)**	(2,962)
Profit for the year		**362,412**	275,555
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement gain / (loss) on defined benefit obligation	16	**3,425**	(16,632)
Total comprehensive income for the year		**365,837**	258,923
Earnings per share:			
Basic and diluted earnings per share from profit for the year attributable to the shareholders	32	**4.53**	4.55

The attached notes from 1 to 37 form an integral part of these financial statements.

SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Share capital	Additional capital contribution	Statutory reserve	Retained earnings	Actuarial losses	Total
As at 31 December 2021	**800,000**	**--**	**27,706**	**155,390**	**(20,806)**	**962,290**
Transactions with owners of the Company:						
Dividends (note 19)	**--**	**--**	**--**	**(255,000)**	**--**	**(255,000)**
	--	**--**	**--**	**(255,000)**	**--**	**(255,000)**
Total comprehensive income for the year:						
Profit for the year	**--**	**--**	**--**	**362,412**	**--**	**362,412**
Other comprehensive income for the year	**--**	**--**	**--**	**--**	**3,425**	**3,425**
Total comprehensive income for the year	**--**	**--**	**--**	**362,412**	**3,425**	**365,837**
Other transactions:						
Transfer to statutory reserve (note 14)	**--**	**--**	**36,241**	**(36,241)**	**--**	**--**
Total shareholders' equity as at 31 December 2022	**800,000**	**--**	**63,947**	**226,561**	**(17,381)**	**1,073,127**

The attached notes from 1 to 37 form an integral part of these financial statements.

SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Share capital	Additional capital contribution	Statutory reserve	Retained earnings	Actuarial losses	Total
As at 31 December 2020	500	468,214	150	338,677	(4,174)	803,367
Transactions with owners of the Company:						
Conversion to share capital (note 1)	799,500	(468,214)	--	(331,286)	--	--
Dividends (note 19)	--	--	--	(100,000)	--	(100,000)
	799,500	(468,214)	--	(431,286)	--	(100,000)
Total comprehensive income for the year:						
Profit for the year	--	--	--	275,555	--	275,555
Other comprehensive income for the year	--	--	--		(16,632)	(16,632)
Total comprehensive income for the year	--	--	--	275,555	(16,632)	258,923
Other transactions:						
Transfer to statutory reserve (note 14)	--	--	27,556	(27,556)	--	--
Total shareholders' equity as at 31 December 2021	800,000	--	27,706	155,390	(20,806)	962,290

The attached notes from 1 to 37 form an integral part of these financial statements.

SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**31 December 2022**	31 December 2021
OPERATING ACTIVITIES			
Profit before Zakat		**370,476**	278,517
Adjustments for:			
Depreciation on property and equipment	5	**50,555**	40,958
Depreciation of right-of-use assets	6	**65,488**	64,678
Rent concessions	6	**(7,610)**	--
Amortisation of intangible assets	7	**2,861**	4,060
Finance costs	27	**74,920**	70,437
Provision for employees' end of service benefits	16	**13,794**	10,755
Loss on disposal of property and equipment		**--**	3
Impairment loss on trade receivables	9	**16,522**	9,155
		587,006	478,563
Changes in:			
Trade receivables		**(64,182)**	32,644
Prepayments and other current assets		**11,133**	(17,054)
Construction work in progress		**(30,758)**	--
Trade payable		**49,109**	(115,542)
Accrued and other liabilities		**16,895**	(64,568)
Cash generated from operations		**569,203**	314,043
Employees' benefit paid	16	**(5,565)**	(2,278)
Finance costs paid		**(5,167)**	--
Zakat paid	28	**(2,668)**	(3,197)
Net cash from operating activities		**555,803**	308,568
INVESTING ACTIVITIES			
Additions to property and equipment	5	**(96,543)**	(145,075)
Additions to intangible assets	7	**(1,729)**	(2,514)
Redemption / (investment) in short term Murabaha deposits	11	**380,000**	(380,000)
Net cash generated from / (used in) investing activities		**281,728**	(527,589)
FINANCING ACTIVITIES			
Loan repaid to a related party	20	**--**	(384,786)
Proceeds from term loan	15	**--**	500,000
Interest paid on lease liability	6	**(69,753)**	(13,303)
Payment of lease liability	6	**(64,299)**	(5,942)
Dividend paid	19	**(255,000)**	(100,000)
Net cash used in financing activities		**(389,052)**	(4,031)
Net change in cash and cash equivalents during the year		**448,479**	(223,052)
Cash and cash equivalent at the beginning of the year		**491,590**	714,642
Cash equivalents at the end of the year		**940,069**	491,590

The attached notes from 1 to 37 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

SUPLEMENTAL NON-CASH INFORMATION

	Notes	**31 December 2022**	31 December 2021
Conversion of additional capital contribution and retained earnings to share capital	1	**--**	799,500
Transfer of Employees' end of service benefits from / (to) related parties		590	(2,845)

The attached notes from 1 to 37 form an integral part of these financial statements.

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY

SAL Saudi Logistic Services Company (the “Company” or “SAL”) is a Closed Joint Stock Company registered in Kingdom of Saudi Arabia. The Company was initially registered as Limited Liability Company under Commercial Registration number 4030367493 dated 17 Safar 1441H corresponding to 16 October 2019. The Company is a subsidiary of Saudi Arabian Airlines Corporation.

During the year ended 31 December 2021, on 7 Sha’ban 1442H (corresponding to 21 March 2021), the shareholders of the Company resolved to convert the Company from ‘Limited Liability Company’ to ‘Closed Joint Stock Company’ with a paid-up capital of SR 800 million by converting additional capital contribution and retained earnings amounting to SR 468.2 million and SR 331.3 million respectively into share capital. Further, the name of the Company has been changed from SAL Cargo Company Limited to SAL Saudi Logistics Services Company. The legal formalities for increase in share capital were completed on 17 Sha’ban 1442H (corresponding to 30 March 2021) with the same commercial registration number.

The Company’s registered office is located at the following address:

Prince Sultan Street,
As Salamah District,
P.O. Box 23525, Jeddah 2661,
Kingdom of Saudi Arabia.

The accompanying financial statements include the activities of the Company’s head office and its following branches:

Location of the branch	CR Number	Location of the branch	CR Number
Madinah	4650215858	Jizan	5900129855
Dammam	2050130835	Hail	3350155544
Riyadh	1010607713	Sharura	5951129034
Abha	5850132986	Taif	4032252408
Skaka	3400122047	Tabuk	3550140013
AlQaysoma	2512100942	Dammam	2050130835
ArAr	3450178231	Madinah	4650215858
Beesha	5851877774	Riyadh	1010607713
Najran	5950124524	Al-Quraiat	3452148133
Buraidah	1131315681		

The main objectives of the Company is to provide ground handling of cargo and other support services at airport terminals across the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed in Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”) (collectively referred to as “IFRS as endorsed in KSA”).

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except for employees' end of service benefits liabilities, which have been measured at present value of defined benefit obligations using unit credit method of actuarial valuation.

2.3 Functional and presentation currency

These financial statements are presented in Saudi Arabian Riyals (SR), which is the functional and presentational currency of the Company and all values are rounded to the nearest thousand (SR '000), except when otherwise indicated.

2.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect application of accounting policies, reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures including disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgements
In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

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

Determining the lease term of contracts with renewal and termination options – Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Company based its assumptions and estimates on parameters available at the date of preparing the financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses (ECL) of trade receivables
The Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in note 9.

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management believes that residual may not result in significant change to depreciation charge and carrying amount of the assets. Management also believes that the straight-line depreciation reflects the pattern of consumption of economic benefits. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives and residual values differ from previous estimates.

Useful life of intangible assets
The management determines the estimated useful life of intangible asset with finite useful life for calculating amortization. This estimate is determined after considering expected usage of the assets or any technical obsolescence. Management believes that the straight-line amortization reflects the pattern of consumption of economic benefits. The management reviews the useful life of intangible asset annually and future amortization charge is adjusted where management believes the useful life differs from previous estimate.

2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is based on a discounted cash flows (DCF) model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Employee end of service benefit liabilities
The present value of defined benefit obligations regarding employee's end of service benefit plan is determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates and employee turnover rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate / government bonds extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for country. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rate for the country as well as seniority, promotion, demand, and supply in the employment market. Further detail about the employee end of service benefits are provided in note 16.

Determination of discount rate for present value calculations
Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

Zakat assessment
The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. The Company recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat will be due. The final outcome of any additional amount assessed by the ZATCA is depending on the eventual outcome of the appeal process which the Company is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the statement of profit or loss in the period in which such final determination is made.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these financial statements.

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non- current. A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

b) Fair value measurement

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

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

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fair value measurement (continued)

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

c) Revenue

The Company recognizes revenue when or as a performance obligation is satisfied. (e.g. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer). The Company applies following five-step model as given in IFRS to determine when to recognize revenue and at what amount:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Company expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties, amounts collected on behalf of others and is recorded net of trade discounts and volume rebates.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5. Recognize revenue when (or as) the Company satisfies a performance obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue (continued)

The Company assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

Rendering of services
The company is engaged in providing ramp handling, cargo handling and logistics services. These revenues are recognised when services are rendered. All revenues of the Company are recognized at point of time when the service is provided. All services of the Company are delivered within kingdom of Saudi Arabia.

d) Finance income and finance cost

Finance income is recognized on an accrual basis using the effective yield basis.
Finance cost mainly includes interest accrued on lease liabilities, bank charges and exchange losses.

e) Expenses

Cost of revenue
Service costs and direct operating expenses are classified as cost of revenue. This include all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to employee costs, rent expense, depreciation expense, aircraft handling and other operating costs.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, distribution and related expenses.

General and administrative expenses
These pertain to operation expenses which are not directly related to the services. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

Allocation of overheads between cost of revenue, selling and distribution expenses, and general and administrative expenses, where required, is made on a consistent basis.

f) Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Withholding tax

The Company withhold taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld

h) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non- monetary items measure at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items that are measure at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

i) Dividends

The Company recognises a liability to pay a dividend when distribution is authorised and no longer at the discretion of the Company. As per the articles of association of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

Non-cash distributions, if any, is measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss and other comprehensive income.

j) Contingencies

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write off the cost of property and equipment less their estimated residual values using straight-line method over the estimated useful lives, which are as follows:

Lease hold improvements	5- 20 years
Equipment	3-7 years
Furniture and fixtures	5-7 years
Computer	3-5 years

An item of property and equipment ("the asset") and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and depreciation methods for property and equipment are reviewed on annual basis at the end of each fiscal year and adjustments are made whenever necessary.

Capital working in progress
Capital work in progress (CWIP) is measured at cost less impairment losses, if any, and not depreciated until such time the assets are available for use and transferred to the respective category under property, and equipment. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use, if the recognition criteria are met.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and the related expenditure is reflected in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Intangible assets (continued)

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit (“CGU”) level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The software are amortized on straight line basis. The estimated useful life of software is two to ten years. The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

m) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement
Trade receivables are initially recognized when they are originated. All other financial assets are initially recognized when company becomes party to contractual provisions of the instruments. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL).

The classification of debt financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Company’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue from contracts with customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

In order for a debt financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss (FVTPL)

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts and other receivables.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through statement of profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts and other receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 451 days past due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
The Company considers a financial asset in default when contractual payments are 451 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets
The Company assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset 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 assessing fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment of goods, are recognized in the statement of profit or loss in expense category consistent with the function of the impaired asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at the date of preparing each statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

o) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset Right-of-use assets are subject to impairment. Refer to the accounting policies under section Impairment of non-financial assets.

Lease Liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in- substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Rent concessions
In response to the COVID-19 corona virus pandemic, in May 2020 the International Accounting Standards Board (the Board) issued amendments to IFRS 16 Leases to provide practical relief to lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concession are lease modification and instead are permitted to account for them as they were not lease modifications. Rent concessions are eligible for practical expedient if they occur as a direct consequent of the COVID-19 Pandemic and if all of the following criteria are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as or less than, the consideration for the lease immediately preceding the change:
- Any reduction in lease payments affects only payments originally due on or before June 2021; and
- There is no substantive change to the other terms and conditions of the lease.

The amendment is effective for annual periods beginning on or after 1 June 2020 and early adoption is permitted. The company has early adopted and applied the practical expedient consistently to eligible rent concessions.

p) Government grant

Government Grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expense are recognized, unless the condition for receiving the grant are met after the related expenses have been recognized. In this case the grant is recognized when it becomes receivable.

q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short- term bank deposits with original maturity of three months or less , if any, which are available to the Company without any restrictions and which are subject to an insignificant risk of changes in value.

r) Business combination – common control transaction

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company’s books of accounts. In applying book value accounting, any adjustment required to account for any difference between the consideration paid and the capital /net assets of the acquiree is reflected in retained earnings

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred in the statement of profit or loss and other comprehensive income.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t) Employee benefits liabilities

This represents end-of-service (“employee benefits”) under defined unfunded benefit plan. End-of-service benefits, as required by Saudi Arabia Labour Law, are required to be provided based on the employees’ length of service.

The Company’s net obligations in respect of employee benefits (“the obligations”) is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Company’s obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company’s present value of the obligation, with independent actuarial valuations carried out every year. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in statement of profit or loss and other comprehensive income in the year in which they arise.

u) Transactions with shareholders

Contributions by shareholders in their capacity as shareholders are recognised as capital contribution including waiver of a loan granted by a shareholder or by a fellow subsidiary where the waiver is instigated by the common parent.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Earnings and per share - EPS

The management determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year; a reasonable approximation of the weighted average is adequate in many circumstances.

Diluted earning per share amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

w) Segment information

A segment is a distinguishable component of the Company that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

The Company has the following two strategic divisions, which are reportable segments and are defined and used by the Board of Directors when reviewing the Company's performance. These divisions offer different products and services and are managed separately because of their different fundamentals.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Air cargo handling	Cargo handling services to air cargo carriers operating at the Kingdom's airports
Logistic solutions	End to end logistic solutions services, customs clearance, warehousing and inventory management

The Company's Board reviews the internal management reports of each strategic division at least quarterly.

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

4. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

a) Standards, interpretations and amendments issued but not yet effective

The standards, interpretations and amendments that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2024
IFRS 17	Amendments	1 January 2023
IAS 8	Definition to accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Date postponed indefinitely
IFRS 17 and IFRS 9	Initial Application of IFRS 17 and IFRS 9 – Comparative Information (amendments to IFRS 17)	1 January 2023
IFRS 16	Lease Liability in a Sale and Leaseback – Amendment	1 January 2024

b) Standards, interpretations and amendments that became effective during the period

Following amendments to IFRS and International Accounting Standards were effective on or after 1 January 2022, but they did not have a material effect on the Company's financial statements:

Effective date	**New Standards or amendments**
1 April 2021	Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient
1 January 2022	A number of narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

5. PROPERTY AND EQUIPMENT

The movement of property and equipment during the year is as follows:

	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work- in-progress	Total
Cost:						
As at 1 January 2022	**203,594**	**132,401**	**3,234**	**9,325**	**383,226**	**731,780**
Additions during the year	**32,335**	**11,650**	**605**	**2,340**	**49,613**	**96,543**
Transfers from CWIP	**272,918**	**77,284**	**211**	**--**	**(350,413)**	**--**
As at 31 December 2022	**508,847**	**221,335**	**4,050**	**11,665**	**82,426**	**828,323**
Accumulated depreciation:						
As at 1 January 2022	**(30,776)**	**(36,471)**	**(1,114)**	**(4,041)**	**--**	**(72,402)**
Charge for the year	**(21,476)**	**(26,311)**	**(728)**	**(2,040)**	**--**	**(50,555)**
As at 31 December 2022	**(52,252)**	**(62,782)**	**(1,842)**	**(6,081)**	--	**(122,957)**
Carrying amount:						
As at 31 December 2022	**456,595**	**158,553**	**2,208**	**5,584**	**82,426**	**705,366**

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

5. PROPERTY AND EQUIPMENT (continued)

The movement of property and equipment during the year is as follows:

	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work- in-progress	Total
Cost:						
As at 1 January 2021	196,334	86,301	2,196	7,453	294,424	586,708
Additions during the year	6,392	29,716	1,038	1,875	106,054	145,075
Transfers from CWIP	868	16,384	--	--	(17,252)	--
Disposals during the year	--	--	--	(3)	--	(3)
As at 31 December 2021	203,594	132,401	3,234	9,325	383,226	731,780
Accumulated depreciation:						
As at 1 January 2021	(12,531)	(16,409)	(556)	(1,948)	--	(31,444)
Charge for the year	(18,245)	(20,062)	(558)	(2,093)	--	(40,958)
As at 31 December 2021	(30,776)	(36,471)	(1,114)	(4,041)	--	(72,402)
Carrying amount:						
As at 31 December 2021	172,818	95,930	2,120	5,284	383,226	659,378

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

5. PROPERTY AND EQUIPMENT (continued)

a) Capital work in progress mainly represents costs incurred incidental to projects in progress in respect of the Cargo Terminal – phase two at Jeddah airport. The project is expected to be completed by June 2025.

b) During the year finance charges amounting to SR 18.62 million (2021: SR 9.69 million) have been capitalized to Capital work in progress (CWIP).

c) The depreciation charge for the year has been allocated as follows:

	31 December 2022	31 December 2021
Cost of revenue (note 22)	**48,360**	36,230
Selling and distribution expenses (note 24)	**20**	20
General and administration expenses (note 25)	**2,175**	4,708
	50,555	40,958

6. RIGHT-OF-USE ASSET & LEASE LIABILITIES

In applying IFRS-16, the Company elected to use the recognition exemptions for lease contracts that, at the inception date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

a) The movement of right-of-use asset is as follows:

Right-of-use of asset	**31 December 2022**	31 December 2021
Cost		
Balance as at the beginning of year	**1,412,899**	1,412,899
Additions during the year	**20,046**	--
Lease modification during the year	**(23,812)**	--
Lease termination during the year	**(6,824)**	--
Balance at the end of the year	**1,402,309**	1,412,899
Accumulated depreciation		
Balance as at the beginning of the year	**(129,281)**	(64,603)
Depreciation for the year	**(65,488)**	(64,678)
Lease termination during the year	**5,015**	--
Balance at the end of the year	**(189,754)**	(129,281)
Carrying amount at the end of the year	**1,212,555**	1,283,618

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

6. RIGHT-OF-USE ASSET & LEASE LIABILITIES (continued)

b) The depreciation for the year is allocated as follows:

	31 December 2022	31 December 2021
Cost of revenue (note 22)	**62,849**	62,756
General and administrative expense (note 25)	**2,639**	1,922
	65,488	64,678

c) The movement of lease liabilities during the year is as follows:

Lease Liabilities	**31 December 2022**	31 December 2021
Balance at the beginning of the year	**1,429,147**	1,377,955
Addition during the year	**20,046**	--
Lease termination during the year	**(1,809)**	--
Lease modification during the year	**(23,812)**	--
Rent concessions during the year	**(7,610)**	--
Unwinding of lease liability (finance cost)	**69,753**	70,437
Repayment during the year	**(134,052)**	(19,245)
Balance at the end of the year	**1,351,663**	1,429,147

d) Lease modification during the year relates to the changes in contract term of Jeddah Terminal Lease Contract which resulted in decrease in carrying value of lease liabilities and right of use asset.

e) The Company has applied the Covid 19 related practical expedient to all rent concessions that meet the conditions prescribed in the amendment to IFRS 16 issued in May 2020 and further amendment in March 2021. The Company has recognized an amount of SR 7.61 million in statement of profit or loss and other comprehensive income for the year ended 31 December 2022 as changes in lease payments. This change of lease payment has been accounted for as a negative variable lease expense and recorded under ‘other income’ in the statement of profit or loss and other comprehensive income.

f) The current and non-current portion of the lease liabilities is as follows:

	31 December 2022	31 December 2021
Current portion	**63,719**	107,606
Non-current portion	**1,287,944**	1,321,541
Total	**1,351,663**	1,429,147

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

7. INTANGIBLE ASSETS

The movement of intangible assets during the year is as follows:

	31 December 2022	31 December 2021
Cost:		
Balance at the beginning of the year	**21,635**	19,121
Additions during the year	**1,729**	2,514
Balance at the end of the year	**23,364**	21,635
Accumulated amortization:		
Balance at the beginning of the year	**(6,204)**	(2,144)
Amortization charge for the year	**(2,861)**	(4,060)
Balance at the end of the year	**(9,065)**	(6,204)
Carrying amount at the end of the year	**14,299**	15,431

a) The amortization for the year is allocated as follows

	31 December 2022	31 December 2021
Cost of Revenue (note 22)	**2,797**	2,505
Selling and distribution expense (note 24)	**64**	1,555
	2,861	4,060

8. CONSTRUCTION WORK IN PROGRESS:

Construction work in progress relates to construction of permanent utilities on leasehold land relating to Jeddah new terminal facility on behalf of Jeddah Airports Company (lessor). The construction cost will be invoiced upon completion of the permanent utility facility. As per the agreement, the amount is recoverable from the lease liability payment. The amount is not subject to any credit risk.

9. TRADE RECEIVABLES

Trade receivables comprise of the following;

	31 December 2022	31 December 2021
Trade receivables – third parties	**181,031**	102,759
Trade receivables – related parties (note 20 (b))	**81,556**	95,056
	262,587	197,815
Less: Impairment loss on trade receivables	**(29,177)**	(12,655)
	233,410	185,160

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

9. TRADE RECEIVABLES (continued)

The movement in the impairment of trade receivables were as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**12,655**	3,500
Impairment charge for the year (note 25)	**16,522**	9,155
Balance at the end of the year	**29,177**	12,655

10. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

	31 December 2022	31 December 2021
Advances to vendors	**11,845**	28,001
Due from related parties* (note 20)	**--**	5,481
Prepayments	**8,844**	7,639
Value added tax (VAT) refundable	**99,710**	81,784
Others	**26,667**	35,294
	147,066	158,199

11. SHORT TERM MURABAHA DEPOSITS

Short term Murabaha deposits comprise of the following:

	31 December 2022	31 December 2021
Short term Murabaha deposits	--	380,000

a) Short term Murabaha deposits represent deposits with local banks that have an original maturity of more than three months from the investment date.

b) These deposits earn commission at an average rate of Nil per annum as at 31 December 2022 (2021: 1.07% per annum).

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following;

	31 December 2022	31 December 2021
Cash at banks	**210,069**	76,590
Short term murabaha deposits with maturity less than three months (note 12.1)	**730,000**	415,000
	940,069	491,590

12.1 These deposits earn commission at an average rate of 5.23% per annum as at 31 December 2022 (2021: 0.91% per annum).

12.2 At 31 December, all bank balances and short term murabaha deposits are maintained with local banks, which are rated at investment grade levels. Moreover, the carrying value of bank balances (included above) and short term murabaha deposits represents its maximum exposure to credit risk without taking into account any collateral and other credit enhancement and none of the balances is impaired at the reporting date.

13. SHARE CAPITAL

On 7 Sha'ban 1442H (corresponding to 21 March 2021), the shareholders of the Company resolved to increase the paid-up capital of the Company by SR 799.5 million by converting additional capital contribution and retained earnings amounting to SR 468.2 million and SR 331.3 million respectively into share capital. At 31 December 2022, the share capital of the Company was SR 800 million divided into 80 million shares of SR 10 each, which are fully paid and owned as follows:

	31 December 2022			31 December 2021		
	No. of shares in "000"	**Percentage Holding**	**Amount**	No. of shares in "000"	Percentage Holding	Amount
Saudi Arabian Airlines Corporation ("Saudia")	**56,000**	**70%**	**560,000**	56,000	70%	560,000
Tarabot Air Cargo Services Company Limited	**24,000**	**30%**	**240,000**	24,000	30%	240,000
Total	**80,000**	**100%**	**800,000**	80,000	100%	800,000

14. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

15. TERM LOAN

During 2021, the Company entered into an agreement with a commercial bank to obtain a loan facility of SR 600 million in order to finance the cargo terminal projects under construction. As at 31 December 2022, the Company had drawn SR 500 million (2021: SR 500 million) out of sanctioned amount of SR 600 million. This loan carries markup at commercial rates (SIBOR plus an agreed margin) and is repayable in semi-annual instalments starting from 30 March 2024 up to 30 March 2030. The loan agreement includes certain covenants which include but are not limited to dividend payments and maintenance of certain financial ratios.

16. EMPLOYEES' END OF SERVICE BENEFITS

a) The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labour Law. The movement is as follows:

	31 December 2022	31 December 2021
At the beginning of the year	**72,582**	50,318
Transfer from/(to) Group Company	**590**	(2,845)
Amount recognized in profit and loss		
- Current service cost	**11,707**	9,280
- Interest cost	**2,087**	1,475
	13,794	10,755
Adjustment for actuarial loss due to changes in:		
- Financial assumptions and experience	**(3,425)**	16,632
	83,541	74,860
Benefits paid	**(5,565)**	(2,278)
Present value of Defined Benefit obligation as at 31 December	**77,976**	72,582

b) As at 31 December 2022 the valuation of EOSB liabilities was carried out by an independent firm of actuaries. The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	31 December 2022	31 December 2021
Discount rate	**4.5%**	3.0%
Expected rate of salary increase	**5.0%**	4.0%
Mortality rate	**Age based rates, avg is 0.17% p.a**	Age based rates, avg is 0.17% p.a.
Employee turnover/ withdrawal rate	**10.43%**	1.23%

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

16. EMPLOYEES' END OF SERVICE BENEFITS (continued)

c) The amounts recognised in the statement of profit or loss and other comprehensive income in respect of these benefits are as follows:

	31 December 2022	31 December 2021
Current service cost	**11,707**	9,280
Interest cost	**2,087**	1,475
	13,794	10,755

The quantitative sensitivity analysis for principal assumptions is as follows:

	Changes in assumptions	**31 December 2022**	
		Increase in	**Decrease in**
Discount rate	**1%**	**(7,634)**	**9,082**
Future salary growth	**1%**	**9,352**	**(8,000)**
Withdrawal	**10%**	**(776)**	**833**

	Changes in assumptions	31 December 2021	
		Increase in	Decrease in
Discount rate	1%	(7,494)	8,981
Future salary growth	1%	9,184	(7,808)
Withdrawal	10%	(1,170)	1,263

The weighted average duration of the defined benefit obligation relating to Employees is 10.80 years (2021: 11.35 years).

17. TRADE PAYABLE

Trade payable comprise of the following:

	31 December 2022	31 December 2021
Trade payable – third parties	**59,120**	15,813
Trade payable – related party (note 20 (b))	**5,802**	--
	64,922	15,813

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

18. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities comprise of the following:

	31 December 2022	31 December 2021
Accrued handling charges	**878**	2,733
Accrued IT expenses	**14,414**	14,446
Accrued logistics services	**4,999**	--
Accrued marketing expenses	**2,269**	--
Accrued rent	**3,222**	27,728
Accrued Professional charges	**12,068**	--
Advance from customers	**21,982**	1,401
Employee related accruals	**34,206**	41,513
Goods / services received not invoiced	**61,264**	53,718
Other accruals	**53,095**	49,963
	208,397	191,502

Accruals and other liabilities include SR 4.68 million (2021: SR 31.32 million) that is due to related parties (note 20 (b)).

19. DIVIDEND

During the year ended 31 December 2022 the Company's Board of Directors approved distribution of cash dividends amounting to SR 255 million (SR 3.19 per share) (2021: SR 100 million (SR 1.25 per share)).

20. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company’s shareholders, associates, fellow subsidiaries (affiliated companies) and key management personnel of the Company. Terms and conditions of these transactions are approved by the Company’s management. All outstanding balances with these related parties are priced on mutually agreed terms. Significant related party transactions for the year and balance arising there from are described as under:

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Transactions with related parties

Transaction with	Relationship	Nature of transaction	**31 December 2022**	31 December 2021
Saudi Arabian Airlines Corporation ("Saudia")	Shareholder	Revenue	--	(16)
		Cost charge	**(993)**	--
Saudi Airlines Cargo Company	Affiliate	Revenue	**263,102**	253,322
		Shared service recovery (note 23)	**4,616**	23,804
		Cost recharge	**(45,923)**	(5,481)
		Repayment to related party	**--**	(115,441)
		Repayment of loan from related party	**--**	(384,786)
Saudi Aerospace Engineering Industries	Affiliate	Revenue	**20,332**	8,809
Royal Fleet Services	Affiliate	Revenue	**123**	2,023
Saudi Private Aviation	Affiliate	Revenue	**317**	(17)
		Cost Charge	**(5,093)**	--
Saudi Airlines Catering Company	Affiliate	Revenue	**641**	143
		Cost Charge	**(551)**	--
Saudi Ground Services	Affiliate	Revenue	**1,833**	23
		Handling cost	**(16,132)**	--
Prince Sultan Aviation	Affiliate	Cost charge	**(775)**	--

b) Balances with related parties

i) Trade receivables

	31 December 2022	31 December 2021
Saudi Airlines Cargo Company	**54,444**	75,854
Saudi Aerospace Engineering Industries	**25,841**	12,861
Royal Fleet Services	**979**	3,538
Saudi Private Aviation	**78**	44
Saudi Airlines Catering Company	**214**	430
Saudi Ground Services	**--**	2,049
Saudi Arabian Airlines Corporation ("Saudia")	**--**	280
	81,556	95,056

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances with related parties (continued)

	31 December 2022	31 December 2021
ii) Prepayment and other receivables		
Saudi Airlines Cargo Company	**--**	5,481
	--	5,481
iii) Accruals and other liabilities:		
Saudi Airlines Cargo Company	**4,213**	7,292
Saudi Arabian Airlines Corporation ("Saudia")	**658**	--
Saudi Airlines Catering Company	**349**	--
Saudi Private Aviation	**196**	--
Saudi Ground Services Company	**4,787**	24,033
Prince Sultan Aviation	**331**	--
	10,534	31,325
iv) Trade payable		
Saudi Airline Cargo Company	**3,892**	**--**
Saudi Airlines Catering Company	**261**	**--**
Saudi Ground Services Company	**1,632**	**--**
Saudi Private Aviation	**6**	**--**
Saudi Arabian Airlines Corporation ("Saudia")	**11**	**--**
	5,802	**--**

c) Key management personnel compensation

Compensation to Company's key management personnel includes salaries, non-cash benefits, and contributions to post-employment defined benefit plan. The following table illustrates details of remuneration and compensation paid to Board of Directors, audit and executive committees and Key Management Personnel:

	31 December 2022	31 December 2021
Short term employee benefits	**14,362**	13,461
Post retirement benefits	**925**	671
	15,287	14,132

Board of Directors, audit and executive committees' compensation charged during the year amounted to SR 3.3 million (2021: SR 4.9 million).

d) The revenue of the Company derived from the related parties comprised of approximately 23% (2021: 28%) of total revenue of the Company.

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

21. REVENUE

A. Revenue streams

Revenue for the year comprise of the following streams:

	31 December 2022	31 December 2021
Airline handling revenue	**477,561**	448,878
Logistic solutions revenue	**160,411**	22,751
Terminal handling revenue	**574,983**	481,016
Other	**9,695**	9,525
	1,222,650	962,170

B. Disaggregation of revenue from contracts with customers

i) Primary geographical markets

The revenue from contracts with customers is derived from the primary geographical market that is the Kingdom of Saudi Arabia.

ii) Major service lines

	31 December 2022	31 December 2021
Air cargo handling	**1,062,239**	939,419
Logistic solutions	**160,411**	22,751
	1,222,650	962,170

iii) Timing of recognition of revenue

All revenues of the Company are recognized at point of time when the service is provided.

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

22. COST OF REVENUE

Cost of revenue comprise of the following:

	31 December 2022	31 December 2021
Aircraft handling and other charges	**17,768**	17,323
Amortization of intangible assets (note 7)	**2,797**	2,505
Contractual labour cost	**92,431**	104,338
Depreciation on right-of-use assets (note 6)	**62,849**	62,756
Depreciation expenses (note 5)	**48,360**	36,230
Employee costs	**150,919**	143,610
IT Services	**21,822**	14,657
Rental expenses	**51,044**	41,004
Operating costs (SAL Solutions)	**132,688**	24,901
Others	**51,003**	28,870
	631,681	476,194

23. OTHER INCOME

Other income comprise of the following:

	31 December 2022	31 December 2021
Management and service fees charged to a related party (note 20 (a))	**4,616**	23,804
Rent concessions (note 6 (e))	**7,610**	--
Others	**981**	221
	13,207	24,025

24. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution comprise of the following:

	31 December 2022	31 December 2021
Amortization of intangible assets (note 7)	**64**	1,555
Depreciation expense (note 5)	**20**	20
Employee costs	**15,940**	19,007
Others	**14,227**	7,288
	30,251	27,870

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

25. GENERAL AND ADMINISTRATION EXPENSES

General and administrative expenses comprise of the following:

	31 December 2022	31 December 2021
Bank charges	**2,221**	2,116
Depreciation expense (note 5)	**2,175**	4,708
Depreciation on right-of-use assets (note 6)	**2,639**	1,922
Employee costs	**71,630**	72,518
Impairment loss on trade receivables (note 9)	**16,522**	9,155
IT services	**5,012**	9,837
Professional and technical consultancies	**9,083**	14,579
Rental expenses	**296**	374
Others	**37,833**	21,502
	147,411	136,711

26. FINANCE INCOME

Finance income comprise of the following:

	31 December 2022	31 December 2021
Finance income on murabaha deposits	**18,882**	3,534
	18,882	3,534

27. FINANCE COSTS

Finance costs comprise of the following:

	31 December 2022	31 December 2021
Finance charges on lease liabilities (note 6)	**69,753**	70,437
Exchange loss	**128**	--
Interest on long term loan	**5,039**	--
	74,920	70,437

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

28. ZAKAT

The provision is based on the following:

	31 December 2022	31 December 2021
Equity at the beginning	**806,900**	707,541
Opening provisions and other adjustments	**579,672**	43,824
Book value of property and equipment	**(719,665)**	(674,809)
Zakat base	**666,907**	76,556
Less: 70% exempt	**(466,835)**	(53,589)
Subtotal- zakat base elements	**200,072**	22,967
Adjusted profit for the year	**116,437**	92,336
Zakat base	**316,509**	115,303
Zakat for the year	**8,064**	2,962

The movement in the Zakat provision of the Company for the year is as follows:

	31 December 2022	31 December 2021
Balance at the beginning of the year	**2,042**	2,277
Charge for the year	**8,064**	2,962
Payment during the year	**(2,668)**	(3,197)
Balance at the end of the year	**7,438**	2,042

Status of assessments

The Company has filed its annual Zakat declarations up to year ended 31 December 2021. The Zakat Customs and Tax Authority ("Authority" or "ZATCA") is currently reviewing the declarations filed and has not issued any queries or assessment.

29. COMMITMENTS AND CONTINGENCIES

At 31 December 2022, the Company has outstanding commitments for capital expenditures amounting to SR 68 million (2021: SR 143 million).

At 31 December 2022, the Company’s bankers have issued letters of guarantee amounting to SR 34.59 million (2021: SR 31.05 million).

At 31 December 2022, there were no outstanding contingency (2021: Nil).

30. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies and evaluates financial risks in close cooperation with the Company's operating units. The most important types of risk are market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets, and any changes and compliance issues are reported to the Board of Directors through the audit committee. Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables, other receivables, trade payables and other financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amount reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intend either to settle on a net basis, or to realize the asset and liability simultaneously.

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk, (ii) currency risk and (iii) other price risk, such as equity price risk and commodity risk. The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities

Interest rate risk
Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from Term loan which is at floating rate of interest and is subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

30. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

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

	31 December 2022	31 December 2021
Variable rate instruments		
Financial liabilities		
Term Loan	**500,000**	500,000

Sensitivity analysis for variable rate instruments
Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the year by SR 5 million (2021: 5 million).

Currency risk
Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's balances with banks in foreign currencies. The Company is not exposed to any significant currency risk as the Company did not undertake any significant transactions during the year in any foreign currency.

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

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

	31 December 2022	31 December 2021
Financial assets		
Trade receivables	**262,587**	197,815
Other receivables	**26,667**	32,023
Short term Murabaha deposit	**--**	380,000
Cash and cash equivalents	**940,069**	491,590
Total	**1,229,323**	1,101,428

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

30. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables

Trade receivables are carried net of provision for expected credit losses amounting to SR 29.1 million (2021: SR 12.6 million).

At 31 December, the exposure to credit risk of trade receivables by type of counterparty was as follows:

	31 December 2022	31 December 2021
Airline customers	**99,996**	128,821
Commercial customers	**63,549**	49,054
Logistics customers	**93,735**	17,345
Other	**5,307**	2,595
Sub-total	**262,587**	197,815
Provision for expected credit loss	**(29,177)**	(12,655)
Total	**233,410**	185,160

Customer credit risk is managed by management subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

The Company renders its services to a large number of customers. The five largest customers (including related parties) account 54% of outstanding trade receivables as at 31 December 2022 (2021: 61%). Further, trade receivables from related parties and governmental comprise 38% of total outstanding trade receivables as at 31 December 2022 compared to 50% of total outstanding trade receivables as at 31 December 2021.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, service type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables from private entities are written-off if past due for more than two years and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in the statement of financial position. The Company does not hold collateral as security.

Loss rates are calculated using flow rate method based on the probability of a receivable progressing through successive stages of delinquency. Flow rates are calculated separately for exposures in different class of customers based on the common credit risk characteristics

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

30. FINANCIAL RISK MANAGEMENT (continued)

The following table provides information about the exposure to credit risk for trade receivables at the reporting date:

	31 December 2022	31 December 2021
Current (Not due)	**197,389**	121,420
91-180 Days	**15,363**	25,500
181-270 Days	**3,665**	12,464
271-360 Days	**26,015**	12,172
361-450 Days	**3,529**	8,129
Over 451 days	**16,626**	18,130
Total	**262,587**	197,815

Loss rates are based on historical credit loss experience and are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Other receivables

Other receivables credit risk is managed by management and relates to non-trade receivables. The Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount as disclosed in the statement of financial position.

Short term Murabaha deposits and Cash and cash equivalents

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise and through management of the Company's operations and credit facility agreements to meet any future liabilities.

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

30. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

31 December 2022	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total**
		Contractual cash flows					
Non derivative financial liabilities							
Trade payables	**63,719**	**63,719**	--	--	--	--	**63,719**
Accrued and other liabilities	**186,415**	**186,415**	--	--	--	--	**186,415**
Lease liabilities	**1,351,663**	**117,030**	**15,485**	**207,712**	**205,949**	**1,616,428**	**2,162,604**
Zakat payable	**6,673**	**6,673**	--	--	--	--	**6,673**
Term Loan	**500,000**	**12,965**	**12,965**	**119,136**	**140,709**	**364,615**	**650,390**
	2,108,470	**388,770**	**28,450**	**326,848**	**346,658**	**1,981,043**	**3,071,769**

31 December 2021	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total
		Contractual cash flows					
Non derivative financial liabilities							
Trade payables	15,813	15,813	--	--	--	--	15,813
Accrued and other liabilities	190,101	190,101	--	--	--	--	190,101
Lease liabilities	1,429,147	176,610	--	199,375	201,373	1,705,841	2,283,199
Zakat payable	2,042	2,042	--	--	--	--	2,042
Term Loan	500,000	--	--	44,959	102,714	400,983	548,656
	2,137,103	384,566	--	244,334	304,087	2,106,824	3,039,811

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

31. CAPITAL RISK MANAGEMENT

For the purpose of the Company's capital management, capital includes share capital and all other equity reserves attributable to the equity holders of the Company. The primary objective of the Company's capital management is to maximise the shareholders' value. The capital structure of the Company is equity based with financing from a bank. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares and other measures commensuration to the circumstances.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non- recurring measurement.

32. BASIC AND DILUTIVE EARNINGS PER SHARE

Basic earnings per share (EPS) is calculated by dividing profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue outstanding during the year.

	31 December 2022	31 December 2021
Profit for the year attributable to shareholders of the Company	**362,412**	275,555
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	**80,000**	60,505
Basic and diluted earnings per share based on profit for the year attributable to shareholders of the Company (SR)	**4.53**	4.55

Weighted average number of ordinary shares in issue is calculated as follows:

	31 December 2022	31 December 2021
Issued ordinary shar at beginning of the year ('000')	**80,000**	50
Effect of share issued on 1 April 2021 (note 1) ('000')	**--**	60,455
	80,000	60,505

The diluted EPS is same as the basic EPS as the Company does not have any dilutive instruments in issue.

33. FAIR VALUE OF ASSETS AND LIABILITIES

The Company's financial assets consist of cash and bank balances, trade receivables, due from related parties, deposits and other receivables. Its financial liabilities consist of trade payables, lease liabilities, due to related parties, loan from a related party and accruals and other liabilities. The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.

The Company's management determines the policies and procedures for both recurring fair value measurement and for non- recurring measurement.

34. SEGMENT INFORMATION

The executive committee considers the business according to business type, being air cargo handling and logistic solutions segments. The inter-company revenue has been eliminated within the segment as the transactions are between divisions of the Company.

The reportable segments have been identified as follows and derive their revenue from the following operations:

- Air cargo handling: The provision of cargo handling services to air cargo carriers operating at the Kingdom's airports.
- Logistic solutions: The provision of end-to-end logistic solutions services, customs clearance, warehousing and inventory management.

The executive committee assesses the performance of the operating segments based on profit before tax.

34. SEGMENT INFORMATION (continued)

A. Information about reportable segments

	Air cargo handling		Logistic solutions		Total	
	2022 SR'000	2021 SR'000	**2022 SR'000**	2021 SR'000	**2022 SR'000**	2021 SR'000
External revenue	**1,062,239**	939,419	**160,411**	22,751	**1,222,650**	962,170
Segment Revenue	**1,065,639**	939,806	**160,411**	22,751	**1,226,050**	962,557
Inter-segment revenue	**(3,400)**	(387)	**--**	--	**(3,400)**	(387)
Operating and administration costs	**(534,970)**	(510,238)	**(155,469)**	(20,841)	**(690,439)**	(531,079)
Other income	**13,207**	24,025	**--**	--	**13,207**	24,025
EBITDA	**540,476**	453,206	**4,942**	1,910	**545,418**	455,116
Depreciation and amortization	**(117,680)**	(109,696)	**(1,224)**	--	**(118,904)**	(109,696)
Operating profit	**422,796**	343,510	**3,718**	1,910	**426,514**	345,420
Finance Income	**18,882**	3,534	**--**	--	**18,882**	3,534
Finance Costs	**(74,746)**	(70,437)	**(174)**	--	**(74,920)**	(70,437)
Profit before zakat	**366,932**	276,607	**3,544**	1,910	**370,476**	278,517
Total Assets	**3,210,943**	3,150,213	**72,580**	23,163	**3,283,523**	3,173,376
Total Liabilities	**2,191,964**	2,190,371	**18,432**	20,715	**2,210,396**	2,211,086

(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

34. SEGMENT INFORMATION (continued)

B. Reconciliations of information on reportable segments to IFRS measures

	2022	2021
Total revenue for reportable segments	**1,226,050**	962,557
Elimination of intersegment revenue	**(3,400)**	(387)
Total revenue	**1,222,650**	962,170

All assets, liabilities and total profits relate to reportable segment and there are no intersegment assets, liabilities and profits.

C. *Geographical information*

The revenue from contracts with customers is derived from the primary geographical market that is the Kingdom of Saudi Arabia.

D. Major customer

Revenue from one customer of the Company's Air cargo handling segment represented approximately 22% (2021: 26%) of the Company's total revenue.

35. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation to these financial statements. These restatements have no impact on the net income for the year ended 31 December 2021 and retained earnings as at 31 December 2021:

a) Balances reclassified as of 31 December 2021:

	Balances as previously presented	**Amount of reclassification**	**Balances after reclassification**
Accrued expenses and other current liabilities	**272,351**	**(78,049)**	**194,302**
Lease liabilities – current portion	**29,557**	**78,049**	**107,606**
Prepayments and other receivables	**160,999**	**(2,800)**	**158,199**
Accruals and other liabilities	**194,302**	**(2,800)**	**191,502**

36. SUBSEQUENT EVENTS

The new Companies Law issued through Royal Decree M/132 on 1/12/1443H (corresponding to 30 June 2022) (hereinafter referred as "the Law") came into force on 26/6/1444 H (corresponding to 19 January 2023). For certain provisions of the Law, full compliance is expected not later than two years from 26/6/1444H (corresponding to 19 January 2023). The management is in process of assessing the impact of the New Companies Law and will amend its Articles of Association for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of Association to the shareholders in their Extraordinary General Assembly meeting for their ratification.

36. SUBSEQUENT EVENTS (continued)

There have been no other significant events since the year ended 31 December 2022, that would require disclosures or adjustments in these financial statements.

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by Shareholders of the Company on 27 March 2023, corresponding to 5 Ramadan 1444H.