Notes to the Financial Statements

1. REPORTING ENTITY

SAL Saudi Logistic Services Company (the "Company" or "SAL") is a Saudi Joint Stock Company registered in Kingdom of Saudi Arabia under Commercial Registration number 4030367493 dated 17 Safar 1441H corresponding to 16 October 2019. The Company was converted from a Limited Liability Company to a closed Joint Stock Company pursuant to resolution number 265 dated 11 Sha'ban 1442H (corresponding to 24 March 2021) issued by the Ministry of Commerce.

On 1 November 2023, the Company completed its Initial Public Offering ("IPO"), and its ordinary shares were listed on the Saudi Stock Exchange ("Tadawul") accordingly the Company has been categorised as a Saudi Joint Stock Company.

The main objectives of the Company are to provide cargo ground handling services at airport terminals, freight brokerage services, warehouse management services, administrative services and storage services.

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
Riyadh	1010607713	Dawadmi	1116627628
Dammam	2050130835	Hail	3350155544
Madinah	4650215858	Jizan	5900129855
Abha	5850132986	Najran	5950124524
Al Ahsa	2031111679	Rabigh	4602115044
Al Baha	5800109670	Rafha	3453106254
AlQaysoma	2512100942	Sharura	5951129034
Al-Quraiat	3452148133	Skaka	3400122047
ArAr	3450178231	Tabuk	3550140013
Al Ula	4651104016	Taif	4032252408
Al Wajh	3552102272	Turaif	3451102634
Beesha	5851877774	Wadi Al Dawasir	1185105013
Buraidah	1131315681	Yanbu	4700119152

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").

2.2. 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. Certain comparative figures have been reclassified to conform with the current year's presentation to these financial statements.

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 recognised prospectively.

(i) 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.

(ii) 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.

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.

Measurement of employees' benefit obligations

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; withdrawal before normal retirement age, 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 details 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.

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

3.1. 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;
- held primarily for the purpose of trading;
- due to be settled within twelve months after the reporting period; or
- not having the right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

3.2. Revenue

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company's revenue consists of airline handling, cargo handling (terminal handling and ground handling) and logistics services (contract logistics, market access, freight forwarding, freight management, fulfilment services and transportation services). 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 one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

Rendering of services airline handling

The Company revenue from airline handling services includes revenue from cargo handled to and from the aircraft and other related services. Airline handling services are generally carried out in a short span of time and are recognized at point in time, when the services are rendered to the customer as per the terms of the related contract. Transaction price for airline handling services and related payment terms are based on the contracts with the customers. All services of the Company are delivered within kingdom of Saudi Arabia. The Company acts as the principal when directly providing handling services using its own resources and employees.

Rendering of services terminal handling

The Company's terminal handling services consist of a series of distinct services, primarily warehousing and storage of the cargo, which are substantially the same and follow a consistent pattern of transfer to the customer. The Company acts as the principal in delivering these services, and the revenue is recognised when the control is transferred to the customers.

Rendering of logistics services

The Company provides freight forwarding, logistics and warehouse management services to customers. Revenue is recognised when the contractual terms of the agreement are fulfilled. This occurs when the end user has accepted the services in accordance with the contract, when the acceptance provisions have lapsed, or when the Company has objective evidence that all acceptance criteria have been satisfied. Transaction price for logistics services and related payment terms are based on the contracts with the customers The determination of whether the Company acts as an agent or principal is based on the terms specified in the contract.

3.3. Finance income and finance cost

Finance income is recognised on an accrual basis using the effective yield basis.

Finance cost mainly includes interest accrued on lease liabilities, long term loan, bank charges and exchange rate losses.

3.4. Cost of sales, selling and distribution, and general and administrative expenses

Cost of sales

Service costs and direct operating expenses are classified as cost of sales. This includes 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, marketing, 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 sales or selling and distribution expenses.

3.5. 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 ZATCA 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.

3.6. 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 by-laws 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.

3.7. 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.

3.8. 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 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.

Leasehold improvements are depreciated over the shorter of estimated useful life or the term of the lease. Depreciation is calculated to write off the cost of property and equipment using straight-line method over the estimated useful lives which are as follows:

Lease hold improvements	3-21 years
Equipment	3-19 years
Furniture and fixtures	3-7 years
Computer	3-10 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.

3.9. 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 capitalised, 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 amortised 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 amortised.

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 recognised 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 disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The software is amortised on straight line basis. The estimated useful life of software is five to ten years.

3.10. Financial instruments

Non-Derivative Financial Assets

The Company classifies its financial assets based on their subsequent measurement into two categories: assets measured at fair value (either through Other Comprehensive Income (OCI) or through profit or loss) and assets measured at amortised cost. The classification is determined by the Company's business model for managing the financial assets and the contractual terms governing the cash flows of the assets.

For financial assets measured at fair value, gains and losses are recognised either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, the accounting treatment depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Investments designated as FVOCI, where management intends to sell such investments within 12 months from the financial year-end, are classified as current assets.

Financial assets are initially recognised on the trade date, which is the date when the Company becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to receive cash flows from the asset expire or when the Company transfers the rights to receive the contractual cash flows in a transaction that transfers substantially all the risks and rewards of ownership. Any interest in the transferred financial asset that is retained or created by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset, and the net amount is presented in the Statement of Financial Position, only when the Company has a legal right to offset the amounts and intends to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company's portfolio of non-derivative financial assets includes the following categories:

Financial Assets at Amortised Cost

Financial assets held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest (SPPI), are measured at amortised cost. Any gain or loss on a debt investment measured at amortised cost, is recognised in the statement of profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is recognised in finance income using the effective interest rate method.

Financial Assets at FVOCI

The Company generally elects to recognise changes in the fair value of investments in equity in OCI. These changes are accumulated within the 'other reserve' under equity. The Company may transfer this accumulated amount from other reserve to retained earnings when the relevant shares are derecognised. Dividends from such investments are recognised in the statement of profit or loss as other income when the Company's right to receive payments is established. Accumulated gains and losses on these financial assets are never recycled to the statement of profit or loss.

Financial assets are initially recognised on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument. The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or when it transfers the rights to receive the contractual cash flows in a transaction that transfers substantially all the risks and rewards of ownership. Any retained or created interest in the transferred financial asset is recognised as a separate asset or liability.

Non-Derivative Financial Liabilities

Financial liabilities are recognised initially on the trade date, which is the date the Company becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the Company's contractual obligations are discharged, cancelled, or expire.

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position, only when the Company has a legal right to offset the amounts and intends to either settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company initially recognises non-derivative financial liabilities at fair value, adjusted for any directly attributable transaction costs. Following initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. The Company's non-derivative financial liabilities primarily include bank borrowings as well as trade and other payables.

3.11. 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.

3.12. 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.

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 recognised as expense on a straight-line basis over the lease term.

3.13. 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.

3.14. 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.

3.15. Employees' benefit obligations

This represents employees' benefit obligations under defined unfunded benefit plan. The employees' benefit obligations, as required by Kingdom of 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 are 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 employees' benefit obligations comprise the present value of defined benefit obligation as adjusted for any current and past service cost not yet recognised. Currently there are no past service costs. The full amount of actuarial gains and losses are recognised in statement of profit or loss and other comprehensive income in the year in which they arise. The interest expenses are recognized in the Statement of Profit or Loss.

3.16. Earnings 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 earnings 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.

3.17. 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, 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 assessed by the Executive Committee 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
Handling	Cargo handling services to air cargo carriers operating at the Kingdom's airports and consignees for warehouse handling and storage thereof.
Logistics	End to end logistic solutions services, customs clearance, inventory management and provision of warehouse management solutions.

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, interpretations and amendments if applicable, when they become effective.

Standard/Interpretation	Description	Effective from periods beginning on or after the following date
IAS 21	Lack of exchangeability (amendments to IAS 21).	1 January 2025
IFRS 7 and IFRS 9	Classification and measurement of Financial Instruments (amendments to IFRS 9 and IFRS 7).	1 January 2026
IFRS 18	Presentation and disclosure in financial statements.	1 January 2027
IFRS 19	Subsidiaries without Public Accounting.	1 January 2027
IFRS 10 and IAS 28	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments to IFRS 10 and IAS 28).	Available for optional adoption.

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

Following amendments to IFRS and International Accounting Standards were effective on or after 1 January 2024, but they did not have a material effect on the Company's financial statements:

Standard/Interpretation	Description	Effective from periods beginning on or after the following date
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1).	1 January 2024
IFRS 16	Lease Liability in a Sale and Leaseback – (amendments to IFRS 16).	1 January 2024
IAS 7 and IFRS 7	Supplier finance arrangements (amendments to IAS 7 and IFRS 7).	1 January 2024
IAS 1	Non-current Liabilities with Covenants (amendments to IAS 1).	1 January 2024

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 2024	518,252	225,692	3,875	11,301	133,087	892,207
Additions during the year	1,297	4,974	558	1,774	62,670	71,273
Transfers from CWIP	—	3,251	—	5,154	(8,405)	—
Disposals during the year	—	—	—	(127)	—	(127)
As at 31 December 2024	**519,549**	**233,917**	**4,433**	**18,102**	**187,352**	**963,353**
Accumulated depreciation:						
As at 1 January 2024	(81,539)	(92,027)	(2,328)	(6,852)	—	(182,746)
Charge for the year	(29,903)	(26,788)	(663)	(3,128)	—	(60,482)
Disposals during the year	—	—	—	29	—	29
As at 31 December 2024	**(111,442)**	**(118,815)**	**(2,991)**	**(9,951)**	**—**	**(243,199)**
Carrying amounts						
As at 31 December 2024	**408,107**	**115,102**	**1,442**	**8,151**	**187,352**	**720,154**

	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work- in-progress	Total
Cost:						
As at 1 January 2023	508,847	221,335	4,050	11,665	82,426	828,323
Additions during the year	12,687	4,736	78	809	51,336	69,646
Transfers from CWIP	624	—	—	19	(643)	—
Transfers from intangible assets	—	—	—	211	—	211
Write-offs during the year	(2,342)	(243)	(239)	(1,403)	(32)	(4,259)
Disposals during the year	(1,564)	(136)	(14)	—	—	(1,714)
As at 31 December 2023	**518,252**	**225,692**	**3,875**	**11,301**	**133,087**	**892,207**
Accumulated depreciation:						
As at 1 January 2023	(52,252)	(62,782)	(1,842)	(6,081)	—	(122,957)
Charge for the year	(32,519)	(29,509)	(739)	(2,174)	—	(64,941)
Write-offs during the year	1,670	185	239	1,403	—	3,497
Disposals during the year	1,562	79	14	—	—	1,655
As at 31 December 2023	**(81,539)**	**(92,027)**	**(2,328)**	**(6,852)**	**—**	**(182,746)**
Carrying amounts						
As at 31 December 2023	**436,713**	**133,665**	**1,547**	**4,449**	**133,087**	**709,461**

5.1. Capital work in progress of 31 December 2024 includes various projects under progress, which are expected to be completed during the years from 2025 to 2027.

5.2. During the year finance costs amounting to SR 20.40 million (2023: SR 19.59 million) have been capitalised in the CWIP.

5.3. The depreciation expense for the year is allocated as follows:

As at 31 December (SAR '000)	2024	2023
Cost of sales (note 22)	56,582	62,390
Selling and distribution expenses (note 24)	34	34
General and administration expenses (note 25)	3,866	2,517
	60,482	**64,941**

6. RIGHT-OF-USE ASSETS & 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).

6.1. The Company's right of use assets mainly pertains to land and building and the movement of right-of-use assets during the year is as follows:

As at 31 December (SAR '000)	2024	2023
Cost:		
Balance as at the beginning of year	1,063,122	1,402,309
Additions during the year	59,996	20,453
Lease modification during the year	(539,936)	(353,194)
Transferred to sublease	(7,167)	—
Lease termination during the year	—	(6,446)
Balance at the end of the year	**576,015**	**1,063,122**
Accumulated depreciation:		
Balance as at the beginning of the year	(177,480)	(189,754)
Depreciation for the year (note 6.2)	(41,514)	(66,732)
Capitalised depreciation during the year	(3,500)	—
Lease modification during the year	167,787	76,777
Transferred to sublease	1,195	—
Lease termination during the year	—	2,229
Balance at the end of the year	**(53,512)**	**(177,480)**
Carrying amount at the end of the year	**522,503**	**885,642**

6.2. The depreciation expense for the year is allocated as follows:

As at 31 December (SAR '000)	2024	2023
Cost of sales (note 22)	38,425	62,898
General and administrative expense (note 25)	3,089	3,834
	41,514	**66,732**

6.3. The movement of lease liabilities during the year is as follows:

As at 31 December (SAR '000) Lease Liabilities	2024	2023
Balance at the beginning of the year	1,080,095	1,351,663
Additions during the year	59,996	20,453
Lease termination during the year	—	(4,330)
Lease modification during the year	(372,149)	(276,417)
Interest expense capitalized in CWIP during the year	930	—
Unwinding of lease liability (note 27)	51,131	68,863
Lease liability adjusted from long term loan receivable (note 8)	(11,790)	—
Repayments during the year	(90,136)	(80,137)
Balance at the end of the year	**718,077**	**1,080,095**

6.4 The lease modification during the year relates to a reduction in lease rentals and finalizing a 20-year term for the Riyadh Terminal Lease which resulted in decrease in the carrying value of lease liabilities and right of use asset by SR 372 million. The Company has committed to upgrading the Riyadh terminal to the value up to SR 400 million and not below SR 350 million.

6.5. The current and non-current portion of the lease liabilities is as follows:

As at 31 December (SAR '000)	2024	2023
Lease liabilities – current portion	34,377	68,961
Lase liabilities – non-current portion	683,700	1,011,134
	718,077	**1,080,095**

The Company elected not to recognize right-of-use assets for short term and low value leases, and hence the lease payments associated with these contracts were recognised as expenses during the year in the statement of profit or loss and other comprehensive income amounted to SR 34.73 million (2023: SR 35.14 million) (note 22 and note 25).

6.6. On 1 May 2024, the Company subleased warehouse building in Riyadh. The Company has classified the sublease as finance lease as the Company transferred substantially all the risk and reward incidental to the leased asset. The sublease payment was due at the completion of required improvement of the warehouse as per the sublease contract. The improvement was completed on 1 May 2024 and on that date, the warehouse was subleased to the ultimate lessee.

7. INTANGIBLE ASSETS

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

As at 31 December (SAR '000)	2024	2023
Cost:		
Balance at the beginning of the year	24,724	23,364
Additions during the year	721	3,199
Write-offs during the year	—	(1,628)
Transfer to property and equipment	—	(211)
Balance at the end of the year	**25,445**	**24,724**
Accumulated amortization		
Balance at the beginning of the year	(10,468)	(9,065)
Amortization charge for the year	(3,291)	(3,031)
Write-offs during the year	—	1,628
Balance at the end of the year	**(13,759)**	**(10,468)**
Carrying amount at the end of the year	**11,686**	**14,256**

7.1. The amortization for the year is allocated as follows:

As at 31 December (SAR '000)	2024	2023
Cost of sales (note 22)	3,227	2,967
Selling and distribution expense (note 24)	64	64
	3,291	**3,031**

8. LONG TERM LOAN RECEIVABLE

The Company's long-term loan receivable, which is measured at amortised cost, is as follows:

As at 31 December (SAR '000)	2024	2023
Long-term loan receivable – non-current portion	—	11,790
Long-term loan receivable – current portion	11,790	11,790
	11,790	**23,580**

Long term loan receivable related to the sale of permanent utilities on leasehold land relating to Jeddah new terminal facility on behalf of Jeddah Airports Company (lessor). As per the agreement, the amount is recoverable from the lease liability payment over a period of 3 years. The amount is not subject to any credit risk.

9. TRADE RECEIVABLES

Trade receivables comprise of the following:

As at 31 December (SAR '000)	2024	2023
Trade receivables	512,309	439,117
Less: Impairment loss on trade receivables	(31,957)	(48,584)
	480,352	**390,533**

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

As at 31 December (SAR '000)	2024	2023
Balance at the beginning of the year	48,584	29,177
Impairment (reversal)/charge for the year	(16,627)	19,407
Balance at the end of the year	**31,957**	**48,584**

Trade receivables include SR 392.03 million (2023: SR 259.54 million) that are due from related parties (note 20).

The Company's credit risk management policies are disclosed in note 30.

10. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

As at 31 December (SAR '000)	2024	2023
Advances to vendors	4,004	1,457
Prepayments	9,356	7,460
Value added tax (VAT) refundable	71,514	36,179
Others	28,540	5,979
	113,414	**51,075**

Prepayments and other receivables include SR nil (2023: SR 35.11 million) that is due from related parties (note 20).

Others include contract assets amounting to SR 22.35 million (2023: SR nil).

11. SHORT TERM MURABAHA DEPOSITS

Short term murabaha deposits comprise of the following:

As at 31 December (SAR '000)	2024	2023
Short term murabaha deposits	—	500,000

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

11.2. These deposits earn commission at an average rate of 5.96% per annum as at 31 December 2024 (2023: 6.29% per annum).

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

As at 31 December (SAR '000)	2024	2023
Cash at banks	1,362,043	210,426
Short term murabaha deposits with original maturity of less than three months (note 12.1)	—	500,000
	1,362,043	**710,426**

12.1. These deposits earn commission at an average rate of nil per annum as at 31 December 2024 (2023: 6.15% 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 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 dates.

13. SHARE CAPITAL

At 31 December 2024, the authorized, issued and paid up share capital of the Company is SR 800 million divided into 80 million shares of SR 10 each (2023: 80 million shares of SR 10 each) and owned as follows:

As at 31 December (SAR '000)	2024			2023		
	No. of shares in "000"	Percentage holding	Amount	No. of shares in "000"	Percentage holding	Amount
Saudi Arabian Airlines Corporation	39,200	49%	392,000	39,200	49%	392,000
Tarabot Air Cargo Services Company Limited	—	—	—	16,800	21%	168,000
Vision International Investment Company	7,526	9%	75,264	—	—	—
General public	33,274	42%	332,736	24,000	30%	240,000
Total	**80,000**	**100%**	**800,000**	**80,000**	**100%**	**800,000**

14. STATUTORY RESERVE

The statutory reserve included in the financial statements as of 31 December 2024 and 31 December 2023, was required under the Company's previous by-laws. However, following amendments to the Company's by-laws during the year ended 31 December 2024, the requirement to set aside a statutory reserve has been removed.

15. LONG TERM LOAN

The Company's long-term loan, which is measured at amortised cost, is as follows:

As at 31 December (SAR '000)	2024	2023
Long term loan	628,390	612,105
Upfront fees paid	(11,741)	(8,749)
	616,649	**603,356**
Long term loan – current portion	(57,000)	(36,240)
Long term loan – non-current portion	**559,649**	**567,116**

15.1. The Company has an agreement with a commercial bank to obtain a loan facility of SR 500 million in order to finance the cargo terminal projects under construction. As at 31 December 2024, the Company had drawn SR 500 million (2023: SR 500 million) out of sanctioned amount. During the year, the Company has reduced the facility amount to SR 500 million from SR 600 million as at 31 December 2023. 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. The Company expects to comply with the quarterly covenants within 12 months after the reporting date.

15.2. During 2023, the Company entered into an agreement with Saudi Industrial Development Fund (SIDF) to obtain a loan financing of SR 234.2 million to finance cargo terminal projects. As at 31 December 2024, the Company had been advanced SR 112.1 million (2023: SR 112.1 million) out of granted amount of SR 234.2 million (2023: SR 234.2 million). This loan carries markup at an agreed cost and is repayable in semi-annual instalments starting from 18 October 2024 up to 18 February 2030. The Company further obtained a loan financing of SR 195.8 million to finance cargo terminal project in the year 2024. As at 31 December 2024, the Company had been advanced SR 60.3 million (2023: SR nil) out of facility amount of SR 195.8 million. This loan carries markup at an agreed cost and is repayable in semi-annual instalments starting from 18 October 2024 up to 18 February 2030. The loan agreement also includes certain covenants which include but are not limited to current ratio and maintenance of certain financial ratios. The Company expects to comply with the quarterly covenants within 12 months after the reporting date.

16. EMPLOYEES' BENEFIT OBLIGATIONS

The Company operates an approved unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Kingdom of Saudi Arabia Labour Law. The entitlement to these benefits is based upon the employees' last drawn salary and length of service, subject to completion of minimum service period. The following table shows a reconciliation from opening balance to the closing balance of employees' end of service benefits:

As at 31 December (SAR '000)	2024	2023
Balance at the beginning of the year	87,176	77,976
Transfer to related party	—	(152)
Amounts recognized in statement of profit and loss		
– Current service cost	13,113	12,505
– Interest cost	4,020	3,415
	17,133	**15,920**
Amounts recognized in other comprehensive income:		
– Financial assumptions and experience	(347)	(3,284)
Benefits paid	(3,861)	(3,284)
Balance at the end of the year	**100,101**	**87,176**

16.1. As at 31 December 2024 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:

As at 31 December	2024	2023
Discount rate	5.6%	4.5%
Expected rate of salary increase	5.9%	5.2%
Mortality rate	Age based rates, avg is 0.17% p.a.	Age based rates, avg is 0.17% p.a.
Employee turnover/ withdrawal rate	6.56%	7.14%

16.2. The quantitative sensitivity analysis for principal assumptions is as follows:

	Changes in assumptions		31 December 2024
		Increase in	Decrease in
Discount rate	1%	8,795	(10,269)
Future salary growth	1%	(10,647)	9,276
Withdrawal	10%	776	(820)
	Changes in assumptions		**31 December 2023**
		Increase in	Decrease in
Discount rate	1%	(7,367)	8,591
Future salary growth	1%	8,911	(7,778)
Withdrawal	10%	(827)	897

16.3. The weighted average duration of the defined benefit obligation relating to Employees is 9.54 years (2023: 9.19 years).

17. TRADE PAYABLES

Trade payables comprise of the following:

As at 31 December (SAR '000)	2024	2023
Trade payables	127,395	44,735

Trade payables include SR 48.71 million (2023: SR 6.50 million) payable to related parties (refer note 20).

18. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities comprise of the following:

As at 31 December (SAR '000)	2024	2023
Accrued handling charges	7,857	3,056
Accrued IT expenses	10,892	10,041
Accrued logistics services	6,428	2,829
Accrued marketing expenses	5,019	5,225
Accrued rent	6,655	4,754
Accrued professional charges	15,623	10,290
Advance from customers	7,973	1,224
Employee related accruals	53,906	48,161
Goods/services received not invoiced	76,319	46,364
Other accruals	39,190	62,693
	229,862	**194,637**

Accrued expenses and other liabilities includes SR 6.80 million (2023: SR 7.04 million) due to related parties (refer note 20).

19. DIVIDENDS

During the year ended 31 December 2024 the Company's Board of Directors approved distribution of interim cash dividends amounting to SR 493.6 million (SR 6.17 per share) (2023: SR 352 million (SR 4.40 per share)).

20. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties includes the Company's shareholders having control and significant influence and government entities including entities controlled, jointly controlled or significantly influenced by government entities including Key management personnel of the Company. Pricing policies and terms of these transactions are approved by the Company's management. All outstanding balances with these related parties are priced on mutually agreed terms.

The Company's parent entity is Saudi Arabian Airline Corporation ("Saudia"). The Company's ultimate parent entity is the Government of Saudi Arabia. The Company operates in an economic regime whereby there are various entities that are directly or indirectly controlled by the Government of Kingdom of Saudi Arabia through its government authorities, agencies, affiliations and other organisations, collectively referred to as government related entities ('GRE'). The Company applies the exemption in IAS 24 Related Party Disclosures that allows to present reduced related party disclosures regarding transactions with government related parties.

Significant related party transactions with major shareholder, their subsidiaries, entities with significant influence, government entities and other related parties for the period and balance arising therefrom are described as under:

Nature of transaction As at 31 December (SAR '000)	2024	2023
Cost charge	(76,490)	(69,881)
Revenue	478,085	423,324
Shared service recovery (note 23)	1,194	3,208
Recovery of IPO related expenses	—	50,138
Finance cost	(51,149)	(67,945)

Closing balance As at 31 December (SAR '000)	2024	2023
Trade receivables	392,030	259,540
Prepayments and other receivables	—	35,111
Trade payables	48,712	6,502
Accrued expenses and other liabilities	6,796	7,044
Lease liability	656,539	1,073,461
Term loan	151,649	112,105
Sublease	10,494	—

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:

As at 31 December (SAR '000)	2024	2023
Short term employee benefits	29,216	22,563
Post retirement benefits	1,318	4,121
	30,534	**26,684**

Board of Directors, audit and executive committees' compensation charged during the year amounted to SR 5.6 million (2023: SR 3.5 million).

The revenue of the Company derived from the related parties comprised of approximately 29% (2023: 29%) of total revenue of the Company.

Name of entity	Relationship	Nature of transaction	For the year ended 31 December 2024	For the year ended 31 December 2023
Government	Government	Cost charge	(35,078)	(26,272)
Saudi Ground Services Company	Entity under common control	Cost charge	(23,352)	(16,301)
Saudi Airlines Cargo Company	Entity under common control	Cost charge	(17,207)	(24,466)
Saudi Airlines Air Transport Company	Entity under common control	Cost charge	(576)	(1,673)
Saudi Private Aviation	Entity under common control	Cost charge	(139)	(160)
Saudi Arabian Airlines Corporation	Parent	Cost charge	(104)	(910)
Catrion Catering Holding Company	Entity under common control	Cost charge	(34)	(99)
			(76,490)	**(69,881)**

Name of entity	Relationship	Nature of transaction	For the year ended 31 December 2024	For the year ended 31 December 2023
Saudi Airlines Cargo Company	Entity under common control	Revenue	216,884	236,825
Government	Government	Revenue	155,316	124,058
Saudia Aerospace Engineering Industries Company	Entity under common control	Revenue	64,936	45,227
Saudi Airlines Air Transport Company	Entity under common control	Revenue	30,063	4,477
Flyadeal Company	Entity under common control	Revenue	5,642	5,123
Saudi Private Aviation	Entity under common control	Revenue	2,775	6,198
Saudia Royal Fleet	Entity under common control	Revenue	2,469	1,416
			478,085	**423,324**

Name of entity	Nature of transaction	For the year ended 31 December 2024	For the year ended 31 December 2023
Government	Shared service recovery (note 23)	1,194	3,208

Name of entity	Nature of transaction	For the year ended 31 December 2024	For the year ended 31 December 2023
Government	Finance cost	(51,149)	(67,945)

Amounts due from related parties under trade receivables comprises of the following:

Name of entity	Relationship	Closing balance	
		31 December 2024	31 December 2023
Government	Government	279,256	146,595
Saudia Aerospace Engineering Industries Company	Entity under common control	95,500	67,491
Saudi Airlines Cargo Company	Entity under common control	23,881	45,883
Saudia Royal Fleet	Entity under common control	2,222	1,247
Saudi Airlines Air Transport Company	Entity under common control	10,039	4,275
Saudi Private Aviation	Entity under common control	1,266	533
Flyadeal Company	Entity under common control	829	306
Impairment loss against trade receivables		(20,963)	(6,790)
		392,030	**259,540**

Amounts due from related parties under prepayments and other receivables comprises of the following:

Name of entity	Relationship	For the year ended 31 December 2024	For the year ended 31 December 2023
Saudi Arabian Airlines Corporation	Parent	—	35,111

Amounts due to related parties under trade payables comprises of the following:

Name of entity	Relationship	Closing balance	
		31 December 2024	31 December 2023
Government	Government	41,981	2,613
Saudi Ground Services Company	Entity under common control	5,134	—
Saudi Arabian Airlines Corporation	Parent	763	1,614
Prince Sultan Aviation Academy	Entity under common control	384	—
Saudi Private Aviation	Entity under common control	323	130
Saudi Airlines Cargo Company	Entity under common control	127	2,145
		48,712	**6,502**

Amounts due to related parties under accrued expenses and other liabilities comprises of the following:

Name of entity	Relationship	Closing balance	
		31 December 2024	31 December 2023
Saudi Ground Services Company	Entity under common control	3,515	2,872
Government	Government	1,339	1,377
Prince Sultan Aviation Academy	Entity under common control	652	154
Saudi Airlines Cargo Company	Entity under common control	602	2,641
Saudi Airlines Air Transport Company	Entity under common control	435	—
Saudi Private Aviation	Entity under common control	154	—
Saudi Arabian Airlines Corporation	Parent	80	—
Catrion Catering Holding Company	Entity under common control	19	—
		6,796	**7,044**

Amounts due to a related party under lease liabilities comprises of the following:

Name of entity	Closing balance	
	31 December 2024	31 December 2023
Government	656,539	1,073,461

Amounts due to a related party under term loan comprises of the following:

Name of entity	Closing balance	
	31 December 2024	31 December 2023
Government	151,659	112,105

Amounts due to a related party under sublease comprises of the following:

Name of entity	Closing balance	
	31 December 2024	31 December 2023
Government	10,494	—

21. REVENUE

21.1. Revenue streams

Revenue for the year comprise of the following streams:

As at 31 December (SAR '000)	2024	2023
Terminal handling revenue	821,411	678,025
Airline handling revenue	539,860	539,978
Logistics revenue	271,283	235,651
Others	1,403	2,058
	1,633,957	**1,455,712**

21.2. 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*

As at 31 December (SAR '000)	2024	2023
Handling	1,362,674	1,220,061
Logistics	271,283	235,651
	1,633,957	**1,455,712**

22. COST OF SALES

Cost of sales comprise of the following:

As at 31 December (SAR '000)	2024	2023
Operating costs logistics	201,388	182,909
Employee costs	168,169	152,236
Contractual labour cost	101,307	92,168
Depreciation on property and equipment (note 5)	56,582	62,390
Aircraft handling and related charges	46,571	21,183
Depreciation on right-of-use assets (note 6)	38,425	62,898
Rental expenses	32,980	34,253
IT Services	24,360	19,746
Amortization of intangible assets (note 7)	3,227	2,967
Others	45,733	49,393
	718,742	**680,143**

23. OTHER INCOME

Other income comprise of the following:

As at 31 December (SAR '000)	2024	2023
Management and service fees charged to related party (note 20)	1,194	3,208
Others	378	1,780
	1,572	**4,988**

24. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses comprise of the following:

As at 31 December (SAR '000)	2024	2023
Marketing expenses	25,464	14,271
Employee costs	18,756	16,410
Amortization of intangible assets (note 7)	64	64
Depreciation on property and equipment (note 5)	34	34
Others	4,122	2,426
	48,440	**33,205**

25. GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses comprise of the following:

As at 31 December (SAR '000)	2024	2023
Employee costs	109,077	110,406
Professional and technical consultancies	20,224	2,687
IT services	9,115	1,966
Depreciation on property and equipment (note 5)	3,866	2,517
Depreciation on right-of-use assets (note 6)	3,089	3,834
Bank charges	2,613	2,231
Rental expenses	1,747	887
Others	25,827	17,218
	175,558	**141,746**

26. FINANCE INCOME

Finance income comprise of the following:

As at 31 December (SAR '000)	2024	2023
Finance income on murabaha deposits	59,495	51,614

27. FINANCE COSTS

Finance costs comprise of the following:

As at 31 December (SAR '000)	2024	2023
Finance charges on lease liabilities (note 6)	51,131	68,863
Exchange loss	1,685	1,867
Interest on long term loan	21,618	16,523
	74,434	**87,253**

28. ZAKAT

The provision is based on the following:

	31 December 2024
Profit before zakat	694,477
Total additions	2,746,913
Total deductions	(1,275,074)
Total zakat base	**1,471,839**
Zakat base	1,471,839
Zakat balance	**38,043**
Reversal of the provision	(5,001)
Zakat expense for the year	**33,042**

	31 December 2023
Equity at the beginning	721,126
Opening provisions and other adjustments	1,699,864
Book value of property and equipment	(1,609,358)
Zakat base	811,632
Adjusted profit for the year	600,130
Zakat base	1,411,762
Zakat expense for the year	40,844

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

As at 31 December (SAR '000)	2024	2023
Balance at the beginning of the year	40,847	7,438
Charge for the year	33,042	40,844
Payments during the year	(35,846)	(7,435)
Balance at the end of the year	**38,043**	**40,847**

Status of assessments

The Company has filed its annual Zakat declarations up to year ended 31 December 2023. ZATCA has reviewed the declarations filed and issued assessment dated 17 September 2024 for the year 2020 and 2021 determining additional zakat liability of SR 8.43 million and SR 19.82 million respectively. The Company Submitted its objection to ZATCA against this assessment for the year 2020 and 2021, and settled the non-objected amounts of SR 0.28 million, and 4.07 million respectively.

ZATCA issued its assessment for the year ended 31 December 2023 claiming additional zakat of SR 0.79 million and the Company settled the amount due and finalize the Zakat status with ZATCA for the said year.

29. COMMITMENTS AND CONTINGENCIES

At 31 December 2024, the Company has outstanding commitments for capital expenditures amounting to SR 91.05 million (2023: SR 23.6 million). The commitments primarily pertain to construction of cargo terminal.

At 31 December 2024, the Company's bankers have issued letters of guarantee amounting to SR 29.63 million (2023: SR 32.2 million).

As at 31 December 2024 and 31 December 2023, the Company have no outstanding contingency.

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, loans and other financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

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

As at 31 December (SAR '000)	2024	2023
Variable rate instruments		
Financial liabilities		
Term loan	**465,000**	**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 4.6 million (2023: SR 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 operating activities and the Company's balances with banks in US dollar. 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:

As at 31 December (SAR '000)	2024	2023
Financial assets		
Trade receivables	512,309	439,117
Other receivables	28,540	5,979
Short term murabaha deposit	—	500,000
Cash and cash equivalents	1,362,043	710,426
	1,902,892	**1,655,522**

Trade receivables

Trade receivables are carried at net of provision for expected credit losses. The provision for expected credit loss at 31 December 2024 is SR 31.96 million (2023: SR 48.58 million).

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

As at 31 December (SAR '000)	2024	2023
Airline customers	30,770	115,884
Commercial customers	56,824	81,920
Logistics customers	370,100	216,375
Other	54,615	24,938
Sub-total	**512,309**	**439,117**
Impairment loss on trade receivables	(31,957)	(48,584)
	480,352	**390,533**

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 does not obtain collaterals over receivables, and all of receivables are, therefore, unsecured. However, unimpaired receivables are expected to be recoverable based on past experience.

The Company renders its services to a large number of customers. The five largest customers (including related parties) account 77% of outstanding trade receivables as at 31 December 2024 (2023: 63%). As at 31 December 2024 trade receivables from related parties and Government entities comprise of 83% of total outstanding trade receivables (31 December 2023: 64%).

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 once determined that the amount is uncollectable. 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.

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

As at 31 December (SAR '000)	2024	2023
Current (Not due)	200,108	304,999
91 – 180 Days	49,526	32,837
181 – 270 Days	144,065	29,924
271 – 360 Days	67,139	25,678
361 – 450 Days	23,140	8,859
Over 451 days	28,331	36,820
	512,309	**439,117**

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. 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. The Company place funds with banks and recognised financial institutions that have high credit ratings ranging from A- to BBB+ assigned by the international credit rating agencies.

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.

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.

		Contractual cash flows					
31 December 2024	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
Trade payables	127,395	127,395	—	—	—	—	127,395
Accrued expenses and other liabilities	221,889	221,889	—	—	—	—	221,889
Lease liabilities	718,077	57,815	25,033	159,487	132,645	862,581	1,237,561
Long term loan	616,649	43,399	46,763	249,055	399,147	286,368	1,024,732
	1,684,010	**450,498**	**71,796**	**408,542**	**531,792**	**1,148,949**	**2,611,577**

				Contractual cash flows			
31 December 2023	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
Trade payables	44,735	44,735	—	—	—	—	44,735
Accrued expenses and other liabilities	193,413	193,413	—	—	—	—	193,413
Lease liabilities	1,080,095	101,071	18,492	182,618	180,120	1,228,601	1,710,902
Long term loan	603,356	35,242	37,448	162,939	233,378	317,286	786,293
	1,921,599	**374,461**	**55,940**	**345,557**	**413,498**	**1,545,887**	**2,735,343**

The cash flows presented in the maturity analysis are not expected to occur significantly earlier and 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.

The Company's debt to adjusted capital ratio is as follows:

As at 31 December (SAR '000)	2024	2023
Total liabilities	1,830,127	2,050,846
Less: Cash and cash equivalents	(1,362,043)	(710,426)
Net debt	468,084	1,340,420
Total equity	1,402,309	1,234,127
Gearing ratio	33.38%	108.61%

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.

As at 31 December	2024	2023
Profit for the year attributable to shareholders of the Company (SR '000')	661,435	509,716
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	80,000	80,000
Basic and diluted earnings per share based on profit for the year attributable to shareholders of the Company (SR)	8.27	6.37

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 and accrued expenses 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 reportable segments have been identified as follows and derive their revenues and incur costs from the following operations:

Handling: Cargo handling services to air cargo carriers operating at the Kingdom's airports and consignees for warehouse handling and storage thereof.

Logistics: End to end logistic solutions services, customs clearance, inventory management and provision of warehouse management solutions

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

A. Information about reportable segments

(i) Reconciliation of revenue and profits as at 31 December (SAR '000):

	Handling		Logistics		Total	
	2024	2023	**2024**	2023	**2024**	2023
External revenue	**1,362,674**	1,220,061	**271,283**	235,651	**1,633,957**	1,455,712
Segment revenue	**1,372,612**	1,227,091	**271,308**	235,651	**1,643,920**	1,462,742
Inter-segment revenue	**(9,938)**	(7,030)	**(25)**	—	**(9,963)**	(7,030)
Operating and administration costs	**(589,154)**	(522,519)	**(231,672)**	(217,278)	**(820,826)**	(739,797)
Other income	**12,709**	4,988	**(11,137)**	—	**1,572**	4,988
EBITDA	**786,229**	702,530	**28,474**	18,373	**814,703**	720,903
Depreciation and amortization	**(99,527)**	(132,385)	**(5,760)**	(2,319)	**(105,287)**	(134,704)
Operating profit	**686,702**	570,145	**22,714**	16,054	**709,416**	586,199
Finance income	**59,495**	51,614	**—**	—	**59,495**	51,614
Finance costs	**(72,505)**	(85,689)	**(1,929)**	(1,564)	**(74,434)**	(87,253)
Profit before zakat	**673,692**	536,070	**20,785**	14,490	**694,477**	550,560

(ii) Reconciliation of assets and liabilities:

	Handling		Logistics		Total	
	2024	2023	**2024**	2023	**2024**	2023
Total assets	**3,066,468**	3,016,009	**165,968**	268,964	**3,232,436**	3,284,973
Total liabilities	**1,696,083**	1,989,179	**134,044**	61,667	**1,830,127**	2,050,846

B. Reconciliations of information on reportable segments to IFRS measures

	2024	2023
Total revenue for reportable segments	1,643,920	1,462,742
Elimination of intersegment revenue	(9,963)	(7,030)
Total revenue	**1,633,957**	**1,455,712**

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 represented approximately 13% (2023: 16%) of the Company's total revenue for the year ended 31 December 2024.

35. SUBSEQUENT EVENTS

On 19 February 2025, the Board of Directors approved a dividend payment of SR 106.4 million (SR1.33 per share) for the year ended 31 December 2024. The dividends are attributable to the shareholders of the Company who own shares with the effective date of 26 February 2025 as registered in the registry of the Company's shareholders in the Securities Depository Center (Edaa).

There have been no other significant events since the year ended 31 December 2024, that would require disclosures or adjustments in these financial statements.

36. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by Board of Directors of the Company on 19 February 2025, corresponding to 20 Shaaban 1446H.