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

FINANCIAL STATEMENTS
For the year ended 31 December 2021
with
INDEPENDENT AUDITOR'S REPORT

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

FINANCIAL STATEMENTS
For the year ended 31 December 2021

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KPMG

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Zahran Business Center
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P.O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 4030290792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جـده 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 2021, 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 2021, 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 that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are 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 these 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, April 26, 2022
Corresponding to Ramadan 25, 1443H

كي بي إم جي للإستشارات المهنية
Lic No. 46
C.R. 4030290792
J : 1
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ترخيص رقم ٤٦
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KPMG Professional Services

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	2021	2020
ASSETS			
Non-current assets			
Property and equipment	5	**659,378**	555,264
Right-of-use asset	6	**1,283,618**	1,348,296
Intangible assets	7	**15,431**	16,977
Total non-current assets		**1,958,427**	1,920,537
Current assets			
Trade receivables	8	**90,104**	116,699
Prepayments and other receivables	9	**160,999**	63,787
Due from related parties	10	**95,056**	110,261
Cash and cash equivalents	11	**491,590**	714,642
Short term Murabaha deposits	12	**380,000**	--
Total current assets		**1,217,749**	1,005,389
Total assets		**3,176,176**	2,925,926
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	13	**800,000**	500
Additional capital contribution	13.1	**--**	468,214
Statutory reserve	14	**27,706**	150
Retained earnings		**155,390**	338,677
Actuarial loss		**(20,806)**	(4,174)
Total shareholders' equity		**962,290**	803,367
Non-current liabilities			
Long term loan	17	**500,000**	--
Employees' end of service benefits	15	**72,582**	50,318
Lease liabilities	6	**1,321,541**	1,364,728
Total non-current liabilities		**1,894,123**	1,415,046
Current liabilities			
Current portion of lease liabilities	6	**29,557**	13,227
Loan from a related party	16	**--**	384,786
Due to related parties	10	**--**	115,441
Trade payable		**15,813**	15,441
Accruals and other liabilities	18	**272,351**	176,341
Zakat payable	25	**2,042**	2,277
Total current liabilities		**319,763**	707,513
Total liabilities		**2,213,886**	2,122,559
Total shareholders' equity and liabilities		**3,176,176**	2,925,926

The attached notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**31 December 2021**	For the period from 16 October 2019 to 31 December 2020
Revenue		**962,170**	846,885
Cost of revenue	20	**(476,194)**	(449,223)
Gross profit		**485,976**	397,662
Other income	21	**24,025**	63,704
Selling and distribution expenses	22	**(27,870)**	(14,757)
General and administration expenses	23	**(136,711)**	(135,072)
Operating profit		**345,420**	311,537
Finance costs -net	24	**(66,903)**	(71,483)
Profit before Zakat		**278,517**	240,054
Zakat	25	**(2,962)**	(2,277)
Profit for the year		**275,555**	237,777
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement loss on defined benefit obligation	15	**(16,632)**	(4,174)
Total comprehensive income for the year		**258,923**	233,603
Earnings per share:			
Basic and diluted earnings per share from profit for the year/ period attributable to the shareholders	29	**4.55**	4,755.54

The attached notes 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2021
(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 1 to 32 form an integral part of these financial statements.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Share capital	Additional capital contribution	Statutory reserve	Retained earnings	Actuarial losses	Total
Transactions with owners of the Company:						
Share capital issued	500	--	--	--	--	**500**
Advance against issuance of shares (note 13)	--	353,000	--	--	--	**353,000**
Gift of net assets of Ground Handling Business from Saudi Airline Cargo Company (SACC) to the Company (note 1)	--	--	--	101,050	--	**101,050**
Loan waived by Saudi Airline Cargo Company (SACC) (note 13)	--	115,214	--	--	--	**115,214**
	500	468,214	--	101,050	--	**569,764**
Total comprehensive income for the period:						
Profit for the period	--	--	--	237,777	--	**237,777**
Other comprehensive income for the period	--	--	--	--	(4,174)	**(4,174)**
	--	--	--	237,777	(4,174)	**233,603**
Other transactions:						
Transfer to statutory reserve (note 14)	--	--	150	(150)	--	--
Total shareholders' equity as at 31 December 2020	**500**	**468,214**	**150**	**338,677**	**(4,174)**	**803,367**

The attached notes 1 to 32 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	31 December 2021	For the period from 16 October 2019 to 31 December 2020
OPERATING ACTIVITIES			
Profit before Zakat		**278,517**	240,054
Adjustments for:			
Depreciation on property and equipment	5	**40,958**	31,466
Depreciation of right-of-use assets	6	**64,678**	64,603
Amortisation of intangible assets	7	**4,060**	2,144
Finance charges on lease liabilities	6	**70,437**	71,827
Provision for employees' end of service benefits	15	**10,755**	8,548
Loss/ (gain) on disposal of property and equipment		**3**	(54)
Impairment loss on trade receivables	8	**9,155**	3,500
		478,563	422,088
Changes in:			
Trade receivables		**17,440**	(120,199)
Prepayments and other current assets		**(97,212)**	(36,650)
Due from related parties		**15,205**	(110,261)
Trade payable		**372**	15,441
Accrued and other liabilities		**93,165**	154,945
Due to related parties		**(115,441)**	115,441
Cash generated from operations		**392,092**	440,805
Employees' benefit paid	15	**(2,278)**	(1,218)
Zakat Paid	25	**(3,197)**	-
Net cash generated from operating activities		**386,617**	439,587
INVESTING ACTIVITIES			
Additions to property and equipment	5	**(145,075)**	(221,535)
Additions to intangible assets	7	**(2,514)**	(5,324)
Proceed from disposal of property and equipment		**--**	132
Investment in short term Murabaha deposits	12	**(380,000)**	--
Net cash used in investing activities		**(527,589)**	(226,727)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		**--**	500
Cash received as advance against share capital	13	**--**	353,000
Loan (repaid to)/ received from a related party	16	**(384,786)**	250,000
Proceeds from term loan	17	**500,000**	--
Payment of lease liability	6	**(97,294)**	(101,718)
Dividend paid	19	**(100,000)**	--
Net cash (used in) / generated from financing activities		**(82,080)**	501,782
Net change in cash and cash equivalents during the year / period		**(223,052)**	714,642
Cash and cash equivalent at the beginning of the year / period		**714,642**	--
Cash equivalents at the end of the year / period		**491,590**	714,642

The attached notes 1 to 32 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

SUPLEMENTAL NON-CASH INFORMATION

	Notes	**31 December 2021**	For the period from 16 October 2019 to 31 December 2020
Gift of net assets of Ground Handling Business from Saudi Airline Cargo Company (SACC) to the Company	1	**--**	101,050
Loan waived by Saudi Airline Cargo Company (SACC)	13	**--**	115,214
Conversion of additional capital contribution and retained earnings to share capital	1	**799,500**	--
Transfer of Employees' end of service benefits to SACC		**(2,845)**	--

The attached notes 1 to 32 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 (Previously SAL Cargo Company Limited) (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 1441 H 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 in for increase in share capital were completed on 17 Sha'ban, 1442H (corresponding to 30 March 2021) with the similar commercial registration number.

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

Location of the branch	CR Number
Madinah	4650215858
Dammam	2050130835
Riyadh	1010607713

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.

1.1 Gift of net assets of ground handling business of SACC to the Company

The Company and Saudi Airline Cargo Company Limited (SACC), a related party, entered into an agreement dated 17 December 2019 ("the Agreement") supplemented by addendum dated 18 January 2021 (effective from 1 January 2020) to transfer Ground Handling Business of SACC to the Company. Under this Agreement SACC gifted its Ground Handling Business and related net assets with a net carrying value of SR 101.050 million to the Company at nil consideration with effect from 1 January 2020. This transaction was accounted for as common control transaction under IFRS and book value accounting was applied to business transferred. The book value of net assets transferred was recognized in retained earnings on 1 January 2020. The carrying values of asset and liabilities transferred as at 1 January 2020 are as follows:

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

1. REPORTING ENTITY (continued)

1.1 Gift of net assets of ground handling business of SACC to the Company (continued)

	Notes	Carrying value as at 1 January 2020
ASSETS		
Property and equipment	5	**365,273**
Intangible assets – software	7	**13,797**
Total non – current assets		**379,070**
Current assets - Prepayment and other receivables		**32,189**
TOTAL ASSETS		**411,259**
LIABILITIES		
Non-current Liabilities		
Employees' end of service benefits	15	**38,814**
Loan from SACC to the Company	16	**250,000**
Total Non-current liabilities		**288,814**
Current Liabilities		
Accrual for employee compensated absences		**7,503**
Provision for bonus		**13,892**
Total current liabilities		**21,395**
TOTAL LIABILITIES		**310,209**
NET ASSETS		**101,050**

In addition, under the Agreement, with effect from 1 January 2020, SACC agreed to transfer all the business contracts and employees of the Ground Handling Business to the Company along with the employee retirement benefits plan and related payables. Accordingly, transferred employees signed employment contracts with the Company with the same terms which were in place in their contracts with SACC as on 31 December 2019 and the employee benefit plan of SACC was continued in the Company from 1 January 2020 onward without any changes.

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").

The first financial period of the Company were for the period from 16 October 2019 to 31 December 2020. Accordingly, the comparative information may not be comparable to current period.

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 (SAR), 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 8.

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 15.

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 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 and cargo handling 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 90 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.

(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.

Effective date	New Standards or amendments
1 April 2021	COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
1 January 2022	Onerous Contracts - Cost of Fulfilling a Contract Insights into IFRS (Amendments to /IAS 37)
1 January 2022	Annual Improvements to IFRS Standards 2018-2020
1 January 2022	Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
1 January 2022	Reference to the Conceptual Framework (Amendments to IFRS 3)
1 January 2023	Classification of Liabilities as Current or Non-current Insights into IFRS (Amendments to IAS 1)
1 January 2023	IFRS 17 Insurance Contracts!' and amendments to IFRS 17 Insurance Contracts
1 January 2023	Disclosure of Accounting Policies (Amendments to IAS Insights into IFRS 1 and IFRS Practice Statement 2)
1 January 2023	Definition of Accounting Estimates (Amendments to IAS 8)
1 January 2023	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to /IAS 12)
Available for optional effective date deferred indefinitely	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS28)

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

Following amendments to IFRS and International Accounting Standards were effective from 1 January 2021, but they did not have a material effect on the Company's financial statements:

Effective date	New Standards or amendments
1 June 2020	COVID-19-Related Rent Concessions (Amendment to IFRS 16)
1 January 2021	Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 7)

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

5. PROPERTY AND EQUIPMENT

	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	--	--	--	(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)**
Net book value:						
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)

	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work- in-progress	Total
Cost:						
Transferred from SACC (note 1)	29,814	69,007	1,133	7,411	257,908	**365,273**
Additions during the period	2,873	393	1,063	--	217,206	**221,535**
Transfers from CWIP	163,747	16,901	--	42	(180,690)	**-**
Disposals	(100)	--	--	--	--	**(100)**
As at 31 December 2020	**196,334**	**86,301**	**2,196**	**7,453**	**294,424**	**586,708**
Accumulated depreciation:						
Charge for the period	(12,553)	(16,409)	(556)	(1,948)	--	**(31,466)**
Disposals	22	--	--	--	--	**22**
As at 31 December 2020	**(12,531)**	**(16,409)**	**(556)**	**(1,948)**	--	**(31,444)**
Net book value:						
As at 31 December 2020	**183,803**	**69,892**	**1,640**	**5,505**	**294,424**	**555,264**

(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 at Jeddah airport.

b) During the year finance charges amounting to SR 9.69 million (during the period ended 31 December 2020: SR 15.2 million) have been capitalized to Capital Work in Progress (CWIP).

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

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Cost of revenue (note 20)	**36,230**	23,903
Selling and distribution expenses (note 22)	**20**	180
General and administration expenses (note 23)	**4,708**	7,383
	40,958	31,466

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).

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

	31 December 2021	31 December 2020
Cost		
Balance as at the beginning and end of the year/ period	**1,412,899**	1,412,899
Accumulated depreciation		
At the beginning of the year / period	**(64,603)**	--
Depreciation for the year/ period	**(64,678)**	(64,603)
At the end of the year / period	**(129,281)**	(64,603)
Net book value at the end to the year/ period	**1,283,618**	1,348,296

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

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

ii) The depreciation for the year / period is allocated as follows

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Cost of revenue (note 20)	**62,756**	59,860
General and administrative expense (note 23)	**1,922**	4,743
Carrying amount as at 31 December 2021	**64,678**	64,603

iii) The reconciliation of lease liability from inception of the Company to the balance as at 31 December is follows:

	31 December 2021	31 December 2020
Balance as at the beginning and end of the year/ period	**1,377,955**	1,407,846
Unwinding of lease liability (finance cost) (note 24)	**70,437**	71,827
Repayment of lease liability	**(97,294)**	(101,718)
Lease liability as at 31 December	**1,351,098**	1,377,955
Less: Current portion	**(29,557)**	(13,227)
Non-current portion	**1,321,541**	1,364,728

iv) Right of use of asset has been recognized for the first time in the Company in respect of Lease contract transferred from SACC. SACC availed the exemption available in IFRS 16 for less than one year term for these contract as they were transferred to SAL.

7. INTANGIBLE ASSETS

	31 December 2021	31 December 2020
Cost:		
Balance as at the beginning of the year / period	**19,121**	--
Transfer from Saudi Airlines Cargo Company	**--**	13,797
Additions during the year / period	**2,514**	5,324
Balance as at the end of the year / period	**21,635**	19,121
Accumulated amortization:		
Balance as at the beginning of the year / period	**(2,144)**	--
Charge for the year / period	**(4,060)**	(2,144)
Balance as at the end of the year / period	**(6,204)**	(2,144)
Net book values as at 31 December	**15,431**	16,977

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

7. INTANGIBLE ASSETS

i) The amortization for the year / period is allocated as follows

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Cost of Revenue (note 20)	**2,505**	2,144
Selling and distribution expense (note 22)	**1,555**	--
Carrying amount as at 31 December 2021	**4,060**	2,144

8. TRADE RECEIVABLES

	31 December 2021	31 December 2020
Trade receivables	**102,759**	120,199
Impairment of trade receivables (ECL)	**(12,655)**	(3,500)
	90,104	116,699

As at 31 December, the aging of trade receivables and corresponding allowance for ECL for respective age buckets is as follows:

	Current	**0-180 Days**	**181-270 days**	**Above 270 days**	**Total**
31 December 2021					
Exposure at default	**63,473**	**14,816**	**8,488**	**15,982**	**102,759**
Expected credit loss	**(1,514)**	**(730)**	**(581)**	**(9,830)**	**(12,655)**
	61,959	**14,086**	**7,907**	**6,152**	**90,104**

	Current	0-180 Days	181-270 days	Above 270 days	Total
31 December 2020					
Exposure at default	57,942	34,658	14,655	12,944	120,199
Expected credit loss	(132)	(319)	(151)	(2,898)	(3,500)
	57,810	34,339	14,504	10,046	116,699

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

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Balance at the beginning of the year / period	**3,500**	--
Impairment charge for the year /period (note 23)	**9,155**	3,500
Balance at the end of the year/ period	**12,655**	3,500

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

9. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
Value added tax (VAT) refundable	**84,584**	29,040
Advances to vendors	**28,001**	20,126
Unamortized part of loan arrangement fees	**8,752**	9,802
Prepayments	**7,639**	4,606
Due from related parties (note 10)	**5,481**	--
IPO cost recoverable	**14,685**	--
Others	**11,857**	213
	160,999	63,787

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associates and 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. In addition to disclosures made in notes 1.1, 5, 6, 13, and 16 significant related party transactions for the year / period and balance arising there from are described as under:

a) Transactions with related parties

Transaction with	**Relationship**	**Nature of transaction**	**31 December 2021**	For the period from 16 October 2019 to 31 December 2020
Saudi Arabian Airlines Corporation ("Saudia")	Shareholder	Revenue	**(16)**	361
		Passenger belly space rental and freighter lease cost	**--**	706
		Aircraft handling and other expenses	**--**	9
Saudi Airlines Cargo Company	Affiliate	Revenue	**253,322**	168,946
		Transfer of net asset & Other Receivables	**--**	101,050
		Shared service cost (note 21(a))	**23,804**	71,481
		Cost recharge	**5,481**	--
		Shared service cost	**--**	227
		Liability taken up on behalf of the Company	**--**	115,214
		Loan to the Company (note 16)	**--**	500,000
		Loan waived (note 16)	**--**	(115,214)
Saudi Aerospace Engineering Industries	Affiliate	Revenue	**8,809**	5,166
Royal Fleet Services	Affiliate	Revenue	**2,023**	1,515
Saudi Private Aviation	Affiliate	Revenue	**(17)**	3,219
Saudi Catering Company	Affiliate	Revenue	**143**	418
Saudi Ground Services	Affiliate	Revenue	**23**	1,507

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

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances with related parties

	31 December 2021	31 December 2020
a) Trade receivables		
Saudi Airlines Cargo Company	**75,854**	101,043
Saudi Aerospace Engineering Industries	**12,861**	5,166
Royal Fleet Services	**3,538**	1,515
Saudi Private Aviation	**44**	505
Saudi Catering Company	**430**	228
Saudi Ground Services	**2,049**	1,507
Saudi Arabian Airlines Corporation ("Saudia")	**280**	297
	95,056	110,261
b) Prepayment and other receivables		
Saudi Airlines Cargo Company	**5,481**	--
c) Trade payable accruals and Other liabilities		
Saudi Airlines Cargo Company	**7,292**	--
Saudi Ground Services Company	**24,033**	--
	31,325	
d) Due to related parties		
Saudi Airline Cargo Company	**--**	115,441
e) Loan from related party		
Saudi Airline Cargo Company	**--**	384,786

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 and Key Management Personnel:

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Short term employee benefits	**13,461**	15,411
Post employment benefits	**671**	525
	14,132	15,936

Board of Directors, audit and executive committees' compensation charged during the year amounting to SR 4.9 million (period ended 31 December 2020: SR 3.5 million).

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

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) The revenue of the Company derived from the related parties comprised of approximately 28% (2020: 21%) of total revenue of the Company.

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following;

	31 December 2021	31 December 2020
Cash at banks	**76,590**	714,642
Short term Murabaha deposits with maturity less than three months (note 11.1)	**415,000**	--
	491,590	714,642

11.1 These deposits earn commission at an average rate of 0.91% per annum as at 31 December 2021 (2020: nil% per annum)

12. SHORT TERM MURABAHA DEPOSITS

	31 December 2021	31 December 2020
Short term Murabaha deposits	**795,000**	--
Less: short term Murabaha deposits with maturity less than three months	**(415,000)**	--
Total	**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 1.07% per annum as at 31 December 2021 (2020: nil% per annum).

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 2021, 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.

13. SHARE CAPITAL (continued)

	31 December 2021		31 December 2020	
	Percentage Holding	**Amount in SR'000**	Percentage Holding	Amount in SR'000
Saudi Arabian Airlines Corporation ("Saudia")	**70%**	**560,000**	70%	350
Tarabot Air Cargo Services Company Limited	**30%**	**240,000**	30%	150
Total	**100%**	**800,000**	100%	500

13.1 Additional capital contribution

	31 December 2021	31 December 2020
Contribution in cash (note 13.1(a))	--	353,000
Waiver of loan (note 13.1(b))	--	115,214
Total	--	468,214

a) During the year ended 31 December 2020, SACC declared an interim dividend of SR 353 million which was approved by its Board of Directors on 3 December 2021. The Shareholders of SACC approved to transfer this amount to the Company to increase its share capital. The Company received this amount in its bank accounts before 31 December 2020.

b) This represents waiver of loan of SR 115.21 million from SACC to the Company.

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 net 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. EMPLOYEES' END OF SERVICE BENEFITS

i) 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 2021	31 December 2020
At the beginning of the year	**50,318**	--
Transfer from SACC (note 1)	**--**	38,814
Transfer to SACC	**(2,845)**	--
Amount recognized in profit and loss		
- Current service cost	**9,280**	7,402
- Interest cost	**1,475**	1,146
	10,755	8,548
Adjustment for actuarial loss due to changes in;		
- Financial assumptions and experience	**16,632**	4,174
	74,860	51,536
Benefits paid	**(2,278)**	(1,218)
Present value of Defined Benefit obligation as at 31 December	**72,582**	50,318

ii) As at 31 December 2021 the valuation of EOSB liabilities was carried 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 2021	31 December 2020
Discount rate	**3%**	3.00%
Expected rate of salary increase	**4%**	2.00%
Mortality rate	**Age based rates, avg is 0.17% p.a.**	Age based rates, avg is 0.17% p.a.
Employee turnover/ withdrawal rate	**0.56%**	0.56%

iii) The amounts recognised in the statement of comprehensive income in respect of these benefits are as follows:

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Current service cost	**9,280**	7,402
Interest cost	**1,475**	1,146
	10,755	8,548

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

15. EMPLOYEES' END OF SERVICE BENEFITS (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

	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**

	Changes in assumptions	**31 December 2020 Increase in**	**Decrease in**
Discount rate	1%	(4,676)	5,545
Future salary growth	1%	5,819	(4,985)
Withdrawal	10%	(220)	209

The weighted average duration of the defined benefit obligation relating to Employees' is 11.35 years (2020: 10.16 years).

16. LOAN FROM A RELATED PARTY

During the year 2019, SACC entered into an agreement with a consortium of banks to obtain a loan of SR 1.2 billion to finance the cargo terminal projects being built by Ground Handling Division of SACC. As at 31 December 2020, the SACC had drawn SR 250 million out of sanctioned amount of SR 1.2 billion. This loan carried markup at commercial rates (SIBOR plus an agreed margin) and was repayable in semi-annual instalments ending in December 2030. The loan was secured by mortgage over the cargo terminal projects. The loan agreement includes certain covenants which include but were not limited to dividend payments and maintenance of certain financial ratios.

The Company and SACC entered into an agreement dated 17 December 2020 ("the Agreement") supplemented by addendum dated 18 January 2021 (effective from 1 January 2020) to transfer Ground Handling Business of SACC and its corresponding assets and liabilities to the Company (note 1). As above loan was obtained by SACC to finance the cargo terminal projects being built by Ground Handling Division, a corresponding loan from SACC to the Company of SR 250 million as at 31 December 2020 was agreed between SACC and the Company as part of net asset transferred under the Agreement. In addition, unamortized balance of loan arrangement fee of SR 13.525 million appearing in the books of SACC was also transferred to the Company under the Agreement. During the year ended 31 December 2020, SACC draw down a further amount of SR 250 million which was also given to the Company against the loan payable to SACC. Moreover, the shareholders of SACC waived off loan of SR 115.21 million. Accordingly, as at 31 December 2020 total loan payable to SACC amounted to SR 384.78 million and carried markup at same rate as that being charged by banks to SACC. During 2021, the Company obtained a loan from a commercial bank amounting to SR 500 million and accordingly settled this loan from SACC as well as due to related party balance of SR 115 million on 30 March 2021 (see note 10 & note 17).

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

17. 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 being built. As at 31 December 2021, the Company had drawn 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 and ending on 30 March 2030. The loan agreement includes certain covenants which include but are not limited to dividend payments and maintenance of certain financial ratios.

18. ACCRUALS AND OTHER LIABILITIES

	31 December 2021	31 December 2020
Employee related accruals	**41,513**	50,195
Accrued rent payable	**105,777**	33,253
Goods / services received; invoice not received	**53,718**	36,548
Accrued handling charges payable	**2,733**	10,556
Accrued IT expenses payable	**14,446**	13,693
Advance from customers	**1,401**	1,401
Provision for discount	**-**	5,847
Accrued interest payable	**-**	3,434
Value added tax (VAT), Output	**2,800**	-
Others	**49,963**	21,414
	272,351	176,341

19. DIVIDEND

During the year ended 31 December 2021 the Company's Board of Directors approved interim distribution of cash dividends amounting to SR100 million (SR 1.25 per share) (31 December 2020: Nil).

20. COST OF REVENUE

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Employees costs	**143,610**	192,424
Contractual labour cost	**129,239**	94,143
Depreciation on right-of-use assets (note 6)	**62,756**	59,860
Rental expenses	**41,004**	37,793
Depreciation expenses (note 5)	**36,230**	23,903
Amortization of intangible assets (note 7)	**2,505**	2,144
Aircraft handling and other charges	**17,323**	15,286
Other operating expenses	**43,527**	23,670
	476,194	449,223

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

21. OTHER INCOME

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Management and service fees charged to SACC (note 21(a))	**23,804**	63,265
Others	**221**	439
	24,025	63,704

a. This represent amount charged by the Company to SACC in respect of use of services of its different department by SACC under a service level agreement between SACC and the Company effective from 1 January 2020.

22. SELLING AND DISTRIBUTION EXPENSES

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Employees costs	**19,007**	6,271
Depreciation expense (note 5)	**20**	180
Amortization of intangible assets (note 7)	**1,555**	--
Other operating expenses	**7288**	8,306
	27,870	14,757

23. GENERAL AND ADMINISTRATION EXPENSES

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Employees costs	**72,518**	64,224
IT Services	**9,837**	28,267
Professional and technical consultancies	**14,579**	7,801
Depreciation expense (note 5)	**4,708**	7,383
Depreciation on right-of-use assets (note 6)	**1,922**	4,743
Impairment loss on trade receivables (note 8)	**9,155**	3,500
Rental expenses	**374**	1,418
Bank charges	**2,116**	1,553
Other operating expenses	**21,502**	16,183
	136,711	135,072

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

24. FINANCE COSTS- net

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Finance charges on lease liabilities (note 6)	**70,437**	71,827
Finance income	**(3,534)**	(360)
Exchange loss	**--**	16
	66,903	71,483

25. ZAKAT

The provision is based on the following:

	31 December 2021	31 December 2020
Equity at the beginning	**707,541**	500
Loan from SAAC	**--**	250,000
Reduction of loan to restrict up to fixed assets	**--**	322,241
Opening provisions and other adjustments	**43,824**	38,814
Book value of property and equipment	**(674,809)**	(572,241)
Zakat base	**76,556**	39,314
Less: 70% exempt	**(53,589)**	(27,520)
Subtotal- zakat base elements	**22,967**	11,794
Adjusted net profit for the year / period	**92,336**	76,303
Zakat base	**115,303**	88,097
Zakat for the year / period	**2,962**	2,277

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

	31 December 2021	For the period from 16 October 2019 to 31 December 2020
Balance at the beginning of the year / period	**2,277**	--
Charge for the year /period	**2,962**	2,277
Payment during the year/ period	**(3,197)**	--
Balance at the end of the year / period	**2,042**	2,277

25. ZAKAT (continued)

Status of assessments

The Company has filed its first annual Zakat return for the period ended 31 December 2020. However, no assessments have raised by the Zakat Customs and Tax Authority ("Authority" or "ZTCA").

26. COMMITMENTS AND CONTINGENCIES

At 31 December 2021, the Company has outstanding commitments for capital expenditures amounting to SR 143 million comparing to SR 192.7 million at 31 December 2020.

At 31 December 2021, the Company's bankers have issued letters of guarantee amounting to SR 31.056 million (31 December 2020: SR nil).

27. 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, due from related parties, loan from related party due to related parties, trade payables, accrued expenses 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.

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

27. FINANCIAL RISK MANAGEMENT (continued)

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 (2020: loan from related party) 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:

	31 December 2021	31 December 2020
Variable rate instruments		
Financial liabilities		
Loan from a related party	--	384,786
Term Loan	**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 (2020: 3.85 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.

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

27. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

	31 December 2021	31 December 2020
Financial assets		
Trade receivables	**102,759**	120,199
Due from related parties	**95,056**	110,261
Other receivables	**32,023**	214
Short term Murabaha deposit	**380,000**	--
Cash and Cash equivalents	**491,590**	714,642
Total	**1,101,428**	945,316

Trade receivables
Trade receivables are carried net of provision for expected credit losses amounting to SR 12.6 million (2020: SR 3.5 million).

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 account 61% of outstanding trade receivables as at 31 December 2021 compared to 42% of outstanding trade receivables as at 31 December 2020. The Company is exposed to credit risk due to sales and trade receivables balances with 5 customers. Further, trade receivables from governmental entities comprise 2.42 % of total outstanding trade receivables as at 31 December 2021 compared to 2% of total outstanding trade receivables as at 31 December 2020.

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.

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.

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

27. FINANCIAL RISK MANAGEMENT (continued)

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 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**
Non derivative financial liabilities							
Trade payables	**15,813**	**15,813**	**--**	**--**	**--**	**--**	**15,813**
Accrued and other liabilities	**272,351**	**272,351**	**--**	**--**	**--**	**--**	**272,351**
Lease liabilities	**1,351,098**	**98,561**	--	**199,375**	**201,373**	**1,705,841**	**2,205,150**
Term Loan	**500,000**	**--**	**--**	**44,959**	**102,714**	**400,983**	**548,656**
	2,139,262	**386,725**	**--**	**244,334**	**304,087**	**2,106,824**	**3,041,970**

		Contractual cash flows					
31 December 2020	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
Non derivative financial liabilities							
Trade payables	15,441	15,441	--	--	--	--	15,441
Accrued and other liabilities	165,659	165,659	--	--	--	--	165,659
Lease liabilities	1,377,955	96,276	1,019	195,411	200,586	1,806,528	2,299,820
Loan from a related party	384,786	384,786					384,786
Due to related parties	115,441	115,441	--	--	--	--	115,441
	2,059,282	777,603	1,019	195,411	200,586	1,806,528	2,981,147

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

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

28. 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.

29. BASIC AND DILUTIVE EARNINGS PER SHARE

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

	31 December 2021	31 December 2020
Profit for the year / period attributable to shareholders of the Company	**275,555**	237,777
Weighted average number of ordinary shares in issue (No of shares)	**60,505,342**	50,000
Basic and diluted earnings per share	**4.55**	4,755.54

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

	31 December 2021	31 December 2020
Issued ordinary shar at beginning of the year / period	**50,000**	50,000
Effect of share issued on 1 April 2021 (note 1)	**60,455,342**	--
	60,505,342	50,000

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

30. 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.

31. IMPACT OF COVID-19

Since early 2020, the Novel Coronavirus Pandemic (COVID-19) has spread globally across various geographies causing disruption to businesses and economic activities. Whilst it is challenging to predict the full extent and duration of business and economic impacts, the management has considered the potential impacts of COVID-19 on the Company's operations and concluded that as of the issuance date of these financial statements, no significant changes are required to the judgements and key estimates. The Company is continuously monitoring the evolving scenario and any change in the judgements and key estimates will be reflected as part of the operating results and cash flows of the future reporting periods.

32. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by Shareholders of the Company on 18 April 2022.