

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

CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and nine-month periods ended 30 September 2023
with
INDEPENDENT AUDITOR'S REPORT

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

CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023

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KPMG Professional Services

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

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية

مركز زهران للأعمال
شارع الأمير سلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent auditor's report on review of condensed interim financial statements

To the Shareholders of SAL Saudi Logistics Services Company

Introduction

We have reviewed the accompanying 30 September 2023 condensed interim financial statements of SAL Saudi Logistics Services Company ("the Company"), which comprises:

- the condensed statement of financial position as at 30 September 2023;
- the condensed statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023;
- the condensed statement of changes in equity for the nine-month period ended 30 September 2023;
- the condensed statement of cash flows for the nine-month period ended 30 September 2023; and
- the notes to the condensed interim financial statements.

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

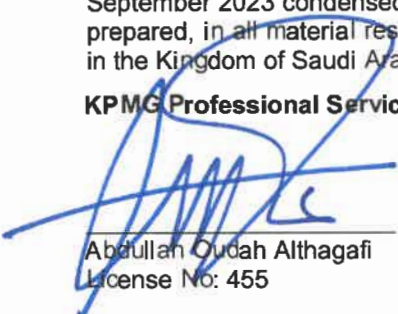
Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 30 September 2023 condensed interim financial statements of SAL Saudi Logistics Services Company are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

KPMG Professional Services


Abdullah Oudah Althagafi
License No: 455



- Jeddah, 7 November 2023
Corresponding to 23 Rabi Al Thani 1445H

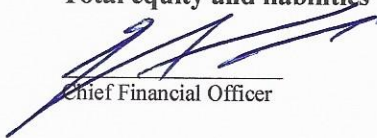
SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)

CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

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

| | Notes | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|-------|-------------------------------------|----------------------------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 4 | 709,690 | 705,366 |
| Right-of-use assets | 5 | 1,178,022 | 1,212,555 |
| Intangible assets | 6 | 14,710 | 14,299 |
| Long term loan receivable | 7 | 23,580 | -- |
| Total non-current assets | | 1,926,002 | 1,932,220 |
| Current assets | | | |
| Long-term loan receivable current portion | 7 | 11,790 | -- |
| Construction work in progress | 8 | -- | 30,758 |
| Trade receivables | 9 | 283,523 | 233,410 |
| Prepayments and other receivables | 10 | 134,451 | 147,066 |
| Cash and cash equivalents | 11 | 998,961 | 940,069 |
| Total current assets | | 1,428,725 | 1,351,303 |
| Total assets | | 3,354,727 | 3,283,523 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 12 | 800,000 | 800,000 |
| Statutory reserve | 13 | 63,947 | 63,947 |
| Retained earnings | | 285,695 | 226,561 |
| Actuarial loss | | (17,381) | (17,381) |
| Total shareholders' equity | | 1,132,261 | 1,073,127 |
| Non-current liabilities | | | |
| Long term loan | 14 | 465,000 | 500,000 |
| Employees' end of service benefits | | 82,907 | 77,976 |
| Lease liabilities | 5 | 1,259,280 | 1,287,944 |
| Total non-current liabilities | | 1,807,187 | 1,865,920 |
| Current liabilities | | | |
| Lease liabilities current portion | 5 | 94,603 | 63,719 |
| Long term loan current portion | 14 | 35,000 | -- |
| Trade payables | 15 | 32,595 | 64,922 |
| Accruals and other liabilities | 16 | 226,827 | 208,397 |
| Zakat payable | 19 | 26,254 | 7,438 |
| Total current liabilities | | 415,279 | 344,476 |
| Total liabilities | | 2,222,466 | 2,210,396 |
| Total equity and liabilities | | 3,354,727 | 3,283,523 |


Chief Financial Officer


Chief Executive Officer



Authorised Board Representative

The attached notes 1 to 29 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

| | Notes | For the three-month period ended 30 September | | For the nine-month period ended 30 September | |
|--|-------|--|----------------|---|----------------|
| | | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Revenue | 20 | 365,762 | 280,197 | 1,045,089 | 870,150 |
| Cost of revenue | | (196,069) | (137,356) | (512,121) | (443,962) |
| Gross profit | | 169,693 | 142,841 | 532,968 | 426,188 |
| Other income | | 3,392 | 1,329 | 6,095 | 3,354 |
| Selling and distribution expenses | | (7,657) | (7,510) | (22,333) | (21,455) |
| General and administration expenses | | (34,369) | (39,344) | (133,964) | (110,822) |
| Operating profit | | 131,059 | 97,316 | 382,766 | 297,265 |
| Finance income | | 13,255 | 4,393 | 36,774 | 11,205 |
| Finance costs | | (21,848) | (18,980) | (64,156) | (53,454) |
| Profit before zakat | | 122,466 | 82,729 | 355,384 | 255,016 |
| Zakat | 19 | (6,500) | (1,567) | (26,250) | (5,573) |
| Profit for the period | | 115,966 | 81,162 | 329,134 | 249,443 |
| <u>Other comprehensive income:</u> | | | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | | | |
| Remeasurement gain / (loss) on defined benefit obligation | | -- | -- | -- | -- |
| Total comprehensive income for the period | | 115,966 | 81,162 | 329,134 | 249,443 |
| Earnings per share: | | | | | |
| Basic and diluted earnings per share from profit for the period attributable to the shareholders (in SR) | 22 | <u>1.45</u> | <u>1.01</u> | <u>4.11</u> | <u>3.12</u> |


Chief Financial Officer


Chief Executive Officer


Authorised Board Representative

The attached notes from 1 to 29 form an integral part of these condensed interim financial statements.

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

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

| | <u>Share capital</u> | <u>Statutory reserve</u> | <u>Retained earnings</u> | <u>Actuarial losses</u> | <u>Total</u> |
|--|----------------------|--------------------------|--------------------------|-------------------------|------------------|
| As at 1 January 2022 (Audited) | 800,000 | 27,706 | 155,390 | (20,806) | 962,290 |
| Dividends (note 17 & 28) | -- | -- | (195,000) | -- | (195,000) |
| <u>Total comprehensive income for the period:</u> | | | | | |
| Profit for the period | -- | -- | 249,443 | -- | 249,443 |
| Other comprehensive income for the period | -- | -- | -- | -- | -- |
| Total comprehensive income for the period | -- | -- | 249,443 | -- | 249,443 |
| As at 30 September 2022 (Unaudited) | 800,000 | 27,706 | 209,833 | (20,806) | 1,016,733 |
| As at 1 January 2023 (Audited) | 800,000 | 63,947 | 226,561 | (17,381) | 1,073,127 |
| Dividends (note 17 & 28) | -- | -- | (270,000) | -- | (270,000) |
| <u>Total comprehensive income for the period:</u> | | | | | |
| Profit for the period | -- | -- | 329,134 | -- | 329,134 |
| Other comprehensive income for the period | -- | -- | -- | -- | -- |
| Total comprehensive income for the period | -- | -- | 329,134 | -- | 329,134 |
| As at 30 September 2023 (Unaudited) | 800,000 | 63,947 | 285,695 | (17,381) | 1,132,261 |


Chief Financial Officer


Chief Executive Officer


Authorised Board Representative

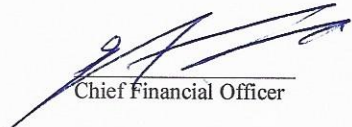
The attached notes from 1 to 29 form an integral part of these condensed interim financial statements

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

CONDENSED STATEMENT OF CASH FLOWS

For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

| | Notes | 30 September <u>2023</u> (Unaudited) | 30 September <u>2022</u> (Unaudited) |
|--|-------|--|--|
| <u>OPERATING ACTIVITIES</u> | | | |
| Profit before zakat | | 355,384 | 255,016 |
| <i>Adjustments for:</i> | | | |
| Depreciation on property and equipment | 4 | 48,505 | 34,504 |
| Depreciation of right-of-use assets | 5 | 50,769 | 49,105 |
| Amortisation of intangible assets | 6 | 2,259 | 2,128 |
| Lease terminations | | (113) | -- |
| Finance costs | | 64,156 | 53,454 |
| Provision for employees' end of service benefits | | 7,552 | 10,698 |
| Loss on disposal of property and equipment | | 57 | -- |
| Impairment loss on trade receivables | 9 | 16,900 | 13,050 |
| | | <u>545,469</u> | <u>417,955</u> |
| <i>Changes in:</i> | | | |
| Trade receivables | | (67,013) | (70,844) |
| Prepayments and other current assets | | 12,615 | (2,442) |
| Construction work in progress | | (4,612) | (23,387) |
| Trade payables | | (32,326) | 11,353 |
| Accrued and other liabilities | | 18,430 | 56,015 |
| Cash generated from operations | | <u>472,563</u> | <u>388,650</u> |
| Employees' benefit paid | | (2,621) | (4,086) |
| Zakat paid | 19 | (7,434) | (2,668) |
| Finance costs paid | | (12,045) | (1,431) |
| Net cash from generated operating activities | | <u>450,463</u> | <u>380,465</u> |
| <u>INVESTING ACTIVITIES</u> | | | |
| Additions to property and equipment | 4 | (52,886) | (79,580) |
| Additions to intangible assets | 6 | (2,670) | (1,617) |
| Net investment in short term murabaha deposits | | -- | 380,000 |
| Net cash (used in) / generated from investing activities | | <u>(55,556)</u> | <u>298,803</u> |
| <u>FINANCING ACTIVITIES</u> | | | |
| Interest paid on lease liabilities | 5 | (8,508) | (52,023) |
| Payment of lease liabilities | 5 | (57,507) | (64,587) |
| Dividends paid | 17 | (270,000) | (195,000) |
| Net cash used in financing activities | | <u>(336,015)</u> | <u>(311,610)</u> |
| Net change in cash and cash equivalents during the period | | 58,892 | 367,658 |
| Cash and cash equivalent at the beginning of the period | | <u>940,069</u> | <u>491,590</u> |
| Cash and cash equivalents at the end of the period | | <u>998,961</u> | <u>859,248</u> |


Chief Financial Officer


Chief Executive Officer


Authorised Board Representative

The attached notes from 1 to 29 form an integral part of these condensed interim financial statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY

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

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

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

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

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

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.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Company for the period ended 30 September 2023 have been prepared in accordance with International Accounting Standards (IAS)-34 “Interim Financial Reporting” as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed interim financial statements do not include all the information required for complete set of financial statements as per International Financial Reporting Standards (IFRS) and should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2022 (last annual financial statements). Accounting policies and selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since last annual financial statements. In addition, results for the interim period ended 30 September 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023.

2.2 Basis of measurement

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

2.4 Significant Accounting Judgments, Estimates and Assumptions

The accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements. New IFRS pronouncements, effective 1 January 2023 (refer note 27) did not have any effect on the condensed interim financial statements.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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. The significant judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

4. PROPERTY AND EQUIPMENT

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

| | <u>Leasehold improvements</u> | <u>Equipment</u> | <u>Furniture and fixtures</u> | <u>Computers</u> | <u>Capital work- in-progress</u> | <u>Total</u> |
|--|-----------------------------------|------------------|-----------------------------------|------------------|--------------------------------------|------------------|
| Cost: | | | | | | |
| As at 1 January 2023 | 508,847 | 221,335 | 4,050 | 11,665 | 82,426 | 828,323 |
| Additions during the period | 10,566 | 4,177 | -- | 99 | 38,044 | 52,886 |
| Transfers from CWIP | 624 | -- | -- | -- | (624) | -- |
| Disposals during the period | -- | (88) | -- | -- | -- | (88) |
| As at 30 September 2023 | 520,037 | 225,424 | 4,050 | 11,764 | 119,846 | 881,121 |
| Accumulated depreciation: | | | | | | |
| As at 1 January 2023 | (52,252) | (62,782) | (1,842) | (6,081) | -- | (122,957) |
| Charge for the period | (24,220) | (22,132) | (571) | (1,582) | -- | (48,505) |
| Disposals during the period | -- | 31 | -- | -- | -- | 31 |
| As at 30 September 2023 | (76,472) | (84,883) | (2,413) | (7,663) | -- | (171,431) |
| Carrying amount: | | | | | | |
| As at 30 September 2023 (Unaudited) | 443,565 | 140,541 | 1,637 | 4,101 | 119,846 | 709,690 |

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

4. PROPERTY AND EQUIPMENT (continued)

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

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

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

b) During the nine-month period ended 30 September 2023 finance charges amounting to SR 14.26 million (year ended 31 December 2022: SR 18.62 million) have been capitalized to Capital work in progress (CWIP).

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

a) The movement of right-of-use assets for the period / year is as follows:

Right-of-use of assets

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|---|
| Cost | | |
| Balance as at the beginning of period / year | 1,402,309 | 1,412,899 |
| Additions during the period / year | 20,453 | 20,046 |
| Lease modification during the period / year | -- | (23,812) |
| Lease termination during the period / year | (6,446) | (6,824) |
| Balance at the end of the period / year | <u>1,416,316</u> | <u>1,402,309</u> |
| Accumulated depreciation | | |
| Balance as at the beginning of the period / year | (189,754) | (129,281) |
| Depreciation for the period / year | (50,769) | (65,488) |
| Lease termination during the period / year | 2,229 | 5,015 |
| Balance at the end of the period / year | <u>(238,294)</u> | <u>(189,754)</u> |
| Carrying amount at the end of the period / year | <u>1,178,022</u> | <u>1,212,555</u> |

b) The movement of lease liabilities during the period / year is as follows:

Lease Liabilities

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|---|
| Balance at the beginning of the period / year | 1,351,663 | 1,429,147 |
| Addition during the period / year | 20,453 | 20,046 |
| Lease termination during the period / year | (4,330) | (1,809) |
| Lease modification during the period / year | -- | (23,812) |
| Rent concessions during the period / year | -- | (7,610) |
| Unwinding of lease liability (finance cost) | 52,112 | 69,753 |
| Repayment during the period / year | (66,015) | (134,052) |
| Balance at the end of the period / year | <u>1,353,883</u> | <u>1,351,663</u> |

c) Lease modification pertained to the year ended 31 December 2022 relating to the changes in contract term of Jeddah Terminal Lease Contract which resulted in decrease in carrying value of lease liabilities and right of use asset.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

For the three-month and nine-month periods ended 30 September 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

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

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------|--|----------------------------------|
| Current portion | 94,603 | 63,719 |
| Non-current portion | 1,259,280 | 1,287,944 |
| Total | <u>1,353,883</u> | <u>1,351,663</u> |

6. INTANGIBLE ASSETS

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|----------------------------------|
| <u>Cost:</u> | | |
| Balance at the beginning of the period / year | 23,364 | 21,635 |
| Additions during the period / year | 2,670 | 1,729 |
| Balance at the end of the period / year | <u>26,034</u> | <u>23,364</u> |

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|----------------------------------|
| <u>Accumulated amortization:</u> | | |
| Balance at the beginning of the period / year | (9,065) | (6,204) |
| Amortization charge for the period / year | (2,259) | (2,861) |
| Balance at the end of the period / year | <u>(11,324)</u> | <u>(9,065)</u> |
| Carrying amount at the end of the period / year | <u>14,710</u> | <u>14,299</u> |

SAL SAUDI LOGISTICS SERVICES COMPANY
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7. LONG TERM LOAN RECEIVABLE

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|----------------------------------|
| Long-term loan receivable | 23,580 | -- |
| Current portion of long-term loan receivable | 11,790 | -- |
| Non-current portion of long-term loan receivable | <u>35,370</u> | <u>--</u> |

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

8. CONSTRUCTION WORK IN PROGRESS

Construction work in progress relates to construction of permanent utilities on leasehold land relating to Jeddah new terminal facility on behalf of Jeddah Airports Company (lessor). During the period, construction of permanent utilities on leasehold land relating to Jeddah new terminal facility on behalf of Jeddah Airports Company (lessor) was completed and construction work in progress transferred to long-term loan receivable (refer note 7).

9. TRADE RECEIVABLES

Trade receivables comprise of the following:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|----------------------------------|
| Trade receivables – third parties | 227,224 | 181,031 |
| Trade receivables – related parties (note 18 (b) (i)) | 102,376 | 81,556 |
| | <u>329,600</u> | <u>262,587</u> |
| Less: Impairment loss on trade receivables (note 9.1) | (46,077) | (29,177) |
| | <u>283,523</u> | <u>233,410</u> |

9.1 The movement in the impairment loss on trade receivables during the period / year is as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|----------------------------------|
| Balance at the beginning of the period / year | 29,177 | 12,655 |
| Impairment charge for the period / year | 16,900 | 16,522 |
| Balance at the end of the period / year | <u>46,077</u> | <u>29,177</u> |

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10. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|----------------------------------|--|----------------------------------|
| Advances to vendors | 3,214 | 11,845 |
| Prepayments | 24,831 | 8,844 |
| Value added tax (VAT) refundable | 48,551 | 99,710 |
| Others | 57,855 | 26,667 |
| | <u>134,451</u> | <u>147,066</u> |

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|----------------------------------|
| Cash at banks | 153,961 | 210,069 |
| Short term murabaha deposits with maturity of less than three months | 845,000 | 730,000 |
| | <u>998,961</u> | <u>940,069</u> |

11.1 These deposits earn commission at an average rate of 5.68% per annum as at 30 September 2023 (31 December 2022: 5.23% per annum).

12. SHARE CAPITAL

| | 30 September 2023 (Unaudited) | | | 31 December 2022 (Audited) | | |
|---|--|-------------------------------|----------------|---------------------------------------|-------------------------------|----------------|
| | No. of shares in "000" | Percentage holding | Amount | No. of shares in "000" | Percentage holding | Amount |
| Saudi Arabian Airlines Corporation ("Saudia") | 56,000 | 70% | 560,000 | 56,000 | 70% | 560,000 |
| Tarabot Air Cargo Services Company Limited | 24,000 | 30% | 240,000 | 24,000 | 30% | 240,000 |
| Total | <u>80,000</u> | <u>100%</u> | <u>800,000</u> | <u>80,000</u> | <u>100%</u> | <u>800,000</u> |

13. STATUTORY RESERVE

In accordance with the Company's By-law, the Company transfers 10% of the income for the year to statutory reserve until such reserve equals 30% of its share capital.

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14. LONG TERM LOAN

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------------------------|--|----------------------------------|
| Long term loan | 500,000 | 500,000 |
| Current portion of long term loan | (35,000) | -- |
| Non-current portion of long term loan | <u>465,000</u> | <u>500,000</u> |

During 2021, the Company entered into an agreement with a commercial bank to obtain a loan facility of SR 600 million in order to finance the cargo terminal projects under construction. As at 30 September 2023, the Company had drawn SR 500 million (31 December 2022: SR 500 million) out of sanctioned amount of SR 600 million. This loan carries markup at commercial rates (SIBOR plus an agreed margin) and is repayable in semi-annual instalments starting from 30 March 2024 up to 30 March 2030. The loan agreement includes certain covenants which include but are not limited to dividend payments and maintenance of certain financial ratios.

15. TRADE PAYABLES

Trade payables comprise of the following:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|----------------------------------|
| Trade payable – third parties | 32,393 | 59,120 |
| Trade payable – related parties (note 18 (b) (iii)) | 202 | 5,802 |
| | <u>32,595</u> | <u>64,922</u> |

16. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities comprise of the following:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|----------------------------------|
| Accrued handling charges | 3,763 | 878 |
| Accrued IT expenses | 19,361 | 14,414 |
| Accrued logistics services | 2,890 | 4,999 |
| Accrued marketing expenses | 5,415 | 2,269 |
| Accrued rent | 22,469 | 3,222 |
| Accrued professional charges | 23,397 | 12,068 |
| Advance from customers | 1,224 | 21,982 |
| Employee related accruals | 34,829 | 34,206 |
| Goods / services received not invoiced | 54,330 | 61,264 |
| Other accruals | 59,149 | 53,095 |
| | <u>226,827</u> | <u>208,397</u> |

Accruals and other liabilities include SR 6.3 million as at 30 September 2023 (31 December 2022: SR 10.5 million) that is due to related parties (note 18 (b) (ii)).

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17. DIVIDEND

During the period ended 30 September 2023, the Company's Board of Directors approved distribution of cash dividend amounting to SR 270 million (30 September 2022: SR 195 million), SR 3.375 per share (30 September 2022: SR 2.438 per share).

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Transactions with related parties

| <u>Transaction with</u> | <u>Relationship</u> | <u>Nature of transaction</u> | <u>Transaction during the three month period ended 30 September</u> | | <u>Transaction during the nine month period ended 30 September</u> | |
|---|---------------------|------------------------------|---|----------------------------|--|----------------------------|
| | | | <u>2023</u> (Unaudited) | <u>2022</u> (Unaudited) | <u>2023</u> (Unaudited) | <u>2022</u> (Unaudited) |
| Saudi Arabian Airlines Corporation ("Saudia") | Shareholder | Revenue | 903 | (8,322) | 3,443 | -- |
| | | Cost charge | (436) | -- | (681) | (5,940) |
| Saudi Airlines Cargo Company | Affiliate | Revenue | 46,926 | 64,856 | 173,109 | 190,227 |
| | | Shared service recovery | 1,232 | 1,329 | 3,837 | 3,342 |
| | | Cost charge | (4,283) | (1,407) | (14,979) | (30,939) |
| Saudi Aerospace Engineering Industries | Affiliate | Revenue | 13,201 | 7,846 | 28,314 | 9,348 |
| | | Cost charge | -- | 5 | -- | -- |
| Royal Fleet Services | Affiliate | Revenue | 73 | 281 | 1,073 | 796 |
| Saudi Private Aviation | Affiliate | Revenue | 2,688 | 124 | 5,738 | 255 |
| | | Cost charge | (63) | (5,050) | (63) | (5,050) |
| Saudi Airlines Catering Company | Affiliate | Revenue | -- | 273 | -- | 625 |
| | | Cost charge | (6) | (4) | (46) | (514) |
| Saudi Ground Services Company | Affiliate | Revenue | -- | 1,833 | -- | 1,833 |
| | | Handling cost | (5,777) | (3,330) | (9,025) | (13,859) |
| Prince Sultan Aviation | Affiliate | Cost charge | -- | 120 | (85) | (439) |
| Flyadeal Airline Company | Affiliate | Revenue | 2,114 | -- | 2,114 | -- |

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18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances with related parties

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|----------------------------------|
| i) <u>Trade receivables</u> | | |
| Saudi Airlines Cargo Company | 45,333 | 54,444 |
| Saudi Aerospace Engineering Industries | 49,552 | 25,841 |
| Royal Fleet Services | 1,198 | 979 |
| Saudi Private Aviation | 1,406 | 78 |
| Saudi Airlines Catering Company | -- | 214 |
| Flyadeal Airline Company | 1,444 | -- |
| Saudi Arabian Airlines Corporation ("Saudia") | 3,443 | -- |
| | <u>102,376</u> | <u>81,556</u> |
| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
| ii) <u>Accruals and other liabilities:</u> | | |
| Saudi Airlines Cargo Company | 19 | 4,213 |
| Saudi Arabian Airlines Corporation ("Saudia") | 534 | 658 |
| Saudi Airlines Catering Company | 8 | 349 |
| Saudi Private Aviation | 173 | 196 |
| Saudi Ground Services Company | 5,238 | 4,787 |
| Prince Sultan Aviation | 331 | 331 |
| | <u>6,303</u> | <u>10,534</u> |
| iii) <u>Trade payable</u> | | |
| Saudi Airline Cargo Company | 202 | 3,892 |
| Saudi Airlines Catering Company | -- | 261 |
| Saudi Ground Services Company | -- | 1,632 |
| Saudi Private Aviation | -- | 6 |
| Saudi Arabian Airlines Corporation ("Saudia") | -- | 11 |
| | <u>202</u> | <u>5,802</u> |

c) Key management personnel compensation

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

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18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Key management personnel compensation (continued)

| | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) |
|------------------------------|--|-------------------------------------|
| Short term employee benefits | 18,913 | 16,751 |
| Post-retirement benefits | 891 | 719 |
| | <u>19,804</u> | <u>17,470</u> |

Board of Directors, audit and executive committees' compensation charged during the period amounting to SR3.4 million (period ended 30 September 2022: SR3.8 million).

The revenue of the Company derived from the related parties comprised of approximately 20% (period ended 30 September 2022: 24%) of total revenue of the Company.

19. ZAKAT

a) Charge for the period

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|-------------------------|--|----------------------------------|
| Charge for the period | 22,735 | 8,064 |
| Prior period adjustment | 3,515 | -- |
| | <u>26,250</u> | <u>8,064</u> |

Zakat for the period ended comprise of the following:

b) Zakat payable

The provision is based on the following:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--|--|----------------------------------|
| Equity at the beginning | 803,126 | 806,900 |
| Opening provisions and other adjustments | 1,782,556 | 579,672 |
| Book value of property and equipment | (1,902,422) | (719,665) |
| Zakat base | 683,260 | 666,907 |
| Less: 70% exempt | -- | (466,835) |
| Subtotal- zakat base elements | 683,260 | 200,072 |
| Adjusted profit for the period / year | 392,632 | 116,437 |
| Zakat base | 1,075,892 | 316,509 |
| Zakat for the period / year | <u>26,250</u> | <u>8,064</u> |

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19. ZAKAT (continued)

b) Zakat payable (continued)

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---|--|---|
| Balance at the beginning of the period / year | 7,438 | 2,042 |
| Charge for the period / year | 26,250 | 8,064 |
| Payment during the period / year | <u>(7,434)</u> | <u>(2,668)</u> |
| Balance at the end of the period / year | <u>26,254</u> | <u>7,438</u> |

Status of assessments

The Company has filed its annual Zakat declarations up to year ended 31 December 2022. The Zakat Customs and Tax Authority ("Authority" or "ZATCA") is currently reviewing the declarations filed and has not issued any queries or assessment.

20. REVENUE

A. Revenue streams

Revenue for the year comprise of the following streams:

| | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) |
|----------------------------|--|--|
| Airline handling revenue | 395,892 | 342,626 |
| Logistic solutions revenue | 164,584 | 101,868 |
| Terminal handling revenue | 482,699 | 418,613 |
| Other | <u>1,914</u> | <u>7,043</u> |
| | <u>1,045,089</u> | <u>870,150</u> |

B. Disaggregation of revenue from contracts with customers

i) *Primary geographical markets*

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

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20. REVENUE (continued)

B. Disaggregation of revenue from contracts with customers (continued)

ii) Major service lines

| | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) |
|--------------------|--|-------------------------------------|
| Air cargo handling | 880,505 | 768,282 |
| Logistic solutions | 164,584 | 101,868 |
| | 1,045,089 | 870,150 |

iii) Timing of recognition of revenue

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

21. COMMITMENTS AND CONTINGENCIES

At 30 September 2023, the Company has outstanding commitments for capital expenditures amounting to SR 40.71 million (31 December 2022: SR 68 million).

At 30 September 2023, the Company's bankers have issued letters of guarantee amounting to SR 32.54 million (31 December 2022: SR 34.59 million).

At 30 September 2023, there were no outstanding contingencies (31 December 2022: Nil).

22. BASIC AND DILUTIVE EARNINGS PER SHARE

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

| | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) |
|--|--|-------------------------------------|
| Profit for the period attributable to shareholders of the Company (SR '000') | 329,134 | 249,443 |
| The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000') | 80,000 | 80,000 |
| Basic and diluted earnings per share based on profit for the period attributable to shareholders of the Company (SR) | 4.11 | 3.12 |

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22. BASIC AND DILUTIVE EARNINGS PER SHARE (continued)

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

| | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) |
|--|--|--|
| Issued ordinary share at beginning of the period ('000') | <u>80,000</u> | <u>80,000</u> |
| | <u>80,000</u> | <u>80,000</u> |

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

23. FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

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

Financial asset and liability are 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.

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23. 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 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:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|----------------------------------|--|---|
| Variable rate instruments | | |
| <u>Financial liabilities</u> | | |
| Long term loan | <u>500,000</u> | <u>500,000</u> |

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 nine-month period ended 30 September 2023 by SR 3.8 million (30 September 2022: SR 3.8 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.

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23. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|---------------------------|--|---|
| Financial assets | | |
| Trade receivables | 329,600 | 262,587 |
| Other receivables | 57,855 | 26,667 |
| Cash and cash equivalents | 998,961 | 940,069 |
| Total | 1,386,416 | 1,229,323 |

Trade receivables

Trade receivables are carried net of provision for expected credit losses amounting to SR 46.08 million (31 December 2022: SR 29.2 million).

At 30 September, the exposure to credit risk of trade receivables by type of counterparty was as follows:

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|--------------------------------------|--|---|
| Airline customers | 106,265 | 99,996 |
| Commercial customers | 73,701 | 63,549 |
| Logistics customers | 142,534 | 93,735 |
| Other | 7,100 | 5,307 |
| Sub-total | 329,600 | 262,587 |
| Impairment loss on trade receivables | (46,077) | (29,177) |
| Total | 283,523 | 233,410 |

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

The Company renders its services to a large number of customers. The five largest customers (including related parties) account for 55% of outstanding trade receivables as at 30 September 2023 (31 December 2022: 54%). Further, trade receivables from related parties and government comprise 56% of total outstanding trade receivables as at 30 September 2023 compared to 38% of total outstanding trade receivables as at 31 December 2022.

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23. FINANCIAL RISK MANAGEMENT (continued)

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

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

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

| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
|-------------------|--|---|
| Current (not due) | 203,262 | 197,389 |
| 91-180 Days | 36,039 | 15,363 |
| 181-270 Days | 30,808 | 3,665 |
| 271-360 Days | 23,145 | 26,015 |
| 361-450 Days | 2,124 | 3,529 |
| Over 451 days | 34,222 | 16,626 |
| Total | 329,600 | 262,587 |

Other receivables

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

Short term Murabaha deposits and Cash and cash equivalents

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

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23. 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.

| 30 September 2023 (Unaudited) | 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 |
|---|----------------------------|-------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|------------------|
| <i>Non derivative financial liabilities</i> | | | | | | | |
| Trade payables | 32,595 | 32,595 | -- | -- | -- | -- | 32,595 |
| Accrued and other liabilities | 225,603 | 225,603 | -- | -- | -- | -- | 225,603 |
| Lease liabilities | 1,353,883 | 157,506 | 5,380 | 214,180 | 213,436 | 1,525,336 | 2,115,838 |
| Long term loan | 500,000 | 35,492 | 35,055 | 148,579 | 159,663 | 295,650 | 674,439 |
| | <u>2,112,081</u> | <u>451,196</u> | <u>40,435</u> | <u>362,759</u> | <u>373,099</u> | <u>1,820,986</u> | <u>3,048,475</u> |
| | | | | | | | |
| 31 December 2022 (Audited) | 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 |
| <i>Non derivative financial liabilities</i> | | | | | | | |
| Trade payables | 63,719 | 63,719 | -- | -- | -- | -- | 63,719 |
| Accrued and other liabilities | 186,415 | 186,415 | -- | -- | -- | -- | 186,415 |
| Lease liabilities | 1,351,663 | 117,030 | 15,485 | 207,712 | 205,949 | 1,616,428 | 2,162,604 |
| Long term loan | 500,000 | 12,965 | 12,965 | 119,136 | 140,709 | 364,615 | 650,390 |
| | <u>2,101,797</u> | <u>380,129</u> | <u>28,450</u> | <u>326,848</u> | <u>346,658</u> | <u>1,981,043</u> | <u>3,063,128</u> |

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

24. CAPITAL RISK MANAGEMENT

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

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

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

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25. FAIR VALUE OF ASSETS AND LIABILITIES

The Company's financial assets consist of cash and bank balances, trade receivables, deposits and other receivables. Its financial liabilities consist of trade payables, lease liabilities, dividend payable, long-term loan 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.

26. SEGMENT INFORMATION

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

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

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

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

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26. SEGMENT INFORMATION (continued)

A. Information about reportable segments

i) Reconciliation of revenue and profits:

| | Air cargo handling | | Logistic solutions | | Fulfillment | | Total | |
|------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) | 30 September 2023 (Unaudited) | 30 September 2022 (Unaudited) |
| External revenue | 880,505 | 768,282 | 164,584 | 101,868 | -- | -- | 1,045,089 | 870,150 |
| Segment revenue | 884,243 | 768,671 | 164,584 | 101,868 | -- | -- | 1,048,827 | 870,539 |
| Inter-segment revenue | (3,738) | (389) | -- | -- | -- | -- | (3,738) | (389) |
| Operating and administration costs | (412,003) | (400,427) | (152,603) | (90,075) | (2,279) | -- | (566,885) | (490,502) |
| Other income | 7,567 | 4,056 | (1,472) | (702) | -- | -- | 6,095 | 3,354 |
| EBITDA | 476,069 | 371,911 | 10,509 | 11,091 | (2,279) | -- | 484,299 | 383,002 |
| Depreciation and amortization | (100,173) | (84,899) | (955) | (838) | (405) | -- | (101,533) | (85,737) |
| Operating profit | 375,896 | 287,012 | 9,554 | 10,253 | (2,684) | -- | 382,766 | 297,265 |
| Finance income | 36,774 | 11,167 | -- | 38 | -- | -- | 36,774 | 11,205 |
| Finance costs | (63,840) | (53,316) | (210) | (138) | (106) | -- | (64,156) | (53,454) |
| Profit before zakat | 348,830 | 244,863 | 9,344 | 10,153 | (2,790) | -- | 355,384 | 255,016 |

ii) Reconciliation of assets and liabilities:

| | Air cargo handling | | Logistic solutions | | Fulfillment | | Total | |
|--------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) | 30 September 2023 (Unaudited) | 31 December 2022 (Audited) |
| Total assets | 3,217,226 | 3,210,943 | 132,249 | 72,580 | 5,252 | -- | 3,354,727 | 3,283,523 |
| Total liabilities | 2,175,893 | 2,191,964 | 42,560 | 18,432 | 4,013 | -- | 2,222,466 | 2,210,396 |

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26. SEGMENT INFORMATION (continued)

B. Reconciliations of information on reportable segments to IFRS measures:

| | 30 September <u>2023</u> (Unaudited) | 30 September <u>2022</u> (Unaudited) |
|---------------------------------------|---|---|
| Total revenue for reportable segments | 1,048,827 | 870,539 |
| Elimination of intersegment revenue | <u>(3,738)</u> | <u>(389)</u> |
| Total revenue | <u>1,045,089</u> | <u>870,150</u> |

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

C. Geographical information

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

D. Major customer

Revenue from one customer of the Company's Air cargo handling segment represented approximately 16% (30 September 2022: 25%) of the Company's total revenue for the period ended 30 September 2023.

27. STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE

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

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

| <u>Standard / Interpretation</u> | <u>Description</u> | <i>Effective from periods beginning on or after the following date</i> |
|---|--|---|
| IAS 1 | Classification of liabilities as current or non-current (amendments to IAS 1) and Non-current liabilities with covenants (amendments to IAS 1) | 1 January 2024 |
| IFRS 10 and IAS 28 | Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28) | Available for optional adoption / effective date deferred indefinitely |
| IFRS 16 | Lease Liability in a Sale and Leaseback – Amendment | 1 January 2024 |

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

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27. STANDARDS, INTERPRETATIONS AND AMENDMENTS ISSUED BUT NOT YET EFFECTIVE (continued)

The standards, interpretations and amendments with effective date of 1 January 2023 will not have any material impact on the Company's condensed interim financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's condensed interim financial statements on adoption.

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

This table lists the recent changes to the Standards that are required to be applied for an annual period beginning after 1 January 2023 and that are available for early adoption in annual periods beginning on 1 January 2023.

| <u>Effective date</u> | <u>New Standards or amendments</u> |
|-----------------------|--|
| 1 January 2023 | IFRS 17 - Insurance contracts and amendments |
| 1 January 2023 | IAS 8 - Definition to accounting estimates |
| 1 January 2023 | IAS 12 - Deferred Tax related to Assets and Liabilities arising from a Single Transaction` |
| 1 January 2023 | IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies |

28. SUBSEQUENT EVENTS

The Board of Directors of the Company in their meeting held on 29 August 2023 approved the distribution of dividends at SR 0.875 per share, amounting to SR 70 million. The dividend was paid to the shareholders on 18 September 2023. On 3 October 2023 the Company established that the dividend declaration was not in line with the disclosures made in the Company's IPO Prospectus dated 21 June 2023. The Board of Directors in their resolution dated 4 October 2023 approved to cancel and retract the aforementioned dividend declared on 29 August 2023, to be in line with the disclosures made in the Company's IPO Prospectus dated 21 June 2023. Subsequent to the nine month period ended 30 September 2023 the respective shareholders have paid back their respective dividends amounting to SR 49 million by Saudi Arabian Airlines Corporation and SR 21 million by Tarabot Air Cargo Services Company Limited.

On 21 June 2023, the Capital Market Authority (CMA) has approved the registration of the Company shares for the purpose of direct listing on Primary Market (Tadawul). Tadawul announced that shares of SAL Saudi Logistics Services Company are listed in Primary Market on 1 November 2023 and start trading with the symbol 4263 and ISIN Code SA15T1L22JH8.

There have been no significant events, other than disclosed above, since the period ended 30 September 2023, that would require disclosures or adjustments in these condensed interim financial statements.

29. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed interim financial statements were approved by Board of Directors of the Company on 6 November 2023, corresponding to 22 Rabi Al Thani 1445H.