SAUDI GROUND SERVICES COMPANY
(A SAUDI JOINT STOCK COMPANY)

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Building a better working world

Ernst & Young Professional Services (Professional LLC)
Paid-up capital (SR 5,500,000 – Five million five hundred thousand Saudi Riyal)
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

Opinion

We have audited the financial statements of Saudi Ground Services Company (the "Company"), which comprise the statement of financial position as at 31 December 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (continued)

Key audit matter	How the matter was addressed in our audit
Impairment Assessment of customer relationships and goodwill At 31 December 2023, the carrying value of the customer relationships and goodwill amounted to SR 164 million (2022: SR 187 million) and SR 583 million (2022: SR 583 million), respectively. The Company is required to, at least annually, perform impairment assessments of goodwill that have an indefinite useful life. For customer relationships, with definite useful lives, the Company is required to review these for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives. Management engaged an independent expert to carry out the impairment assessment. The impairment assessment was performed by comparing the carrying value of the Cash Generating Unit ("CGU"), including goodwill, to its recoverable amount. The recoverable amount of each CGU was determined based on value-in-use ("VIU") calculations. These calculations employ a discounted cash flow (DCF) model, by using cash flow projections based on financial budgets prepared by management and approved by the Board of Directors. The Company's VIU model for the CGU includes significant judgement and assumptions relating to cashflow projections, long term growth rates and the discount rate, and is highly sensitive to the changes in these assumptions. The above -mentioned factors have increased the estimation uncertainty around the recoverable amount hence, impairment assessment of customer relationship and goodwill. We considered the impairment assessment of goodwill and customer relationships as a key audit matter as it involves significant judgement and high level of estimation by the Company's management as well as a greater level of audit effort and judgement to evaluate the reasonableness of management's significant judgements and assumptions underlying the goodwill and customer relations impairment model. Refer to the summary of material accounting policy information note 4.6, note 2.3 for the critical accounting estimates and judgements and note 7 which details the disclosure of impairment of goodwill and customer relationships.	We performed the following audit procedures: ➢ Analysed the identification of CGU and assessed whether management's assessment is in line with our understanding of the business and consistent with the internal reporting. ➢ Reviewed the management's procedures for identifying impairment indicators in respect of customer relationships. ➢ Evaluated competence, capabilities and objectivity of the independent expert engaged by the Company. ➢ Reviewed the strategic/operating plan as prepared by the management and approved by Board of Directors, and ensured they were consistently applied in the impairment assessment conducted by the independent expert. ➢ Evaluated the reliability and relevance of prospective financial information used in the value-in-use calculations by considering reasonableness of the approved budget in comparison with the Company's historical results. ➢ Involved our internal specialists to: • Assess the reasonableness of methodology used by management to determine recoverable value based on VIU calculations. • Assess the reasonableness of significant judgments and assumptions made by the management in the value-in-use calculations. • Assess the sensitivity of the results of the VIU model to the various key assumptions, such as long-term growth rate and discount rate, within a reasonably possible range reflective of the current environment. ➢ Assessed the adequacy and appropriateness of related disclosures in the accompanying financial statements.

Key Audit Matters (continued)

<table>
<tr><th>Key audit matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>
Allowance for expected credit losses
As at 31 December 2023, the gross trade receivables amounted to SR 1,559 million (2022: SR 1,445 million), against which an allowance for expected credit losses of SR 310 million (2022: SR 292) was maintained.
The Company assesses at each reporting date whether trade receivables carried at amortized cost are credit impaired. The management determines and recognises expected credit losses ('ECL') as required by International Financial Reporting Standard 9 (Financial Instruments) ('IFRS 9'). Significant judgments, estimates and assumptions have been made by the management in the calculation of ECL impact.
We have considered this as a key audit matter as the determination of ECL involves significant management judgement and assumptions, including future macro-economic factors and the study of historical trends.
Refer to note 4.3 to the financial statements for the summary of material accounting policy information, note 2.3 for the critical accounting estimates and judgements and note 10 which details the disclosure of impairment against accounts receivable.
</td><td>
We performed the following procedures:

Evaluated the Company's accounting policy for ECL allowance in accordance with the requirement of IFRS 9.
Obtained an understanding of management's assessment of the impairment of trade receivables and allowance for expected credit losses.
Involved our internal specialist to assess the reasonableness of significant judgements, estimates and assumptions made by the management related to the Company's assessment of the probability of default, incorporation of forward-looking information and the loss given default parameter used in ECL model.
Tested the accuracy of trade receivables ageing generated by the accounting system which is used in the preparation of ECL model as at 31 December 2023.
Tested the arithmetical accuracy of the ECL model.
Assessed the adequacy and appropriateness of the related disclosures in the accompanying financial statements.

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</table>

Other information included in The Company's 2023 Annual Report

Other information consists of the information included in the Company's 2023 annual report, other than the financial statements and our auditor's report thereon. We obtained the Company's 2023 draft annual report, prior to the date of our auditor's report, and we expect to obtain the Company's 2023 final annual report after the date of our auditor's report. Management is responsible for the other information in its annual report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are endorsed by the Saudi Organization for Chartered and Professional Accountants and the provisions of Companies' Law and 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 i.e., the Audit Committee is responsible for overseeing the Company's financial reporting process.

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 the 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 judgment and maintain professional skepticism 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.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY) (continued)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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, 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 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

for Ernst & Young Professional Services

Abdulaziz S. Alarifi
Certified Public Accountant
License No. (572)

Jeddah: 17 Ramadhan 1445H
27 March 2024G

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(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

SAUDI GROUND SERVICES COMPANY (A SAUDI JOINT STOCK COMPANY)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2023

	Note	*31 December 2023 SR'000*	*31 December 2022 SR'000*
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	5	**486,568**	433,259
Right-of-use assets	6	**224,553**	128,671
Intangible assets and goodwill	7	**746,780**	776,324
Equity-accounted investments	8	**95,705**	74,365
Prepayments and other assets	9	**42,124**	90,237
TOTAL NON-CURRENT ASSETS		**1,595,730**	1,502,856
CURRENT ASSETS			
Inventories		**4,870**	9,941
Trade receivables	10	**1,248,376**	1,152,820
Prepayments and other assets	9	**678,960**	631,364
Financial assets at fair value through profit or loss (FVTPL)	11	**124,439**	209,185
Short term deposits	12	**500,000**	-
Cash and bank balances	13	**79,090**	864,417
TOTAL CURRENT ASSETS		**2,635,735**	2,867,727
TOTAL ASSETS		**4,231,465**	4,370,583
EQUITY AND LIABILITIES			
EQUITY			
Share capital	14.1	**1,880,000**	1,880,000
Statutory reserve	14.2	**520,173**	499,025
Accumulated losses		**(68,681)**	(276,995)
TOTAL EQUITY		**2,331,492**	2,102,030
NON-CURRENT LIABILITIES			
Loans and borrowings	15	**-**	448,831
Lease liabilities	6	**150,679**	78,166
Employee defined benefit liabilities	16	**558,843**	550,177
TOTAL NON-CURRENT LIABILITIES		**709,522**	1,077,174
CURRENT LIABILITIES			
Loans and borrowings	15	**100,000**	175,797
Lease liabilities	6	**86,115**	54,213
Trade payables	17	**130,958**	91,593
Accruals and other current liabilities	18	**509,175**	544,091
Zakat provision	19	**364,203**	325,685
TOTAL CURRENT LIABILITIES		**1,190,451**	1,191,379
TOTAL LIABILITIES		**1,899,973**	2,268,553
TOTAL EQUITY AND LIABILITIES		**4,231,465**	4,370,583

Mohammed A. Mazi Chief Financial Officer	Raed Hassan Al Idrissi Chief Executive Officer	Khalid Al Buainain Chairman of the Board of Directors

The accompanying notes from 1 to 30 form an integral part of these financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	***31 December 2023 SR'000***	*31 December 2022 SR'000*
Revenue	20	**2,458,888**	1,977,037
Cost of revenue	21	**(2,049,876)**	(1,817,998)
GROSS PROFIT		**409,012**	159,039
Other income	22	**52,204**	26,550
General and administrative expenses	23	**(210,285)**	(286,410)
Impairment losses on trade and other receivables	9,10	**(22,698)**	(18,834)
OPERATING PROFIT / (LOSS)		**228,233**	(119,655)
Finance costs	24	**(31,237)**	(31,208)
Interest income on term deposits		**40,080**	8,080
Realized and unrealized gain on financial assets at FVTPL	11	**10,468**	41,115
Share of results from equity-accounted investments	8	**23,340**	24,065
PROFIT / (LOSS) FOR THE YEAR BEFORE ZAKAT		**270,884**	(77,603)
Zakat charge	19	**(59,407)**	(166,885)
PROFIT / (LOSS) FOR THE YEAR		**211,477**	(244,488)
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to statement of profit or loss in subsequent periods:			
Re-measurement gain on defined benefit liability	16	**17,985**	81,935
Share of other comprehensive loss from equity-accounted investments	8	**-**	(131)
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**17,985**	81,804
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**229,462**	(162,684)
Earnings / (loss) per share			
Earnings / (loss) per share attributable to ordinary equity holders of the Company (basic and diluted) (in SR)	14.3	**1.12**	(1.30)

Mohammed A. Mazi
Chief Financial Officer

Raed Hassan Al Idrissi
Chief Executive Officer

Khalid Al Buainain
Chairman of the Board of Directors

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Share capital	*Statutory reserve*	*Accumulated losses*	*Total*
	SR'000	*SR'000*	*SR'000*	*SR'000*
Balance as at 1 January 2022	1,880,000	499,025	(114,311)	2,264,714
Loss for the year	-	-	(244,488)	(244,488)
Other comprehensive income for the year	-	-	81,804	81,804
Total comprehensive loss for the year	-	-	(162,684)	(162,684)
Balance as at 31 December 2022	1,880,000	499,025	(276,995)	2,102,030
Profit for the year	-	-	211,477	211,477
Other comprehensive income for the year	-	-	17,985	17,985
Total comprehensive income for the year	-	-	229,462	229,462
Transfer to statutory reserve (note 14.2)	-	21,148	(21,148)	-
Balance as at 31 December 2023	**1,880,000**	**520,173**	**(68,681)**	**2,331,492**

Mohammed A. Mazi
Chief Financial Officer

Raed Hassan Al Idrissi
Chief Executive Officer

Khalid Al Buainain
Chairman of the Board of Directors

STATEMENT OF CASH FLOWS
For the year ended 31 December 2023

	Notes	**31 December 2023 SR'000**	*31 December 2022 SR'000*
OPERATING ACTIVITIES			
Profit / (loss) before zakat		**270,884**	(77,603)
Adjustments for:			
Depreciation on property and equipment	5	**98,792**	98,903
Depreciation on right-of-use assets	6	**54,198**	46,706
Amortisation of intangible assets	7	**29,544**	36,247
Share of results from equity-accounted investments	8	**(23,340)**	(24,065)
Impairment loss on trade and other receivables	9,10	**22,698**	18,834
Provision for employee defined benefit liabilities	16	**79,301**	77,815
Gain on disposal of property and equipment	22	**(3)**	(935)
Gain on disposal of financial assets at FVTPL	11	**(8,538)**	(36,617)
Unrealized gain on financial assets at FVTPL	11	**(1,930)**	(4,498)
Finance costs	24	**31,237**	31,208
		552,843	165,995
Working capital adjustments:			
Inventories		**5,071**	(3,872)
Trade receivables		**(118,254)**	(90,978)
Prepayments and other assets		**517**	(65,198)
Trade payables		**39,365**	7,973
Accruals and other liabilities		**(34,916)**	57,100
Cash from operations		**444,626**	71,020
Finance cost paid		**(29,135)**	(12,579)
Employee defined benefit paid	16	**(52,650)**	(26,399)
Zakat paid	19	**(20,889)**	-
Net cash flows from operating activities		**341,952**	32,042
INVESTING ACTIVITIES			
Additions to property and equipment	5	**(142,554)**	(61,249)
Proceeds from disposal of property and equipment		**4**	935
Proceed from disposal of financial assets at FVTPL	11	**474,823**	1,222,985
Purchase of financial assets at FVTPL	11	**(379,609)**	-
Investment in short term deposit	12	**(500,000)**	-
Dividends received from equity-accounted investments	8	**2,000**	2,000
Net changes in restricted cash	13	**(453)**	-
Net cash (used in) / from investing activities		**(545,789)**	1,164,671

Mohammed A. Mazi
Chief Financial Officer

Raed Hassan Al Idrissi
Chief Executive Officer

Khalid Al Buainain
Chairman of the Board of Directors

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2023

	Notes	31 December 2023 SR'000	31 December 2022 SR'000
FINANCING ACTIVITIES			
Repayments of loans and borrowings	15	**(526,196)**	(561,304)
Payments of lease liabilities	6	**(55,747)**	(25,860)
Net cash used in financing activities		**(581,943)**	(587,164)
Net (decrease) / increase in cash and cash equivalents		**(785,780)**	609,549
Cash and cash equivalents at beginning of the year		**864,417**	254,868
Cash and cash equivalents at end of the year	13	**78,637**	864,417
SUPPLEMENTARY SIGNIFICANT NON-CASH INFORMATION			
Additions to right-of-use assets and lease liabilities	6	**147,193**	37,944
Modification to right-of-use assets and lease liabilities	6	**5,243**	15,812
Loss from derecognition of right-of-use assets	6	**578**	79
Share capital contribution	8	**-**	510

Mohammed A. Mazi
Chief Financial Officer

Raed Hassan Al Idrissi
Chief Executive Officer

Khalid Al Buainain
Chairman of the Board of Directors

1. CORPORATE INFORMATION

Saudi Ground Services Company ("the Company") is a Saudi Joint Stock Company incorporated in the Kingdom of Saudi Arabia. The Company was registered as a limited liability company in the Kingdom of Saudi Arabia under Commercial Registration number 4030181005 dated 11 Rajab 1429H, (corresponding to 14 July 2008).

The Company is engaged in providing ground handling services, aircraft cleaning, passenger handling, baggage, and fuel to Saudi Airlines Air Transport Company, other local and foreign airlines, and other customers in the Kingdom of Saudi Arabia.

The registered address of the Company is Al Yasmin Commercial Center King Abdul Aziz Road, Al Basatin District P.O. Box 48154, Jeddah 21572, Kingdom of Saudi Arabia.

The Company's parent is Saudi Arabian Airlines Corporation (the "Parent Company"), having 52.5% of shares in the Company. The Company's Ultimate Controlling Party is Government of Saudi Arabia. At 31 December 2023 and 31 December 2022 the authorized, issued, and paid-up share capital of SR 1,880 million consists of 188 million fully paid shares of SR 10 each. The shareholding of Parent Company and General public is as follows:

	Percentage	*Number of shares*	*Amount*
	%		*SR'000*
Parent Company	52.5	98,700,000	987,000
General public	47.5	89,300,000	893,000
	100	188,000,000	1,880,000

The Company holds ownership interest in equity-accounted investments as at 31 December 2023 as follows:

Name	**Country of incorporation / principal place of business**	**Effective ownership interest (%)**	
		31 December 2023	*31 December 2022*
Saudi Amad for Airport Services and Transport Support Company ("SAAS") (note 8)	Kingdom of Saudi Arabia	**50%**	50%
TLD Arabia Equipment Services ("TLDAES") (note 8)	Kingdom of Saudi Arabia	**50%**	50%
Jusoor Airport Services Company ("Jusoor") (note 8)*	Kingdom of Saudi Arabia	**51%**	51%

* During 2023, the legal formalities for converting the consortium into the joint venture were completed (note 8).

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

2.1 Basis of preparation

These financial statements have been prepared under the historical cost basis using the accrual basis of accounting except for the following items which are measured as follows:

Items	**Measurement basis**
Provisions for employee terminal benefits	Present value of the defined benefit obligation using projected credit unit method
Investments at fair value through profit or loss (FVTPL)	Fair value

The financial statements of the Company are presented in Saudi Riyals (SR), which is the functional currency of the Company. All numbers are rounded off to the nearest thousand (SR '000), unless otherwise stated.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

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

The Company has elected to present a single statement of profit or loss and other comprehensive income and presents its expenses by function.

The new Companies Law issued through Royal Decree number M/132 on 1/12/1443H (corresponding to June 30, 2022) (hereinafter referred as "the Law”) came into force on 26/6/1444H (corresponding to January 19, 2023). For most provisions of the Law, full compliance should take place not later than two years from 26/6/1444H (corresponding to January 19, 2023). The company is in process of amending the Articles of Association / By-Laws for any changes to align the Articles to the provisions of the Law. Consequently, the Company shall present the amended Articles of Association / By-Laws to the shareholders in their Extraordinary / General Assembly meeting for their ratification.

2.3 Material accounting judgments, estimates and assumptions
The preparation of the Company’s financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the 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.

Other disclosures relating to the Company’s exposure to risks and uncertainties includes
- Sensitivity analyses disclosure (note 7, note 16, and note 27)
- Financial instruments risk management (note 27)

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 recognized in the financial statements:

Going concern
The management has assessed the ability of the Company to continue as a going concern based on its existing liquidity position and cash flow projections and is not aware of any material uncertainties that may cast significant doubt and the management is satisfied that the Company has the resources to continue and meet its obligations as they fall due in the ordinary course of business in the foreseeable future. Therefore, the financial statements of the Company continue to be prepared on the going concern basis.

Assessment of joint arrangements
The Company has concluded that the investment in Saudi Amad for Airport Services and Transport Support Company ("SAAS"), TLD Arabia Equipment Services ("TLDAES") and Jusoor Airport Services Company (“Jusoor”) are joint venture arrangements. The Company exercises judgment in its assessment of joint arrangements and whether the Company’s investment in such arrangements should be classified as a joint operation or a joint venture. In making this judgement the Company considers whether the investee is a separate legal entity and whether terms of the contractual arrangement between the parties to the joint arrangement specify that the parties have rights to the assets, and obligations for the liabilities relating to the arrangement. The Company also considers whether the arrangement establishes an allocation of revenues and expenses on the basis of relative performance of each party of the joint arrangement and whether parties to the joint arrangement are provided any guarantees to rights and obligations as joint ventures.

The Company has, after considering the structure and form of the arrangement, the terms agreed by the parties in the contractual arrangement and the Company’s rights and obligations arising from the arrangement, classified its interests as joint ventures under IFRS 11 Joint Arrangements. Therefore, it accounts for its investments using the equity method.

Zakat
The determination for zakat provision involves significant management judgement that involves calculation of the zakat base and zakatable profits in accordance with the zakat and income tax regulations enforced in the Kingdom of Saudi Arabia, which may be subject to different interpretations. The final assessment amount could be significantly different from the declarations and appeals filed by the Company. In determining the amount payable to Zakat, Tax and Customs Authority (“ZATCA”), the Company has applied their judgement and interpretation of the ZATCA requirements for calculating Zakat.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Material accounting judgments, estimates and assumptions (continued)

Judgements (continued)

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.

The Company has several lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. 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 or to terminate. The Company included the renewal period as part of the lease term for leases of buildings (i.e., 7 years)

Estimates and assumptions
The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the below areas.

Provision for expected credit losses (ECL) in trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type, and coverage by letters of credit and other forms of credit insurance).

The Company's determination of ECL in trade receivables requires the Company to take into consideration certain estimates for forward-looking factors while calculating the probability of default. These estimates may differ from actual circumstances.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the air transport sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. For details refer note 27.

The Company has identified GDP growth rate to be the most relevant macro-economic factor of forward-looking information that would impact the credit risk of the customers, and accordingly adjusted the historical loss rates based on expected changes in this factor using different scenarios. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs 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 ECLs on the Company's trade receivables disclosed in note 27.

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or cash generating unit 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 calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cashflow model ("DCF"). The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Company. The key assumptions used to determine the recoverable amount for the CGU, including a sensitivity analysis, are disclosed and further explained in note 7.

2. BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE (continued)

2.3 Material accounting judgments, estimates and assumptions (continued)

Estimates and assumptions (continued)

Employees' defined benefits liability
The cost of the employees' defined benefit liability and the present value of the obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and employees' turnover rate. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The most sensitive parameters are discount rate and future salary increases. In determining the appropriate discount rate, the management considers the market yield on high quality corporate/government bonds. Future salary increases are based on expected future inflation rates, seniority, promotion, demand and supply in the employment market. The mortality rate is based on publicly available mortality tables for the country. Those mortality tables tend to change only at intervals in response to demographic changes. Further details about employee benefits obligations are provided in note 16.

Useful lives of property and equipment and intangibles assets
The Company's management determines the estimated useful lives of its property and equipment and intangible assets with finite useful lives for calculating depreciation and amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the depreciation and amortisation methods and useful lives annually and future depreciation and amortisation charges would be adjusted where the management believes the useful lives differ from previous estimates and to ensure that the methods and period of depreciation and amortisation are consistent with the expected pattern of economic benefits from these assets.

Fair value measurement of financial instruments
When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURES

3.1 New and amended standards and interpretations
The accounting policies adopted, and methods of computation followed are consistent with those of the previous financial year, except for items disclosed below.

There were several new and amendments to standards and interpretations which are applicable for the first time in 2023, but either not relevant or do not have a material impact on the financial statements of the Company. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The material accounting policy information set out below have been applied consistently in the preparation of these financial statements. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply. The overall objective of IFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. IFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach).
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

The new standard had no impact on the Company's financial statements.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURES (continued)

3.1 New and amended standards and interpretations (continued)

Definition of Accounting Estimates - Amendments to IAS 8
The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Company's financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The Company adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of "material", rather than "significant", accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 4 Summary of Material Accounting Policy Information (2022: Summary of Significant Accounting Policies) in certain instances in line with the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities.

The amendments had no impact on the Company's financial statements.

International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12
The amendments to IAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

The amendments had no impact on the Company's financial statements.

3.2 Standards issued but not yet effective

The new and amended standards and interpretations 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 new and amended standards and interpretations, if applicable, when they become effective.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURES (continued)

3.2 Standards issued but not yet effective (continued)

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16. Earlier application is permitted and that fact must be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Amendments to IAS 21 – Lack of Exchangeability

The IASB's amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates require disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

They apply to annual reporting periods beginning on or after 1 January 2025 and can be applied earlier.

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted, but will need to be disclosed.

The amendments are not expected to have a material impact on the Company's financial statements.

3. CHANGES IN MATERIAL ACCOUNTING POLICIES AND DISCLOSURES (continued)

3.3 Other standards issued but not yet effective

Following are the new IFRS sustainability disclosure standards effective for annual periods beginning on or after 1 January 2024 subject to endorsement of the standards by SOCPA.

IFRS S1 – General requirements for disclosure of sustainability-related financial information

This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.

IFRS S2 – Climate-related disclosures

This is the first thematic standard issued that sets out requirements for entities to disclose information about climate related risks and opportunities.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

4.1 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units ("CGUs") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Management considers the overall business of the Company as one CGU (i.e. Company as a single cash-generating unit) to which goodwill has been allocated to.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.2 Investment in joint ventures
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Company's investment in joint ventures are accounted for using the equity method.

Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the joint venture, the Company recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Company's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after zakat and non-controlling interests in the subsidiaries of the joint venture

The financial statements of the joint ventures are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss on its investment in its joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognizes the loss within 'Share of profit of a joint venture' in the statement of profit or loss.

Upon loss of significant influence over the joint control over the joint venture, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 8.

4.3 Financial instruments – initial recognition and subsequent measurement
Financial instruments – initial recognition and subsequent measurement 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.

Financial assets
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.

Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), or fair value through profit or loss.

The classification of 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 are measured at the transaction price determined under IFRS 15 Revenue from contracts with customers.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.3 Financial instruments – initial recognition and subsequent measurement (continued)

In order for a financial asset to be classified and measured at amortized 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.

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 recognized 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 following categories:

- Financial assets at amortized 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.

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. The Company’s financial assets at amortized cost includes cash and cash equivalents, trade receivables, employees’ receivables 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 recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

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 profit or loss. Dividends are recognized 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. Currently, the Company does not have any equity instrument designated at fair value through OCI.

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 recognized 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 recognized as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognized (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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.3 Financial instruments – initial recognition and subsequent measurement (continued)

Derecognition (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 recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes 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
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs 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.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs 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 trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs 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.

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Subsequent measurement
The Company considers a financial asset to be in default when the debtor is unlikely to repay the outstanding balance to the Company in full, without recourse by the Company to actions such as realizing security (if any is held). 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.

Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, borrowings or payables, as appropriate. All financial liabilities are recognized initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include trade and other payables, lease liabilities and borrowings.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss.
- Financial liabilities at amortized cost (loans and borrowings).

Financial liabilities at fair value through profit or loss
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.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.3 Financial instruments – initial recognition and subsequent measurement (continued)

Financial liabilities at fair value through profit or loss (continued)
Gains or losses on liabilities held for trading are recognized in the statement of profit or loss and other comprehensive income. 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. The Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortized cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortisation process. Amortized 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. This category generally applies to interest-bearing loans and borrowings. For more information, refer to note 15.

Derecognition
A financial liability is derecognized 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 recognized in the statement of profit or loss and other comprehensive income.

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.

4.4 Impairment of non-financial assets
The Company assesses, at each reporting date, 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's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples quoted share prices for publicly traded companies or other available, fair value indicators.

External valuers are involved in the valuation of significant assets. Selection criteria include market knowledge reputation, independence and whether professional standards are maintained. The Company decides, after discussions with the external valuers, which valuation techniques and inputs to use for each case. The Company bases its impairment calculation on detailed budgets and forecast calculations.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised 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 recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.4 Impairment of non-financial assets (continued)

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in the future period.

4.5 Property and equipment

Recognition and measurement

Property and equipment is recognized as an asset when, and only when, it is probable that the future economic benefits that are associated with the property and equipment will flow to the Company, and the cost of the asset can be measured reliably. Property and equipment is recognized and measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost, such as site preparation cost, delivery, installation costs, relevant professional fees and the estimated cost of dismantling and removing the asset and restoring the site (to the extent that such cost is recognized as a provision).

When parts of property and equipment are significant in cost in comparison to the total cost of the item and such parts have a useful life different from other parts, the Company recognizes such parts as individual assets and depreciate them accordingly.

The Company adopts the cost model to measure the entire class of property and equipment. After recognition as an asset, an item of property and equipment is carried as its cost less any accumulated depreciation and impairment losses, if any.

Subsequent costs

The cost of replacing a part of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property and equipment are recognized in the statement of profit or loss and other comprehensive income as incurred.

Capital work in progress

Capital work in progress represents all costs relating directly and indirectly towards the purchase of airport equipment and construction in progress. Such costs include cost of equipment, material and other costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Capital work in progress is not depreciated. When the assets are ready for intended use, the capital work in progress is transferred to the appropriate property and equipment category and is accounted for in accordance with the Company's policies.

Depreciation

Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful. Depreciable amount represents cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land and capital work in progress are not depreciated.

The estimated useful lives for the current and comparative years are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively, if required.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Derecognition

Property and equipment is derecognised when it has been disposed or no future economic benefits are expected to arise from its use or disposal. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of profit or loss and other comprehensive income within "Other income" at the time the item is derecognised.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.6 Intangible assets and goodwill

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation 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 amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The estimated useful lives for the current and comparative periods are as follows:

	Number of years
Customer contracts	3-5
Customer relationships	20
Software	3-5

Derecognition

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon 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.

4.7 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. The company right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use).

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in other income in the statement of profit or loss due to its non-operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Right-of-use assets

The Company recognizes 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 recognized, 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 the lease term and the estimated useful lives of the assets.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.7 Leases (continued)

Right-of-use assets (continued)
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. The right-of-use assets are also subject to impairment. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Lease liabilities
At the commencement date of the lease, the Company recognizes 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.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because 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 lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
Short-term leases are leases with a lease term of 12 months or less. Low value assets are items that do not meet the Company's capitalisation threshold and are considered to be insignificant for the statement of financial position for the Company as a whole. Payments for short-term leases and leases of low value assets are recognised on a straight-line basis in the statement of profit or loss.

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 several lease contracts that include extension and termination options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. 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 or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

4.8 Inventories
Inventories are valued at the lower of cost and net realisable value. The cost is determined using the weighted average basis and includes all cost incurred in the normal course of business in bringing each product to its present condition and location. In the case of work in progress and finished goods, cost includes the purchase cost, the cost of refining and processing including an appropriate proportion of depreciation and production overheads based on normal operating capacity. The net realisable value of inventories is based on the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4.9 Cash and cash equivalents
For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

4.10 Segment information
An operating segment is a group of assets, operations or entities:

i) engaged in business activities from which it may earn revenue and incur expenses including revenues and expenses that relate to transactions with any of the Company's other components;
ii) the results of its operations are continuously analysed by Chief Operating Decision Maker (CODM) in order to make decisions related to resource allocation and performance assessment; and
iii) for which financial information is discretely available.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.10 Segment information (continued)

The Company is principally involved in providing ground handling services to local and foreign airlines at all airports in the Kingdom of Saudi Arabia. Other operations are related to the supply of fuel and other services to the local and foreign airlines and other customers. The operations related to the supply of fuel and other services have not met the quantitative thresholds for reportable segments for the years ended 31 December 2023 and 2022. Accordingly, the management believes that the Company's business falls within a single reportable business segment and is subject to similar risks and returns.

4.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related services are provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Post-employment benefits

The Company obligation under employee end of service benefit is accounted for as an unfunded defined benefit plan and is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. Re-measurement of the net defined benefit liability, which comprise actuarial gains and losses are recognized immediately in OCI. The Company determines the net interest expense on the net defined benefit liability for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the period as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in employee costs in the statement of profit or loss and other comprehensive income. The Company uses the yield available on the high-quality corporate bonds as a reasonable assumption for the discount rate.

The Company's net obligation in respect of other long-term employee benefits is 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. Remeasurements are recognised in the statement of profit or loss and other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan either terminate employment before the normal retirement date or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company made an offer of voluntary redundancy, it is probable that the offer will be accepted the number of acceptances can be estimated reliably. If benefits are payable more than months after the reporting period, then they are discounted to their present value.

4.12 Provisions

Provisions are recognized 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, for example, under an insurance contract, the reimbursement is recognized 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 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 recognized 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.

4.13 Government grant

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.14 Loans and borrowings

Loans and borrowings are recognised initially at fair value, less attributable transactions costs. Subsequent to initial recognition, borrowings are stated at amortised cost, while the difference between the cost (reduced for periodic payments) and the redemption value is recognised in the statement of profit and loss over the period of the borrowings using the effective interest method.

Transaction costs are deducted from the amount of the financial liability when it is initially recognised.

4.15 Revenue recognition

The revenue recognition policy outlines a single comprehensive model of accounting for revenue arising from contracts with customers. It establishes the below mentioned five-step, model that will apply to revenue arising from contracts with customers.

Revenue from contracts with customers

The Company recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

Step 1. Identify the contracts with customers:

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 in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocate the transaction price to the performance obligations in the contract:

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

Step 5. Recognise revenue when (or as) the entity satisfies a performance obligation:

The Company satisfies a performance obligation and recognises revenue over time if one of the following criteria is met:

- The Company’s performance does not create an asset with an alternate use to the Company, and the Company has an enforceable right to payment for performance completed to date.
- The Company’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The customer simultaneously receives and consumes the benefits provided by the Company’s performance as the Company performs.

For performance obligations where none of the above conditions is met, revenue is recognised at the point in time at which the performance obligation is satisfied.

If the consideration promised in a contract includes a variable amount, the Company shall estimate the amount of consideration to which the Company will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of discounts, credits, price concessions, incentives, penalties or other similar items. The promised consideration can also vary if the Company’s entitlement to the consideration is contingent on the occurrence or non-occurrence of a future event.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Company and the revenue and costs, if applicable, can be measured reliably.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.15 Revenue recognition (continued)

Aircraft ground handling services
The Company is engaged in providing services for ground handling, aircraft cleaning, passenger handling and baggage to the local and international airlines. Revenues from these services are recognised in the period in which services are completed. Revenue is recorded net of discounts and amounts collected on behalf of third parties. The consideration payable to a customer is recognised as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Company. If consideration payable to the customer is a payment for a distinct good or service from the customer, then the Company record such purchase of the good or service in the same way that it accounts for other purchases from suppliers.

Income from other services
Income from other services that are incidental to ground handling services is recognised when these related services are completed.

Sale of goods
Revenue from the sale of goods is recognised when the Company satisfies the performance obligation by transferring the promised goods (asset) to the customer. An asset is transferred when the customer obtains control of that asset.

The Company considers the following indicators of the transfer of control:

- The Company has a present right to payment for the asset.
- The customer has legal title to the asset.
- The Company has transferred physical possession of the asset.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

The Company recognises as revenue, the amount of the transaction price that is allocated to that performance obligation. Revenue is recorded net of returns and discounts, if any.

4.16 Finance income and finance cost
Finance income and expenses are recognised within finance income and finance costs in statement of profit or loss and other comprehensive income using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset.

Finance income mainly includes interest income on short term deposits, realized / unrealized gain on fair valuation of investments at FVTPL and unwinding of the discounts on other financial assets. Finance costs mainly include impairment loss recognised on financial assets (other than trade receivables) and foreign currency losses.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the finance income or finance expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

4.17 Zakat
The Company is subject to Zakat in accordance with the Zakat, Tax and Customs Authority (formerly known as "the General Authority of Zakat and Income Tax") ("Authority" or "ZATCA"). Provision for Zakat for the Company 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.

The Company withholds taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognised as an expense being the obligation of the counterparty on whose behalf the amounts are withheld.

4. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

4.18 Foreign currency translations

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates prevailing at the dates of the respective transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation 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 rate at the date of the transaction.

4.19 Dividends

Interim dividends are recorded as a liability in the period in which they are approved by the Board of Directors. Final dividends are recorded in the year in which they were approved by the general assembly of shareholders.

4.20 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.

4.21 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

4.22 Expenses

Costs of revenue represent all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to: attributable employee-related costs, depreciation of property and equipment, etc. All other expenses are classified as administrative expenses. Allocation of common expenses between costs of revenue and administrative expenses, where required, is made on a reasonable basis with regard to the nature and circumstances of the common expenses.

4.23 Value added tax

The Company is subject to Value Added Tax (“VAT”) in accordance with the VAT regulations prevailing in the Kingdom of Saudi Arabia. The amount of VAT liability is determined by applying the applicable tax rate to the value of supply (“Output VAT”) less VAT paid on services received (“Input VAT”). The Company reports revenue and expenses net of VAT for all the periods presented in the statement of profit or loss and other comprehensive income.

4.24 Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification.

Assets

An asset is current when:

- 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.

Liabilities

A liability is current when:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- No unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

5. PROPERTY AND EQUIPMENT

	Land SR'000	*Leasehold improvements SR'000*	*Airport equipment SR'000*	*Motor vehicles SR'000*	*Furniture and fixtures and equipment SR'000*	*Computer equipment SR'000*	*Total SR'000*
Cost:							
Balance at 1 January 2022	27,464	54,592	1,311,596	11,757	45,272	42,730	1,493,411
Additions during the year	-	1,754	51,280	-	4,682	3,533	61,249
Disposals during the year (note b)	-	-	-	(7,981)	-	-	(7,981)
Balance at 31 December 2022	27,464	56,346	1,362,876	3,776	49,954	46,263	1,546,679
Additions during the year	-	6,504	132,390	717	2,807	136	142,554
Disposals during the year (note b)	-	-	-	-	-	(10)	(10)
Balance at 31 December 2023	27,464	62,850	1,495,266	4,493	52,761	46,389	1,689,223
Accumulated depreciation:							
Balance at 1 January 2022	-	37,170	894,898	11,629	40,513	38,288	1,022,498
Depreciation for the year	-	2,844	91,351	49	2,488	2,171	98,903
Disposals during the year (note b)	-	-	-	(7,981)	-	-	(7,981)
Balance at 31 December 2022	-	40,014	986,249	3,697	43,001	40,459	1,113,420
Depreciation for the year	-	3,789	89,626	139	2,952	2,286	98,792
Disposals during the year (note b)	-	-	-	-	-	(9)	(9)
Other adjustments	-	-	(9,548)	-	-	-	(9,548)
Balance at 31 December 2023	-	43,803	1,066,327	3,836	45,953	42,736	1,202,655
Net book value							
At 31 December 2023	**27,464**	**19,047**	**428,939**	**657**	**6,808**	**3,653**	**486,568**
At 31 December 2022	27,464	16,332	376,627	79	6,953	5,804	433,259

5. PROPERTY AND EQUIPMENT (continued)

a. Depreciation charge for the year has been allocated as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Cost of revenue (note 21)	**92,209**	93,474
General and administrative expenses (note 23)	**6,583**	5,429
	98,792	98,903

b. The Company has disposed its property and equipment costing SR 10 thousands (2022: SR 7.9 million) having a net book value of SR 1 thousand (2022: SR Nil) for a gain of SR 3 thousands (2022: SR 0.94 million).

6. LEASES

The Company has various leases for land, office buildings, workshops, and motor vehicles from various lessors around the region, that includes extension options. The leases of airport premises, workshops and office buildings have renewable lease term, as per management expectation they have been assessed for a lease term of 7 years. Land has a lease term of 22 years and motor vehicles have lease term of 2.8 years.

a) Right-of-use assets

i) Reconciliation of carrying amounts

	Land and Buildings SR'000	***Motor vehicles SR'000***	***Total SR'000***
Cost:			
Balance at 1 January 2022	218,316	42,657	260,973
Additions	29,740	8,204	37,944
Derecognition	(868)	-	(868)
Modification	15,812	-	15,812
Balance at 31 December 2022	263,000	50,861	313,861
Additions	147,193	-	147,193
Derecognition	(5,315)	-	(5,315)
Modification	5,243	-	5,243
Balance at 31 December 2023	**410,121**	**50,861**	**460,982**
Accumulated depreciation:			
Balance at 1 January 2022	113,424	25,339	138,763
Charge for the year	36,372	10,334	46,706
Released on derecognition	(279)	-	(279)
Balance at 31 December 2022	149,517	35,673	185,190
Charge for the year	44,279	9,919	54,198
Released on derecognition	(2,959)	-	(2,959)
Balance at 31 December 2023	**190,837**	**45,592**	**236,429**
Carrying amounts:			
At 31 December 2023	**219,284**	**5,269**	**224,553**
At 31 December 2022	113,483	15,188	128,671

6. LEASES (continued)

a) Right-of-use assets (continued)

ii) Depreciation for the year has been allocated as follows:

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Cost of revenue (note 21)	**50,344**	42,000
General and administrative expenses (note 23)	**3,854**	4,706
	54,198	46,706

The Company also has certain leases of buildings with lease terms of 12 months or less. The Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

b) Lease liabilities

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Balance at the beginning of the year	**132,379**	99,952
Additions	**147,193**	37,944
Derecognition	**(1,778)**	(510)
Modification	**5,243**	15,812
Accretion of interest (note 24)	**9,504**	5,041
Payments	**(55,747)**	(25,860)
Balance at end of the year	**236,794**	132,379

Lease liabilities are presented in the statement of financial position as follows:

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Non-current portion of lease liabilities	**150,679**	78,166
Current portion of lease liabilities	**86,115**	54,213
	236,794	132,379

The Company has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Lease liabilities include an amount of SR 187.0 million (2022: 95.0 million) of liabilities to government related entities. Individually significant transactions with these entities amount to SR 50.2 million (2022: SR 31.1 million).

6. LEASES (continued)

The following are the amounts recognized in the statement of profit or loss:

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Depreciation on right-of-use assets	**54,198**	46,706
Interest expense on lease liabilities (note 24)	**9,504**	5,041
Expense related to short-term leases*	**1,974**	1,677

* During 2022, the Company also entered into certain short-term leases for workshops which were used by a related party. The costs of such leases were recharged in full to the related party as per terms of the agreement resulting in no impact of such leases on the statement of profit or loss.

7. INTANGIBLE ASSETS AND GOODWILL

a) Reconciliation of carrying amounts:

	Goodwill	***Customer contracts***	***Customer relationships***	***Software***	***Total***
	SR'000	***SR'000***	***SR'000***	***SR'000***	***SR'000***
Cost:					
Balance at 31 December 2022 and 31 December 2023	582,816	153,179	468,475	64,117	**1,268,587**
Accumulated amortisation:					
Balance at 1 January 2022	-	153,179	257,663	45,174	456,016
Amortisation	-	-	23,424	12,823	36,247
Balance at 31 December 2022	-	153,179	281,087	57,997	492,263
Amortisation	-	-	23,424	6,120	29,544
Balance at 31 December 2023	-	153,179	304,511	64,117	**521,807**
Carrying amounts:					
At 31 December 2023	**582,816**	**-**	**163,964**	-	**746,780**
At 31 December 2022	582,816	-	187,388	6,120	776,324

b) Amortisation charge for the year has been allocated as follows:

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
General and administrative expenses (note 23)	**27,837**	33,482
Cost of revenue (note 21)	**1,707**	2,765
	29,544	36,247

7. INTANGIBLE ASSETS AND GOODWILL (continued)

c) On 7 February 2010, the Company entered into Sale and Purchase Agreement (SPA) for the acquisition of capital of National Handling Services (“NHS”) in consideration of the Company's shares. As the principal shareholder of the NHS and pursuant to the Transfer of Operations Agreement ("the Agreement"), the Company resolved to transfer the commercial activities of NHS to the Company. Consequently, the assets and liabilities of the NHS were transferred to the Company as of 1 January 2011 along with the business operations.

Further, on 7 February 2010, the Company has entered into another Sale and Purchase Agreement (SPA) for the acquisition of ground handling business of Attar Ground Handling and Attar Travel in consideration of the Company’s shares.

As part of the agreements, the Company has recognised the fair value of the net assets acquired. The identifiable intangible assets acquired as part of the acquisition were customer contracts amounting to SR 153.2 million and customer relationships amounting to SR 468.5 million, resulting in goodwill of SR 582.8 million which comprises the fair value of expected synergies arising from the acquisition.

As at 31 December 2023 and 2022, an independent valuation expert was engaged by management to conduct impairment assessment to review the carrying amounts of goodwill and customer relationships to determine whether their carrying values exceed the recoverable amounts. For the impairment testing, assets are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Management considers the overall business of the Company as one CGU (i.e. Company as a single cash-generating unit). The Company reviews goodwill annually for impairment testing.

The recoverable amount of a non-financial asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use has been estimated based on the income approach to valuation using the discounted cash flow method.

Value in use is based on the estimated future cash flows based on 3-year Company’s business plan projected up to the year 2026 and terminal growth rate as mentioned below. Budgets for 2024 are approved by the Board of directors, discounted to their present value using the following key assumptions:

Key Assumptions:
The calculation of value-in-use is most sensitive to the assumptions on revenue growth rate, discount rate applied to cash flow projections, terminal growth rate and projected EBITDA margins.

	31 December 2023	*31 December 2022*
Revenue growth rate (refer (a))	**3.7%**	3.9%
Projected EBITDA margin (average of next three years) (refer (b))	**19.3% - 20.0%**	22.4%
Discount rate (refer (c))	**11.0% - 12.0%**	10.9%
Terminal growth rate (refer (d))	**2%**	2%

a) The Company expects to achieve an average of 3.7% increase in revenue during the forecasted period considering the overall recovery of normalised operations in year ended 2023. Management believes that such growth rate does not exceed the long-term average growth rate for the market in which it operates.

b) The Company’s projected EBITDA margins for the three-years are considered based on forecasted business operations. Management assumptions to use EBITDA margins is based on the current improved level of operations.

c) Discount rates represent the current market assessment of the risks specific to the CGU, 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 its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Company’s investors and Company’s specific risk premium. The beta factors are evaluated annually based on publicly available market data. The cost of debt is based on the interest-bearing borrowings the Company is obliged to service.

7. INTANGIBLE ASSETS AND GOODWILL (continued)

d) The cash flows projections include specific estimates for three years and terminal growth rate thereafter. The terminal growth rate was determined based on management's estimate of the annual growth rate, after considering the market conditions in the long run.

Sensitivity to changes in key assumptions:
With regard to the assessment of the value-in-use, management believes that no reasonably possible change in any of the key assumptions above would cause the carrying value of the CGU including goodwill to materially exceed its recoverable amount. The implications of changes to the key assumptions are described below.

i) Revenue growth rate:
The revenue growth in the forecasted period has been estimated to be a compound annual growth rate of 3.7% (2022: 3.9%). If all other assumptions are kept the same, a reduction of this growth rate to 2.7% would give a value-in-use equal to the amount of carrying value of the CGU including goodwill.

ii) Projected EBITDA margin:
The projected EBITDA margin in the forecasted period has been estimated to be at an average of 19.0% (2022: 22.4%). If all other assumptions kept the same; a reduction of margin to 16.5% would give a value-in-use equal to the amount of carrying value of the CGU including goodwill.

iii) Discount rate:
The projected discount rate in the forecasted period has been estimated to be at 11.0% (2022: 10.9% to 21.3%). If all other assumptions kept the same; an increase in discount rate to 15.6% would give a value-in-use equal to the current amount of carrying value of the CGU including goodwill.

8. EQUITY-ACCOUNTED INVESTMENTS

a) The equity-accounted investments as at 31 December 2023 are as follows:

Name	**Country of incorporation / principal place of business**	**Effective ownership interest (%)**		**Carrying value**	
		31 December 2023	*31 December 2022*	***31 December 2023 SR'000***	*31 December 2022 SR'000*
Saudi Amad for Airport Services and Transport Support Company ("SAAS") (note 8 (i))	Kingdom of Saudi Arabia	**50%**	50%	**42,630**	39,813
TLD Arabia Equipment Services ("TLDAES") (note 8 (ii))	Kingdom of Saudi Arabia	**50%**	50%	**22,497**	20,065
Jusoor Airport Services Company ("Jusoor") (note 8 (iii))	Kingdom of Saudi Arabia	**51%**	51%	**30,578**	14,487
				95,705	74,365

i. As at the reporting date, the Company holds 50% ownership interest in Saudi Amad for Airport Services and Transport Support Company ("SAAS"), a joint venture. The Company does not have control over SAAS. Based on management assessment, it is classified as a joint venture. SAAS is one of the Company's strategic suppliers and is principally engaged in providing transportation services for passengers and crew in the Kingdom of Saudi Arabia.

ii. As at the reporting date, the Company holds 50% ownership interest in TLD Arabia Equipment Services ("TLDAES"), a joint venture. The Company does not have control over the TLDAES. Based on management assessment, it is classified as a joint venture. The primary objective of TLDAES is to provide maintenance services for the ground handling equipment across all the airports in the Kingdom of Saudi Arabia.

8. EQUITY-ACCOUNTED INVESTMENTS (continued)

iii. On 2 July 2020, the Company entered into a shareholders' agreement with Saudi Services & Operations Company ("SSOC") to jointly form a consortium, Jusoor Airport Services Company ("Jusoor"), to respond to tenders from General Authority of Civil Aviation. Prior to signing the shareholders' agreement, the Company entered into a Memorandum of Understanding ("MoU") on 5 December 2019 to establish a separate legal entity in the form of joint venture conditional to consortium being awarded the license to operate and maintain the passenger boarding bridges at King Abdulaziz International Airport in Jeddah.

On 25 August 2020, the Company entered into a services agreement with Dammam Airport Company ("DACO") to operate and maintain the passenger boarding bridges at King Fahd International Airport "KFIA"). As agreed in the MoU, the other party of the Consortium (SSOC) is involved and responsible for the operations and maintenance of passenger boarding bridges at KFIA until the formation of joint venture.

During the year ended 31 December 2022, the consortium entered into an operations and maintenance agreement with Jeddah Airport Company ("JEDCO") subsequent to the awarding of aforementioned license. The legal formalities for establishing the joint venture were completed on 29 August 2023. As at the reporting date, the Company holds 51% ownership interest in the joint venture, the Company does not have control over Jusoor. Based on management assessment, it is classified as a joint venture.

b) The movement summary of equity-accounted investments is as follows:

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Balance at the beginning of the year	**74,365**	51,921
Addition during the year (note 8(b)(i))	**-**	510
Share of results for the year	**23,340**	24,065
Share of other comprehensive income	**-**	(131)
Dividends (note 8(b)(iii))	**(2,000)**	(2,000)
Balance at the end of the year	**95,705**	74,365

i) During the year ended 2022, the Company has contributed capital of SR 0.51 million additional paid-capital in Jusoor Airport Services Company.

ii) At the date of the financial statements, the equity-accounted investees had not issued audited financial statements. Accordingly, the financial data below, including zakat and income tax and the share of results for the year ended 31 December 2023, are based on management accounts.

iii) During the year ended 31 December 2023, TLDAES announced dividends amounting to SR 4 million (2022: SR 4 million). Accordingly, the Company recorded 50% of the dividend in accordance with its percentage of shareholding in TLDAES.

8. EQUITY-ACCOUNTED INVESTMENTS (continued)

c) Summary of financial information of equity accounted investees:

The following table summarizes the financial information of equity accounted investees and it also reconciles the summarized financial information to the carrying amounts of the Company's interest in equity accounted investees.

i) <u>Saudi Amad for Airport Services and Transport Support Company</u>

	31 December 2023 SR'000	*31 December 2022 SR'000*
Revenue	**194,759**	164,718
Zakat expense	**2,869**	4,300
Profit for the year	**5,634**	10,301
Other comprehensive loss for the year	**-**	(261)
Company's share of income for the year (50%)	**2,817**	5,151
Company's share of other comprehensive loss for the year (50%)	**-**	(131)

	31 December 2023 SR'000	*31 December 2022 SR'000*
Non-current assets	**121,671**	153,682
Current assets	**136,832**	73,471
Non-current liabilities	**(10,588)**	(49,635)
Current liabilities	**(162,655)**	(97,891)
Net assets (100%)	**85,260**	79,627
Carrying amount of interest in joint venture	**42,630**	39,813

ii) <u>TLD Arabia Equipment Services</u>

	31 December 2023 SR'000	*31 December 2022 SR'000*
Revenue	**149,536**	125,577
Zakat and income tax expense	**-**	2,318
Profit for the year	**8,864**	9,874
Company's share of total comprehensive income for the year (50%)	**4,432**	4,937
Non-current assets	**12,227**	12,209
Current assets	**135,605**	106,699
Non-current liabilities	**(3,484)**	(2,085)
Current liabilities	**(99,354)**	(76,694)
Net assets (100%)	**44,994**	40,129
Carrying amount of interest in joint venture	**22,497**	20,065

8. EQUITY-ACCOUNTED INVESTMENTS (continued)

c) Summary of financial information of equity accounted investees (continued):

iii) Jusoor Airport Services Company (“Jusoor”)

	31 December 2023 SR’000	*31 December 2022 SR’000*
Revenue	**56,096**	47,120
Other comprehensive income for the year	**31,552**	27,407
Company’s share of total comprehensive income for the year (51%)	**16,091**	13,977

	31 December 2023 SR’000	*31 December 2022 SR’000*
Current assets	**122,267**	52,196
Current liabilities	**(62,310)**	(23,789)
Net assets (100%)	**59,957**	28,407
Carrying amount of interest in joint venture	**30,578**	14,487

The equity accounted investees apply the same accounting policies as applied by the Company in these financial statements and the reporting period of the equity accounted investees is also 31 December 2023.

9. PREPAYMENTS AND OTHER ASSETS

	31 December 2023 SR’000	*31 December 2022 SR’000*
Due from related parties (note 25(b)(ii))	**443,372**	392,940
VAT receivables (note 9.4)	**78,164**	88,900
Prepayments (note 9.1)	**74,682**	60,988
Advances to suppliers (note 9.2)	**64,448**	121,729
Employee loans and advances	**34,090**	31,536
Refundable deposits (note 9.3)	**21,711**	23,012
Others	**18,052**	15,931
	734,519	735,036
Less: Other assets - non-current (notes 9.2 and 9.5)	**(42,124)**	(90,237)
Less: allowance for impairment loss	**(13,435)**	(13,435)
	678,960	631,364

9.1 This includes amounts paid to a related party (note 25 b (ii)).

9.2 Advances to suppliers mainly include the advances paid for purchases of specialised airport equipment and construction-in-progress related to leasehold improvements.

9.3 This includes an amount of SR 9.8 million paid to comply with the formalities of appeal acceptance procedure with ZATCA.

9.4 This represents refund claimed by the Company from ZATCA against payment of value added tax as at 31 December 2023.

9.5 This represent employee loans that are payable beyond 12-months from the date of these financial statements, hence classified as non-current, and are carried at the present value of cashflows.

9. PREPAYMENTS AND OTHER ASSETS (continued)

The movement in the allowance for impairment loss is as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Balance at beginning of the year	**13,435**	-
Charge for the year	**-**	13,435
Balance at end of the year	**13,435**	13,435

10. TRADE RECEIVABLES

	31 December 2023 SR'000	*31 December 2022 SR'000*
Due from related parties (note 25 (a) (ii))	**1,083,608**	967,223
Other trade receivables	**475,205**	478,029
	1,558,813	1,445,252
Less: allowance for impairment loss	**(310,437)**	(292,432)
	1,248,376	1,152,820

The average credit period on invoices ranges from 30 to 90 days (2022: 30 to 90 days) for trade receivables. Other trade receivables include 15.21% (2022: 12.59%) of balances receivables from government related entities.

The movement in the allowance for impairment loss is as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Balance at beginning of the year	**292,432**	345,525
Charge for the year	**22,698**	5,399
Written-off during the year (note 10.1)	**(4,693)**	(58,492)
Balance at end of the year	**310,437**	292,432

10.1 During the year 2023, the Board of Directors approved the write-off amounting to SR 4.7 million (2022: SR 58.5 million). There is no contractual amount outstanding on financial assets that were written off during the year which are subject to enforcement activity.

10.2 As at 31 December 2023, allowance for impairment loss includes SR 136 million (2022: SR 117 million) against due from related parties for the Company's exposure to credit risk and impairment loss on due from related parties.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

a) Investments at FVTPL mainly comprises investments in the money market – mutual funds as follows

	31 December 2023 SR'000	*31 December 2022 SR'000*
Mutual funds	**124,439**	209,185

Mutual funds include an amount of SR 124.4 million (2022: 4.1 million) with government related entities. Individually significant transactions with these entities amount to SR 643 million (2022: Nil).

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL) (continued)

b) Movement in investments at FVTPL investment is as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Balance at beginning of the year	**209,185**	1,391,055
Investments during the year	**379,609**	-
Disposal of investments during the year	**(474,823)**	(1,222,985)
Fair value gain during the year	**10,468**	41,115
	124,439	209,185

c) Fair value gain on investments at FVTPL is as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Realized gain	**8,538**	36,617
Unrealized gain	**1,930**	4,498
	10,468	41,115

At 31 December 2023, the carrying amount of the investment at FVTPL was not significantly different from the market value. For fair values of investments at FVTPL (see note 27).

12. SHORT TERM DEPOSITS

	31 December 2023 SR'000	*31 December 2022 SR'000*
Short term deposits (note (a))	**500,000**	-

a) These represent amounts in Murabaha deposits with commercial banks having original maturity of more than three months and yielding profit in the range of 5.95% - 6%.

13. CASH AND BANK BALANCES

	31 December 2023 SR'000	*31 December 2022 SR'000*
Term deposits (note (a))	**50,756**	800,263
Cash at banks – current account	**27,142**	63,381
Cash on hand	**1,192**	773
Cash and bank balances	**79,090**	864,417
Less: restricted cash (note (b))	**(453)**	-
Cash and cash equivalent	**78,637**	864,417

13. CASH AND BANK BALANCES (continued)

a) These represent amounts in Murabaha deposits with commercial banks having original maturity of three months or less and yielding profit at 6.40% (2022: 5.3% - 5.5%).

b) Subsequent to the year end, the restricted amount was released and moved to cash and cash equivalent.

c) Cash at banks include an amount of SR 17.9 million (2022: 49.7 million) with government related entities.

14. SHARE CAPITAL AND RESERVES

14.1 Share capital

At 31 December 2023, the authorised, issued and paid up share capital of SR 1,880 million consists of 188 million fully paid shares of SR 10 each (2022: SR 1,880 million consists of 188 million shares of SR 10 each).

	2023			*2022*		
	Number of shares	**%**	**Amount *SR'000***	*Number of shares*	*%*	Amount *SR'000*
Parent Company	**98,700,000**	**52.5**	**987,000**	98,700,000	52.5	987,000
General public	**89,300,000**	**47.5**	**893,000**	89,300,000	47.5	893,000
	188,000,000	**100**	**1,880,000**	188,000,000	100	1,880,000

14.2 Statutory reserve

In accordance with the Company's By-laws, the Company sets aside 10% of its net income in each year to a statutory reserve until such reserve equals to 30% of the share capital. This reserve is not available for distribution.

14.3 Earnings / (Loss) per share

The calculation of the basic and diluted earnings / (loss) per share as follows:

	31 December 2023	*31 December 2022*
Profit / (loss) for the year attributable to the shareholders of the Company (in SR'000)	**211,477**	(244,488)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings	**188,000,000**	188,000,000
Basic and diluted earnings / (loss) per share based on profit / (loss) for the year attributable to shareholders of the Company (in SR)	**1.12**	(1.30)

Basic earnings / (loss) per share has been computed by dividing the profit / (loss) attributable to shareholders of the Company by the weighted average number of shares outstanding.

Diluted earnings / (loss) per share has been computed by dividing the profit / (loss) attributable to shareholders of the Company by the weighted average number of shares outstanding adjusted for the effects of all dilutive potential ordinary shares. However, in the absence of any convertible liability, the diluted profit / (loss) per share does not differ from the basic profit / (loss) per share.

15. LOANS AND BORROWINGS

The Company's interest-bearing loans and borrowings, which are measured at amortised cost are as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Balance at beginning of the year	**624,628**	1,183,759
Repayments during the year	**(526,196)**	(561,304)
Amortisation of deferred financial charges	**1,568**	2,173
Gross amount payable	**100,000**	624,628
Current portion of long-term bank loans	**(100,000)**	(175,797)
Non-current portion of long-term bank loans	**-**	448,831

- During the year ended 31 December 2020, the Company signed a loan agreement with a local commercial bank for a value of SR 500 million. This amount was withdrawn in full on 28 July 2020. This loan bears financial charges based on SAIBOR plus 0.80%. The loan is repayable over a period of three years on flexible repayment terms. The Company has paid a management fee of SR 7 million to obtain the facility in accordance with the agreed terms of the loan agreement. The loan is secured by an order note. During the year ended 31 December 2022, the Company repaid an amount of SR 100 million of the total withdrawn loan. Further, the Company was able to extend the facility for additional period, up to 31 October 2024.

  During the year ended 31 December 2023, the Company repaid an amount of SR 300 million of the remaining withdrawn loan.

  Subsequent to year ended 31 December 2023, the Company settled the outstanding amount.

- During the year ended 31 December 2020, the Company signed a loan agreement with a local commercial bank for a value of SR 750 million. On 9 February 2021, the Company has withdrawn SR 500 million from the available facility. This loan bears financial charges based on SAIBOR plus 0.90%. The loan is repayable over a period of 3 years, with one year grace period, in 8 equal quarterly instalments starting from December 2021. The loan is secured by an order note.

  During the year ended 31 December 2022, the Company repaid an amount of SR 362.5 million, out of which SR 250 million is in excess to the initially agreed repayment schedule, which decreased the quarterly repayments for the remaining period.

  During the year ended 31 December 2023, the Company repaid an amount of SR 75 million to fully settle the outstanding loan.

- During the year ended 31 December 2020, the Company signed a loan agreement with a local commercial bank for a value of SR 750 million. On 18 May 2021, the Company has withdrawn SR 250 million from the available facility. This loan bears financial charges based on SAIBOR plus 0.80%. The loan is repayable over a period of 3 years, with one year grace period, in 8 equal quarterly instalments starting from July 2022. The loan is secured by an order note.

  During the year ended 31 December 2022, the Company repaid an amount of SR 98.8 million, out of which SR 48.4 million is in excess to the initially agreed repayment schedule which decreased the quarterly repayments for the remaining period.

  During the year ended 31 December 2023, the Company repaid an amount of SR 151 million to fully settle the outstanding loan.

16. EMPLOYEES DEFINED BENEFIT LIABILITIES

a) General description of the plan

The Company operates an approved unfunded employees' end of service benefits scheme/plan for its permanent employees as required by the Saudi Arabian Labour law. The amount recognised in the statement of financial position is determined as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Present value of defined benefit obligations	**558,843**	550,177

b) Movement in net defined benefit liability

Net defined benefit liability comprises only of defined benefit obligations. The movement in the defined benefit obligations over the year is as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Defined benefit liability at the beginning of the year	**550,177**	580,696
Included in profit or loss		
Current service cost	**56,365**	62,776
Interest cost	**22,936**	15,039
	79,301	77,815
Included in other comprehensive income		
Re-measurement gain on defined benefit liability	**(17,985)**	(81,935)
Benefits paid	**(52,650)**	(26,399)
Defined benefit liability at the end of the year	**558,843**	550,177

c) As at 31 December 2023 and 31 December 2022, the valuation for the defined benefits liability was performed by an independent external firm of actuaries using the following key assumptions:

Key assumptions:	***31 December 2023***	*31 December 2022*
Discount rate (%)	**4.70%**	4.38%
Future salary growth (%)	**3.00% -4.50%**	2.80% - 4%
Retirement age	**60 years**	60 years

The weighted average duration of the defined benefit obligation is 10.63 years (2022: 9.74 years).

d) Defined benefits liability charge for the year has been allocated as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Cost of revenue (note 21.1)	**72,700**	68,496
General and administrative expenses (note 23.1)	**6,601**	9,319
	79,301	77,815

16. EMPLOYEES DEFINED BENEFIT LIABILITIES (continued)

e) Sensitivity analysis:
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

		2023			*2022*	
Assumptions	**Change by**	**Increase in liability by**	**Decrease in liability by**	Change by	Increase in liability by	Decrease in liability by
		SR'000	***SR'000***		*SR'000*	*SR'000*
Discount rate	**+/- 1%**	**64,077**	**(54,178)**	+/- 1%	57,923	(49,282)
Future salary growth	**+/- 1%**	**66,788**	**(57,410)**	+/- 1%	60,534	(52,358)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period. The sensitivity analyses are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation from one another.

The following payments are expected in future years:

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Year 1	**39,724**	41,563
Year 2	**34,401**	39,386
Year 3	**34,516**	39,667
Year 4	**35,075**	38,885
Year 5	**34,399**	39,666
Year 6 to 10	**176,024**	184,362
Beyond 10 years	**628,757**	515,034
Total expected payments	**982,896**	898,563

17. TRADE PAYABLES

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Other trade payables	**104,972**	73,960
Due to related parties (note 25 (c) (ii))	**25,986**	17,633
	130,958	91,593

The Company's terms of purchase require amounts to be paid within 30 - 60 days of the date of invoice.

Other trade payables include 87.27% (2022: 88.95%) as payable to government related entities.

18. ACCRUALS AND OTHER CURRENT LIABILITIES

	31 December 2023 SR'000	*31 December 2022 SR'000*
Employee related accruals	**121,669**	153,573
Due to related parties (note 25 (d))	**97,180**	140,034
Accrued outsourced service charges	**94,607**	68,918
Accrued rent and charges	**69,595**	39,812
Advances from customers	**8,200**	7,465
Accrued legal and professional charges	**6,633**	7,036
Payable against capital purchases	**2,806**	3,648
Accrued fuel charges	**1,306**	2,516
Other accruals	**107,179**	121,089
	509,175	544,091

19. ZAKAT PROVISION

a) Zakat provision

The movement in the Zakat provision during the year is as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Balance at the beginning of the year	**325,685**	158,800
Charge for the year	**59,407**	166,885
Payments during the year	**(20,889)**	-
	364,203	325,685

b) Zakat expense for the year

Zakat components are as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Equity	**2,379,025**	2,379,025
Opening provision and other adjustments	**1,167,173**	1,691,307
Book value of long-term assets	**(1,569,295)**	(1,469,105)
	1,976,903	2,601,227
Adjusted profit / (loss)	**339,235**	(58,483)
Zakat base	**2,316,138**	2,542,744

The differences between the financial and the Zakatable results are due to certain adjustments in accordance with the relevant ZATCA regulations.

19. ZAKAT PROVISION (continued)

c) Status of Zakat assessments

The Company has filed Zakat declaration up to the financial year ended 31 December 2022 with Zakat, Tax and Customs Authority ("ZATCA"). The Company has obtained Zakat certificate valid until 30 April 2024.

The Company has finalized its assessments with ZATCA up to the year 2014.

ZATCA has issued Zakat assessments for the years from 2015 to 2020 claiming an additional liability of SR 243.7 million. The Company has escalated its appeal against ZATCA assessments for the years 2015 to 2020 to the General Secretariat of Zakat, Tax and Customs Committees ("GSZTCC"). During 2023, The Tax Committees for Resolution of Tax Violations and Disputes ("TCRTVD") (first level of GSTC's committees) issued its ruling regarding the company's appeal case for those years from 2015 to 2020 according to which the TCRTVD has partially accepted some disputed items. Knowing that such ruling is not final as both the Company and ZATCA have appealed against such ruling to the appellate committee ("ACTVDR"), the hearing and final ruling from ACTVDR are still awaiting. Based on the current progress and the available information, management believes that the level of existing provisions for zakat is sufficient to account for any potential liabilities that may arise at the time of final assessments

20. REVENUE

The Company's revenue is derived from contracts with customers by providing ground handling services, aircraft cleaning, passenger handling, baggage, and fuel to its customers. All revenues are recognized at point in time.

	31 December 2023 SR'000	*31 December 2022 SR'000*
Rendering of services	**2,437,543**	1,959,592
Sale of goods	**21,345**	17,445
	2,458,888	1,977,037

Revenue by the type of customer is as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Revenue from related parties	**1,318,780**	1,203,000
Revenue from other local and foreign customers	**1,140,108**	774,037
	2,458,888	1,977,037

Revenue from other local and foreign customers include 12.91% (2022: 9.28%) revenue from government related entities.

21. COST OF REVENUE

	31 December 2023 SR'000	*31 December 2022 SR'000*
Employees' related expenses (notes 21.1)	**1,239,815**	1,144,829
Operational and handling charges	**430,091**	341,534
Repairs and maintenance expenses	**148,026**	126,177
Depreciation on property and equipment (note 5(a))	**92,209**	93,474
Depreciation on right-of-use assets (note 6(a))	**50,344**	42,000
Amortisation (note 7(b))	**1,707**	2,765
Others	**87,684**	67,219
	2,049,876	1,817,998

21.1 Employees' related expenses include charge for end of service benefits amounting to SR 72.7 million (2022: SR 68.5 million) (see note 16(d)).

22. OTHER INCOME

	31 December 2023 SR'000	*31 December 2022 SR'000*
Government support	**31,939**	21,972
Rental income from subleases	**6,015**	-
Gain on disposal of property and equipment	**3**	935
Other income (note 22.1)	**14,247**	3,643
	52,204	26,550

22.1 Other income includes reversal of provisions no longer required amounting to SR 9.5 million (2022: SR Nil).

23. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2023 SR'000	*31 December 2022 SR'000*
Employees' related expenses (notes 23.1)	**94,399**	153,032
Amortisation (note 7(b))	**27,837**	33,482
Software subscriptions and other accessories	**20,064**	26,971
Legal and professional expenses	**12,641**	17,556
Depreciation on property and equipment (note 5(a))	**6,583**	5,429
Training expenses	**5,559**	8,045
Directors' fees	**4,996**	5,063
Depreciation on right-of-use assets (note 6(a))	**3,854**	4,706
Bank charges	**3,235**	4,185
Repairs and maintenance expenses	**916**	613
Insurance expenses	**328**	1,607
Others	**29,873**	25,721
	210,285	286,410

23.1 Employees' related expenses include charge for end of service benefits amounting to SR 6.6 million (2022: SR 9.3 million) (see note 16(d)).

23. GENERAL AND ADMINISTRATIVE EXPENSES (continued)

23.2 Auditors' remuneration for the audit and non-audit services amounts to SR 0.96 million (2022:SR 0.85 million) and SR 0.09 million (2022: SR 0.10 million), respectively for the year ended 31 December 2023.

24. FINANCE COSTS

	31 December 2023 SR'000	*31 December 2022 SR'000*
Interest on loans and borrowings	**20,198**	25,507
Interest on lease liabilities (note 6(b))	**9,504**	5,041
Other charges	**1,535**	660
	31,237	31,208

25. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties represent the shareholders, and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management. The Company operates in an economic regime whereby there are various entities that are directly or indirectly controlled by the Government of Kingdom of Saudi Arabia through its government authorities, affiliations and other organisations, collectively referred to as government-related entities. The Company applies exemption in IAS 24 Related Party Disclosures that allows to present reduced related party disclosures regarding transactions with government related parties.

Following is the list of related parties and their transactions and the relationship with the Company.

Related Parties:	***Relationship***
Saudi Arabian Airlines Corporation	Parent Company
Saudi Airlines Air Transport Company	Fellow subsidiary
Saudia Aerospace Engineering Industries Company	Fellow subsidiary
Saudia Royal Fleet	Fellow subsidiary
Flyadeal Company	Fellow subsidiary
SAL Saudi Logistics Services Company	Fellow subsidiary
Saudi Private Aviation	Fellow subsidiary
Saudi Airlines Cargo Company	Fellow subsidiary
Saudi Airlines Real Estate Development Company	Fellow subsidiary
Catrion Catering Holding Company	Common shareholder
TLD Arabia Equipment Services	Joint venture
Saudi Amad for Airport Services And Transport Support Company	Joint venture
Jusoor Airport Services Company	Joint venture
Bupa Arabia for Cooperation Insurance	Common Key Management Personnel

Significant transactions with related parties in the ordinary course of business arise mainly from services provided / received, supply of fuel, and various business arrangements and are undertaken at approved contractual terms. Except disclosed elsewhere in the financial statements as government-related entities, significant balance and transactions arising from related parties are summarized below.

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Due from related parties - significant transactions and balances under trade receivables:

i) Following are the details of related parties transactions during the year:

Relationship	Nature of transactions	*Amount of transactions*	
		31 December 2023 SR'000	*31 December 2022 SR'000*
Fellow subsidiaries	Services provided	**1,306,899**	1,196,471
Joint ventures	Services provided	**8,568**	3,659
Common shareholder	Services provided	**3,313**	2,870

ii) Due from related parties under trade receivables comprised the following:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Saudi Airlines Air Transport Company	**656,333**	525,520
Saudia Royal Fleet	**175,960**	159,592
Saudia Aerospace Engineering Industries Company	**140,204**	157,969
Flyadeal Company	**90,861**	100,419
Saudi Private Aviation	**13,458**	10,182
SAL Saudi Logistics Services Company	**3,915**	6,417
Catrion Catering Holding Company	**1,282**	836
Saudi Airlines Cargo Company	**912**	5,605
Saudi Arabian Airlines Corporation	**683**	683
	1,083,608	967,223

b) Due from related parties - significant transactions and balances under prepayments and other current assets:

i) Following are the details of related parties transactions during the year:

Relationship	Nature of transactions	*Amount of transactions*	
		31 December 2023 SR'000	*31 December 2022 SR'000*
Joint venture	Invoices on behalf of Joint Venture	**56,096**	-
Joint venture	Other expenses	**24,544**	15,080
Joint venture	Dividends	**2,000**	2,000
Joint venture	Share capital contribution	**-**	510

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties - significant transactions and balances under prepayments and other current assets (continued):

ii) Due from related parties under prepayments and other current assets comprised the following:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Due from Related parties		
Saudi Arabian Airlines Corporation	**308,738**	308,738
Saudi Amad for Airport Services and Transport Support Company	**108,150**	68,612
Jusoor Airport Services Company	**23,987**	15,590
TLD Arabia Equipment Services	**2,497**	-
	443,372	392,940
Prepayments		
Bupa Arabia for Cooperation Insurance	**57,793**	54,230

c) Due to related parties - significant transactions and balances under trade payables:

i) Following are the details of related parties transactions during the year:

Relationship	**Nature of transactions**	***Amount of transactions*** ***31 December 2023 SR'000***	*31 December 2022 SR'000*
Joint venture	Maintenance received	**136,907**	116,710
Common Key Management Personnel	Services received	**103,324**	93,949
Common shareholder	Services received	**49,132**	41,602
Fellow subsidiaries	Services received	**684**	-
Joint venture	Services received	**10,208**	10,885

ii) Due to related parties under trade payable comprised the following:

	31 December 2023 SR'000	*31 December 2022 SR'000*
TLD Arabia Equipment Services	**11,118**	14,649
Catrion Catering Holding Company	**-**	2,269
Saudi Airlines Air Transport Company	**-**	715
Saudi Airlines Cargo Company	**684**	-
Bupa Arabia for Cooperation Insurance	**14,184**	-
	25,986	17,633

25. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

d) Due to related parties – significant transactions and balances under other current liabilities:

i) Following are the details of related parties transactions during the period:

Relationship	Nature of transactions	*Amount of transactions*	
		31 December 2023 SR'000	*31 December 2022 SR'000*
Joint venture	Invoices on behalf of the Joint Venture	**53,316**	81,639
Fellow subsidiaries	Other expenses	**-**	8,758

ii) Due to related parties under other current liabilities comprised the following:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Saudi Arabian Airlines Corporation	**40,470**	52,091
Catrion Catering Holding Company	**13,835**	39,420
TLD Arabia Equipment Services	**-**	34,734
Saudia Aerospace Engineering Industries Company	**39,744**	12,825
Saudi Airlines Cargo Company	**177**	861
Saudi Airlines Real Estate Development Company	**-**	103
Saudi Airlines Air Transport Company	**2,954**	-
	97,180	140,034

Key management compensation

Compensation for key management is as follows:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Short term benefits	**12,043**	14,351
End of service benefits	**745**	1,315
Directors' fees (note 23)	**4,996**	5,063
	17,784	20,729

Key management personnel comprise of chief executive officer and heads of departments. Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

26. OPERATING SEGMENTS

The Company's primary format for segmental reporting is based on business segments. The business segments are determined based on the Company's management and internal reporting structure. The Company is principally involved in providing ground handling services to local and foreign airlines at all airports in the Kingdom of Saudi Arabia. Other operations relate to fuelling to the local and foreign airlines and other customers. The operations related to fuelling and other services has not met the quantitative thresholds for reportable segments for the year ended 31 December 2023 and 31 December 2022. Accordingly, the management believes that the Company's business falls within a single reportable business segment and is subject to similar risks and returns.

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables, and lease liabilities. The main purpose of these financial liabilities is to finance the Company's operations. The Company's principal financial assets include trade receivables, financial assets at FVTPL, short term deposits, and cash and cash equivalents that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company management monitors compliance 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. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework, audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the management. The Company is continuously monitoring the evolving scenario and any further change in the risk management policies will be reflected in the future reporting periods.

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 about the risks faced by the Company

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and price risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages the interest rate risk by regularly monitoring the interest rate profiles of its interest-bearing financial instruments. The Company's interest-bearing liabilities, which are mainly bank borrowings, at floating rates of interest, which are subject to re-pricing. Management monitors the changes in interest rates and believes that the fair value and cash flow interest rate risks to the Company are not significant. Interest bearing financial assets comprises of short term murabaha deposits which are at fixed interest rates; therefore, has no exposure to cash flow interest rate risk and fair value interest rate risk.

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 2023 SR'000	*31 December 2022 SR'000*
Financial liabilities		
Loans and borrowings	**100,000**	624,628

<u>*Fair value sensitivity analysis for fixed interest rate instruments*</u>
The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income.

<u>*Cash flow sensitivity analysis for variable rate instruments*</u>
A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by SR 0.25 million (2022: SR 3.4 million). This analysis assumes that all other variables, in particular, foreign currency rates, remain constant.

Currency risk
Foreign 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 transactions are principally in Saudi Riyals and United States Dollars and Euros. The management believes that there is no currency risk arising from the transactions in currencies to which the Saudi Riyals is pegged. The Company's exposure to currency risk arising from currencies to which the Saudi Riyals is not pegged is not material to these financial statements.

The cash and bank balances, short term deposits, trade receivables, loans and borrowings and trade payables of the Company are denominated in Saudi Arabian Riyals.

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Currency risk (continued)

Following is the gross financial position exposure classified into separate foreign currency:

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Euro		
Other payables	**9,264**	18,673

Significant exchange rates applied during the year were as follows:

	31 December 2023		*31 December 2022*	
	Average rate	**Spot rate**	Average rate	Spot rate
Foreign currency per Saudi Riyal				
Euro	**0.25**	**0.24**	0.25	0.25

Sensitivity analysis

Every 1% increase or decrease in the exchange rate with all other variables held constant will decrease or increase profit or loss for the year by SR 0.09 million (2022: SR 0.19 million).

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from special commission rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instruments or it's issuer, or factors affecting all similar financial instruments traded in the market. The Company is exposed to price risk which arises from investments at FVTPL. The management of the Company monitors the portfolio on a regular basis and all the significant decisions are approved by the Risk Management Committee.

Sensitivity analysis

Every 5% increase or decrease in the net asset value with all other variables held constant will decrease or increase profit or loss for the year by SR 6.2 million (2022: SR 10.4 million).

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company manages credit risk by assessing the credit worthiness of counter parties before entering into transactions as well as monitoring any outstanding exposures on a periodic basis to ensure timely settlement. Credit risk arises from cash and cash equivalents, restricted cash, credit exposures to customers, including outstanding receivables, accrued rental income and contract assets.

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

	31 December 2023	*31 December 2022*
	SR'000	*SR'000*
Trade receivables	**1,558,813**	1,445,252
Other assets	**483,135**	431,885
Financial assets at fair value through profit or loss (FVTPL)	**124,439**	209,185
Bank balances	**77,898**	863,644
Short term deposits	**500,000**	-
	2,744,285	2,949,966

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)
Cash balances are held with banks with sound counter party risk rating ranging from A3 to A1 based on Moody's credit rating and BBB+ based on Fitch credit rating. All bank balances are held with banks within the Kingdom of Saudi Arabia. Therefore, all bank balances are assessed to have low credit risk as the probability of default based on forward-looking factors and any loss given defaults are considered to be negligible.

Impairment loss
The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. To reduce exposure to credit risk, the Company has developed a formal approval process whereby credit limits are applied to its customers. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery. To mitigate the risk, the Company has a system of assigning credit limits to its customers based on an extensive evaluation based on customer profile and payment history.

The receivables are shown net of allowance for impairment of trade receivables. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped into low risk, fair risk, doubtful and loss based on shared credit risk characteristics and the days past due. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors (such as GDP forecast and industry outlook) affecting the ability of the customers to settle the receivables. 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.

The following table provides information about the exposure to credit risk and expected credit losses for trade receivables.

	Current SR'000	***0 - 90 days past due SR'000***	***91 – 180 days past due SR'000***	***More than 180 days past due SR'000***	***Total SR'000***
31 December 2023					
Gross carrying amount	**576,463**	**284,478**	**60,675**	**637,197**	**1,558,813**
Expected loss rate	**2%**	**4%**	**7%**	**44%**	**20%**
Loss allowance	**14,343**	**12,535**	**4,028**	**279,531**	**310,437**

	Current SR'000	*0 - 90 days past due SR'000*	*91 – 180 days past due SR'000*	*More than 180 days past due SR'000*	*Total SR'000*
31 December 2022					
Gross carrying amount	544,914	206,034	104,858	589,446	1,445,252
Expected loss rate	3%	5%	11%	43%	20%
Loss allowance	16,335	9,392	11,759	254,946	292,432

With respect to credit risk arising from the other financial assets of the Company, including bank balances, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts as disclosed in the statement of financial position. The credit risk in respect of bank balances is considered by management to be insignificant, as the balances are mainly held with reputable banks in the Kingdom of Saudi Arabia.

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Concentration risk

The maximum gross exposure to credit risk for trade receivables including related parties by geographical region at the reporting date was:

	31 December 2023 SR'000	*31 December 2022 SR'000*
Gulf countries	**1,335,158**	1,224,746
Other Asian countries	**90,482**	99,683
Europe	**9,685**	7,579
Other regions	**123,488**	113,244
	1,558,813	1,445,252

The Company's exposure to credit risk for gross trade receivables by type of counterparty mainly includes local and foreign airlines and other related parties (note 25(a)).

At 31 December 2023, trade receivables are mainly due from related parties (note 25(a)) and other trade receivables and are stated at their estimated realisable values. The ten largest non-related party customers account for 59% (2022: 59%) of outstanding gross other trade receivables. The financial position of the related parties is stable.

Liquidity Risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are available through committed credit facilities to meet any future commitments. This includes consideration of future cashflow forecasts, prepared using assumptions about the nature, timing and amount of future transactions, planned course of actions and other committed cash flows that can be considered reasonable and achievable in the circumstances of the Company. The Company's management has developed a plan to enable the Company to meet its obligations as they become due and to continue its operations, without significant curtailment, as a going concern.

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 arrangements.

		Contractual cash flows		
Non-derivative financial liabilities	***Carrying amount SR'000***	***Less than one year SR'000***	***More than one year SR'000***	***Total SR'000***
31 December 2023				
Trade payables	**130,958**	**130,958**	**-**	**130,958**
Other payables (excluding advances)	**509,952**	**509,952**	**-**	**509,952**
Loans and borrowings	**100,000**	**101,712**	**-**	**101,712**
Lease liabilities	**236,794**	**86,115**	**185,386**	**271,501**
	977,704	**828,737**	**185,386**	**1,014,123**

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity Risk (continued)

		Contractual cash flows		
Non-derivative financial liabilities	*Carrying amount SR'000*	*Less than one year SR'000*	*More than one year SR'000*	*Total SR'000*
31 December 2022				
Trade payables	91,593	91,593	-	91,593
Other payables (excluding advances)	536,626	536,626	-	536,626
Loans and borrowings	624,628	183,648	450,625	634,273
Lease liabilities	132,379	42,139	87,110	129,249
	1,385,226	854,006	537,735	1,391,741

Capital risk management

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses. The Company manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may, for example, opt for short term or long-term loans. No change were made in the objectives, policies on processes for managing the capital during the years ended 31 December 2023 and 31 December 2022.

The Company has disclosed its gearing ratio as this is the measure it uses to monitor capital.

	31 December 2023 SR'000	*31 December 2022 SR'000*
Total liabilities	**1,899,973**	2,268,553
Short term deposits	**(500,000)**	-
Cash and bank balances	**(79,090)**	(864,417)
Financial assets at fair value through profit or loss (FVTPL)	**(124,439)**	(209,185)
Net debt	**1,196,444**	1,194,951
Share capital	**1,880,000**	1,880,000
Reserves	**520,173**	499,025
Accumulated losses	**(68,681)**	(276,995)
Shareholders' equity	**2,331,492**	2,102,030
Net debt to shareholders' equity ratio	**51.32%**	56.85%

Fair value sensitivity analysis for fixed interest rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect the statement of profit or loss and other comprehensive income.

Fair value measurement of financial instruments

Recognized fair value measurements

The Company measures financial instruments, and non-financial assets such as investment properties, at fair value at each balance sheet date.

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value measurement of financial instruments (continued)

Recognized fair value measurements (continued)

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 by 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, maximising the use of relevant observable inputs and minimising 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:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniqu es 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 recognized in the financial statements at fair value 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. As at 31 December 2023 and 31 December 2022, the fair values of the Company's financial instruments are estimated to approximate their carrying values.

Fair value hierarchy

	For the year ended 31 December 2023					
	FVTPL SR'000	*Amortized cost SR'000*	*Total SR'000*	*Level 1 SR'000*	*Level 2 SR'000*	*Level 3 SR'000*
Financial assets						
Cash and bank balances	**-**	**79,090**	**79,090**	**-**	**-**	**79,090**
Short term deposits	**-**	**500,000**	**500,000**	**-**	**-**	**500,000**
Trade receivables	**-**	**1,558,813**	**1,558,813**	**-**	**-**	**1,558,813**
Other current assets	**-**	**483,135**	**483,135**	**-**	**-**	**483,135**
Financial assets at fair value through profit or loss	**124,439**	**-**	**124,439**	**-**	**124,439**	**-**
	124,439	**2,621,038**	**2,745,477**	**-**	**124,439**	**2,621,038**

27. FINANCIAL INSTRUMENTS RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Fair value measurement of financial instruments (continued)

Fair value hierarchy (continued)

	For the year ended 31 December 2022					
	FVTPL SR'000	*Amortized Cost SR'000*	*Total SR'000*	*Level 1 SR'000*	*Level 2 SR'000*	*Level 3 SR'000*
Financial assets						
Cash and bank balances	-	864,417	864,417	-	-	864,417
Trade receivables	-	1,445,252	1,445,252	-	-	1,445,252
Other assets	-	431,885	431,885	-	-	431,885
Financial assets at fair value through profit or loss	209,185	-	209,185	-	209,185	-
	209,185	2,741,554	2,950,739	-	209,185	2,741,554

There are no transfers in the fair value levels during the year ended 31 December 2023 and 2022.

Financial assets at FVTPL comprise investments in mutual funds.

The fair value of investments in mutual funds at level 2 is based on the net assets values communicated by the fund manager and the daily prices are available on Tadawul. The fair value of investments in equity securities at level 1 is based on quoted prices that are available on Tadawul.

Loans and borrowings, liabilities against leases, and other liabilities are the Company's financial liabilities. All financial liabilities as of 31 December 2023 and 31 December 2022 are measured at amortised cost. The carrying values of the financial liabilities under amortised cost approximate their fair values.

The carrying value of all the financial assets classified as amortised cost approximates their fair value on each reporting date.

28. COMMITMENTS AND CONTINGENCIES

(a) In addition to contingencies disclosed in note 19, the Company has provided, in the normal course of business, bank guarantees amounting to SR 81 million (2022: SR 73.5 million) to the Ministry of Finance, Saudi Airlines, International Air Transport Association ("IATA") and General Authority of Civil Aviation ("GACA"), towards tickets, tenders, airline ticket sales and rentals as at 31 December 2023.

(b) Commitments amounting to SR 56.4 million (2022: SR 74.6 million) are in respect of capital expenditure committed but not paid.

(c) As at 31 December 2023, there are cases filed by labors and subcontractors where the Company is a defendant. Currently, the legal proceedings are ongoing and based on management expectations, the related probabilities of winning the cases are high for the Company.

29. SUBSEQUENT EVENTS

There have been no significant subsequent events since the year-end, that would required disclosures or adjustments in these financial statements except the following:

(a) The restricted amount was released and moved to cash and cash equivalent (note 13).

(b) The Company settled the outstanding amount of loans and borrowings (note 15).

30. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements have been approved and authorized to issue by the Board of Directors on 24 March 2024 corresponding to (14 Ramadhan1445H).