CATRION CATERING HOLDING COMPANY
(FORMERLY KNOWN AS SAUDI AIRLINES CATERING COMPANY)
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2023

INDEX	**PAGE**

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)
King's Road Tower, 13th Floor
King Abdul Aziz Road (Malek Road)
P.O. Box 1994
Jeddah 21441
Kingdom of Saudi Arabia
Head Office – Riyadh

C.R. No. 4030276644

Tel: +966 12 221 8400
Fax: +966 12 664 4408

ey.ksa@sa.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of CATRION Catering Holding Company (Formerly Known As Saudi Airlines Catering Company) (A Saudi Joint Stock Company)

Report on the Audit of the Consolidated Financial Statements

Opinion
We have audited the consolidated financial statements of CATRION Catering Holding Company (Formerly Known As Saudi Airlines Catering Company) (A Saudi Joint Stock Company) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated 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 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 Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of CATRION Catering Holding Company (Formerly Known As Saudi Airlines Catering Company) (A Saudi Joint Stock Company) (Continued)

Key Audit Matters (Continued)

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on trade receivables As at 31 December 2023, the gross balance of trade receivables amounted to SR 749 million (2022: SR 947 million), against which an allowance for expected credit losses of SR 149 million (2022: SR 148 million) was maintained. The Group assesses at each reporting date whether the trade receivables carried at amortized cost are credit impaired. The management determines and recognizes expected credit losses allowance ('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 estimation and management judgement and assumptions, including future macro-economic factors and study of historical trends. Refer to note 3 to the financial statements for the material accounting policy, note 2.1 for the accounting estimates and judgements and note 13 which details the disclosure of impairment against trade receivable.	Our audit procedures performed included, among others, the following: • Obtained understanding of the Group's process around the accounts receivable allowance for expected credit losses. • Involved our IT audit team in testing effectiveness of the Information Technology General Controls (ITGCs) of the respective accounting system. • On a sample basis, we tested the accuracy of trade receivables ageing generated by the accounting system as at 31 December 2023. • Assessed significant judgements, estimates and assumptions made by the management with reference to the calculation of ECL including the Group's assessment of the historical trends. probability of default, incorporation of forward-looking and loss given default parameters. • Evaluated the Group's accounting policy for ECL allowance in accordance with the requirement of IFRS 9. • Assessed the adequacy and appropriateness of the related disclosures in the accompanying consolidated financial statements.

Other Information included in the Group's 2023 Annual Report

Other information consists of the information included in the Group's 2023 annual report, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information in its annual report. The Group's 2023 annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated 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 consolidated 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 consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of CATRION Catering Holding Company (Formerly Known As Saudi Airlines Catering Company) (A Saudi Joint Stock Company) (Continued)

Other Information included in the Group's 2023 Annual Report (Continued)

When we read the Group's 2023 annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group 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 Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

Building a better working world

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of CATRION Catering Holding Company (Formerly Known As Saudi Airlines Catering Company) (A Saudi Joint Stock Company) (Continued)

Auditor's responsibilities for the audit of the consolidated financial statements (Continued)

- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 consolidated 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
Licence No. (572)

Jeddah: 24 March 2024G
14 Ramadhan 1445H

J14
EY
سجل تجاري ٤٠٣٠٢٧٦٦٤٤
CR.4030276644
شركة إرنست ويونغ للخدمات المهنية
(مهنية ذات مسؤولية محدودة)
Ernst & Young Professional Services
(Professional LLC)

CATRION CATERING HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
(FORMERLY KNOWN AS SAUDI AIRLINES CATERING COMPANY)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	*31 December 2023 SR*	*31 December 2022 SR*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	**414,893,911**	340,951,680
Right-of-use assets	15	**234,981,152**	267,144,201
Leases receivables – non-current portion	15	**990,148**	3,790,102
Intangible assets	8	**10,890**	37,025
Investment property	9	**28,734,575**	30,693,416
Advance against investment in shares		**1,875,000**	1,875,000
Margin deposit	11	**4,230,000**	4,230,000
Investment in associate	10	**36,954,874**	21,543,123
TOTAL NON-CURRENT ASSETS		**722,670,550**	670,264,547
CURRENT ASSETS			
Inventories	12	**77,190,313**	61,522,406
Leases receivables – current portion	15	**4,777,598**	15,458,733
Trade receivables	13	**601,498,527**	798,917,472
Prepayments and other receivables	14	**86,298,862**	67,789,643
Cash and cash equivalents	16	**702,456,181**	417,242,028
TOTAL CURRENT ASSETS		**1,472,221,481**	1,360,930,282
TOTAL ASSETS		**2,194,892,031**	2,031,194,829
EQUITY AND LIABILITIES			
EQUITY			
Share capital	17	**820,000,000**	820,000,000
Statutory reserve	18	**246,000,000**	246,000,000
Retained earnings		**220,068,464**	53,926,179
TOTAL EQUITY		**1,286,068,464**	1,119,926,179
LIABILITIES			
NON-CURRENT LIABILITIES			
Lease liabilities – non-current portion	15	**150,255,896**	175,320,591
Employees' defined benefits obligation	20	**164,848,553**	165,219,221
Long-term bonus	21	**11,700,000**	8,125,254
TOTAL NON-CURRENT LIABILITIES		**326,804,449**	348,665,066
CURRENT LIABILITIES			
Trade and other payables	22	**462,043,182**	408,903,508
Lease liabilities – current portion	15	**94,447,407**	132,049,502
Zakat liabilities	23	**25,528,529**	21,650,574
TOTAL CURRENT LIABILITIES		**582,019,118**	562,603,584
TOTAL LIABILITIES		**908,823,567**	911,268,650
TOTAL EQUITY AND LIABILITIES		**2,194,892,031**	2,031,194,829

Member of the Board of Directors | Chief Executive Officer | Chief Financial Officer

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

CATRION CATERING HOLDING COMPANY (A SAUDI JOINT STOCK COMPANY)
(FORMERLY KNOWN AS SAUDI AIRLINES CATERING COMPANY)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Note	*2023 SR*	*2022 SR*
Revenue	25	**2,133,762,298**	1,818,006,368
Cost of revenue	26	**(1,567,769,793)**	(1,301,686,626)
GROSS PROFIT		**565,992,505**	516,319,742
Other income	27	**29,494,363**	27,296,834
General and administrative expenses	28	**(288,423,268)**	(232,356,079)
Allowance for expected credit losses	13	**(1,274,113)**	(25,705,642)
Other expenses	29	**(1,420,927)**	(1,590,689)
OPERATING PROFIT		**304,368,560**	283,964,166
Share of results from investment in associate	10	**15,411,751**	18,417,193
Reversal of impairment of investment in associate	10	-	3,125,930
Finance income	30	**16,855,560**	967,772
Finance costs	31	**(20,098,131)**	(20,654,096)
PROFIT BEFORE ZAKAT		**316,537,740**	285,820,965
Zakat	23	**(33,880,036)**	(28,717,827)
NET PROFIT FOR THE YEAR		**282,657,704**	257,103,138
Other comprehensive income / (loss) for the year			
Items that will not be reclassified to profit or loss in subsequent years:			
Re-measurement gain / (loss) on employees' defined benefits obligation	20	**6,484,581**	(9,695,703)
Other comprehensive income / (loss) for the year		**6,484,581**	(9,695,703)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**289,142,285**	247,407,435
EARNINGS PER SHARE:			
Basic and diluted earnings per share (SR per share)	32	**3.45**	3.14

Member of the Board of Directors

Chief Executive Officer

Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2023

	Note	*Share capital SR*	*Statutory reserve SR*	*Retained earnings / (accumulated losses) SR*	*Total SR*
At 1 January 2022		820,000,000	246,000,000	(193,481,256)	**872,518,744**
Net profit for the year		-		257,103,138	**257,103,138**
Other comprehensive loss	20			(9,695,703)	**(9,695,703)**
Total comprehensive income for the year				247,407,435	**247,407,435**
At 31 December 2022		820,000,000	246,000,000	53,926,179	**1,119,926,179**
Net profit for the year		-	-	282,657,704	**282,657,704**
Other comprehensive income	20	-	-	6,484,581	**6,484,581**
Total comprehensive income for the year		-	-	289,142,285	**289,142,285**
Dividends	19	-	-	(123,000,000)	**(123,000,000)**
At 31 December 2023		**820,000,000**	**246,000,000**	**220,068,464**	**1,286,068,464**

Member of the Board of Directors

Chief Executive Officer

Chief Financial Officer

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	Notes	*2023 SR*	*2022 SR*
OPERATING ACTIVITIES			
Profit before zakat		**316,537,740**	285,820,965
Adjustments for:			
Depreciation on property, plant and equipment	7	**61,258,738**	85,123,092
Depreciation on investment in property	9	**1,958,841**	1,958,841
Depreciation on right-of-use assets	15	**56,686,601**	75,399,766
Amortization of intangible assets	8	**26,135**	393,659
Work in progress expensed during the year	7	**338,920**	376,229
(Reversal of provision) / provision for slow moving inventory, net	12	**(5,362,980)**	13,577,199
Allowance for expected credit losses	13	**1,274,113**	25,705,642
Finance income	30	**(16,855,560)**	(967,772)
Finance cost	31	**20,098,131**	20,654,096
Share of results in an associate	10	**(15,411,751)**	(18,417,193)
Reversal of impairment of equity-accounted investments	10	**-**	(3,125,930)
(Gain) / loss on disposal of property, plant and equipment		**(1,343,298)**	19,524
Gain on termination and modification of leases	27	**(16,066,644)**	(18,015,893)
Modification on lease receivables		**2,250,729**	-
Long-term bonus		**3,574,746**	8,100,000
Provision for employees' defined benefits obligation	20	**18,921,529**	15,626,376
		427,885,990	492,228,601
Working capital changes:			
Trade receivables		**196,144,832**	(129,022,014)
Inventories		**(10,304,927)**	(8,488,027)
Prepayments and other receivables		**(18,509,219)**	37,883,458
Trade and other payables		**62,091,051**	(7,758,778)
Cash generated from operating activities		**657,307,727**	384,843,240
Payment of long-term bonus		**-**	(7,474,746)
Employees' defined benefits obligation paid	20	**(19,299,201)**	(11,152,677)
Zakat paid	23	**(30,002,081)**	(20,015,464)
Net cash flows from operating activities		**608,006,445**	346,200,353
INVESTING ACTIVITIES:			
Payments received for lease receivables	15	**11,643,244**	5,277,498
Proceeds from disposal of property, plant and equipment		**1,750,352**	-
Purchase of property, plant and equipment	7	**(135,946,943)**	(18,464,052)
Advance against investment in shares		**-**	(1,875,000)
Net cash flows used in investing activities		**(122,553,347)**	(15,061,554)
FINANCING ACTIVITIES:			
Payments of lease liabilities	15 (B)	**(77,521,988)**	(90,320,297)
Dividends paid		**(122,716,957)**	(38,841)
Net cash flows used in financing activities		**(200,238,945)**	(90,359,138)
Increase in cash and cash equivalents		**285,214,153**	240,779,661
Cash and cash equivalents at the beginning of the year		**417,242,028**	176,462,367
Cash and cash equivalents at the end of the year	16	**702,456,181**	417,242,028
SUPPLEMENTARY SIGNIFICANT NON-CASH INFORMATION			
Additions to right-of-use assets and lease liabilities	15	**45,355,425**	10,755,093

Member of the Board of Directors　　Chief Executive Officer　　Chief Financial Officer

1. CORPORATE INFORMATION

CATRION Catering Holding Company (formerly known as Saudi Airlines Catering Company) (the “Parent Company”) is a Saudi Joint Stock Company domiciled in the Kingdom of Saudi Arabia. The Company was registered as a Saudi limited liability company on 20 Muharram 1429H (29 January 2008) under Commercial Registration No. 4030175741.
The Company’s and its subsidiaries (the “Group”) are mainly involved in provision of cooked and non-cooked food to private and public sectors, provision of sky sales, operation and management of duty-free zones in Saudi Arabian airports and ownership, operation and management of restaurants at airports and other places, and the ownership, operation and management of central laundries.

The Company mainly provides catering services to Saudi Arabian Airlines and other foreign airlines in the airports of Jeddah, Riyadh, Dammam and Madinah in Saudi Arabia and to Saudi’s flights operating from Cairo International Airport.

The Group also has the following branches, which are operating under separate commercial registrations:

Branch Location	***Commercial registration number***
Riyadh	1010336558
Riyadh	1010616679
Riyadh	1010616680
Dammam	2050082998
Jeddah	4030227251
Jeddah	4030285290
Jeddah	4030426294
Jeddah	4030477154
Jeddah	4030485646
Makkah	4031084114
Sharma	3557100105
Rabigh	4602006306
Medina	4650055980
Medina	4650216315

The Company has investment in the fully owned / controlled subsidiaries listed below, (the “subsidiaries”), collectively referred to as (the “Group”).

Subsidiary Name	***Commercial registration number***	***Date of incorporation***	***Country on incorporation***	***The principal activity***	***Effective holding***		***Share capital***	
					2023	*2022*	***2023***	*2022*
CATRION For Catering Services (formerly known SACC for Catering Company)	4030371373	3 December 2019	Kingdom of Saudi Arabia	Catering services	**100%**	100%	**5,000,000**	5,000,000
CATRION for Laundry Company	4030515446	22 June 2023	Kingdom of Saudi Arabia	Laundry, Washing and Drycleaning	**100%**	-	**5,000,000**	-
CATRION for Operation and Maintenance	400536143	18 December 2023	Kingdom of Saudi Arabia	Catering Services Facility Management	**100%**	-	**500,000**	-
CATRION Laundry for Operation and Maintenance	4030536144	18 December 2023	Kingdom of Saudi Arabia	Laundry, Washing and Drycleaning	**100%**	-	**500,000**	-

These consolidated financial statements (the “financial statements”) include the financial statements of the Parent Company and its subsidiaries.

The registered head office of the Parent Company is located at the following address:
Al Saeb Al Jomhi Street
Prince Sultan Bin Abdulaziz Road, Almohammadya District (5)
P. O. Box 9178, Jeddah 21413
Kingdom of Saudi Arabia

1. CORPORATE INFORMATION (continued)

On 12 October 2023, the Extraordinary General Assembly approved to change the Company's trade name from Saudi Airlines Catering Company to be "CATRION Catering Holding Company". All legal formalities were completed during the year end in relation to change of the name of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "IFRSs" as endorsed in Kingdom of Saudi Arabia"). The Group has prepared the consolidated financial statements on the basis that it will continue to operate as a going concern.

The consolidated financial statements are prepared under the historical cost convention using the accruals basis of accounting and going concern concept. The consolidated financial statements provide comparative information in respect of the previous year.

The consolidated financial statements are presented in Saudi Arabian Riyals (SR), which is the functional currency of the Group.

2.1 Accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires 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. However, in view of the current uncertainties, any change in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future years. As the situation is still evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:
- Sensitivity analyses disclosures (note 20 and 35)
- Financial instruments risk management and policies (note 35)
- Capital management (note 36)

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

Determining the lease term of contracts with termination options – Group as lessee
The Group determines the lease term as the non-cancellable term of the lease, together with any years covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

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

Satisfaction of performance obligations
The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method of recognising revenue. The Group assessed that one performance obligation is related to catering services can be measured reliably.

2. BASIS OF PREPARATION (Continued)

2.1 Accounting judgements, estimates and assumptions (continued)

Judgements (continued)

Determination of transaction prices
The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component in the contract and any non-cash consideration in the contract, if any.

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

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 Group based its assumptions and estimates on parameters available when the consolidated 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 Group. Such changes are reflected in the assumptions when they occur. Information about the assumptions and estimation uncertainties is included in the following areas:

Useful lives of property, plant and equipment/intangible asset
The Group's management determines the estimated useful lives of its property, plant and equipment/intangible asset for calculating depreciation/amortisation. These estimates are determined after considering the expected usage of the assets or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation/amortisation charges are adjusted where the management believes the useful lives differ from previous estimates.

Allowance for slow moving inventory
The Group recognizes an allowance for inventory losses due to factors such as obsolescence, physical damage etc. The estimation of such losses includes the consideration of factors including but not limited to introduction of new products or technology by the competitors, expiry dates of products, past trends and both existing and emerging market conditions.

Provision for expected credit losses (ECLs) of trade and other receivables
The Group uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customers' actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 35.

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 DCF model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group 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 other intangibles with indefinite useful lives recognised by the Group.

2. BASIS OF PREPARATION (continued)

Employees' defined benefit obligation

The cost of the defined benefit plan and the present value of the obligation is determined using actuarial valuation. 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 employee 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 parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality Corporate/Government bonds. 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. Future salary increases are based on expected future inflation rates for the country. Further details about employee benefits obligations are provided in note 20.

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.

Provisions

Provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

Zakat

The Group is subject to zakat in accordance with the Regulations of Zakat, Tax and Customs Authority (the "ZATCA") in the Kingdom of Saudi Arabia, and the provision is charged to the special purpose unconsolidated statement of comprehensive income. Additional zakat liabilities, if any, resulting from the final assessments raised by (the "ZATCA") for previous years are accounted for in the year in which these final assessments are issued.

3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently, except as mentioned in note 4, in the preparation of these consolidated financial statements:

In addition, the Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 January 2023. The amendments require the disclosure of 'material' rather than 'significant' accounting policies. Although the amendments did not result in any changes to the accounting policy themselves, they impacted the accounting policy information disclosed in certain instances.

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.1 Foreign currencies (continued)

Transactions in foreign currencies are initially recorded by the Group in its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in statement of profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item. In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

3.2 Current versus non-current classification

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

Assets
An asset is current when it is:

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

All other assets are classified as non-current.

Liabilities
A liability is current when it is:

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

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.3 Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of profit or loss. Any investment retained is recognised at fair value. These consolidated financial statements comprising the financial statements the Group and its subsidiaries as set out in note 1. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Group.

3.4 Investment in associates

Associates are enterprises over which the Group exercises significant influence. Investments in associates are initially recognized at cost and subsequently accounted for under the equity method of accounting and are carried in the consolidated statement of financial position at the lower of the equity-accounted value or recoverable amount. Equity-accounted value represents the cost plus post-acquisition changes in the Group's share of net assets of the associate (share of the results, reserves and accumulated gains/losses based on latest available financial statements) less impairment, if any. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

3.5 Segment reporting

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

Reportable segments	**Operations**
Inflight	Inflight catering, airline equipment, business lounge and retail ground, onboard and online
Catering and Facilities	Remote & Camp management, Business & Industries catering, Laundry services, Hajj and Umrah.

The Board of Directors is the Decision Maker and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. However, the Group’s financing (including finance costs, finance income and other income) and zakat are managed on a Group basis and are not allocated to operating segments.

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.6 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes purchase price and any 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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within other income in the statement of profit or loss.

Capital work in progress
Capital work-in-progress represents all costs relating directly and indirectly to the projects in progress and is capitalized as property, plant and equipment when the project is completed.

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

Depreciation
Depreciation represents the systematic allocation of the depreciable amount of an asset over its estimated useful life. Depreciable amount represents carried amount of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in the statement of profit or loss on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Land and capital work in progress are not depreciated.

Depreciation methods, useful lives and residual values are reviewed at least annually and adjusted prospectively if required. For impairment assessment of property, plant and equipment, please refer note 3.10.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings & leasehold improvement	2 - 30 years (over shorter of useful life or lease term)
Equipment	3 - 15 years
Motor vehicles	3 - 13 years

3.7 Investment Property

Subsequent to initiate recognition, properties are depreciated over the useful life or lease period whichever is shorter. The Group accounted for investment properties at cost less accumulated depreciation and any accumulated impairment losses.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss when the asset is derecognised.

Depreciation on assets is charged to the statement of profit or loss and comprehensive income, using the straight-line method over the estimated useful life of investment property which is 18-22 years.

Gains and losses of disposals are determined by comparing proceeds with the carrying amount and are recognized in the statement of profit or loss and other comprehensive income.

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.7 Investment Property (continued)

The useful lives and methods of depreciation of investment property are reviewed at each financial year end and adjusted prospectively, if appropriate.

3.8 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the year in which they occur. Borrowing costs consist of finance cost and other costs that an entity incurs in connection with the borrowing of funds.

3.9 Leases

The Group 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.

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

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group 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, Refer to the accounting policies in section ‘Impairment of non-financial assets’.

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

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

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.9 Leases (continued)

Group as a lessor
Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. 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 year in which they are earned.

3.10 Intangible assets

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 statement of profit or loss in the year 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 year and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. 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 year 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.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated assets, is recognised in the consolidated statement of profit or loss as incurred.

Amortisation is calculated on a straight line basis over the estimated useful lives of the assets which is given below.

Category of intangible assets	***Useful lives***
Software	*2.5-5 years*

3.11 Inventories
Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average basis and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business.

The management determines its allowance for inventory obsolescence based upon historical experience, current condition, and current and future expectations with respect to sales.

3.12 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash at banks and on hand.

3.13 Financial instruments

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

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

i) Financial assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group 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. Refer to the accounting policy in note 3.16.

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

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

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

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

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

Financial assets at amortised cost (debt instruments) category is relevant to the Group as mentioned below:

<u>Financial assets at amortised cost (debt instruments)</u>
Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes cash and cash equivalents, trade and other receivables and other financial asset.

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

- The rights to receive cash flows from the asset have expired; or
- The Group 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

When the Group 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group 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 Group could be required to repay.

Impairment

The Group recognizes an allowance for expected credit losses (ECL) 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 Group 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 and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group 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 Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group 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 Group 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 Group's procedures for recovery of amounts due.

ii) 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 recognised initially at fair value and, in the case of borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade payables, lease liabilities, other liabilities, and short term borrowings.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost

Financial liabilities at amortised cost category is relevant to the Group as mentioned below:

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

3. MATERIAL ACCOUNTING POLICIES (continued)

3.13 Financial instruments (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

iii) 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.

3.14 Impairment of non-financial assets

The Group 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 Group 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 groups 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 pre-tax 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.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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 Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss, except for impairment losses relating to goodwill, 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. Impairment losses relating to goodwill cannot be reversed in future years.

Intangible assets, with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3.15 Employees' defined benefits obligations

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 Group 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.

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.15 Employees' defined benefits obligations (continued)

Post-employment benefits
The Group's 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 years 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 recognised immediately in OCI. The Group determines the net interest expense on the net defined benefit liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual year to the then-net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in employee costs in the statement of profit or loss (refer to note 20).

3.16 Provisions

Provisions are recognised when the Group 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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

3.17 Cash dividend and non-cash distribution to shareholders of the Group

The Group recognises a liability to pay a dividend when the distribution is authorised and no longer at the discretion of the Group. As per the by-laws of the Group, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Non-cash distributions are measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity.

Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss.

3.18 Zakat and tax

Zakat
Zakat is provided for in accordance with Zakat,Tax and Customs Authority ("ZATCA") regulations in the Kingdom of Saudi Arabia. Zakat provision is estimated and charged to the consolidated statement of profit of loss. Any differences in the estimations is recorded when the final assessment is approved at which time the provision is adjusted.

Value added tax (VAT)
Expenses, and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and/or
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.18 Zakat and tax (continued)

Withholding tax
The Group companies withhold taxes on transactions with non-resident parties and on dividends paid to foreign shareholders in accordance with ZATCA regulations, which is not recognized as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

3.19 Revenue recognition

The Group recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15 'Revenue from contract with customers:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Group 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 on performance obligation, the Group will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
Step 5. Recognize revenue when (or as) the entity satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The Group's performance does not create an asset with an alternate use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Catering revenue
Revenue from catering and other services is recognized when the services are rendered to the customer.

Airline equipment
Revenue from sale of airline equipment is recognized when the control over the equipment is transferred to the customer.

Business lounges
Revenue from business lounges is recognized upon rendering the service to the passengers.

Sales of goods - Retail
Revenue from the sale of goods is recognized when the Group 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.

Non airlines
Revenue from non-airline catering and other services is recognized when the services are rendered to the customer.

Camp facility
The performance obligation may include catering, accommodation etc. The revenue was recognised when the service are rendered.

3. MATERIAL OF ACCOUNTING POLICIES (continued)

3.19 Revenue recognition (continued)

Hotel - revenue
Revenue from hotel room sales and from other ancillary guest services is recognized on a daily basis, the revenue is recognized as soon as the rooms are occupied, and the services are rendered.

Medical ex-gratia
Income is recognized when the Group satisfies the performance obligation as defined in the agreement and is recorded over period of time.

All types of revenue are recorded net of returns, trade discounts and volume rebates (if any).

3.20 Expenses

Cost of revenue
Production costs and direct manufacturing expenses are classified as cost of revenue. This includes raw material, direct labour and other attributable overhead costs.

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

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

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Impact of new standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain amendments, which are effective for annual years beginning on or after 1 January 2023. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4.1 IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. 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 an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

The core of IFRS 17 is the 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

IFRS 17 is effective for reporting years beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

4. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

4.2 Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting years beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that year. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

4.3 Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides 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 amendments to IAS 1 are applicable for annual years beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

4.4 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 Group's consolidated financial statements.

4.5 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 Group's consolidated financial statements as the Group is not in scope of the Pillar Two model rules as its revenue is less than EUR 750 million/year.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

5.1 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 be 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 Group’s financial statements.

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

In January 2020 and October 2022, 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 Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

5.3 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 Group’s financial statements.

6. SEGMENT INFORMATION

***Operating segments*:**

As the operations of the Group are conducted in the Kingdom of Saudi Arabia and Cairo. Business in other countries represent inflight catering and lounge in Cairo Airport which represent 3% of total revenue, accordingly, for management purposes, the Group is organized into business units based on its products and services and has mainly two reportable segments. Information regarding the Group's reportable segments is presented below:

31 December 2023	*Inflight Catering SR*	*Catering and facilities SR*	*Total reportable segments SR*	*Overheads SR*	*Head office SR*	*Elimination SR*	*Total SR*
External revenue	1,600,929,366	532,832,932	2,133,762,298	-	-	-	**2,133,762,298**
Inter-segment revenue	235,486,037	120,315,861	355,801,898	-	-	(355,801,898)	**-**
Segment revenue	**1,836,415,403**	**653,148,793**	**2,489,564,196**	**-**	**-**	**(355,801,898)**	**2,133,762,298**
Segment profit / (loss) before zakat	450,488,504	86,712,158	537,200,662	(220,662,922)	-	-	**316,537,740**
Depreciation and amortization	70,519,024	12,902,840	83,421,864	36,508,451	-	-	**119,930,315**
Assets:							
Segment assets	1,397,836,774	199,706,226	1,597,543,000	-	-	-	**1,597,543,000**
Other assets	-	-	-	-	597,349,031	-	**597,349,031**
Total assets	**1,397,836,774**	**199,706,226**	**1,597,543,000**	-	**597,349,031**	-	**2,194,892,031**
Liabilities:							
Segment liabilities	468,261,621	55,103,696	523,365,317	-	-	-	**523,365,317**
Other liabilities	-	-	-	-	385,458,250	-	**385,458,250**
Total liabilities	**468,261,621**	**55,103,696**	**523,365,317**	**-**	**385,458,250**	**-**	**908,823,567**

Revenue from one customer of the Group represented approximately 57% (31 December 2022: 63%) of the Group's total revenue.

6. SEGMENT INFORMATION (continued)

31 December 2022	*Inflight* *SR*	*Catering and facilities* *SR*	*Total reportable segments* *SR*	*Overheads* *SR*	*Head office* *SR*	*Elimination* *SR*	*Total* *SR*
External revenue	1,432,211,902	385,794,466	1,818,006,368	-	-	-	1,818,006,368
Inter-segment revenue	220,650,262	94,257,934	314,908,196	-	-	(314,908,196)	-
Segment revenue	1,652,862,164	480,052,400	2,132,914,564	-	-	(314,908,196)	1,818,006,368
Segment profit / (loss) before zakat	407,938,513	54,319,954	462,258,467	(176,437,502)	-	-	285,820,965
Depreciation and amortization	102,703,574	25,455,114	128,158,688	34,716,670	-	-	162,875,358
Assets:							
Segment assets	1,308,990,892	187,012,987	1,496,003,879	-	-	-	1,496,003,879
Other assets	-	-	-	-	535,190,950	-	535,190,950
Total assets	1,308,990,892	187,012,987	1,496,003,879	-	535,190,950	-	2,031,194,829
Liabilities:							
Segment liabilities	504,532,165	59,371,910	563,904,075	-	-	-	563,904,075
Other liabilities	-	-	-	-	347,364,575	-	347,364,575
Total liabilities	504,532,165	59,371,910	563,904,075	-	347,364,575	-	911,268,650

7. PROPERTY, PLANT AND EQUIPMENT

	Land *SR*	*Building & leasehold improvements* *SR*	*Equipment* *SR*	*Motor vehicles* *SR*	*Capital work in progress (note (a))* *SR*	*Total* **SR**
Cost:						
At 1 January 2023	33,786,058	398,451,671	193,462,944	146,991,087	10,908,514	783,600,274
Additions during the year	-	3,637,710	7,969,438	1,946,927	122,392,868	135,946,943
Disposals during the year	-	(16,033,924)	(1,368,754)	(1,088,189)	-	(18,490,867)
Expensed during the year	-	-	-	-	(338,920)	(338,920)
Transfer from capital work in progress	-	8,631,576	6,592,948	39,224	(15,263,748)	-
At 31 December 2023	**33,786,058**	**394,687,033**	**206,656,576**	**147,889,049**	**117,698,714**	**900,717,430**
Accumulated depreciation:						
At 1 January 2023	-	204,624,665	146,015,036	92,008,893	-	442,648,594
Charge for the year	-	26,720,022	21,157,911	13,380,805	-	61,258,738
Disposals during the year	-	(15,972,778)	(1,022,846)	(1,088,189)	-	(18,083,813)
At 31 December 2023	**-**	**215,371,909**	**166,150,101**	**104,301,509**	**-**	**485,823,519**
Net book value:						
At 31 December 2023	**33,786,058**	**179,315,124**	**40,506,475**	**43,587,540**	**117,698,714**	**414,893,911**

a. Capital work in progress represents construction works at Red Sea Project and other civil works and renovations.

7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land *SR*	*Building & leasehold improvements* *SR*	*Equipment* *SR*	*Motor vehicles* *SR*	*Capital work in progress* *SR*	*Total* *SR*
Cost:						
At 1 January 2022	33,786,058	378,321,343	192,480,082	147,123,016	14,303,574	766,014,073
Additions during the year	-	1,040,364	3,283,222	-	14,140,466	18,464,052
Disposals during the year	-	(46,254)	(305,668)	(149,700)	-	(501,622)
Expensed during the year	-	-	-	-	(376,229)	(376,229)
Reclassification	-	4,579,093	(4,579,093)	-	-	-
Transfer from capital work in progress	-	14,557,125	2,584,401	17,771	(17,159,297)	-
At 31 December 2022	33,786,058	398,451,671	193,462,944	146,991,087	10,908,514	783,600,274
Accumulated depreciation:						
At 1 January 2022	-	158,134,024	120,996,823	78,876,753	-	358,007,600
Charge for the year	-	46,536,895	25,307,190	13,279,007	-	85,123,092
Disposals during the year	-	(46,254)	(288,977)	(146,867)	-	(482,098)
At 31 December 2022	-	204,624,665	146,015,036	92,008,893	-	442,648,594
Net book value:						
At 31 December 2022	33,786,058	193,827,006	47,447,908	54,982,194	10,908,514	340,951,680

7. PROPERTY, PLANT AND EQUIPMENT (continued)

b. There are no restrictions on any asset neither any asset have been pledged as security to any party.

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

	2023 SR	*2022 SR*
Cost of revenue (note 26)	**53,825,795**	77,573,526
General and administrative expense (note 28)	**7,432,943**	7,549,566
	61,258,738	85,123,092

8. INTANGIBLE ASSETS

The Group's intangibles comprise of computers' software and systems. the movement of intangible assets are as follows:

	2023 SR	*2022 SR*
Cost		
At 1 January	**5,705,915**	5,705,915
At 31 December	**5,705,915**	5,705,915
Amortization		
At 1 January	**5,668,890**	5,275,231
Charge for the year	**26,135**	393,659
At 31 December	**5,695,025**	5,668,890
Net book value	**10,890**	37,025

The amortisation of intangible assets is included in general and administrative expenses (note 28).

9. INVESTMENT PROPERTY

a. The Group's investment property comprises a part of a building owned by the Group which is being leased to a related party in King Fahd Airport, Dammam (note 15 (A "b")).

b. The movement of investment property at 31 December is as follows:

	2023 SR	*2022 SR*
Cost		
At 1 January	**43,054,931**	43,054,931
At 31 December	**43,054,931**	43,054,931
Accumulated depreciation		
At 1 January	**12,361,515**	10,402,674
Charge for the year (note 28)	**1,958,841**	1,958,841
Balance at 31 December	**14,320,356**	12,361,515
Net Book Value At 31 December	**28,734,575**	30,693,416

10. INVESTMENTS IN ASSOCIATE

The Group has a 40% interest in Saudi French Company for Duty Free Operations and Management ("SFDF"), which is involved in the operations of Duty-Free Concessions at the King Khalid International Airport, Riyadh, King Fahd International Airport, Dammam and King Abdul Aziz International Airport, Jeddah. Saudi French Company for Duty Free Operations and Management is a private entity that is not listed on any public exchange. The following table illustrates the summarised financial information of the Group's investment in SFDF:

a) The balances of the investment in associate as at 31 December 2023 and 31 December 2022 are as follows:

Name	*Country of incorporation*	*Effective ownership interest (%)*		*Carrying value*	
		2023	*2022*	***2023***	*2022*
Saudi French Company for Duty Free Operations and Management	Kingdom of Saudi Arabia	**40%**	40%	**36,954,874**	21,543,123

b) Below is the summary of the financial information of the associate as at 31 December 2023 and 31 December 2022:

i) <u>Share in net assets</u>

	2023 ***SR***	*2022* *SR*
Non-current assets	**40,659,145**	93,951,585
Current assets	**159,866,930**	138,767,430
Total assets	**200,526,075**	232,719,015
Non-current liabilities	**10,565,810**	22,826,718
Current liabilities	**100,492,258**	158,953,667
Total liabilities	**111,058,068**	181,780,385
Net assets	**89,468,007**	50,938,630
Group's carrying amount of the investment	**35,787,203**	20,375,452

<u>Share in profit</u>

	2023 ***SR***	*2022* *SR*
Revenue	**551,783,803**	396,342,081
Net income for the year	**39,784,378**	43,539,618
Other comprehensive loss	**(1,255,000)**	(709,900)
Group's share of net income for the year (at 40%)	**15,913,751**	17,415,847
Group's share of other comprehensive loss of an associate (at 40%)	**(502,000)**	(283,960)
Group's share of results for the year	**15,411,751**	17,131,887

The associate had no contingent liabilities or capital commitments as at 31 December 2023 and 2022.

10. INVESTMENTS IN ASSOCIATE (continued)

c) The movement in investment in associate for the year is as follows:

	2023 ***SR***	*2022* *SR*
At 1 January	**21,543,123**	-
Group's share of results in an associate	**15,411,751**	18,417,193
Reversal of impairment	**-**	3,125,930
At 31 December	**36,954,874**	21,543,123

11. MARGIN DEPOSIT

Margin deposit represents deposit at the banks to obtain letter of guarantees and promises from the banks to meet any financial obligations to the suppliers with a term ending more than 12 months. As at 31 December 2023 and 31 December 2022 is as follows:

	2023 ***SR***	*2022* *SR*
Margin deposits – non-current portion (note 33)	**4,230,000**	4,230,000

12. INVENTORIES

	2023 ***SR***	*2022* *SR*
Retail items	**41,748,503**	49,142,873
Catering items	**47,108,542**	29,608,015
Packing and other materials	**12,020,531**	12,981,639
Spare parts	**10,199,261**	9,039,383
	111,076,837	100,771,910
Less: allowance for slow moving and obsolete inventories	**(33,886,524)**	(39,249,504)
	77,190,313	61,522,406

The movements in allowance for slow moving and obsolete inventories for the year were given below:

	2023 ***SR***	*2022* *SR*
At 1 January	**39,249,504**	25,672,305
(Reversed) / charge during the year	**(5,362,980)**	13,577,199
At 31 December	**33,886,524**	39,249,504

13. TRADE RECEIVABLES

	2023 *SR*	*2022* *SR*
Trade receivables - Due from related parties (note 24)	**299,683,331**	564,795,615
Trade receivables – Others	**401,794,012**	338,410,877
Unbilled receivables *(note c below)*	**49,397,454**	44,124,804
	750,874,797	947,331,296
Less: allowance for expected credit losses	**(149,376,270)**	(148,413,824)
	601,498,527	798,917,472

a) Trade receivables are non-interest bearing. The credit terms of the trade receivables vary across the business segments of the Group. It is not the practice of the Group to obtain collateral over receivables and the vast majority of these are, therefore, unsecured for terms and conditions with related parties please refer to Note 24.

b) As at 31 December 2023, approximately 60% of the Group's trade receivable's balance was due from various governmental and semi-Government entities (31 December 2022: SR 69%).

c) Unbilled receivables represent billing not yet approved by customers. As at 31 December 2023 and 31 December 2022 the unbilled receivables balances was having an aging of less than one year.

d) The ageing analysis of trade receivable is as follows:

	Up to three months SR	*Above three and up to six months SR*	*Above six months SR*	*Total SR*
31 December 2023	**488,770,396**	**61,127,620**	**200,976,781**	**750,874,797**
31 December 2022	666,069,003	49,208,838	232,053,455	947,331,296

e) The movements in allowance for expected credit losses for the year were given below:

	2023 *SR*	*2022* *SR*
At 1 January	**148,413,824**	126,596,732
Charge during the year	**1,274,113**	25,705,642
Written off during the year	**(311,667)**	(3,888,550)
At 31 December	**149,376,270**	148,413,824

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable.

14. PREPAYMENTS AND OTHER RECEIVABLES

	2023 *SR*	*2022* *SR*
Advances to suppliers	**45,903,161**	21,721,730
Prepayments	**29,240,906**	35,206,401
VAT input tax	**4,509,326**	3,452,652
Margin deposits with banks – current portion (note 33)	**2,827,100**	6,350,254
Advances to employees	**1,432,586**	1,058,606
Other receivable	**2,385,783**	-
	86,298,862	67,789,643

15. RIGHT OF USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for certain buildings used for the purpose of staff accommodation and operating clinics. The movement in right-of-use assets and lease liability for the year is as follows:

A. Group as a lessor

a. Operating Leases
The Group has entered into operating leases on its investment property consisting of accommodation building (see Note 9). The management has classified these leases as operating leases because they do not transfer substantially all the risks and rewards incidental to the ownership of the assets.

b. Leases receivables
The Group sub-leases asset, AM1 Building in King Khalid International Airport in Riyadh. The management has classified this lease as finance lease.

Movement in leases receivables during the year is as follows:

	2023 ***SR***	*2022* *SR*
Net lease receivables at the beginning of the year	**19,248,835**	24,074,505
Finance income (note 30)	**412,884**	451,828
Modification	**(2,250,729)**	-
Payments received during the year	**(11,643,244)**	(5,277,498)
Net lease receivable at end of the year	**5,767,746**	19,248,835
Less: Current portion of net lease receivables	**(4,777,598)**	(15,458,733)
Non-Current portion of net lease receivables	**990,148**	3,790,102

B. Group as a lessee

a. Right -of-use assets
The movements in right-of-use assets for the year is as follows:

	Commercial Building Lease SR	***Land Lease SR***	***Residential Lease SR***	***Vehicles Lease SR***	***Total SR***
Cost:					
At 1 January 2023	450,353,468	59,814,366	44,839,680	14,763,450	569,770,964
Additions*(see note (i) below)*	45,355,425	-	-	-	45,355,425
Lease modifications	-	-	(12,399,971)	-	(12,399,971)
Terminations *(see note (ii) below)*	(48,220,106)	(1,916,329)	(8,601,344)	-	(58,737,779)
At 31 December 2023	**447,488,787**	**57,898,037**	**23,838,365**	**14,763,450**	**543,988,639**
Accumulated depreciation:					
At 1 January 2023	251,964,777	11,031,342	24,867,194	14,763,450	302,626,763
Charge for the year	49,621,358	2,672,743	4,392,500	-	56,686,601
Lease modifications	-	-	(3,050,975)	-	(3,050,975)
Terminations	(38,202,999)	(1,616,757)	(7,435,146)	-	(47,254,902)
At 31 December 2023	**263,383,136**	**12,087,328**	**18,773,573**	**14,763,450**	**309,007,487**
Net book value:					
At 31 December 2023	**184,105,651**	**45,810,709**	**5,064,792**	-	**234,981,152**

The additions, terminations and modifications during the year happened in normal course of business. The maturity analysis of lease liabilities is disclosed in note 35.

15. RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

B. Group as a lessee (continued)

a. Right -of-use assets (continued)

	Commercial Building Lease SR	*Land Lease SR*	*Residential Lease SR*	*Vehicles Lease SR*	*Total SR*
Cost:					
At 1 January 2022	446,419,112	59,814,366	145,445,614	14,763,450	666,442,542
Additions	10,755,094	-	-	-	10,755,094
Terminations	(6,820,738)	-	(100,605,934)	-	(107,426,672)
At 31 December 2022	450,353,468	59,814,366	44,839,680	14,763,450	569,770,964
Accumulated depreciation:					
At 1 January 2022	199,185,844	8,273,507	31,013,998	11,080,176	249,553,525
Charge for the year	58,329,811	2,757,835	10,628,846	3,683,274	75,399,766
Terminations	(5,550,878)	-	(16,775,650)	-	(22,326,528)
At 31 December 2022	251,964,777	11,031,342	24,867,194	14,763,450	302,626,763
Net book value:					
At 31 December 2022	198,388,691	48,783,024	19,972,486	-	267,144,201

i) During the year ended 31 December 2023, the Group entered into a new contracts with Saudi Iwaa for Residential Compounds in Riyadh and Princess Noura University for Central Kitchen in Riyadh.

ii) Termination during the year ended 31 December 2023 related to Riyadh staff compound and modification in Medina and Cairo leases. The group has recognized a gain as a result of contract termination and modifications amounted to SR 16,066,644 (31 December 2022: SR 18,015,893).

b. Lease Liabilities

The movements in lease liability for the year were as follows:

	2023 SR	*2022 SR*
Lease liabilities		
At the beginning of the year	**307,370,093**	474,499,382
Additions to lease liabilities during the year	**45,355,425**	10,755,093
Interest expense for the year (note 31)	**13,606,546**	17,801,951
Lease modification	**(14,640,248)**	-
Related to terminated contract	**(29,466,525)**	(105,366,036)
Payments made during the year	**(77,521,988)**	(90,320,297)
At the end of the year	**244,703,303**	307,370,093
Less: Current portion of lease liabilities	**(94,447,407)**	(132,049,502)
Non-Current portion of lease liabilities	**150,255,896**	175,320,591

c. Depreciation charged on right of use assets have been allocated as follows:

	2023 SR	*2022 SR*
Cost of revenue (note 26)	**51,382,392**	67,621,464
General and administrative expense (note 28)	**5,304,209**	7,778,302
	56,686,601	75,399,766

15. RIGHT OF USE ASSETS AND LEASE LIABILITIES (Continued)

B. Group as a lessee (continued)

d. The following are the amounts recognised in the statement of profit or loss and comprehensive income:

	2023 *SR*	*2022* *SR*
Depreciation on right of use assets	**56,686,601**	75,399,766
Interest expense on lease liabilities (note 31)	**13,606,546**	17,801,951
Expense relating to short term leases (included in cost of revenue)	**62,641,300**	21,421,397
Gain on de-recognition of lease liability	**(16,066,644)**	(18,015,893)
	116,867,803	96,607,221

16. CASH AND CASH EQUIVALENTS

	2023 *SR*	*2022* *SR*
Cash at bank	**325,449,311**	316,974,836
Mudarba deposit *(note b below)*	**376,577,500**	100,000,000
Cash on hand	**429,370**	267,192
	702,456,181	417,242,028

a) The cash is held in accounts with banks having sound credit ratings. The fair value of bank balances and cash equivalent approximates the carrying value at 31 December 2023 and 31 December 2022.

b) Unrestricted Mudarba deposit represent deposit placed in Mudarba with commercial banks having original maturity of three months and yielding profit at prevailing market rates.

c) Cash and cash equivalents as at 31 December 2023 include SR 2.73 million (31 December 2022: SR 2.45) earmarked in dividend accounts. Such accounts are subject to regulatory restrictions and are therefore not available for general use by the Group.

17. SHARE CAPITAL

As at the statement of financial position date, the authorized, issued and fully paid share capital is SR 820 million (2022: SR 820 million) which is divided into 82 million (2022: 82 million) shares of SR 10 par value each (2022: SR 10 par value each).

The shareholders are entitled to dividends as declared from time to time and are entitled to one vote per share at general meetings of the Group.

The shareholders and their percentage interests in the share capital of the Parent Company are as follows:

31 December 2023:

Name of Shareholders	*Number of shares*	*Value in SR*	*Percentage Holding %*
Saudi Arabian Airlines Corporation	**29,274,000**	**292,740,000**	**35.7%**
Abdulmohsen Alhokair Group for Tourism and Development	**6,711,256**	**67,112,560**	**8.2%**
General public	**46,014,744**	**460,147,440**	**56.1%**
	82,000,000	**820,000,000**	**100%**

17. SHARE CAPITAL (continued)

31 December 2022:

Name of Shareholders	*Number of shares*	*Value in SR*	*Percentage Holding %*
Saudi Arabian Airlines Corporation	29,274,000	292,740,000	35.7%
Abdulmohsen Alhokair Group for Tourism and Development	7,711,256	77,112,560	9.4%
General public	45,014,744	450,147,440	54.9%
	82,000,000	820,000,000	100%

18. STATUTORY RESERVE

In accordance with the previous Company's By-laws, the Company is required to maintain a statutory reserve equal to a maximum of 30% of its share capital. According to the latest update in the Regulations for Companies in the Kingdom of Saudi Arabia, the mandatory statutory reserve requirement had been abolished. In pursuant to this change, extraordinary general meeting ("EGA") approved in its meeting on 27 Rabi-Awwal 1445H (corresponding to 12 October 2023) the amendment of the Company's Bylaws in accordance with the new Companies Law which became effective as at 19 January 2023.

19. DIVIDENDS

On 22 March 2023, and in its issued resolution, the Board of Directors recommended the distribution of cash dividends to the Company's shareholders for the fiscal year 2022 amounted to SR 41 million at SR 0.5 per share. On 1 August 2023, and in its issued resolution, the Board of Directors recommended the distribution of cash dividends to the Company's shareholders for the first half of the fiscal year 2023 amounted to SR 82 million at SR 1.00 per share.

20. EMPLOYEES' DEFINED BENEFITS OBLIGATION

The Company and its subsidiaries operate an approved unfunded employees' end of service benefits scheme / plan for its permanent employees as required by the applicable local laws. The movement in defined benefits for the year ended is as follows:

	2023 SR	*2022 SR*
Balance at the beginning of the year	**165,219,221**	148,197,674
Included in statement of profit or loss		
Current service cost	**18,921,529**	15,626,376
Interest cost (included in employee cost)	**6,491,585**	2,852,145
	25,413,114	18,478,521
Included in statement of other comprehensive income		
Re-measurement (gain) / loss on defined benefit obligation	**(6,484,581)**	9,695,703
Benefits paid	**(19,299,201)**	(11,152,677)
Balance at the end of the year	**164,848,553**	165,219,221

Actuarial assumptions

The defined benefit plan is exposed to various actuarial risks, the most significant of which are final salary risk, discount / interest rate fluctuation risk, longevity risk and inflation risk.

The following were the principal actuarial assumptions at the reporting date:

	2023	*2022*
Discount rate	**5%**	4%
Future salary growth / expected rate of salary increases	**2%**	2%
Employee turnover / withdrawal rates	**Moderate**	Moderate
Retirement age	**60 years**	60 years
Average duration of defined benefit obligation	**6.80 years**	7.05 years

20. EMPLOYEES' DEFINED BENEFITS OBLIGATION (continued)

Sensitivity analysis

The sensitivity analyses presented below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting year, while holding all other assumptions constant. A positive amount represents an increase in the liability whilst a negative amount represents a decrease in the liability.

The quantitative sensitivity analysis for principal assumptions is as follows:

	Change in assumption by	*Increase to SR*	*Decrease to SR*
31 December 2023			
Discount rate	**1%**	**(176,612,148)**	**154,538,472**
Future salary growth / expected rate of salary increases	**1%**	**177,714,792**	**(153,403,492)**
31 December 2022			
Discount rate	1%	(177,549,194)	154,267,937
Future salary growth / expected rate of salary increases	1%	178,573,089	(153,189,580)

The following are the expected payments or contributions to the employees in future years:

	2023 SR	*2022 SR*
Within the next 12 months (next annual reporting year)	**28,344,542**	22,704,740
Between 2 and 5 years	**58,991,280**	60,087,096
Between 6 and 10 years	**57,135,725**	60,227,264
Beyond 10 years	**95,570,708**	88,877,035

21. LONG-TERM BONUS

The movement in long term bonus during 31 December 2023 and 31 December 2022 is as follows:

	2023 SR	*2022 SR*
Opening balance	**8,125,254**	7,500,000
Accrued during the year	**3,574,746**	8,100,000
Benefits paid	-	(7,474,746)
Closing balance	**11,700,000**	8,125,254

22. TRADE AND OTHER PAYABLES

	2023 SR	*2022 SR*
Accrued expenses	**258,528,771**	232,626,157
Trade payables – third parties	**155,237,106**	126,767,350
Payroll accruals	**45,433,737**	38,226,625
Dividend payable	**2,729,578**	2,446,535
Trade payables – related parties (note 24)	**113,990**	8,836,841
	462,043,182	408,903,508

23. ZAKAT

The Company and its subsidiaries files the zakat returns on an individual basis.

	2023	*2022*
	SR	*SR*
Zakat payable	**32,655,727**	28,777,772
Advance income tax relating to foreign shareholding	**(7,127,198)**	(7,127,198)
Net zakat payable	**25,528,529**	21,650,574

a) Zakat provision:

Movement in Zakat provision is as follows:

	2023	*2022*
	SR	*SR*
Balance at beginning of the year	**28,777,772**	20,075,409
Charge for the year *(note i below)*	**33,880,036**	28,717,827
Payments during the year	**(30,002,081)**	(20,015,464)
Balance at 31 December	**32,655,727**	28,777,772

i) Charge of the year ended 31 December 2023 and year ended 31 December 2022 is as follows:

	2023	*2022*
	SR	*SR*
Zakat charge for the year	**32,655,727**	28,777,772
Adjustments	**1,224,309**	(59,945)
Total Zakat charge for the year	**33,880,036**	28,717,827

b) Zakat assessments status

The Group's status of the assessments is as follows:

The Parent Company:
The Company has submitted its Zakat and tax declarations for the years 2008 to 2022.

For the year ended 31 December 2008, Zakat, Tax and Customs Authority ("ZATCA") partially accepted the objection reducing the claim to SR 312 thousand. Accordingly, the Company has accepted the remaining claim and is in the process of obtaining a refund request.

For the years ended 31 December 2009 to 2014, the ZATCA issued queries for the mentioned years. ZATCA has not issued any assessments. However, given the statute of limitation is five years under zakat regulations and the assessment for the subsequent years has been issued for 2015 to 2020, the Company believes there may not be any further correspondence for the above period which can therefore be considered as final.

For the year ended 31 December 2015 to 2018, The ZATCA issued assessments on 22 December 2020 claiming additional zakat, tax and delay penalties on tax amounting to SR 16 million. The Company submitted its objection against the assessment and after a hearing, the ZATCA issued revised assessment claiming SR 14 million, which the Company did not accept and escalated the case to next level. The Tax Violation and Dispute Resolution Committee ("TVDRC") hearing was held on 17 July 2022. The TVDRC issued its decision, partially accepting the Company's objection. The total additional Zakat of SR 11.7 million is appearing as due for all these years. The Company has escalated the objection to the Tax Violation and Dispute Appeal Committee ("TVDAC") on 12 September 2022.

For the year ended 31 December 2019 to 2020, post-submission of the response to the ZATCA queries and draft assessment, the ZATCA issued a final assessment claiming additional zakat, tax and penalties amounting to SR 9.2 million. The Company submitted an objection against the above assessment.

23. ZAKAT (continued)

b) Zakat assessments status (continued)

During the year ended 31 December 2023, the Company accepted final settlement offer of SR 5.07 million in relation for the years ended 31 December 2015 to 2020 from Internal Settlement Committee, which the Company is in the process of settling the same.

For the years ended 31 December 2021 to 2022, the zakat return is under review with ZATCA; and the Company has a certificate valid to 30 April 2024.

The Company has a refund of SR 7.1 million for overpaid accelerated taxes. The Company is in the process of obtaining the said refund from ZATCA.

For the years ended 31 December 2022, the Company has submitted its Zakat declarations and obtained a Zakat certificate valid until 30 April 2024.

The Subsidiaries:
CATRION For Catering Company
The subsidiary has submitted its Zakat declarations up to the year ended 31 December 2022 and obtained the unrestricted Zakat certificate valid until 30 April 2024.

CATRION For Laundry Company
The subsidiary's first financial year is a short year, commencing on the inception date of June 22, 2023. It will file its first Zakat return for the period ended December 31, 2023.

24. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include Group's shareholders, subsidiaries, associated companies, directors and key management personnel of the Group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management.

a) Following are the details of related party transactions during the year:

Name of Related party	*Nature of transactions*	*Amount of transaction* 2023 SR	*Amount of transaction* 2022 SR
Shareholders			
Saudi Arabian Airlines Corporation	Sale of goods and services	**1,579,498,796**	1,421,650,955
	Services received	**2,040,663**	2,205,582
Abdulmohsen Alhokair Group for Tourism and Development	Services received	**-**	610
Affiliates			
Saudi Ground Services Company	Sale of goods and services	**59,283,561**	42,110,474
	Services received	**4,349,479**	1,584,803
Saudi Airlines Cargo Company	Sale of goods and services	**5,963,682**	7,195,586
	Services received	**1,995,031**	3,064,880
Saudi French Company for Duty Free Operations and Management	Sale of goods and services	**7,131,112**	5,823,453
Saudi Airlines Real Estate Development Company	Sale of goods and services	**1,724,230**	145,220
	Services received	**3,379,477**	3,043,220
Saudi Private Aviation	Sale of goods and services	**24,598,028**	28,683,506
Saudia Royal Fleet	Sale of goods and services	**33,815,999**	47,042,358
Saudia Aerospace Engineering Industries	Sale of goods and services	**2,438,520**	2,446,613
Flyadeal Airlines Company	Sale of goods and services	**15,607,822**	8,944,162
Prince Sultan Aviation Academy	Sale of goods and services	**12,133**	63,854
Al Salam Aircraft Company	Sale of goods and services	**147,552**	457,889

24. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Due from related parties comprised the following:

	2023 SR	*2022 SR*
Saudi Arabian Airlines Corporation	**231,652,733**	430,488,596
Saudi Ground Services Company	**21,911,720**	47,269,751
Saudia Royal Fleet	**21,875,274**	53,662,602
Saudia Aerospace Engineering Industries	**9,973,570**	9,978,135
Saudi Private Aviation	**8,180,216**	12,670,913
Flyadeal Airlines Company	**2,835,303**	3,028,242
Saudi Airlines Cargo Company	**1,822,441**	2,132,060
Saudi French Company for Duty Free Operations and Management	**699,030**	4,043,890
Al Salam Aircraft Company	**682,971**	1,262,454
Prince Sultan Aviation Academy	**50,073**	113,754
Saudi Airlines Real Estate Development Company	**-**	145,218
	299,683,331	564,795,615

c) Due to related parties comprised the following:

	2023 SR	*2022 SR*
Saudi Arabian Airlines Corporation	**113,990**	-
Saudi Airlines Real Estate Development Company	**-**	8,444,349
Saudi Airlines Cargo Company	**-**	392,492
	113,990	8,836,841

Terms and conditions of transactions with related parties
Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. Outstanding balances at year-end arise in the normal course of business. For the year ended 31 December 2023 and 2022, the amounts owed by related parties are not impaired.

Amount due from and to related parties are shown in notes 13 and 22, respectively.

d) Compensation of key management personnel of the Group:

Key management personnel of the Group comprise of key members of the management having authority and responsibility for planning, directing and controlling the activities of the Group. The compensation to key management is shown below:

	2023 SR	*2022 SR*
Short-term employee benefits	**7,032,684**	7,862,002
Termination benefits	**89,100**	1,356,616
Employees' defined benefit liabilities	**548,989**	109,350
Key management bonus	**2,800,000**	3,860,157
	10,470,773	13,188,125

The amounts disclosed in the table are the amounts recognised as an expense during the year related to key management personnel.

25. REVENUE

	2023 ***SR***	*2022* *SR*
In-flight catering	**1,329,486,159**	1,151,197,511
Non-airlines	**531,574,545**	380,898,714
Business lounge	**222,016,068**	220,544,054
Retail revenue	**45,723,220**	57,679,439
Other operating revenues		
Camp facilities sales (staff feeding & accommodation)	**1,744,915**	6,686,650
Exclusivity purchase income & services to suppliers	**3,217,391**	1,000,000
	2,133,762,298	1,818,006,368

26. COST OF REVENUE

	2023 ***SR***	*2022* *SR*
Cost of materials and goods	**756,818,145**	599,491,915
Employees costs	**383,319,112**	324,559,734
Rent and maintenance of production units	**69,086,497**	33,080,368
Manpower and transportation cost	**66,596,225**	53,508,100
Supplies and expandable items	**60,608,647**	51,723,257
Depreciation on property, plant and equipment (note 7 (c))	**53,825,795**	77,573,526
Depreciation on right-of-use assets (note 15 (c))	**51,382,392**	67,621,464
Communication and utilities	**26,311,670**	30,175,477
Other operational costs	**99,821,310**	63,952,785
	1,567,769,793	1,301,686,626

27. OTHER INCOME

	2023 ***SR***	*2022* *SR*
Gain on de-recognition of lease liability	**16,066,644**	18,015,893
Management fee income	**6,200,968**	6,085,385
Medical ex-gratia income	**2,400,000**	2,388,017
Foreign currency exchange gain	**2,721,517**	-
Others	**2,105,234**	807,539
	29,494,363	27,296,834

28. GENERAL AND ADMINISTRATIVE EXPENSES

	2023 *SR*	*2022* *SR*
Employees costs	**175,393,767**	138,008,196
Service agreement fee	**37,696,467**	32,262,374
Marketing and promotional	**16,114,348**	9,690,949
Travelling	**8,809,433**	4,595,085
Depreciation on property, plant and equipment (note 7 (c))	**7,432,943**	7,549,566
Professional and technical fee	**7,106,941**	12,229,371
Board of Directors' remuneration	**6,281,545**	4,638,994
Utilities	**5,656,300**	6,695,392
Depreciation on right-of-use assets (note 15 (c))	**5,304,209**	7,778,302
Insurance	**4,127,648**	3,618,614
Depreciation on investment property (note 9)	**1,958,841**	1,958,841
Amortization of intangible assets (note 8)	**26,135**	393,659
Others	**12,514,691**	2,936,736
	288,423,268	232,356,079

29. OTHER EXPENSES

	2023 *SR*	*2022* *SR*
Banks commission	**1,420,927**	1,506,070
Foreign currency exchange loss	**-**	65,094
Loss on disposal of property, plant and equipment	**-**	19,525
	1,420,927	1,590,689

30. FINANCE INCOME

	2023 *SR*	*2022* *SR*
Finance income on Mudarba deposit	**16,442,676**	515,944
Finance income on lease receivables (note 15 (b))	**412,884**	451,828
	16,855,560	967,772

31. FINANCE COSTS

	2023 *SR*	*2022* *SR*
Interest from lease liabilities (note 15 (b))	**13,606,546**	17,801,951
Interest on employees' end-of-service benefits (note 20 (a))	**6,491,585**	2,852,145
	20,098,131	20,654,096

32. EARNINGS PER SHARE

Basic and diluted earnings per share ("EPS") is calculated by dividing the income for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is the same as basic earnings per share as the Group does not have any convertible securities or diluted instruments to exercise.

32. EARNINGS PER SHARE (continued)

The following table reflects the income for the year attributable to ordinary equity holders and weighted average number of ordinary share outstanding during the year used in the basic and diluted EPS computations:

Basic and diluted earnings per share from total income.

	2023	*2022*
	SR	*SR*
Profit for the year attributable to the shareholders of the Group	**282,657,704**	257,103,138
Weighted average number of ordinary shares for the purposes of basic and diluted earnings	**82,000,000**	82,000,000
Basic and diluted earnings per share based on profit for the year attributable to shareholders of the Group (in SR)	**3.45**	3.14

33. COMMITMENTS AND CONTINGENCIES

As at 31 December 2023 and 31 December 2022, the Group had the following commitments, letter of guarantees and contingencies:

	2023	*2022*
	SR	*SR*
Capital commitments	**67,385,867**	46,222,342
Letter of guarantees (refer to note below)	**56,731,881**	51,451,595

On 31 December 2023, the Group had outstanding letters of guarantee amounting to SR 56.7 million issued by banks on behalf of the Group to suppliers and promises to meet any financial obligations (31 December 2022: SR 51.5 million) with cash margin deposit amounting to SR 7.1 million (31 December 2022: SR 10.5 million).

Vendors and ex-employees have commenced an action against the Group in respect of individual and commercial claimed to be defective. If successful, the action could result in an estimated payable amount of SR 0.9 million.

34. FAIR VALUE OF ASSETS AND LIABILITIES

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 Group.

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised 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 techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

34. FAIR VALUE OF ASSETS AND LIABILITIES (continued)

If the inputs used to measure the fair value of an asset or liability falls into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input level that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred. During the year ended 31 December 2023, there were no movements between the levels.

As at 31 December 2023 and 31 December 2022, the fair values of the Group's financial instruments are estimated to approximate their carrying values.

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risks, currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on robust liquidity management as well as monitoring of various relevant market variables, thereby consistently seeking to minimize potential adverse effects on the Group's financial performance. The Group's principal financial assets include trade and other receivables, due form related parties and cash and bank balances.

The Group's principal financial liabilities comprise trade and other payables, lease liabilities and due to related parties. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations.

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 prices comprise three types of risk: commission rate risk, currency risk and other price risk. Financial instruments affected by market risk.

Commission rate risk
Commission rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market commission rates. The Group's exposure to the risk of changes in market commission rates may relate primarily to The Group's bank borrowings with floating commission rates. The Group's manages the commission rate risk by regularly monitoring the commission rate profiles of its commission bearing financial instruments.

As at the reporting date, the Group has Mudarba term deposit with a bank at a fixed commission rate and does not have any Mudarba term deposits with banks at floating commission rates.

Currency risk
It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars. As the Saudi Riyal is pegged to US Dollar, the Group does not have significant exposure to currency risk.

Credit risk
Credit risk is the risk that one party to financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentration of credit risk. Concentration risk arises when a number of counterparties engaged in similar business activities or activities in the same geographical region or have economic features that would cause them to fail their contractual obligations.

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

	2023	*2022*
	SR	*SR*
Financial assets		
Balances with banks	**702,026,811**	416,974,836
Trade receivables	**401,794,012**	338,410,877
Due from related parties	**299,683,331**	564,795,615
Unbilled receivables	**49,397,454**	44,124,804
Margin deposits with banks	**7,057,100**	10,580,254
Leases receivables	**5,767,746**	19,248,835
	1,465,726,454	1,394,135,221

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Credit risk (continued)

Credit risk on receivable and bank balances is limited as:

- 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 Saudi Arabia and Cairo.
- The Group currently does not obtain security / collateral from its customers.

Trade receivables
Credit risk is managed subject to the Group's established policy, procedures and control defined to mitigate the credit risk. Receivables of the Group comprise primarily of Government and its related ministries, and others companies. The Group seeks to manage its credit risk by setting credit limits, credit period by monitoring outstanding receivables and ensuring close follow-ups.

The management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment terms and conditions are offered. The credit terms are extended to customers where the Group does not expect any inability to pay.

An impairment analysis is performed at each reporting date on an individual basis for major customers. In addition, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. 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.

Short-term deposits with banks and cash at banks
Credit risk from balances with banks and financial institution is managed by the Group's treasury department in accordance with the Group's policy. The Group seeks to manage its credit risk with respect to banks by only dealing with reputable banks. At the reporting date, no significant concentration of credit risk were identified by the management.

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to realize financial assets quickly at an amount close to its fair value. The Group manages its liquidity risk by monitoring working capital and cash flow requirements on regular basis.

The management has developed policies and practices to manage liquidity risk in accordance with the risk tolerance and to ensure that the Group maintains sufficient liquidity. Senior management continuously reviews information on the Group's liquidity developments.

The Group has established a robust mechanism for its cash management ensuring the best use of available cash resources. This requires organising the collection and disbursement systems in such a way as to maximise the investment of idle funds through time deposits and short-term deposits while limiting the borrowings of funds and ensuring availability of the facilities to run its operations. The Group's terms of services require amounts to be paid within 90 days of the date of submitting the invoice. Trade payables are normally settled within 90 to 120 days of the date of purchase.

The table below summarizes the maturities of the Group's financial liabilities at 31 December, based on contractual payment dates and current market interest rates:

As at 31 December 2023	***Up to 12 months SR***	***One to five years SR***	***More than five years SR***	***Total SR***
Trade payables	155,351,096	-	-	**155,351,096**
Lease liabilities	106,115,566	147,962,285	49,180,556	**303,258,407**
Accruals and other liabilities	258,528,771	-	-	**258,528,771**
	519,995,433	**147,962,285**	**49,180,556**	**717,138,274**

35. FINANCIAL INSTRUMENTS RISK MANAGEMENT (continued)

Liquidity risk (continued)

As at 31 December 2022	*Up to 12 months SR*	*One to five years SR*	*More than five years SR*	*Total SR*
Trade payables	135,604,191	-	-	135,604,191
Lease liabilities	144,300,355	157,190,821	77,176,604	378,667,780
Accruals and other liabilities	232,626,157	-	-	232,626,157
	512,530,703	157,190,821	77,176,604	746,898,128

36. CAPITAL MANAGEMENT

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 31 December 2022. For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximize shareholders' value.

The Group informally monitors capital using a gearing ratio, which is 'net debt' divided by total capital plus net debt. The Group includes within net debt total liabilities less cash and bank balances.

	2023 SR	*2022 SR*
Total liabilities	**908,823,567**	911,268,650
Less: cash and cash equivalents	**(702,456,181)**	(417,242,028)
Net debt	**206,367,386**	494,026,622
Total equity	**1,286,068,464**	1,119,926,179
Gearing ratio	**16%**	44%

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved for issuance by the Board of Directors on 21 March 2023 corresponding to (11 Ramadhan 1445H).