Prospectus of SAL Saudi Logistics Services Company

A Saudi joint-stock company registered under Commercial Registration No. 4030367493, dated 17/02/1441H (corresponding to 16 October 2019G), pursuant to Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 31 March 2021G). Offering of twenty-four million (24,000,000) ordinary Shares, representing 30% of the capital of SAL Saudi Logistics Services Company, through a public Offering, at an Offer Price of SAR [•] per Share.

Offering Period: Three day period commences on Wednesday 26/03/1445H (corresponding to 11/10/2023G) and ends at 11:59 PM Friday 28/03/1445H (corresponding to 13/10/2023G).

SAL Saudi Logistics Services Company (the "**Company**" or the "**Issuer**") is a Saudi joint-stock company registered under Commercial Registration No. 4030367493, dated 17/02/1441H (corresponding to 16 October 2019G), pursuant to Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 30 March 2021G). The Company's current share capital is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), divided into eighty million (80,000,000) ordinary Shares with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per share (the "**Shares**" and each a "**Share**").

The Company was initially incorporated as a limited liability company under the name "SAL Cargo Company Ltd", under Commercial Registration No. 4030367493, dated 17/02/1441H (corresponding to 16 October 2019G), issued in Jeddah, with a capital of five hundred thousand Saudi Arabian Riyals (SAR 500,000), divided into fifty thousand (50,000) cash Shares of an equal value of ten Saudi Arabian Riyals (SAR 10) per share.

On 07/08/1442H (corresponding to 21 March 2021G), the shareholders agreed to: (1) convert the Company to a closed joint-stock company, (2) change the Company's name from "SAL Cargo Company Ltd" to "SAL Saudi Logistics Services Company", and (3) increase the Company's capital from five hundred thousand Saudi Arabian Riyals (SAR 500,000) to eight hundred million Saudi Arabian Riyals (SAR 800,000,000) through the capitalization of three hundred and thirty-one million, two hundred and eighty-six thousand Saudi Arabian Riyals (SAR 331,286,000) from retained earnings, and four hundred and sixty-eight million, two hundred and fourteen thousand Saudi Arabian Riyals (SAR 468,214,000) as additional contributions from the shareholders which were transferred from SACC by virtue of the ownership of both Saudi Arabian Airlines Corporation ("**Saudia**") and Tarabot Air Cargo Services Limited in SACC, whereby both shareholders hold the same ownership percentages in both companies (i.e. the issuer and SACC). Accordingly, the amounts due from SACC were transferred to the Issuer as additional capital. Part of the amount was related to the distribution of interim dividends by SACC, amounting to SAR (353,000,000) three hundred and fifty three million Saudi Riyals, while the other part represented a waiver of the loan provided by SACC, amounting to SAR (115,214,000) One hundred and fifteen million and two hundred and fourteen thousand Saudi Riyals as of 31 December 2020G.

The conversion of the Company from a limited liability company to a closed joint-stock company was authorized by Ministerial Resolution No. 265, dated 11/08/1442H, and approved by Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 30 March 2021G).

The Initial Public Offering (the "**Offering**") is for twenty-four million (24,000,000) Shares (the "**Offer Shares**"), representing 30% of the Company's issued share capital, at an offer price of [•] Saudi Arabian Riyals (SAR [•]) per share (the "**Offer Price**"). Subscription to the Offer Shares shall be restricted to the following two tranches of investors:

Tranche (A) Participating Parties: This tranche comprises the parties that are entitled to participate in the book building process in accordance with the Book Building Instructions (collectively the "**Participating Parties**" and each as "**Participating Party**") (for further details, please see Section 1 ("**Definitions and Abbreviations**") of this Prospectus). Participating Parties will initially be allocated twenty-four million (24,000,000) Shares, representing one hundred percent (100%) of the total Offer Shares. If there is sufficient demand by Individual Subscribers, the Bookrunners may reduce the number of Offer Shares allocated to Participating Parties to a minimum of twenty-one million, six hundred thousand (21,600,000) Shares, representing ninety percent (90%) of the total Offer Shares. The Financial Advisor, in consultation with the Company and the Selling Shareholders (as defined in Section 1 ("**Definitions and Abbreviations**") of this Prospectus), shall determine the number and percentage of Offer Shares to be allocated to Participating Parties, using the discretionary allocation mechanism.

Tranche (B) Individual Subscribers: This tranche comprise Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who may subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in KSA or GCC nationals, in each case who have a bank account and are entitled to open an investment account with one of the Receiving Agents (collectively referred to as the "**Individual Subscribers**", and each as an "**Individual Subscriber**"). Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million, four hundred thousand (2,400,000) Shares, representing ten percent (10%) of the total Offer Shares, shall be allocated to Individual Subscribers. The number and percentage of Offer Shares to be allocated to Individual Subscribers shall be determined by the Financial Advisor and Lead Manager in consultation with the Company and the Selling Shareholders. If Individual Subscribers do not subscribe for all the Shares allocated thereto, the Financial Advisor and Lead Manager may reduce the number of Shares allocated to them in proportion to the number of Shares to which they subscribed.

The Offer Shares shall be sold by the shareholders whose names appear on page (x) (collectively, the "**Selling Shareholders**"), and who collectively own 100% of the Company's Shares prior to the Offering. Following completion of the Offering, the Selling Shareholders shall own seventy percent (70%) of the Company' share capital. Thus, the Selling Shareholders shall retain a controlling interest in the Company. The Offering proceeds, net of the Offering expenses, (the "**Net Offering Proceeds**") shall be distributed to the Selling Shareholders on a pro rata basis, based on their respective ownership of the Offer Shares. The Company shall not receive any part of the Net Offering Proceeds (for further details, please see Section 8 ("**Use of Offering Proceeds**") of this Prospectus). The Offering has been fully underwritten by the Underwriter (as defined in this Prospectus) (for further details, see Section 13 ("**Underwriting**") of this Prospectus). The Substantial Shareholders of the Company who own 5% or more of the Company's Shares as of the date of this Prospectus (the "**Substantial Shareholders**") shall be prohibited from disposing of their Shares for a period of six (6) months (the "**Lock-up Period**") starting from the commencement of trading of the Shares on the Saudi Exchange ("**Tadawul**", the "**Stock Exchange**" or the "**Exchange**"). Following the Lock-up Period, the Substantial Shareholders shall have the right to dispose of their Shares. The Substantial Shareholders include: Saudi Arabian Airlines Corporation ("Saudia"), with a shareholding of 70%, and Tarabot Air Cargo Services Limited, with a shareholding of 30%. Details of the ownership percentages of each of the Substantial Shareholders are set out in Table 2 ("**Substantial Shareholders and Their Ownership Percentages in the Company Pre- and Post-Offering**") of the Offering summary on page (x).

The Offering Period for Individual Subscribers shall commence on Wednesday, 26/03/1445H (corresponding to 11/10/2023G), and shall continue for a period of three (3) days, until the end of Friday, 28/03/1445H (corresponding to 13/10/2023G) (the "**Offering Period**"). Applications for subscription to the Offer Shares may be submitted through any of the electronic channels provided by the Receiving Agents (the "**Receiving Agents**") listed on page (viii) during the Offering Period (for further details, please see Section 17 ("**Subscription Terms and Conditions**") of this Prospectus). Participating Parties may subscribe for the Offer Shares through the Bookrunners (as defined in Section 1 ("**Definitions and Abbreviations**") of this Prospectus) during the book building process, which will take place prior to Offering of the Shares to Individual Subscribers.

Each Individual Subscriber who subscribes to the Offer Shares must request a minimum subscription of ten (10) Shares. The maximum number of Shares that can be subscribed per Individual Subscriber is two hundred and fifty thousand (250,000) Shares, and the minimum allocation per Individual Subscriber is ten (10) Shares. The balance of the Offer Shares, if any, shall be allocated pro rata, based on the number of Offer Shares requested by each Individual Subscriber and the total number of Offer Shares requested for subscription. In the event that the number of Individual Subscribers exceeds two hundred and forty thousand (240,000) subscribers, the minimum allocation cannot be guaranteed by the Company. In this case, the Offer Shares shall be allocated at the discretion of the Company and the Financial Advisor. Excess subscription monies, if any, will be refunded to the Individual Subscribers without any charge or commission being withheld by the Receiving Agents. Announcement of the final allocation will be made no later than Tuesday 02/04/1445H (corresponding to 17/10/2023G) and refund of excess subscription monies will be made no later than Tuesday 09/04/1445H (corresponding to 24/10/2023G) (for further details, please see page (xiv) ("**Key Dates and Subscription Procedures**") and Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).

The Company has one class of ordinary Shares. Each Share entitles its holder to one vote, and each Company shareholder (a "**Shareholder**"), regardless of the number of Shares held, has the right to attend and vote at the General Assembly meetings of the Company (the "**General Assembly**"). No Shareholder benefits from any preferential voting rights. The Offer Shares shall be entitled to receive their portion of any dividends declared by the Company as of the date of this Prospectus (the "**Prospectus**") and for subsequent financial years (for further details, see Section 12 ("**Legal Information**") and Section 7 ("**Dividend Distribution Policy**") of this Prospectus). Prior to its public Offering, the Company's Shares have not been listed in KSA or elsewhere. The Company has submitted an application to: (i) the Capital Market Authority (the "**CMA**" or the "**Authority**") for the registration and offering of its Shares, and (ii) the Exchange for Admission of the Shares. All supporting documentation requested by the relevant authorities has been submitted. All requirements have been met, including requirements for listing of the Company on the Exchange, and all approvals pertaining to the Offering, including this Prospectus, have been granted. Trading of the Shares on the Exchange is expected to commence shortly after completion of the final allocation and satisfaction of all relevant regulatory requirements (for further details, please see page (xiv) ("**Key Dates and Subscription Procedures**") of this Prospectus).

After listing of the Company's Shares on the Exchange, Saudi Arabian nationals, non-Saudi Arabian nationals holding valid residence permits in KSA, GCC nationals, and companies, banks and investment funds established in KSA or GCC countries will be permitted to trade in the Shares upon commencement of trading thereof on the Exchange. Qualified foreign financial institutions and Foreign Strategic Investors shall be entitled to trade in the Company's Shares in accordance with the CMA Rules for Foreign Investment in Securities. Non-GCC nationals residing outside KSA and non-GCC institutions that operate outside KSA (collectively with the Qualified foreign financial institutions and the Foreign Strategic Investors, the "**Foreign Investors**" and each a "**Foreign Investor**") will be permitted to acquire an economic interest in the Shares by entering into SWAP Agreements with Capital Market Institutions authorized by the CMA to buy and trade in Shares listed on the Exchange for the benefit of Foreign Investors. Under such SWAP Agreements, the Capital Market Institutions shall be registered as the legal owners of such Shares.

Those wishing to subscribe to the Company's Shares must carefully read and review the "**Important Notice**" on page (i) and Section 2 ("**Risk Factors**") of this Prospectus prior to making a decision to invest in the Offer Shares.

Sole Financial Advisor, Bookrunner, Global Coordinator, Lead Manager and Underwriter

HSBC

Receiving Agents

Riyad Bank بنك الرياض | SAB الأول | SNB | alrajhi bank مصرف الراجحي | anb

This Prospectus includes information provided as part of the application for registration and offer of securities, according to the Rules on the Offer of Securities and Continuing Obligations of the Capital Market Authority in the Kingdom of Saudi Arabia (the "**CMA**" or the "**Authority**") and the application for listing of securities in compliance with the requirements of the Listing Rules of the Saudi Stock Exchange. The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable inquiries, that to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading. Neither the CMA nor the Exchange shall assume any responsibility for the contents of this Prospectus or make any representations as to its accuracy or completeness and they expressly disclaim any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus.

This Prospectus is dated 03/12/1444H (corresponding to 21/06/2023G)

Offer Price

SAR [•]
per Share.

Offering

twenty-four million
(24,000,000)
ordinary Shares

Announcement of the Final Allocation:
No later than Tuesday 02/04/1445H (corresponding to 17/10/2023G)

Refund (if any):
No later than Tuesday 09/04/1445H (corresponding to 24/10/2023G)

Offering Period: Three days

Starting on Wednesday 26/03/1445H (corresponding to 11/10/2023G)

Ends at Friday 28/03/1445H (corresponding to 13/10/2023G)

Important Notice

This Prospectus contains detailed information regarding the Company and the Offer Shares. When submitting an application for subscription to the Offer Shares, Participating Parties and Individual Subscribers shall be treated on the basis that their applications rely on the information contained in this Prospectus, copies of which may be obtained by visiting the websites of the Company (www.sal.sa), the CMA (www.cma.org.sa), the Saudi Exchange Company (www.saudiexchange.sa) or the Financial Advisor (www.hsbcsaudi.com).

The Company has appointed HSBC Saudi Arabia as its Financial Advisor, Coordinator, Bookrunner and Underwriter (for further details, please see Section 13 ("**Underwriting**") of this Prospectus).

This Prospectus includes information that has been presented in accordance with the Rules on the Offer of Securities and Continuing Obligations ("OSCOs") (as defined in Section 1 ("**Definitions and Abbreviations**") of this Prospectus) issued by the CMA and the Listing Rules of the Exchange. The Directors, whose names appear on page (iv), collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

While the Company has made all reasonable inquiries regarding the accuracy of the information contained in this Prospectus as at the date hereof, a substantial portion of the information in this Prospectus relating to the market and sector in which the Company operates has been derived from external sources. Although neither the Company nor the Financial Advisor, Bookrunner or any of the Company's Advisors whose names appear on pages (vi and vii) of this Prospectus (collectively referred to with the Bookrunner as the "**Advisors**"), have any reason to believe that any of the market or sector information is materially inaccurate, the Company and its Advisors have not independently verified such information. Accordingly, no representation or assurance can be made with respect to the accuracy or completeness of any such information.

The information contained in this Prospectus, as at the date hereof, is subject to change. In particular, the financial position of the Company and the value of the Offer Shares may be adversely affected by future developments related to inflation, interest rates, taxation or other economic and political factors over which the Company has no control (for further details, please see Section 2 ("**Risk Factors**") of this Prospectus). Neither the delivery of this Prospectus nor any oral, written or printed information in relation to the Offer Shares is intended to be, or should be construed as or relied upon in any way, as a promise, affirmation or representation as to future earnings, results or events.

The Prospectus does not constitute a recommendation on the part of the Company, the Directors, the Selling Shareholders, the Receiving Agents or the Advisors to subscribe to the Offer Shares. Moreover, the information provided in this Prospectus is of a general nature and has been prepared without taking into account the individual investment objectives, financial position or particular investment needs of the persons who intend to invest in the Offer Shares. Prior to making an investment decision, each recipient of this Prospectus is responsible for obtaining professional advice from a financial advisor licensed by the CMA in relation to the Offering to assess the suitability of both the investment and the information contained herein to the recipient's individual objectives, financial position and investment needs, including the merits and risks involved in investing in the Offer Shares. An investment in the Offer Shares may be appropriate for some investors but not others. Prospective investors must not rely on another party's decision whether to invest as a basis for their own examination of the investment opportunity or on such investor's individual circumstances.

Subscription to the Offer Shares shall be restricted to the following two tranches of investors: Tranche (A) Participating Parties: this tranche comprises the parties entitled to participate in the book building process in accordance with the Book Building Instructions (for further details, please see Section 1 ("**Definitions and Abbreviations**") of this Prospectus); and Tranche (B) Individual Subscribers: this tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who may subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in KSA, or GCC nationals, in each case who have a bank account and are entitled to open an investment account with one of the Receiving Agents.

Subscription of a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, the law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy securities by any person in any country where such offer or solicitation by this person would be unlawful.

The distribution of this Prospectus or the sale of Offer Shares to any person in any country other than KSA is expressly prohibited except for qualified foreign financial institutions and/or Foreign Investors through the conclusion of SWAP Agreements, subject to the applicable laws and directives. Recipients of this Prospectus are required to inform themselves of any regulatory restrictions relevant to the Offering and sale of the Offer Shares and to comply with all such restrictions. Each eligible Individual Subscriber and Participating Party should read this entire Prospectus and seek advice from their lawyers, financial advisors and other professional advisors concerning the legal, tax, regulatory and economic considerations related to their investment in the Shares, and shall themselves bear the fees associated with such advice received from their lawyers, accountants and other advisors regarding all matters related to investment in the Company's Shares. No assurances can be made that profits will be achieved.

Market and Sector Information

The Company appointed ALG to undertake a study on the air cargo and logistics service markets in KSA and the Middle East.

ALG was founded in 1988G and is a global business focused on offering consultancy services in the fields of transportation, infrastructure and logistics. ALG is a wholly owned subsidiary of Indra Sistemas S.A., a Spanish information technology and defense systems company listed on the Bolsa de Madrid and is a constituent of the IBEX 35 index. ALG has more than 150 consultants over 5 offices. ALG has provided over 2,000 business missions in more than 50 countries with strategic services, business planning, infrastructure development and optimization of operations.

Unless otherwise specified, information related to the cargo and passenger air transport, trade and logistics markets in this section is derived exclusively from the Market Study prepared by ALG. ALG has given and has not withdrawn its written consent to the use of its findings in this Prospectus. Neither ALG nor any of its employees, their relatives or ALG subsidiaries have any shareholding or stake of any kind in the Company or any of its subsidiaries or Related Parties.

The Company believes that the information and data in this Prospectus that have been obtained from other sources, including the report prepared by ALG in April 2021G, are reliable. However, such information and data have not been independently verified by the Company, the Directors, the Shareholders or the Advisors, and thus the Company shall bear no liability for the accuracy or completeness of the information provided.

Financial and Statistical Information

The financial statements for the period from 16 October 2019G to 31 December 2020G, the special purpose audited financial statements for the financial year ended 31 December 2020G, the audited financial statements for the financial years ended 31 December 2021G and 2022G and the accompanying notes thereto were prepared in accordance with the International Financial Reporting Standards (IFRS) and other standards and versions approved by the Saudi Organization for Chartered and Professional Accountants (SOCPA) (collectively referred to as "**IFRS-KSA**"). The financial statements have been audited in accordance with the international auditing standards approved in the Kingdom of Saudi Arabia by KPMG Professional Services (the "**Auditor**"). These financial statements have been included in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus. The Company prepares its financial statements in Saudi Arabian Riyals. Further, the condensed interim reviewed financial statements of the Company for the period ended 30 June 2023 have been prepared in accordance with International Accounting Standards (IAS)-34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These condensed interim reviewed financial statements have been audited by KPMG Professional Services pursuant to its reports annexed to the Prospectus.

Certain financial and statistical information contained in this Prospectus has been rounded up to the nearest integer. Therefore, if the figures contained in the tables are added together, the total may not match that mentioned herein.

Forecasts and Forward-looking Statements

The forecasts set forth in this Prospectus have been prepared on the basis of assumptions based on Company information according to its market experience, as well as on publicly available market information. Future operating conditions may differ from the assumptions used and consequently, no representation or warranty is made with respect to the accuracy or completeness of any such forecasts. The Company confirms that, to the best of its knowledge, statements have been made hereunder following the required due diligence.

Certain forecasts in this Prospectus constitute "forward-looking statements". Such statements can generally be identified by their use of words such as "intends", "estimates", "believes", "predicts", "expects", "anticipates", "may", "will", "should", "expected", "would be" or the negative thereof, or other variations of such terms or comparable terminology.

These forward-looking statements reflect the current views of the Company with respect to future events, but are not a guarantee of future performance. Many factors could cause the actual results, performance or achievements of the Company to be significantly different from any future results, performance or achievements that may be expressed or implied. Some of the risks and factors that could have such an effect are described in more detail in other sections of this Prospectus (for further details, please see Section 2 ("**Risk Factors**") of this Prospectus). Should any one or more of these risks or uncertainties materialize or any assumptions prove to be incorrect or inaccurate, the Company's actual results may vary materially from those described herein as anticipated, believed, estimated or planned.

Subject to the requirements of the OSCOs, the Company must submit a supplementary prospectus to the CMA if, at any time after the publication of this Prospectus and before the end of the Offering, the Company becomes aware that:

a- there has been a significant change in material matters contained in the Prospectus or any document required by the OSCOs, or

b- any significant issues have arisen that should have been included in this Prospectus.

Except in the aforementioned circumstances, the Company does not intend to update or otherwise revise any industry or market information or forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of the aforementioned and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way the Company expects, or at all. Prospective investors should consider all forward-looking statements in light of these explanations and should not place undue reliance thereon.

Definitions and Abbreviations

For an explanation of certain terms and phrases contained in this Prospectus, please refer to Section 1 ("**Definitions and Abbreviations**") of this Prospectus.

Company Directory

The Company's Board of Directors

Table (1): The Company's Board of Directors

No.	Name	Position	Nationality	Age	Status	Date of Appointment	Direct Ownership (%)		Indirect Ownership (%)	
							Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1.	Fawaz bin Mohammed bin Fawaz Alfawwaz	Chairman	Saudi	61	Non-Executive/ Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
2.	Mohammad bin Abdullah Rashed Abunayyan	Vice Chairman	Saudi	60	Non-Executive/ Non-Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	0.56%[1]	0.39%
3.	Rasheed bin Abdul Rahman bin Nasser Al Rasheed	Director	Saudi	57	Non-Executive/ Non-Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
4.	Faisal bin Saad bin Abdullah Albedah	Director	Saudi	43	Managing Director/Non-Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
5.	Olivier Philippe Auguste Bijaoui	Director	French	64	Non-Executive/ Independent	09/05/1443H (corresponding to 13/12/2021G)	-	-	-	-
6.	Ahmed bin Abdulaziz bin Ibrahim Alwassiah	Director	Saudi	53	Non-Executive/ Non-Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
7.	Rayan bin Mostafa bin AbdulWahab Qutub	Director	Saudi	48	Non-Executive/ Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
8.	Fahad bin Abdullah bin Hussain Moussa	Director	Saudi	46	Non-Executive/ Non-Independent	14/10/1442H (corresponding to 26 May 2021G)	-	-	-	-
9.	Ibraheem bin Adel Ibraheem Sheerah	Director	Saudi	45	Non-Executive/ Non-Independent	08/02/1444H (corresponding to 04 September 2022G)	-	-	-	-

Source: The Company

The current Secretary is Homam Saleh Abdullah Bogary, who was appointed to this position for the current term of the Board pursuant to a Board resolution issued in meeting no. 6 dated 07/10/1442H, corresponding to 19/05/2021G.

1 Prior to the Offering, Mohammad bin Abdullah Rashed Abunayyan indirectly owns 0.56% of the Company's Shares, through his ownership of 8.39% of Abdullah Abunayyan Trading Corp. (ATC), which owns 50% of the shares of Vision International Investment Company, which in turn owns 44.8% of Tarabot Investment and Development, which in turn has beneficial ownership of 100% of Tarabot Air Cargo Services Company (through a direct ownership stake of 99% and an indirect ownership stake of 100% of the shares of Al-Uzah Company, which owns 1% of Tarabot Air Cargo Services Company), which in turn owns 30% of the Company's shares prior to the Offering.

Company's Address, Representatives and Board Secretary

SAL Saudi Logistics Services Company
Prince Sultan Street
P.O. Box 2661, Jeddah 23525, Kingdom of Saudi Arabia
Unified Tel.: +966126964000
Website: www.sal.sa
Email: investor.relations@sal.sa

Company Representatives

Mr. Fawaz bin Mohammed bin Fawaz Alfawwaz
Chairman of the Company's Board of Directors
Address: 7051 Prince Sultan, Alsalama District
Unit No. 9955 - 2661, Jeddah 2352, Kingdom of Saudi Arabia
Tel.: +966114174990
Website: www.sal.sa
Email: f.alfawaz@sal.sa

Faisal bin Saad bin Abdullah Albedah
Managing Director & CEO
Address: 7051 Prince Sultan, Alsalama District
Unit No. 9955 - 2661, Jeddah 2352, Kingdom of Saudi Arabia
Tel.: +966126964111
Website: www.sal.sa
Email: falbedah@sal.sa

Board Secretary

Homam bin Saleh bin Abdullah Bogary
Prince Sultan Street
P.O. Box 2661, Jeddah 23525, Kingdom of Saudi Arabia
Unified Tel.: +966126964000
Tel.: +966126964088
Website: www.sal.sa
Email: hbogary@sal.sa

Stock Exchange

Saudi Exchange Company
King Fahd Road, Al Olaya 6897
Unit No. 15
Riyadh 12211- 3388
Kingdom of Saudi Arabia
Tel.: +966 92 000 1919
Fax: +966 11 218 9133
Website: www.saudiexchange.sa
Email: csc@saudiexchange.sa

Securities Depository Centre Company (Edaa)
King Fahd Road - Al Olaya 6897
Unit No. 11
Riyadh 12211-3388
Kingdom of Saudi Arabia
Tel.: +966 920026000
Website: www.edaa.com.sa
Email: cc@edaa.com.sa

Sole Financial Advisor, Bookrunner, Global Coordinator, Lead Manager and Underwriter

HSBC Saudi Arabia
HSBC Building
7267 Olaya Road, Al Murooj District
Riyadh 2255 – 12283
Kingdom of Saudi Arabia
Tel.: +966 920005920
Fax: +966 11 2992385
Website: www.hsbcsaudi.com
Email: SALIPO@hsbcsa.com

Legal Advisor to the Issuer

Fahad Abuhimed, Majid Alsheikh, Mansoor Alhagbani and Clifford Chance Law Firm (AS&H Clifford Chance)
Building 15, Economic Gate
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P.O. Box 90239
Riyadh 11613
Kingdom of Saudi Arabia
Tel.: +966 11 481 9780
Fax: +966 1 1 481 9701
Website: www.ashcliffordchance.com
Email: project.sun@ashlawksa.com

Legal Advisor to the Financial Advisor, Coordinator, Bookrunner and Underwriter

The Law Firm of Salah Al-Hejailan
Tel.: +966 (11) 479 2200
Fax: +966 (11) 479 1717
6643 Al-Ahsa Street
Riyadh, 12815
Kingdom of Saudi Arabia
Website: http://www.hejailanlaw.com/
Email: lfshriyadh@hejailanlaw.com

Financial Due Diligence Advisor

PricewaterhouseCoopers
Kingdom Tower, 21st Floor
King Fahd Road
P.O Box 13933
Riyadh 11414
Kingdom of Saudi Arabia
Tel.: +966 11 2440400
Fax: +966 11 2110101
Website: www.pwc.com
Email: mer_projectsun@pwc.com

Market Consultant

ALG
Jumeirah Business Centre, Unit. No. 1201
Jumeirah Lakes Towers
P.O. Box 9338, Dubai
UAE
Tel.: +971557445303
Website: www.alg-global.com
Email: ProjectSun@alg-global.com

Independent Auditors

KPMG Professional Services
Zahran Business Centre
Prince Sultan Street
P.O Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Tel.: +9660126989595
Fax: +9660126989494
Head Office - Riyadh
Website: www.kpmg.com.sa
Email: aalthagafi@kmpg.com

Note:

As at the date of this Prospectus, all of the above-mentioned Advisors and Independent Auditors have given and have not withdrawn their written consent to the publication of their names, logos and statements in the form and content appearing herein, and do not themselves, their employees or relatives have any shareholding or interest whatsoever in the Company or its subsidiaries as at the date hereof.

Receiving Agents

Riyad Bank
Eastern Ring Road - Al Shuhada District
P.O. Box 22622
Riyadh 11614
Kingdom of Saudi Arabia
Tel.: +966 (11) 401 3030
Fax: +966 (11) 403 0016
Website: www.riyadbank.com
Email: customercare@riyadbank.com

Saudi Awwal Bank (SAB)
Prince Abdul Aziz Bin Mossaad Bin Jalawi Street – Al Muruj District
P.O. Box 9084
Riyadh 11413
Kingdom of Saudi Arabia
Tel.: +966 (11) 4408440
Fax: +966 (11) 276 3414
Website: https://www.sab.com/ar/
Email: sab@sab.com

Saudi National Bank
King Fahd Road - Al-Aqiq District - King Abdullah Financial District
P.O. Box 3208 Unit No.: 778
Kingdom of Saudi Arabia
Tel.: +966 (92) 0001000
Fax: +966 (11) 4060052
Website: www.alahli.com
Email: contactus@alahli.com

Al Rajhi Bank
King Fahd Road - Al Muruj District - Al-Rajhi Bank Tower
Riyadh 11411
Kingdom of Saudi Arabia
Tel.: +966 11 828 2515
Fax: +966 11 279 8190
Website: www.alrajhibank.com.sa
Email: contactcenter1@alrajhibank.com.sa

Arab National Bank (ANB)
King Faisal Street
P.O. Box 56921, Riyadh 11564
Kingdom of Saudi Arabia
Tel.: +966 11 402 9000
Fax: +966 11 402 7747
Website: www.anb.com.sa
Email: info@anb.com.sa

Offering Summary

This Offering Summary is intended to provide a brief overview of the information contained in this Prospectus. As such, it does not contain all of the information that may be important to prospective investors. Accordingly, this summary must be read as an introduction to this Prospectus, and prospective investors should read this entire Prospectus in full. Any decision by prospective investors to invest in the Offer Shares must be based on a consideration of this Prospectus as a whole. In particular, it is important to carefully consider the "**Important Notice**" on page (i) and Section 2 ("**Risk Factors**") prior to making any investment decision in relation to the Offer Shares.

Company Name, Description and Incorporation	SAL Saudi Logistics Services Company is a Saudi joint-stock company under Commercial Registration No. 4030367493, dated 17/02/1441H (corresponding to 16 October 2019G), pursuant to Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 30 March 2021G). The operations of the Company were initially provided by Saudia since its establishment in 1945G and have existed for over 70 years. Saudia established a number of its subsidiaries by privatizing some of its strategic business units, including the Air Cargo and Ground Handling Division, pursuant to Supreme Economic Council Resolution No. 1/27 dated 14/02/1427H (corresponding to 14 March 2006G). The privatization process was completed in 2008G through the incorporation of SACC pursuant to Royal Decree No. M/70, dated 15/08/1428H, corresponding to 28/08/2007G. Tarabot Air Cargo Services Limited has purchased 30% of SACC's Shares. As a necessary step in preparation for the Company to offer its Shares for public subscription, the shareholders of SACC established a separate entity, namely the Company, to perform ground handling of shipments in order for it to be an independent company from SACC. For further details on the Company and its operations, please see Section 4 ("**The Company**") of this Prospectus. The Company was initially established on 17/02/1441H (corresponding to 16 October 2019G) as a limited liability company with a capital of five hundred thousand Saudi Arabian Riyals (SAR 500,000), divided into fifty thousand (50,000) cash Shares of an equal value of ten Saudi Arabian Riyals (SAR 10) per share. On 07/08/1442H (corresponding to 21 March 2021G), the shareholders agreed to: (1) convert the Company to a closed joint-stock company, (2) change the Company's name from "SAL Cargo Company Ltd" to "SAL Saudi Logistics Services Company", and (3) increase the Company's capital from five hundred thousand Saudi Arabian Riyals (SAR 500,000) to eight hundred million Saudi Arabian Riyals (SAR 800,000,000) through the capitalization of three hundred and thirty-one million, two hundred and eighty-six thousand Saudi Arabian Riyals (SAR 331,286,000) from retained earnings during the financial year ended 31 December 2020G, and four hundred and sixty-eight million, two hundred and fourteen Saudi Arabian Riyals (SAR 468,214,000) of additional contributions from the shareholders which were transferred from SACC. The conversion of the Company from a limited liability company to a closed joint-stock company was authorized by Ministerial Resolution No. 265, dated 11/08/1442H, and approved by Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 30 March 2021G).
Company Activities	Pursuant to its Commercial Registration, the Company engages in the following activities: ground transportation of goods, general warehousing of a variety of goods, ground management and supervision services at airports, ground service providers, loading and unloading of air cargo aircraft, approved air cargo agencies, air cargo handling of goods and mail, and logistics services. The Company's Bylaws also stipulate that the Company undertakes and carries out the following activities: Transport and storage, other transport support activities, customs clearance activities, warehousing, other cargo handling operation activities, goods handling, loading and unloading, baggage handling, sea freight operations (marine cargo brokers), cargo brokers, other transport support activities, shipping and transportation agency activities, air cargo agency activities, aircraft brokerage services, loading and unloading shipping packages, land transportation of goods, operating warehousing facilities for all types of goods, ground management and supervision services at airports, general warehousing of a variety of goods, warehousing in ports and customs or free zones, warehousing of chilled and frozen goods (cold stores), chilled food warehouses, fuel and chemical warehouses, manufacturing industries, construction, wholesale and retail trade, repair of motor vehicles and motorcycles, accommodation and food service activities, information and communication, real estate activities, administrative service activities and support services. The Company offers air cargo handling services, ground cargo handling services and other support services to airlines. Currently, the main activities of the Company include ramp handling services, cargo handling services, terminal handling services, customs inspection management, facility warehousing, cold chain, escort and ground transportation services for transit shipments and inspection services. Additionally, the Company offers logistics solution services, including integrated solutions, bespoke projects, customs clearance and warehousing. In the future, the Company intends to provide passenger handling services represented in loading and unloading of passenger luggage.

Substantial Shareholders, their Shareholdings and Ownership Percentages Pre- and Post-Offering

The following table sets out names and ownership percentages of the Substantial Shareholders of the Company pre- and post-Offering.

Table (2): Substantial Shareholders and their Ownership Percentages in the Company Pre- and Post-Offering

Shareholder	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)
Saudi Arabian Airlines Corporation ("Saudia")	56,000,000	560,000,000	70%	39,200,000	392,000,000	49%
Tarabot Air Cargo Services Limited	24,000,000	240,000,000	30%	16,800,000	168,000,000	21%
Public	-	-	-	24,000,000	240,000,000	30%
Total	**80,000,000**	**800,000,000**	**100%**	**80,000,000**	**800,000,000**	**100%**

Company's Share Capital (as at the date of this Prospectus)	SAR 800,000,000
Total Number of Issued Shares (as at the date of this Prospectus)	80,000,000 ordinary Shares.
Offering	Offering of 24,000,000 ordinary Shares, representing 30% of the Company's capital, at an Offer Price of SAR [•] per Share with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share.
Total Number of Offer Shares	24,000,000 fully paid ordinary Shares.
Nominal Value per Share	Ten Saudi Arabian Riyals (SAR 10) per Share.
Ratio of Offer Shares to the Company's Share Capital	The Offer Shares represent 30% of the Company's total share capital.
Offer Price	SAR [•] per Share.
Total Value of the Offering	SAR [•].
Use of Offering Proceeds	The Net Offering Proceeds amounting to approximately SAR [•] million (less the Offering expenses estimated at SAR forty-eight million and nine hundred thousand (48,900,000) Saudi Arabian Riyals) will be distributed to the Selling Shareholders pro rata, based on the shareholding of each Shareholder in the Offer Shares. The Company will not receive any part of the Net Offering Proceeds (for further details, see Section 8 ("**Use of Offering Proceeds**") of this Prospectus). It is worth noting that the expenses that will be paid by the Company are approximately SAR two million and one hundred thousand (2,100,000) Saudi Arabian Riyals , which include fees payable to the Saudi Exchange (Tadawul) and the Securities Depository Centre Company (Edaa) and other expenses in connection with listing the Shares on the Saudi Exchange (Tadawul).
Number of Offer Shares to be Underwritten	24,000,000 Shares.
Total Offering Amount to be Underwritten	SAR [•].

Tranches of Target Investors	Subscription to the Offer Shares shall be restricted to the following two tranches of investors: **Tranche (A) Participating Parties:** This tranche comprises the parties entitled to participate in the book building process under the Book Building Instructions. Participating Parties will initially be allocated twenty-four million (24,000,000) Shares, representing one hundred percent (100%) of the total Offer Shares. If there is sufficient demand by Individual Subscribers, the Bookrunners may reduce the number of Offer Shares allocated to Participating Parties to a minimum of twenty-one million, six hundred thousand (21,600,000) Shares, representing ninety percent (90%) of the total Offer Shares. The Financial Advisor, in coordination with the Company and Selling Shareholders, shall determine the number and percentage of Offer Shares to be allocated to Participating Parties, using the discretionary allocation mechanism. It is possible that certain Participating Entities will not be allocated any Shares as deemed appropriate by the Company and the Financial Advisor. If there is sufficient demand by public funds, (•) ordinary Shares will initially be allocated thereto, representing (•) of the total number of Offer Shares. In the event that there is sufficient demand by Individual Subscribers to subscribe to the Offer Shares, the Lead Manager shall have the right to reduce the number of Shares allocated to public funds to a minimum of (•) ordinary Shares, representing (•) of the total number of Offer Shares upon completion of subscription by Individual Subscribers. **Tranche (B) Individual Subscribers:** This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who may subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in KSA, or GCC nationals, in each case who have a bank account, and are entitled to open an investment account with one of the Receiving Agents. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. A maximum of two million, four hundred thousand (2,400,000) Shares, representing ten percent (10%) of the total Offer Shares, shall be allocated to Individual Subscribers. If Individual Subscribers do not subscribe for all the Shares allocated thereto, the Lead Manager may reduce the number of Shares allotted to them in proportion to the number of Shares to which they subscribed. The number and percentage of the Offer Shares to be allocated to Individual Subscribers shall be determined by the Financial Advisor in consultation with the Company and the Selling Shareholders.
Total Number of Offer Shares for Each Category of Target Investors	
Number of Offer Shares for Participating Parties	Twenty-four (24,000,000) million ordinary Shares, representing 100% of the total Offer Shares. If there is sufficient demand by Individual Subscribers, and Participating Parties subscribe to all the Offer Shares allocated thereto, the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to twenty-one million, six hundred thousand (21,600,000) Shares, representing ninety percent (90%) of the total Offer Shares. If there is sufficient demand by public funds, (•) ordinary Shares will initially be allocated thereto, representing (•) of the total number of Offer Shares. In the event that there is sufficient demand by Individual Subscribers to subscribe to the Offer Shares, the Lead Manager shall have the right to reduce the number of Shares allocated to public funds to a minimum of (•) ordinary Shares, representing (•) of the total number of Offer Shares upon completion of subscription by Individual Subscribers.
Number of Offer Shares for Individual Subscribers	A maximum of 2,400,000 Shares, representing 10% of the total Offer Shares.
Subscription Method for Each Category of Target Investors	
Subscription Method for Participating Parties	Participating Parties, as defined in Section 1 ("**Definitions and Abbreviations**") of this Prospectus, may apply for subscription. The Bookrunner will provide Bid Forms during the book building process. After initial allocation, the Bookrunner will provide Subscription Application Forms to Participating Parties, which they must complete in accordance with the instructions mentioned in Section 17 ("**Subscription Terms and Conditions**") of this Prospectus.
Subscription Method for Individual Subscribers	Subscription Application Forms will be made available to Individual Subscribers during the Offering Period at the branches and websites of the Receiving Agents. Subscription Application Forms for Individual Subscribers must be completed in accordance with the instructions mentioned in Section 17 ("**Subscription Terms and Conditions**") of this Prospectus. Individual Subscribers who have participated in a previous subscription may also subscribe through the internet, telephone banking, automated teller machines ("**ATMs**") or any other electronic channels offered by the Receiving Agents to its customers, provided that (i) the Individual Subscriber has a bank account with a Receiving Agent that offers such services; and (ii) there have been no changes in the personal information of the Individual Subscriber since such person's subscription in a recent offering.

Minimum Number of Offer Shares to be Applied for by Each Category of Target Investors	
Minimum Number of Offer Shares to be Applied for by Participating Parties	50,000 Shares.
Minimum Number of Offer Shares to be Applied for by Individual Subscribers	10 Shares.
Minimum Subscription Amount for Each Category of Target Investors	
Minimum Subscription Amount for Participating Parties	SAR [•].
Minimum Subscription Amount for Individual Subscribers	SAR [•][2].
Maximum Number of Offer Shares to be Applied for by Each Category of Target Investors	
Maximum Number of Offer Shares to be Applied for by Participating Parties	3,999,999 Shares.
Maximum Number of Offer Shares to be Applied for by Individual Subscribers	250,000 Shares.
Maximum Subscription Amount for Each Category of Target Investors	
Maximum Subscription Amount for Participating Parties	SAR [•].
Maximum Subscription Amount for Individual Subscribers	SAR [•].
Allocation of Offer Shares and Refund of Excess Subscription Monies for Each Category of Target Investors	
Allocation of Offer Shares to Participating Parties	Final allocation of Offer Shares to the Participating Parties will be made through the Lead Manager, as the Financial Advisor deems appropriate, in coordination with the Company and the Selling Shareholders, using the discretionary allocation mechanism. It is possible that certain Participating entities will not be allocated any Shares as deemed appropriate by the Company and the Financial Advisor. The number of Offer Shares to be initially allocated to the Participating Parties is twenty-four million (24,000,000) Shares, representing one hundred percent (100%) of the total Offer Shares. Upon completion of subscription by Individual Subscribers, if there is sufficient demand by Individual Subscribers, the Lead Manager shall have the right to reduce the number of Offer Shares allocated to Participating Parties to a minimum of twenty-one million, six hundred thousand (21,600,000) Shares, representing ninety percent (90%) of the total Offer Shares. If there is sufficient demand by public funds, (•) ordinary Shares will initially be allocated thereto, representing (•) of the total number of Offer Shares. In the event that there is sufficient demand by Individual Subscribers to subscribe to the Offer Shares, the Lead Manager shall have the right to reduce the number of Shares allocated to public funds to a minimum of (•) ordinary Shares, representing (•) of the total number of Offer Shares upon completion of subscription by Individual Subscribers.
Allocation of Offer Shares to Individual Subscribers	Allocation of Offer Shares to Individual Subscribers is expected to be completed no later than Tuesday 02/04/1445H (corresponding to 17/10/2023G). The minimum allocation per Individual Subscriber is ten (10) Shares, while the maximum allocation per Individual Subscriber is two hundred and fifty thousand (250,000) Shares. The balance of Offer Shares, if any, shall be allocated pro-rata, based on the number of Offer Shares requested by each Subscriber and the total number of Shares requested for subscription. In the event that the number of Individual Subscribers exceeds two hundred and forty thousand (240,000) subscribers, the minimum allocation cannot be guaranteed by the Company. In this case, the Offer Shares shall be allocated at the discretion of the Financial Advisor and Lead Manager, in consultation with the Company and the Selling Shareholders.

2 The minimum subscription amount shall be determined when deciding the Offer Price.

Refund of Excess Subscription Monies	Excess subscription monies, if any, will be refunded to Individual Subscribers without any charge or commission being withheld by the Receiving Agents, as set out in the Individual Subscribers' Application Form. Announcement of the final allocation will be made no later than Tuesday 02/04/1445H (corresponding to 17/10/2023G) and refund of excess subscription monies will be made no later than Tuesday 09/04/1445H (corresponding to 24/10/2023G) (for further details, please see page (xiv) ("**Key Dates and Subscription Procedures**").
Offering Period	The Offering Period shall commence on Wednesday 26/03/1445H (corresponding to 11/10/2023G) and shall remain open for a period of (3) days until the end of Friday 28/03/1445H (corresponding to 13/10/2023G) (for further details, please see page (xiv) ("**Key Dates and Subscription Procedures**").
Distribution of Dividends	The Offer Shares will be entitled to receive any dividends declared and paid by the Company from the date of this Prospectus and for subsequent financial years (for further details, see Section 7 ("**Dividend Distribution Policy**") of this Prospectus).
Voting Rights	The Company has one class of ordinary Shares which do not carry any preferential voting rights. Each Share entitles its holder to one vote at General Assemblies. A Shareholder may authorize another person that is not a Director or an employee of the Company to attend General Assembly meetings and vote on its resolutions on their behalf (for further details, see Section 12.13 ("**Description of the Shares**") of this Prospectus).
Restrictions on the Shares (Lock-up Period)	The Substantial Shareholders, whose ownership percentages are listed in Table 2 ("**Substantial Shareholders and their Ownership Percentages in the Company Pre- and Post-Offering**") on page (x), will be subject to a lock-up period of six (6) months (the "**Lock-up Period**"), starting from the commencement of trading of the Shares on the Saudi Stock Exchange ("**Tadawul**" or the "**Exchange**"). During the Lock-up Period, Substantial Shareholders may not dispose of their Shares. Following the Lock-up Period, the Substantial Shareholders may dispose of their Shares.
Listing and Trading of the Shares	Prior to the Offering, there has been no public market for the Shares in KSA or elsewhere. An application has been submitted by the Company to the CMA for registration and offer of the Shares in accordance with the OSCOs. The Company has also submitted an application to the Exchange for listing in accordance with the Listing Rules. All of the necessary approvals pertaining to the Offering have been granted. All the supporting documentation requested by the CMA and the Exchange has been submitted. All requirements have been met, including requirements for listing of the Company on the Saudi Exchange ("**Tadawul**"), and all approvals pertaining to the Offering have been granted. Trading of the Shares on the Exchange is expected to commence shortly after the final allocation of the Shares (for further details, please see page (xiv) ("**Key Dates and Subscription Procedures**")).
Risk Factors	There are certain risks related to investing in the Offer Shares. Such risks can be classified as follows: (i) risks related to the Company's operations; (ii) risks related to the market, industry and regulatory environment; and (iii) risks related to the Offer Shares. These risks are described in Section 2 ("**Risk Factors**") and should be carefully considered prior to making a decision to invest in the Offer Shares.
Offering Expenses	The Selling Shareholders shall bear all expenses and costs associated with the Offering, which are estimated at approximately SAR forty-eight million and nine hundred thousand (48,900,000) Saudi Arabian Riyals. These costs will be deducted from the Offering Proceeds and include the fees of each of the Financial Advisor, Coordinator, Bookrunner, Underwriter, Lead Manager, Legal Advisors, Financial Due Diligence Advisor, Market Consultant and Receiving Agents, in addition to marketing, printing and distribution expenses and other expenses related to the Offering. It is worth noting that the expenses that will be paid by the Company are approximately SAR two million and one hundred thousand (2,100,000) Saudi Arabian Riyals, which include fees payable to the Saudi Exchange (Tadawul) and the Securities Depository Centre Company (Edaa) and other expenses in connection with listing the Shares on the Saudi Exchange (Tadawul).
Coordinator, Financial Advisor, Bookrunner and Underwriter	HSBC Saudi Arabia.
Lead Manager, Bookrunner and Underwriter	HSBC Saudi Arabia.
Lead Manager, Coordinator, Bookrunner and Lead Underwriter	HSBC Saudi Arabia.

Note:

The "**Important Notice**" section on page (i) and Section 2 ("**Risk Factors**") of this Prospectus should be carefully considered prior to making a decision to invest in the Offer Shares.

Key Dates and Subscription Procedures

Table (3): Expected Timetable for the Offering

Expected Timetable for the Offering	Date
Offering period for Participating Parties and Book-Building Process	Seven day period commences on Monday 10/03/1445H (corresponding to 25/09/2023G) and ends on Sunday 16/03/1445H (corresponding to 01/10/2023G).
Subscription period for Individual Subscribers	Three day period commences on Wednesday 26/03/1445H (corresponding to 11/10/2023G) and ends at 11:59 PM Friday 28/03/1445H (corresponding to 13/10/2023G).
Deadline for submission of Subscription Application Forms for Participating Parties based on the Offer Shares provisionally allocated for each Participating Party	Tuesday 25/03/1445H (corresponding to 10/10/2023G).
Deadline for submission of Subscription Application Forms and payment of subscription monies for Individual Subscribers	Friday 28/03/1445H (corresponding to 13/10/2023G).
Deadline for payment of subscription monies for Participating Parties based on the Offer Shares provisionally allocated for each Participating Party	Thursday 27/03/1445H (corresponding to 12/10/2023G).
Announcement of final allocation of Offer Shares	No later than Tuesday 02/04/1445H (corresponding to 17/10/2023G).
Refund of excess subscription monies (if any)	No later than Tuesday 09/04/1445H (corresponding to 24/10/2023G).
Expected date of commencement of trading on the Exchange	Trading of the Company's Shares on the Exchange is expected to commence after fulfilment of all relevant statutory requirements. Commencement of trading will be announced through local newspapers and the Tadawul website (www.saudiexchange.sa).

Note: The above timetable and dates therein are indicative. Actual dates will be communicated through announcements appearing on the websites of the Exchange (www.saudiexchange.sa), the Company (www.sal.sa) and the Financial Advisor (www.hsbcsaudi.com).

How to Apply for the Offering

Subscription is restricted to two tranches of investors:

Tranche (A) Participating Parties: This tranche comprises the parties entitled to participate in the book building process in accordance with the Book Building Instructions (for further details, please see Section 1 ("**Definitions and Abbreviations**") and Section 17 ("**Subscription Terms and Conditions**") of this Prospectus).

Tranche (B) Individual Subscribers: This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who may subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in KSA, or GCC nationals, in each case who have a bank account and are entitled to open an investment account with one of the Receiving Agents. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, then the relevant law shall be enforced against such person. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted.

Participating Parties

Participating Parties can obtain Bid Forms from the Bookrunners during the Book-Building Period and Subscription Application Forms from the Bookrunner after the provisional allocation. The Bookrunner shall, after the approval of the CMA, offer the Offer Shares to the Participating Parties only during the Book-Building Period. Subscriptions by the Participating Parties shall commence during the Offering Period, which also includes the Individual Subscribers, in accordance with the terms and conditions detailed in the Subscription Application Forms. A signed Subscription Application Form shall be submitted to the Bookrunners, with such form representing a binding agreement between the Selling Shareholders and the applicant Participating Party.

Individual Subscribers

Individual Subscribers' Subscription Application Forms will be available during the Offering Period for Individual Subscribers on the websites of the Receiving Agents offering such service. Individual Subscribers may subscribe through the internet, telephone banking or ATMs of the Receiving Agents offering one or all such services to Individual Subscribers, provided that the following requirements are satisfied:

- the Individual Subscriber must have a bank account with the Receiving Agent which offers such services; and
- there have been no changes in the personal information or details of the Individual Subscriber (by way of the removal or addition of a family member) since such person last participated in a recent initial public offering.

Each Individual Subscriber must fill out an Individual Subscribers' Subscription Application Form according to the instructions set out in Section 17 ("**Subscription Terms and Conditions**") and must complete all the relevant sections in the Individual Subscribers' Subscription Application Form. The Company reserves the right to decline any Subscription Application, in part or in whole, in the event that any of the subscription terms and conditions are not met. If a duplicate subscription is made, the second subscription shall be deemed void and only the first subscription shall be considered. An Individual Subscribers' Subscription Application Form cannot be amended or withdrawn once submitted. Furthermore, an Individual Subscribers' Subscription Application Form shall, upon submission, be considered to be a legally binding offer by the relevant Subscriber to the Selling Shareholders.

Excess subscription monies, if any, will be refunded to the account of the primary Individual Subscriber at the Receiving Agent that initially debited the subscription amount therefrom, without any commissions or amounts being withheld by the Lead Manager or the Receiving Agents. Excess subscription monies shall not be refunded in cash or to third-party accounts.

For further details regarding subscription by Individual Subscribers or Participating Parties, please see Section 17 ("**Subscription Terms and Conditions**") of this Prospectus.

Summary of Key Information

This summary of key information is intended to give an overview of the information contained in this Prospectus and does not contain all the information that may be important to prospective investors. Therefore, this summary must be treated as an introduction to this Prospectus. Recipients of this Prospectus are advised to read the entire Prospectus so that any decision to invest in the Offer Shares by potential investors is based on the consideration of this Prospectus as a whole. In particular, consideration should be given to the "**Important Notice**" on page (i) and Section 2 ("**Risk Factors**") prior to making an investment decision in relation to the Offer Shares.

Overview of SAL Saudi Logistics Services Company

Principal Activities of the Company

SAL Saudi Logistics Services Company (the "**Company**") is a closed joint-stock company under Commercial Registration No. 4030367493, dated 17/02/1441H (corresponding to 16/10/2019G), pursuant to Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 30/03/2021G). Prior to its conversion to a closed joint stock company, the legal name of the Company was 'SAL Cargo Company Ltd'. As per its commercial registration certificate, the Company's registered Head Office is located at Prince Sultan Road, Alsalama District, Jeddah, KSA, P.O. 2661.

The operations of the Company were initially provided by Saudi Arabian Airlines Corporation ("**Saudia**") since the date of its establishment and have existed for over 70 years. Saudia has established a number of subsidiaries by privatizing some of its strategic business units, including the Air Cargo and Ground Handling Division, pursuant to Supreme Economic Council Resolution No. 1/27, dated 14/02/1427H (corresponding to 14/03/2006G). The privatization process was completed in 2008G through the incorporation of Saudi Airlines Cargo Company ("**SACC**") pursuant to Royal Decree No. M/70, dated 15/08/1428H, corresponding to 28/08/2007G. Tarabot Air Cargo Services Limited ("**Tarabot**") has purchased 30% of SACC's Shares. As a necessary step in preparation for the Company to offer its Shares for public subscription, on 17/02/1441H (corresponding to 16/10/2019G) the shareholders of SACC established a separate entity, namely the Company, to perform ground handling of cargo shipments in order for it to be an independent company from SACC as of 05/05/1441H (corresponding to 01/01/2020G).

In accordance with its Commercial Registration, the Company's principal activities include general warehousing of a variety of goods, ground transportation of goods, ground management and supervision services at airports, ground service providers, loading and unloading of air cargo aircraft, approved air cargo agencies, air cargo handling of goods and mail, and logistics services. The Company's Bylaws also stipulate that the Company undertakes and carries out the following activities: Transport and storage, other transport support activities, customs clearance activities, warehousing, other cargo handling operation activities, goods handling, loading and unloading, baggage handling, sea freight operations (marine cargo brokers), cargo brokers, other transport support activities, shipping and transportation agency activities, air cargo agency activities, aircraft brokerage services, loading and unloading shipping packages, land transportation of goods, operating warehousing facilities for all types of goods, ground management and supervision services at airports, general warehousing of a variety of goods, warehousing in ports and customs or free zones, warehousing of chilled and frozen goods (cold stores), chilled food warehouses, fuel and chemical warehouses, manufacturing industries, construction, wholesale and retail trade, repair of motor vehicles and motorcycles, accommodation and food service activities, information and communication, real estate activities, administrative service activities and support services.

The Company's current capital is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), divided into eighty million (80,000,000) ordinary Shares with a fully paid-up nominal value of SAR 10 per Share.

The Company's Shares are owned by two shareholders: Saudia, which holds 70% of the Company's Shares, and Tarabot, which holds 30% of the Company's Shares. The business and activities of the Company are primarily regulated and supervised by GACA.

As at the date of this Prospectus, the Company's Head Office is located in Jeddah (under Commercial Registration No. 4030367493), and it has 18 branches in operation across various cities, including a branch in Riyadh (under Commercial Registration No. 1010607713), a branch in Dammam (under Commercial Registration No. 2050130835) and a branch in Medina (under Commercial Registration No. 4650215858). The Company has no subsidiaries.

The Company offers air cargo handling services, ground cargo handling services and other support services to airlines. Currently, the main activities of the Company include ramp handling services, cargo handling services, terminal handling services, customs inspection management, facility warehousing, cold chain, escort and ground transportation services for transit shipments and inspection services. Additionally, the Company offers logistics solution services, including integrated solutions, bespoke projects, customs clearance and warehousing. In the future, the Company intends to provide passenger handling services represented in loading and unloading of passenger luggage.

The Company operates in a total of 18 domestic and international airports as at the date of this Prospectus. The Company directly operates in four international airports: in Riyadh (KKIA), Jeddah (KAIA), Dammam (KFIA), and Medina (PMIA) (collectively the "**Key Locations**"). Moreover, the Company provides services at a further 9 international airports and 5 domestic airports (the "Other International and Domestic Airports").

Company Vision and Mission

To be the logistics champion for a globally connected Saudi Arabia and to seamlessly deliver world-class logistics solutions and create sustainable value for all our stakeholders by continuously developing and leveraging our market leading footprint, talent, partnerships and technologies.

Core Values

Achieving excellence

We take bold decisions that promote the interests of our consumers and maximise the creative potential of our employees while conducting our operations with flexibility and high efficiency, offering the best levels of quality.

Commitment to integrity

In order to achieve quality and added value in logistics services, we uphold the highest standards of professional behaviour, including honesty and commitment and constantly ensure that our actions are in line with our promises.

Customer comes first

In our search for novel solutions that completely satisfy our consumers, we challenge conventional thinking, and work tirelessly and passionately to inspire others.

Promoting creativity and transformation

We promote innovation and adaptation to change, and seek to provide expertise when thinking, analysing and executing in order to obtain measurable, practical results. Additionally, we are open to innovative ideas that may benefit our business.

Competitive Advantages and Strengths of the Company

The Company possesses significant competitive advantages within the cargo industry, in addition to a proven track record that includes operations at the four Key Locations and offerings at 18 regional and domestic airports in KSA.

The Company has a strong presence in Saudi Arabia's cargo and logistics markets, which are expected to grow significantly under Vision 2030

The Company's growth strategy is closely aligned with the National Transport and Logistics Strategy (NTLS) and the National Industrial Development and Logistics Program (NIDLP) under Vision 2030 in order to enable the Company to fully capitalize on the significant opportunities brought on by KSA's transformation into a major regional logistics hub. The Company's Management believes that by leveraging its unrivalled position in air cargo handling, the Company will be able to deploy its sector expertise, deep market experience and relationships to capitalize on the expected growth in domestic consumption to capture increased air cargo volumes, rapid expansion in e-commerce and demand for third-partly logistics services, including warehousing and fulfilment centers.

A leading position in the cargo handling services market, with an excellent global logistics solutions network and high entry barriers

The Company has a presence throughout the ground handling value chain across all domestic airports in KSA, from unloading, handling and supporting the supply cycle to transportation and loading. It also currently handles approximately 78,285 tons of e-commerce volume entering KSA by air. Services provided by the Company at its Key Locations and International and Domestic Airports include loading and unloading cargo freighters; cold chain and special cargo transport and storage; general cargo storage and warehousing services, including cold-storage facilities; and cargo documentation and delivery.

A diversified client base of international airlines and Government entities under long-term contracts

The Company maintains an extensive list of long-standing relationships with global customers, several of which date back to its original operations within Saudia and SACC. As of 31 December 2022G, the Company has contracts with 68 airlines, including those transporting air cargo to or from KSA.

Promoting growth by enhancing capabilities and leveraging current networks in cargo handling and logistics solutions services

The Company's Management believes that the key difference between the Company and its competitors in KSA is its penetration of the air cargo handling market. As at the date of this Prospectus, the Company provides air cargo ground handling directly, maintains cargo terminal facilities across the Key Locations and is licensed by GACA to offer services at all Other International and Domestic Airports. The Company's proven track record in providing cargo ground handling and cargo terminal operation services in KSA, combined with its established systems and processes in airports, provide it with a strong market position and a platform to extend services to Other International and Domestic Airports that open up to international air traffic in the future.

A skilled management team with a forward-looking vision, a qualified workforce and a clear ESG agenda

The Company has a highly qualified and experienced Board and management team and benefits from the extensive experience of its staff, given the length and continuity of service of many of its employees. Several of the Company's Senior Executives have a wide range of relevant previous experience. The Company invests heavily in its employees and maintains a highly skilled and experienced workforce across all key airports in KSA where it provides its services. The Company also has numerous plans for environmental, social and governance sustainability.

Corporate Strategies

The Company understands the significance of the growing logistics sector in KSA, in line with the objectives of KSA's Vision 2030 to position KSA as a global logistics hub. To this end, the Company has developed a robust strategy that focuses on four distinct business areas, with clear value propositions and strategic objectives for each:

A well-defined strategic plan for increasing cargo handling capacity

The primary objectives of the Company are to boost revenues, maintain its leadership position in the cargo handling industry, review the infrastructure plan, invest in digital solutions, and enhance operational efficiency.

Significant growth potential in emerging and promising logistics solutions markets

KSA's need for logistical end-to-end logistics services is growing in line with Vision 2030, with a significant focus on specialized Government related events and activities. The Company has prioritized four industries for the expansion of its value proposition for logistics solutions: (i) the public sector, (ii) the auto and aircraft parts sector, (iii) events and entertainment, and (iv) healthcare. In order to gain greater penetration in the logistics solutions market, the Company intends to launch further initiatives that concentrate on customer retention and market share, as well as expand its product and service offerings. The Company intends to offer integrated solutions for governmental and semi-governmental entities. In addition to its core market, the Company targets the specialized logistics solutions market designed for large-scale projects.

Expanding passenger ground services to support air cargo ground handling

The Company believes that its decades of experience in cargo handling and airport operations give it a thorough understanding of the airport system, placing it in a position that qualifies it to expand passenger ground services. In order to benefit from this market expansion, the Company intends to partner with one of the biggest international ground handling companies to facilitate passenger ground service development in KSA and to gain a sizeable market share with one of the biggest low-cost transportation providers in KSA.

Warehousing and fulfilment as an addition to the logistics value chain

The Company aims to be the partner of choice for e-commerce warehousing and fulfilment services in KSA, as it provides cutting-edge and fit-for-purpose facilities, supported by technology solutions and integrated with partners (technology, first mile and last mile delivery (which is the last stage of logistics services in which delivery is made to the end customer), shipping and warehouse operators), as well as a broad network and coverage across KSA.

Further investment in infrastructure development

In line with its strategy, the Company plans to expand its current facilities and service offerings. It is actively pursuing new business opportunities to enhance and support its current range of products and services, in addition to leveraging its capabilities and infrastructure. The Company currently aims to expand its existing operations in international airports in KSA by increasing and upgrading the cargo terminal areas in KKIA, KAIA and KFIA, as well as offering additional services to new and existing customers at international airports. Furthermore, the Company plans to expand outside the international airports in KSA, by adding further services within the logistics value chain and by offering warehousing services outside of airports.

Market Overview

Introduction

Saudi Logistics Services (SAL) was incorporated in December 2019G as a carve-out entity from Saudi Airlines Cargo Company (SACC), to act as a pivotal catalyst in driving the KSA's economic transformation and achieving its aspiration of becoming a global logistics hub.

SAL plans to start its initial public offering during 2023G, which is the process for which it intends to map future projections for market conditions. ALG was appointed to update the market projections across SAL's business lines, which include cargo handling, passenger handling, fulfilment and logistics solutions.

KSA Macroeconomic and Market Landscape

Cargo volumes are related to the overall KSA's economic growth rates, which increased from approximately SAR 2,419 billion in 2016G to SAR 3,798 billion of GDP in 2022G (based on a CAGR of 7.8%), while the population grew from 31.7 million to 36.8 million during the same period (at a CAGR of 2.5%). Cargo volumes may also be impacted by a number of other factors, such as commercial viability for cargo carriers of certain trade routes, changes in air freight costs, changes in overall cargo capacity and other geo-political factors.

In terms of trade, oil exports remained the largest contributor to the national economy (SAR 758 billion in 2021G). Despite the country's strong diversification efforts undertaken in recent years, it is still considered a net importer of basic consumer goods and high-value products (SAR 573 billion in 2021G).

Due to the repercussions of the COVID-19 pandemic, the KSA cargo and logistics market has undergone two important changes. Prior to COVID-19, cargo traffic was evenly split between belly cargo and freighters. However, due to the reduced capacity of the passenger fleet, cargo demand was transferred to existing airlines that operate dedicated freighters. Whilst air cargo traffic has recovered steadily over the past 2 years, traffic is still 13.6% lower than 2019G levels.

In addition, the effects of COVID-19 catalyzed growth in industries such as e-commerce and healthcare. In view of the accelerated pace of digitalization and the forced change in consumer behavior resulting from the outbreak of the pandemic, it is expected that e-commerce in the KSA will maintain its current pace and will even exceed current levels. The healthcare market is expected to bounce back as vaccination reduces the risk of further lockdowns and disruptive social distancing measures.

KSA Cargo Market

Prior to COVID-19 and the disruptions caused thereby, the volume of the KSA cargo market was in excess of 836,205 tons (2019G). Volumes have witnessed fluctuations ranging from major reversals to recoveries over the past decade, including during the financial crisis of 2008G, the trade recession in 2012G, the increases in oil prices from 2017G to 2019G driving increases in air freight costs, and the manufacturing slowdown in 2019G. During the period of the COVID-19 pandemic, the cargo market witnessed further disruption, as cargo volume shrank to 613,952 tons in 2020G, despite showing significant resilience relative to the air passenger transport market. Global cargo capacity decreased by approximately 20% compared to a decrease of approximately 50% in air passenger capacity.

In pursuit of progress, it is expected that the cargo market in the KSA will grow at a CAGR of 14.1% between 2022G and 2030G, driven by GDP and population growth, an increase in national production capacity, increased reliance on e-commerce and the strategic orientation of the Ministry of Transport to attract the logistics leakage to neighboring countries.

Table (4): KSA Cargo Market Forecast (in Tons, 2022G-2030G) [1,a]

	2019G	2020G	2021G	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030G	CAGR 2022G-2030G
Total	**836,205**	**613,952**	**663,090**	**790,534**	**950,491**	**1,145,551**	**1,325,825**	**1,536,578**	**1,704,359**	**1,885,129**	**2,072,197**	**2,272,454**	14.1%
Import	441,708	359,407	366,373	450,234	541,632	640,566	734,405	831,097	932,331	1,038,152	1,148,492	1,263,572	13.8%
Export	72,986	32,012	42,044	63,348	88,983	118,947	143,161	168,398	194,912	223,190	253,197	285,001	20.7%
Transit/ Transfer cargo[a]	321,511	222,533	254,673	276,952	319,876	386,038	448,259	537,083	577,116	623,787	670,508	723,881	12.8%

Source: [1] Market Study conducted by ALG for the Company. Note: [a] Includes transfer and transit cargo.

Competition in the Cargo Handling Market

SAL is the largest provider of cargo handling services in the KSA, with a presence in all of the country's major airports. According to SAL's records, the Company controlled about 95% of the market in 2022G. In 2020G, cargo handled by SAL recorded a 27% drop in volume, reaching 606,782 tons. In 2021G, cargo handled by SAL recorded an 8% increase in volume, reaching 652,299 tons, mainly driven by the resilience in volumes carried by cargo carriers, with passenger cargo still affected by the effects of the COVID-19 pandemic, resulting in a delay in the recovery of belly cargo capacity. SAL concentrates most of its air cargo operations (85%) at the two main airports of Saudi: King Abdulaziz International Airport (KAIA) in Jeddah and King Khalid International Airport (KKIA) in Riyadh.

SAL's only competitor at the time was SATS, the first specialized international cargo handler to operate in the KSA. SATS entered the market in 2015G and has since operated a dedicated cold chain cargo terminal at KFIA in Dammam and the second cargo terminal at KKIA in Riyadh. In addition, SATS has had a handling license since 2021G to operate at Jeddah Airport.

Logistics Solutions Market

Maritime cargo is the largest means of transportation in the KSA logistics market. In 2021G, it accounted for approximately 90% of national trade in terms of volume and approximately 65% in terms of value. Air cargo represents approximately 1% of national trade in terms of volume and approximately 21% in terms of value.

SAL has developed integrated logistics offerings, leveraging its dominance in the field of cargo handling services and the strength of its footprint across the KSA. SAL aims to expand its value proposition, provide services that meet the logistics needs of its customers and support the development and growth of the KSA as a global logistics hub.

Target Market Segments of the Company

With reference to the Company's Corporate Strategy, it has identified four key segments as high priority in order to expand its value proposition within the current logistics market solutions: healthcare, arts, events and entertainment, automotive and aerospace, and the public sector.

In 2021G, Saudi Arabia's pharma trade and national pharmaceutical production collectively accounted for 162,400 tons in terms of volume and SAR 45 billion in terms of value. The healthcare market is expected to grow at a CAGR of 4.9% and its value at a CAGR of 7.8% between 2022G and 2030G.

In 2021G, the volume of the events and entertainment sector amounted to approximately 23,370 tons of cargo. Cultural and entertainment events accounted for 34% of the market, whilst sporting events accounted for 28%, business events for 27% and political, financial and industrial events accounted for the remaining percentage thereof. The KSA events market is expected to grow at a CAGR of 21% until 2030G, due to its immaturity and driven by the KSA Vision 2030.

The two opportunities that have been identified in the automotive and aerospace market are aircraft parts and high-value parts. The high-value aircraft parts market is expected to grow at a CAGR of 9%, from 4.9 thousand tons in 2022G to 9.7 thousand tons in 2030G, mainly driven by the huge increase in demand for civil aircraft expected from Saudi carriers to achieve the goals of KSA Vision 2030. High-value automotive parts is expected to grow at a slower pace, from 1.1 thousand tons to 1.4 thousand tons in 2030G, due to the relative maturity of the automotive market growth rate within the KSA.

The public sector includes cargo from the previous three sectors defined as related to Government business, which accounted for 40,000 tons in 2021G: public sector pharmaceutical distributors (36 thousand tons), national and semi-Government business events (1.3 thousand tons) and military aircraft parts (1.9 thousand tons).

Warehousing and Fulfilment Services Market

The Company aims to develop warehousing, fulfilment and last-mile delivery services to respond to the requirements of KSA e-retailer customers, outsourcing capabilities in the short term from international partners with a local presence, and insourcing them in the long-term after reaching sufficient scale of volumes.

Sales in the e-commerce sector increased significantly due to COVID-19 lockdown measures, reaching SAR 32 billion in 2021G. KSA Vision 2030 aims to increase the contribution of modern commerce and e-commerce to 80% of the retail sector by 2030G, noting that 60% of the population is under the age of 30 and mobile internet usage rates exceed 75%. However, the development of e-commerce is hampered by poor logistics infrastructure, weak Arabic-language e-commerce content, and strict cross-border enforcement regulations.

E-commerce penetration in the KSA retail market has drastically increased in recent years, recording a 31% CAGR since 2012G. In 2021G, the e-commerce market accounted for about 9.3% of the total national retail market. Despite the e-commerce retail market being highly fragmented, it is dominated by five product categories, namely consumer electronics, apparel and footwear, personal accessories and eyewear, consumer appliances and others.

The KSA e-commerce retail market is expected to grow during 2022G and 2030G at a CAGR of 13%, driven by two market forces: population growth, new customer base and high per capita disposable income, and high penetration of e-commerce, which is expected to reach 18.7% in 2025G and 26% in 2030G, from 9.3% in 2021G, which will bridge the current adoption gap between the KSA and other developed economies, in which the prevalence rate of e-commerce usually ranges between 15% and 35%.

Passenger Ground Handling Market

The Company is considering entering the passenger handling market, with a particular focus on domestic low-cost airlines. Services include passenger-related functions (which take place in the passenger terminals: check-in, baggage services, boarding, and disembarkation, etc.), and aircraft-related functions (which take place on the ramp or apron: marshalling, push-back, towing, potable water provision, waste removal, refueling, baggage and catering loading, etc.)

In 2022G, the three local airlines, Saudia, Flynas, and Flyadeal, provided 99.5% of domestic seats, representing 57.0%, 20.6%, and 21.9%, respectively. On the international scene, they achieved around 32.6%, 8.3% and 2.0%, respectively, of the total supply.

With regard to the growth of low-cost airlines in the KSA during the past years, the performance of low-cost companies in terms of total supply in the KSA has increased from 14% in 2013G to 22% in 2022G, resulting in an average CAGR of 9.2%.

Organic passenger traffic growth in the KSA is expected to grow from 100 million passengers in 2019G to 158 million passengers by 2030G, at a CAGR of 4%, driven by a positive macroeconomic outlook and expectations of recovery following the COVID-19 pandemic.

Additionally, plans for the development of the KSA as a global tourist destination for both leisure and business visitors align with ambitions to position the KSA as a global hub for transit/transfer cargo, which could further boost the organic market growth. In this regard, GACA expects to handle 330 million air passengers by 2030G.

Summary of Financial Information

The selected information set out below should be read in conjunction with the special purpose audited financial statements for the year ended 31 December 2020G and the audited financial statements for the years ended 31 December 2021G and 2022G, and their accompanying notes, in each case prepared in accordance with the International Financial Reporting Standards applicable in the KSA (IFRS). These audited financial statements and the accompanying notes are included in this Prospectus.

The financial information for the financial year ended 31 December 2020G was extracted from the Company's financial information presented in the special purpose audited financial statements for the year ended 31 December 2020G which were prepared for comparability purposes with the financial years 2021G and 2022G and were reviewed by KPMG, in addition to Management information. The financial information for the financial years ended 31 December 2021G and 2022G were extracted from the audited financial statements for the financial year ended 31 December 2022G which were reviewed by KPMG, in addition to Management information.

The tables below present a summary of the statement of profit or loss and other comprehensive income, a summary of the statement of financial position, a summary of the Company's statement of cash flows and selected key performance indicators for the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G.

Table (5): Summary of the Company's statement of profit or loss and other comprehensive income for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G*	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Revenue	846,885	962,170	1,222,650	13.6%	27.1%	20.2%
Cost of revenue	(449,223)	(476,194)	(631,681)	6.0%	32.7%	18.6%
Gross profit	**397,662**	**485,976**	**590,969**	22.2%	21.6%	21.9%
Other income *	63,704	24,025	13,207	(62.3%)	(45.0%)	(54.5%)
Selling and distribution expenses	(14,757)	(27,870)	(30,251)	88.9%	8.5%	43.2%
General and administration expenses*	(135,072)	(136,711)	(147,411)	1.2%	7.8%	4.5%
Operating profit	**311,537**	**345,420**	**426,514**	10.9%	23.5%	17.0%
Finance income*	360	3,534	18,882	881.7%	434.3%	624.2%
Finance costs	(71,843)	(70,437)	(74,920)	(2.0%)	6.4%	2.1%
Profit before Zakat	240,054	278,517	370,476	16.0%	33.0%	24.2%
Zakat	(2,277)	(2,962)	(8,064)	30.1%	172.2%	88.2%
Profit for the year	**237,777**	**275,555**	**362,412**	15.9%	31.5%	23.5%
Remeasurement gain / (loss) on defined benefit obligation	(4,174)	(16,632)	3,425	298.5%	(120.6%)	n.a.
Total comprehensive income for the year	**233,603**	**258,923**	**365,837**	10.8%	41.3%	25.1%
KPIs						
Total volume (Tonnes)	606,782	652,299	721,722	45,517	69,423	114,940
Capacity (Tonnes)	1,446,000	1,446,000	1,446,000	-	-	-
Number of clients (airlines)	68	68	58	-	(10)	(10)
Average blended revenue per KG (SAR)**	1.4	1.4	1.5	0.0	0.0	0.1
Total average headcount	971	986	968	15	(18)	(3)

SAR in 000s	2020G*	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
As a % of revenue				**ppt.**		
Gross profit	47.0%	50.5%	48.3%	**3.6**	**(2.2)**	**1.4**
Selling and distribution expenses	(1.7%)	(2.9%)	(2.5%)	**(1.2)**	**0.4**	**(0.8)**
General and administration expenses	(15.9%)	(14.2%)	(12.1%)	**1.7**	**2.2**	**3.9**
Profit before Zakat	28.3%	28.9%	30.3%	**0.6**	**1.4**	**2.0**
Profit for the year	28.1%	28.6%	29.6%	**0.6**	**1.0**	**1.6**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G except for the KPIs that are from Management information

* For comparability purposes, other income, general and administration expenses and finance income and costs for the year 2020G were presented in this section based on the financial statements for the year ended 31 December 2021G. The numbers presented above differ from the numbers presented in the special purpose audited financial statements for the year ended 31 December 2020G due to the reclassification of certain accounts between general and administration expenses, finance costs and other income.

Bank charges amounting to SAR 1.6 million have been reclassified from finance costs, as presented in the special purpose audited financial statements for the year ended 31 December 2020G, to general and administration expenses as presented in the audited financial statements for the year ended 31 December 2021G.

Finance income amounting to SAR 360 thousand has been reclassified from other income, as presented in the audited financial statements prepared for special purpose for the year ended 31 December 2020G, to finance costs as presented in the audited financial statements for the year ended 31 December 2021G.

Note: Finance costs – net in 2020G was broken down into finance income and finance costs for comparability purposes with 2021G and 2022G periods

** Average revenue per KG is calculated based on air cargo handling revenue (i.e. total revenue excluding logistic solutions revenue divided by volumes in KG)

Table (6): Summary of the Company's statement of financial position as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Total non-current assets	1,920,537	1,958,427	1,932,220
Total current assets	1,005,389	1,214,949	1,351,303
Total assets	**2,925,926**	**3,173,376**	**3,283,523**
Total shareholders' equity	**803,367**	**962,290**	**1,073,127**
Total non-current liabilities	1,415,046	1,894,123	1,865,920
Total current liabilities	707,513	316,963	344,476
Total liabilities	**2,122,559**	**2,211,086**	**2,210,396**
Total shareholders' equity and liabilities	**2,925,926**	**3,173,376**	**3,283,523**
KPIs			
DSO – third parties (credit revenue) (in days) *	**186**	**133**	**139**
DSO – Logistic solutions (in days) **	**n.a**	**278**	**213**
DPO (in days)	**41**	**133**	**70**
ROA	**8.1%**	**8.7%**	**11.0%**
ROE	**29.6%**	**28.6%**	**33.8%**
Debt-to-equity ratio***	**47.9%**	**52.0%**	**46.6%**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G except for the KPIs that are from Management information

* DSO – third parties (credit revenue) excluding logistics solutions was calculated based on gross trade receivables and on airline handling services revenue, charter and courier revenue given these are typically made on credit, while other revenue streams are collected in cash.

** DSO – Logistic solutions was calculated based on the gross trade receivables from third and related parties, and logistics solutions revenue.

*** Debt included a loan from a related party as at 31 December 2020G and a long term loan as at 31 December 2021G and 2022G.

Table (7): Summary of the Company's statement of cash flows as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Net cash generated from operating activities	439,587	308,568	555,803
Net cash generated from / (used in) investing activities	(226,727)	(527,589)	281,728
Net cash (used in) / generated from financing activities*	501,782	(4,031)	(389,052)
Cash and cash equivalent at the beginning of the year	-	714,642	491,590
Cash equivalents at the end of the year	714,642	491,590	940,069

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

* Cash and cash equivalents at the beginning of the year amounting to SAR 500 thousands as per the audited financial statements prepared for special purpose for the year ended 31 December 2020G, have been reclassified to net cash (used in) / generated from financing activities as per the financial statements for the year ended 31 December 2022G

Summary of Risk Factors

Before making a decision to invest in the Offer Shares, potential investors should carefully consider all the information included in this Prospectus, in particular the risk factors listed below and described in detail in Section 2 ("**Risk Factors**").

2.1 Risks related to the Company's activity and operations

2.1.1 Risks related to the Company's dependence on SACC

2.1.2 Risks related to the Company's Related Party transactions

2.1.3 Risks related to the relevant leases for cargo terminals in Key Locations

2.1.4 Risks related to the rights of GACA and the airport operating companies under leases at Key Locations

2.1.5 Risks related to the Company's inability to update or obtain technological means and resources

2.1.6 Risks related to technological developments and automation

2.1.7 Risks related to accidents and injuries during operations

2.1.8 Risks related to the ability to maintain quality of operations

2.1.9 Risks related to the Company's construction and development projects

2.1.10 Risks related to Company's expansion and growth strategy

2.1.11 Risks related to the impact of increasing operational costs and unexpected increase in capex in connection with maintaining the Company's business operations

2.1.12 Risks relating to the fluctuation of the Company's profit margins and the fact that some of the terminals in which the Company carries out its activities are not profitable

2.1.13 Risks related to regulatory permits, licenses, consents, approvals and industry specific certifications necessary for the Company's operations

2.1.14 Risks related to maintaining the reputation of the "SAL" brand

2.1.15 Risks related to long-term contractual relationships

2.1.16 Risks related to the Company's commercial relationship with consignees of cargo stored in the warehouses of the Company

2.1.17 Risks related to dependence on third-party agents, suppliers and contractors and use of external service providers

2.1.18 Risks related to malfunction or breakdown of the equipment used by the Company in its day-to-day operations

2.1.19 Risks related to competition from international players in the cargo and logistics industry to the Company's market position

2.1.20 Risks related to the relevant flight times and schedules

2.1.21 Risks related to customers exposing the Company to credit risk

2.1.22 Risks related to the Company not complying with its obligations towards its customers

2.1.23 Risks related to the Company's reliance on its Senior Executives and key personnel

2.1.24 Risks related to the application of financial reporting standards

2.1.25 Risks related to the Company's current debt arrangements

2.1.26 Risks related to the Company's requirement for additional capital in the future

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1. Definitions and Abbreviations

Listing	Listing of the Company's Shares on the Saudi Exchange, in accordance with the OSCOs and the Listing Rules.
Underwriting Agreement	The underwriting agreement to be entered into between the Company, the Selling Shareholders and the Underwriter in connection with the Offering.
Adjusted EBITDA	The sum of net profit for the year, Zakat charges, finance costs on lease liabilities and depreciation and amortization provision expenses, less the non-core portion of other income.
EBITDA	The sum of net profit for the year, Zakat charges, finance costs on lease liabilities and depreciation and amortization provision expenses.
Shares	Any fully paid, ordinary share of the Company with a nominal value of SAR 10 in the Company's capital, as may be issued from time to time.
Offer Shares	Twenty-four million (24,000,000) Shares.
Directors	Members of the Company's Board of Directors.
Relatives	Husbands, wives and minor children. For the purposes of the CGRs, such term includes the following: • fathers, mothers, grandfathers, grandmothers and their ancestors; • children, grandchildren and their descendants; • siblings, maternal and paternal half-siblings; and • husbands and wives.
Secretary	The Secretary of the Board of Directors.
Affiliate	A person who controls another person or is controlled by that other person, or who is under common control with that person by a third person. In any of the preceding, control could be direct or indirect.
Book Building Instructions	The Instructions for Book Building Process and Allocation Method in Initial Public Offerings issued by the CMA Board under Resolution No. 2-94-2016, dated 15/10/1437H (corresponding to 20/07/2016G), as amended pursuant to CMA Board Resolution No. 1-103-2022, dated 02/03/1444H (corresponding to 28/09/2022G).
General Assembly	An Extraordinary General Assembly or an Ordinary General Assembly of the Company's Shareholders. The term "General Assembly" shall mean any general assembly of the Company.
Ordinary General Assembly	An ordinary general assembly of Shareholders convened in accordance with the Bylaws.
Extraordinary General Assembly	An extraordinary general assembly of Shareholders convened in accordance with the Bylaws.
Public	Persons other than the following: 1- Affiliates of the Issuer; 2- Substantial Shareholders of the Issuer; 3- Directors and Senior Executives of the Issuer; 4- directors and senior executives of the Affiliates of the Issuer; 5- directors and senior executives of Substantial Shareholders of the Issuer; 6- any relatives of the persons referred to in 1, 2, 3, 4, or 5 above; 7- any company controlled by any person referred to in 1, 2, 3, 4, 5 or 6 above; and 8- persons acting in concert with a collective shareholding of 5% or more of the class of Shares to be listed.
Receiving Agents	The receiving entities listed on page (viii) of this Prospectus.
Government or Saudi Government	The Government of the Kingdom of Saudi Arabia, and the term "governmental" shall be construed accordingly.
Saudia or Saudi Airlines	Saudi Arabian Airlines Corporation.
Market Study	The market study prepared by the Market Consultant in relation to air cargo handling markets, passenger handling services, logistics solutions and e-commerce in the Middle East and KSA.
US Dollar or USD	US Dollars or US$, the official currency of the United States of America.

Vision 2030	Vision 2030 announced by the Saudi Government in 2016G.
Saudi Arabian Riyal or SAR	Saudi Arabian Riyal, the official currency of KSA.
CEO	The Company's Chief Executive Officer.
Chairman	The Chairman of the Company's Board of Directors.
Zakat	Zakat imposed on Muslims, which is the third pillar of Islam.
Offer Price	SAR [•] per Share.
Saudization	Saudization requirements applicable in KSA in relation to the labor market.
Financial Year	The period commencing on 1 January and ending on 31 December.
Exchange, Stock Exchange or Tadawul	The exchange operated by Saudi Tadawul where securities are traded. Any reference to the Saudi Exchange is a reference to the Exchange.
Control	Pursuant to the definition stated in the Glossary of Defined Terms used in the CMA Regulations, "control" means the ability to, directly or indirectly, influence the acts or decisions of another person, individually or collectively with a relative or affiliate, through any of the following: (i) holding 30% or more of the voting rights in a company or (ii) having the right to appoint 30% or more of the members of the administrative body. The term "controlling party" shall be construed accordingly.
Company, Issuer, SAL Company or SAL	SAL Saudi Logistics Services Company (any reference to the Ground Handling Division is a reference to the Company when it was a division of SACC prior to the carve-out therefrom).
Tarabot	Tarabot Air Cargo Services Limited.
SACC	Saudi Airlines Cargo Company.
VAT	Value-added tax, also known as goods and services tax (GST).
Offering	The initial public offering of the Company's Shares under the terms set forth in this Prospectus.
Related Party or Parties	The term "Related Party/Parties" in this Prospectus and pursuant to the Glossary of Defined Terms used in the CMA Regulations includes the following entities: 1- Subsidiaries of the Company, except for companies wholly owned by the Company; 2- Substantial Shareholders of the Company; 3- Directors and Senior Executives of the Company; 4- directors of the Affiliates of the Company; 5- directors and senior executives of the Substantial Shareholders of the Company; 6- any relatives of the persons referred to in 1, 2, 3, or 5 above; and 7- any other company or facility controlled by any person referred to in 1, 2, 3, 5 or 6 above. For the purposes of Paragraph 6 above, "relatives" shall mean fathers, mothers, husbands, wives and children.
Book-Building Applications or Bid Forms	Book building applications that are submitted to the Bookrunner via phone or email and Bid Forms completed in accordance with the instructions stated in Section 17 ("**Subscription Terms and Conditions**") of this Prospectus.
Net Offering Proceeds	The Offering proceeds after deduction of all expenses related to the Offering.
Lock-up Period	The Substantial Shareholders are subject to a lock-up period of six months starting from the commencement of trading of the Shares on the Saudi Stock Exchange. During the Lock-up Period, the Substantial Shareholders may not dispose of their Shares. Following the Lock-up Period, the Substantial Shareholders may dispose of such Shares without the prior approval of the CMA.
Book-Building Period	The period during which Participating Parties may submit Bid Forms, as specified on page (xiv) ("**Key Dates and Subscription Procedures**").
Offering Period for Individual Subscribers	The period commencing on Wednesday 26/03/1445H (corresponding to 11/10/2023G) and continuing for (3) days until the closing date of subscription, ending at the end of Friday 28/03/1445H (corresponding to 13/10/2023G).

Participating Parties	This tranche comprises the categories that are entitled to participate in the Book Building Process under the Book Building Instructions, namely: 1- public and private funds that invest in securities listed on the Saudi Stock Exchange if such fund's terms and conditions permit this, in accordance with the provisions and restrictions stipulated in the Investment Funds Regulations and the Book Building Instructions; 2- Capital Market Institutions licensed to deal as a principal, provided that the provisions set out in the Prudential Rules are adhered to when submitting a Participation Application Form; 3- clients of a Capital Market Institution authorized by the CMA to conduct management activities in accordance with the provisions and restrictions set forth in the Book Building Instructions; 4- legal persons who are entitled to open an investment account in KSA and an account with Edaa, with the exception of non-resident foreign investors, save for Qualified Foreign Investors (QFIs) under the Rules for Foreign Investment in Securities; 5- Government entities, any international authority recognized by the CMA or the Exchange or any other stock exchange recognized by the CMA or Edaa; 6- Government-owned companies, whether investing directly or through a portfolio manager; and 7- GCC companies and GCC funds, if permissible according to the terms and conditions of such funds.
Glossary of Defined Terms used in the CMA Regulations	The Glossary of Defined Terms used in the Regulations and Rules of the Capital Market Authority issued pursuant to CMA Board Resolution No. 4-11-2004, dated 20/08/1425H (corresponding to 04/10/2004G), as amended by CMA Board Resolution No. 8-5-2023, dated 25/06/1444H (corresponding to 18/01/2023G).
Listing Rules	The Listing Rules issued by CMA Board Resolution No. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), as amended pursuant to CMA Board Resolution No. 1-108-2022 dated 23/03/1443H (corresponding to 19/10/2022G).
Prudential Rules	The Prudential Rules issued pursuant to CMA Board Resolution No. 1-40-2012, dated 17/02/1434H (corresponding to 30/12/2012G), as amended by CMA Board Resolution No. 1-129-2022 dated 04/06/1444H (corresponding to 28/10/2022G).
Rules for Foreign Investment in Securities	The Rules for Foreign Investment in Securities issued pursuant to CMA Board Resolution No. 2-26-2023, dated 05/09/1444H (corresponding to 27/03/2023G), pursuant to the Capital Market Law promulgated by Royal Decree No. M30, dated 02/06/1424H.
OSCOs	The Rules on the Offer of Securities and Continuing Obligations issued by the CMA Board pursuant to Resolution No. 3-123-2017, dated 09/04/1439H (corresponding to 27/12/2017G), as amended by Resolution No. 8-5-2023, dated 25/06/1444H (corresponding to 18/01/2023G).
Financial Statements	The financial statements for the period from 16 October 2019G to 31 December 2020G, the special purpose audited financial statements for the financial year ended 31 December 2020G, the audited financial statements for the financial years ended 31 December 2021G and 2022G and the accompanying notes thereto, in accordance with the International Financial Reporting Standards (IFRS) adopted in the Kingdom of Saudi Arabia, as well as other standards and pronouncements endorsed by SOCPA (referred to collectively as "**IFRS-KSA**").
Senior Executives	Members of the Company's Senior Management, whose names appear in Table 5.17 ("**Details of Senior Executives**").
Substantial Shareholders	A shareholder who owns 5% or more of the Company's Shares.
CGRs	The Corporate Governance Regulations issued pursuant to CMA Board Resolution No. 8-16-2017, dated 16/05/1438H (corresponding to 13/02/2017G), as amended pursuant to CMA Board Resolution No. 8-5-2023, dated 25/06/1444H (corresponding to 18/01/2023G), based on the Companies Law.
Company's Internal Corporate Governance Regulations or Approved Corporate Governance Manual	The Company's Internal Corporate Governance Regulations approved by the Board on 18/09/1444H (corresponding to 09/04/2023G).
Nomination and Remuneration Committee	The Nomination and Remuneration Committee of the Company.
Executive Committee	The Executive Committee of the Company.
Audit Committee	The Audit Committee of the Company.
Capital Market Institution	An institution authorized by the CMA to engage in securities business.
Underwriter	HSBC Saudi Arabia.
Board of Directors or Board	The Company's Board of Directors.

Gulf Cooperation Council (GCC)	The Cooperation Council for the Arab States of the Gulf.
Council of Ministers (COM)	The Council of Ministers of the Kingdom of Saudi Arabia.
Lead Manager	HSBC Saudi Arabia.
Bookrunner	HSBC Saudi Arabia.
Head Office	The office where the Company's Executive Management and key management and support personnel are based, located in Alsalama District, Prince Sultan Street, P.O. Box 2661, Postal Code 23525, Jeddah, Kingdom of Saudi Arabia.
Key Locations	The international airports in each of Riyadh (KKIA), Jeddah (KAIA), Dammam (KFIA) and Medina (PMIA).
Shareholder	Any owner of the Company's Shares.
Selling Shareholders	The Company's Shareholders, whose names and ownership percentages are listed in Table 2 (Substantial Shareholders and Their Ownership Percentages in the Company Pre- and Post-Offering), and who will sell part of their Shares in the Offering.
Qualified Foreign Investor (QFI)	A qualified foreign investor in accordance with the Rules for Foreign Investment in Securities.
Foreign Investors	Qualified foreign investors, Foreign Strategic Investors and non-GCC individuals residing outside KSA and non-GCC institutions registered outside KSA who have the right to invest indirectly to acquire an economic benefit in the Offer Shares by entering into Swap Agreements with a Capital Market Institution licensed to purchase Shares listed on the Exchange.
Foreign Strategic Investor	A foreign legal entity that aims to own a direct percentage in a listed company's shares for a period of not less than two years, for the purpose of contributing to enhancing the financial or operational performance of that listed company, in accordance with the provisions of the CMA's Rules for Foreign Investment in Securities.
Market Consultant	ALG.
Advisors	The Company's advisors in relation to the Offering, whose names appear on pages (vi and vii) of this Prospectus.
Financial Advisor	HSBC Saudi Arabia.
IFRS-KSA	The International Financial Reporting Standards endorsed by SOCPA, which include international standards, additional requirements and disclosures required by SOCPA and other standards and pronouncements endorsed by SOCPA, including technical standards and publications related to issues that are not covered by IFRS, such as Zakat.
Saudi GAAP	The generally accepted accounting standards in the Kingdom, as well as the standards and pronouncements endorsed by SOCPA.
Subscriber(s)	Participating Parties and Individual Subscribers.
Individual Subscribers	Saudi Arabian natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who may subscribe for her own benefit or in the names of her minor children, any non-Saudi natural person who is resident in KSA, or GCC nationals, in each case who have a bank account and are entitled to open an investment account with one of the Receiving Agents.
Kingdom or KSA	The Kingdom of Saudi Arabia.
Financial Institutions	Banks and financial services companies.
GOSI	The General Organization for Social Insurance in KSA.
GDP	Gross Domestic Product (the broadest quantitative measure of a nation's total economic activity. GDP represents the monetary value of all goods and services produced within a nation's geographic borders over a specified period of time).
Saudization rate	The percentage of employees who contribute to the level of Saudization within any workforce, including Saudi citizens and individuals married to Saudis. It should be noted that some groups, such as Saudi employees with disabilities, have a greater weighting when calculating the Saudization rate.
Prospectus	This prospectus prepared by the Company in connection with the Offering in accordance with the OSCOs.
Bylaws	The Company's Bylaws, a summary of which can be found in Section 12.12 ("**Summary of Bylaws**") of this Prospectus.
Capital Market Law (CML)	The Capital Market Law promulgated by Royal Decree M/30, dated 02/06/1424H (corresponding to 31 July 2003G), as amended.

Companies Law	The Companies Law promulgated by Royal Decree No. M/132, dated 01/12/1443H (corresponding to 30/06/2022G), as amended.
Labor Law	The Saudi Labor Law promulgated by Royal Decree No. M/51, dated 23/08/1426H corresponding to 27/09/2005G, as amended.
Competition Law	The Competition Law promulgated by Royal Decree No. M/75, dated 29/06/1440H (corresponding to 06/03/2019G), as amended.
Civil Aviation Tariff Act	Civil Aviation Tariff Act promulgated by Royal Decree No. M/55, dated 20/10/1426H (corresponding to 22/11/2005G), as amended.
Implementing Regulation for Civil Aviation Tariff Act	The Implementing Regulation for Civil Aviation Tariff Act issued by GACA's Board of Directors' Decree No. 45-6, dated 21/01/1430H (corresponding to 18/1/2009G).
Subscription Application Form	Includes the Individual Subscribers' Subscription Application Form and Participating Parties' Subscription Application Form.
Individual Subscribers' Subscription Application Form	The subscription application form that must be filled out by Individual Subscribers to subscribe for the Offer Shares during the Offering Period for Individual Subscribers.
Bid Form	The application form to be used by Participating Parties to apply for the Offer Shares during the Book-Building Period. This term includes, as applicable, the appended application form when the price range is changed.
General Authority for Competition	The General Authority for Competition of KSA, which regulates the Competition Law and its Implementing Regulations in KSA.
CMA or the Authority	The Capital Market Authority of KSA, including, where the context permits, any committee, sub-committee, employee or agent to whom any function of the CMA may be delegated.
ZATCA	The Zakat, Tax and Customs Authority of KSA.
SOCPA	The Saudi Organization for Chartered and Professional Accountants.
MoC	The Ministry of Commerce of KSA.
MOMRAH	The Ministry of Municipal, Rural Affairs and Housing of KSA.
MHRSD	The Ministry of Human Resources and Social Development of KSA.
MEWA	the Ministry of Environment, Water and Agriculture of KSA.
SFDA	Saudi Food and Drug Authority of KSA.
KAIA	King Abdulaziz International Airport (Jeddah).
KKIA	King Khalid International Airport (Riyadh).
KFIA	King Fahad International Airport (Dammam).
PMIA	Prince Mohammed International Airport (Medina).
Business day	Any day (except for Fridays, Saturdays and any official holidays) on which the Receiving Agents are open for business in KSA.


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2. Risk Factors

Before deciding whether to invest in the Offer Shares, prospective investors are advised to carefully consider all the information contained in this Prospectus, particularly the risk factors described below. These risk factors may not include all the risks that the Company may encounter. Additional risks may exist that are not currently known to the Company, or that may be deemed immaterial but may nonetheless affect the Company's operations.

The Company's business, financial position, results of operations and future prospects could be adversely and materially affected if any of the following risks occur or become material, or if any other risks that the Directors have not identified or currently consider not to be material, were to occur or become material. As a result of such risks or other factors that may affect the Company, the forward-looking events and circumstances presented in this Prospectus might not occur in the way the Company and/or the Directors expect, or at all. When evaluating the risks described below, prospective investors should also consider, amongst other information set out in this Prospectus, the information regarding the Company and the relevant agreements described in Section 4 ("**The Company**") and Section 12 ("**Legal Information**") of this Prospectus, respectively.

The Directors also confirm that, to the best of their knowledge and belief, there are no other material risks besides those mentioned in this section, the non-disclosure of which would affect investors' decisions to invest in any Offer Shares as at the date of this Prospectus. All potential investors wishing to invest in the Offer Shares must evaluate the risks associated with such Shares, the Offering in general, and the economic and regulatory environment in which the Company operates.

An investment in the Offer Shares is only appropriate for investors who are capable of assessing the risks and merits of such an investment and who have sufficient resources to bear any loss that might result from this investment. Any prospective investor who has any doubts concerning the appropriate action to be taken should consult a financial advisor licensed by the CMA for advice in connection with any investment in the Offer Shares.

The occurrence of any of the risk factors specified below, or the occurrence of any other risks which the Directors have not identified or those which they do not consider to be material as at the date of this Prospectus, may lead to a decrease in the price of the Shares in the market and an investor could lose all or some of the value of his investment in the Offer Shares.

The risks and uncertainties described below are presented in an order that does not reflect their importance or anticipated effect on the Company. The risks set out in this Section 2 ("**Risk Factors**") do not purport to be: (a) a complete or comprehensive list of all risks which may affect the Company or its operations, activities, assets or the markets in which it operates; and/or (b) an explanation of all the risks involved in investing in the Offer Shares.

2.1 Risks related to the Company's Activity and Operations

2.1.1 Risks related to the Company's dependence on SACC

SACC is one of the Company's largest customers in the air cargo ground handling services sector, among others. The Company has concluded an agreement for the provision of air cargo ground handling services with SACC which has a minimum term of seven years which commenced on 1 January 2020G (as amended on 1 June 2021G by extension of its term until 31 May 2028G, automatically renewable for an additional period of seven (7) years, unless either party notifies the other via a written notice of a termination of the agreement) (the "**SACC Agreement**") (for further details regarding this Agreement, please refer to Section 12.5.1 ("**Customer Agreements with Airlines**") of this Prospectus). Based on the provisions of the SACC Agreement, prices remain fixed and unchanged during the first five years commencing 1 June 2021G, after which the parties will consult and evaluate market conditions from all angles to determine the price for the remaining two years (the "**Second Term Price**"). The total revenue from SACC accounted for 19.9% of the Company's total revenues for 2020G, 26.3% of the Company's total revenues in 2021G and 21.5% of the Company's total revenues in 2022G. The total income from SACC, including revenue from SACC and other income from cost recovery of the shared service agreements, for approximately 27.4% of the Company's total revenues in 2020G, 28.8% of the Company's total revenues in 2021G, and 21.9% of the Company's total revenues in 2022G (for further details regarding service agreements, please refer to Section 12.6 ("**Summary of Material Agreements with Related Parties**") of this Prospectus.

Given the percentage of the total revenue of the Company from SACC in 2020G, 2021G and 2022G respectively, the Company's revenue is concentrated in the SACC Agreement and the Company is therefore dependent, to a large extent, on its contract with one particular customer and upon the terms thereof. Moreover, given that SACC is owned by the Company's Shareholders, the Company's agreement with SACC constitutes a related party transaction for the Company (see Section 2.1.2 ("**Risks related to the Company's Related Party Transactions**") of this Prospectus). Given the large volume in terms of demand for the services provided by the Company under the SACC Agreement, the prices provided under the Agreement are considered less than those prices provided under other agreements for the same services. This is due to the fact that the pricing of services provided is linked to the demand under the relevant agreement.

As a consequence of the Company's dependence on the SACC Agreement, any decrease in the service volume provided to SACC from time to time, or any non-renewal or early termination (including due to the Company and SACC not agreeing on the price of, or terminating, the second term under SACC's termination right provided for in the Agreement) will have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, consequently, on the price of the Company's Shares. In addition, the Company relies in some of its arrangements on the shared services agreement concluded with SACC (for further details, please refer to Section 12.6 ("**Summary of Material Agreements with Related Parties**") and Section 2.1.36 ("**Risks related to shared services**") of this Prospectus. In the event of termination of the aforementioned agreement, the Company may be negatively affected in terms of incurring costs (for more details in this regard, please refer to Section 2.1.2 ("**Risks related to the Company's transactions with Related Parties**") of this Prospectus). Accordingly, this could adversely and materially affect the Company's business, results of operations, financial condition and future prospects and therefore the Company's share price.

2.1.2 Risks related to the Company's Related Party Transactions

The Company maintains ongoing business and customer relationships with several Related Parties and suppliers, in particular SACC and Saudi Ground Services Company. The Directors confirm that all agreements with Related Parties described in this Section do not include any preferential conditions and have been executed in accordance with laws and regulations and on an arm's length basis.

As at the date of this Prospectus, SACC is the Company's main customer (for further details regarding this agreement, please refer to Section 12.5.1 ("**Customer Agreements with Airlines**" of this Prospectus) which accounted, pursuant to these, for approximately 19.9% of the Company's total revenues for the financial year ended 31 December 2020G, 26.3% of the Company's total revenues for the financial year ended 31 December 2021G and 21.5% of the Company's total revenues for the financial year ended 31 December 2022G (please refer to Section 2.1.1 ("**Risks related to the Company's dependence on SACC**") of this Prospectus).

In addition to the SACC Agreement, the Company has also entered into two agreements for the provision of services to SACC (for further details regarding the aforementioned shared services arrangements, please refer to Section 2.1.36 ("**Risks related to Shared Services**") of this Prospectus). The Shared Services Agreement sets out the terms and conditions pursuant to which the Company provides information technology services including consultancy, application support, end user support and project management to SACC. For further information in this regard, please refer to Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus.

As at the date of this Prospectus, Saudi Arabian Airlines Corporation ("**Saudia**") also holds 52.5% of the Shares of Saudi Ground Services (a Subsidiary of the Company, as the Company and SGS are jointly controlled by Saudia), which is a publicly listed company on the Saudi Exchange. Saudi Ground Services provides certain equipment to the Company for airport apron services which the Company offers to its customers on passenger planes (for further details regarding this agreement, please refer to Section 12.6 ("**Summary of Material Agreements with Related Parties**") of this Prospectus).

The Company's success is also dependent on the continuation of its business relationships with Related Parties and the expiry or termination of any material contract or relationship with any Related Party would adversely and materially affect the Company's business, results of operations, financial position and future prospects and consequently, the price of the Company's shares.

Transactions with Related Parties are identified and recorded in the financial statements in accordance with IFRS and the regulations, directives and principles in force in the Kingdom of Saudi Arabia. Revenue generated from transactions with Related Parties amounted to SAR 181.13 million in the financial year ended 31 December 2020G (equivalent to 21% of the Company's total revenue for such period), SAR 264.287 million in the financial year ended 31 December 2021G (equivalent to 27% of the Company's total revenue for such period), and SAR 286.35 million in the financial year ended 31 December 31 2022G (equivalent to 23% of the Company's total revenue for such period). Meanwhile, costs from transactions with Related Parties amounted to SAR 715 thousand for the financial year ended 31 December 2020G (equivalent to 0.2% of the Company's total cost of sales for such period), SAR 5.48 million for the financial year ended 31 December 31 2021G (equivalent to 1.2% of the Company's total cost of sales for such period) and SAR 69.47 million for the financial year ended 31 December 2022G (equivalent to 11% of the Company's total cost of sales for such period), according to the financial statements prepared in accordance with IFRS.

Furthermore, under Articles 27 and 71 of the Companies Law, any agreement or transaction in which any Company Director has a direct or indirect interest requires the approval of the General Assembly. As at the date of this Prospectus, four out of nine Company Directors are also Directors of SACC (namely Mohammad bin Abdullah Rashed Abunayyan, Rasheed bin Abdul Rahman bin Nasser Al Rasheed, Fahad bin Abdullah bin Hussain Moussa, and Ahmed bin Abdulaziz bin Ibrahim Alwassiah). Given the significance of the ongoing relationship between SACC and the Company, it is likely that the Directors will face conflicts of interest when considering any matter pertaining to the relationship between the two entities or any agreements between these two companies, despite SACC being a Subsidiary of the Company. Furthermore, the mutual Directors in both companies will be deemed to have an indirect interest in any transaction between SACC and the Company which triggers Articles 27 and 71 of the Companies Law and requires the approval of the General Assembly. Some of the Directors disclosed their interest in the contracts signed with SACC, since they are also directors of SACC, and on 05/09/1444H corresponding to 27/03/2023G, the approval of the General Assembly was obtained. For further information, please see Section 5.10 ("**Interests of Directors and Senior Executives**") of this Prospectus.

Any Director who is deemed to have an interest is also restricted from participating in the deliberations and the approval/voting process for such agreements or transactions, which could result in only five Board members (out of nine Board members) making decisions relating to the Company's largest customer. This could have material adverse consequences on the operations of the Company. There is a risk that the Company's Board, or the General Assembly of the Company, may not resolve to approve that Directors have an interest in any such agreements or transactions, in which case the Director who is deemed to have an interest in the agreement or transaction must resign or take steps to ensure that they are no longer deemed to have an interest (for example, by terminating the relevant agreement or transaction, resigning from their position in the contracting company or disposing of the rights creating the indirect interest). Due to the Company's significant reliance on such contracts, their termination or the resignation of their directors may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

In addition, if the Board members were unable to act independently in the Company's interests, this would lead to damage to the Company's reputation and have material adverse consequences on the Company's business, results of operations, financial position and future prospects, and consequently, on the price of the Company's shares.

2.1.3 Risks related to the relevant leases for cargo terminals in Key Locations

The Company's financial performance, particularly with respect to the profitability of the Company, is largely dependent on the commercial terms agreed with GACA pursuant to the Civil Aviation Law, the Civil Aviation Tariff Law and the Tariff Law Implementing Regulations, or with the relevant Key Locations airport operator company pursuant to concession agreements between GACA and the relevant airport operator company in relation to the terminal and cargo facility lease agreements.

The Company has concluded five (5) lease contracts for cargo terminals and facilities in the Company's Key Locations, on which it relies in carrying out its business. Such Key Locations are as follows:

- the Company's cargo terminal area at KKIA in Riyadh, with a total area of 83,086m2, for a period of 25 years (in addition to a three-month extension granted to the Company for 2020G due to the COVID-19 pandemic) commencing on 01/02/2017G and expiring on 30 April 2042G;
- the Company's cargo terminal area at KAIA in Jeddah, which the Company is building on leased land with a total area of 131,000m2. The lease term is 25 years and expires on 31 March 2042G;

- the Company's cargo terminal area at PMIA in Medina, with a private built-up area of 1,900m2, from the Tibah Airports Operations Company for a period of 1 year commencing on 1 April 2015G and is automatically renewable;
- land in KAIA in Jeddah, with an area of 10,000m2. The initial term of the contract is 3 years. The contract is automatically renewable and has been renewed multiple times and will expire on 17 July 2023G. For further information, please see Section 12.5.3.4 ("**Lease with Jeddah Airports Company – KAIA**"); and
- the Company's cargo terminal area at KFIA in Dammam, with a dedicated built-up area of 45,522 m2. The contract term of 3 years ended on 28 February 2021G. It should be noted in this regard that the Company is currently working to renew the contract.

The Company's income generated from the Key Locations accounted for 99.7%, 95.2% and 85.8% of its total revenue in the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively. For further information regarding the terms of the lease agreements at the Key Locations, please refer to Section 12.5.3 ("**Lease Agreements for Air Cargo Facilities at Key Locations**" of this Prospectus).

If the Company breaches its obligations under such contracts and as a result those contracts are terminated, rescinded or considered invalid, if the Company breaches any of its obligations in the lease contracts for the Key Locations and the contracts are terminated or their terms expire and are not renewed by the relevant counterparty, or the commercial terms of any lease agreement (including a rent increase) at any of the Key Locations change adversely for the Company, or if the Company ceases to benefit from any of the competitive advantages or the negotiating strength it has historically enjoyed in the Kingdom, this may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

The lease for the cargo terminal area at KFIA expired on 28 February 2021G, and the Company is currently intending to renew such lease. As at the date of this Prospectus, the Company continues to use these leased areas even though the lease has expired. Accordingly, the parties' relationship with respect to these areas is currently not governed by any contractual arrangements, which could result in disputes between the parties over matters related to the legal basis for the Company's use of these areas, the rent amount, or the mechanism for entitlement and payment of the rent. If such disputes arise and the Company is unable to benefit from these areas, or if the Company fails to renew said lease or does so on unfair or less favorable terms, this will have an impact on the Company's operations at this site and will adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's Shares. It should be noted in this regard that the Company's revenues from the Company's cargo terminal area at KFIA in Dammam amounted to SAR 137.585 million in the financial year ended 31 December 2020G (equivalent to 16.2% of the Company's total revenue for such period), SAR 125.176 million in the financial year ended 31 December 2021G (equivalent to 13% of the Company's total revenue for such period), and SAR 169.462 million in the financial year ended 31 December 2022G (equivalent to 13.9% of the Company's total revenue for such period).

Furthermore, the lease for the Company's cargo terminal area at PMIA is governed by and dependent on the concession agreement between GACA and Tibah Airports. The lease will automatically expire if the concession agreement is terminated for any reason prior to Tibah Airports' period of operation at PMIA, and SAL will not be permitted to make any claims against Tibah Airports, including, but not limited to, claims for losses and damages. If this occurs and the lease is terminated, the Company may not be able to benefit from this area, which could have an impact on the Company's operations at this site and adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's shares.

It is worth noting that the lease contract concluded by the Company with both Riyadh Airports Company and Tibah Airports Operation Company and the two lease contacts concluded by the Company with Jeddah Airports Company have not been registered on the Ejar Platform of the Ministry of Municipal, Rural Affairs and Housing pursuant to the requirements of Council of Ministers Resolution No. 292 dated 16/5/1438H, which stipulates that lease contracts that are not registered online are not considered valid contracts with administrative and judicial effects in the event of a dispute between the tenant and the respective lessor. Despite the Company having requested to register such contracts, whereby the Company contacted both Riyadh Airports Company and Jeddah Airports Company in connection with the registration of the lease contracts on the Ejar Platform, they have stated that they have not currently registered such lease contracts onto the Ejar platform. Accordingly, the Company may face difficulty in exercising its rights in respect to such contracts before the courts, which may affect the Company's operating activities and thus adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.4 Risks related to the rights of GACA and the airport operator companies under leases at Key Locations

The Company's leases at the Key Locations grant certain rights favorable to GACA and/or the airport operator companies as lessors.

The governor of GACA is permitted under the Tariff Law Implementing Regulations to issue a resolution to extend the term of any lease of the Company at the airports in which it operates on a monthly basis, or to terminate such contract if it is in the interest of the public. Accordingly, the Company may be required to continue to operate its business at airports or locations which may no longer be profitable and/or strategic for the business of the Company in the interest of the public and, therefore, this may materially and adversely affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

Furthermore, the lease agreements in relation to KKIA and PMIA allow the lessors to change the location of the leased area or adjust the size of the leased area at any time due to reasons related to public interest. Upon occurrence of any adjustment to the leased area, compensation is required to be provided by the lessor to the Company, however, this may not be suitable or adequate and such disruption may result in a loss of revenue by the Company, which would, in turn, materially and adversely affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's Shares. According to the service agreement for express parcel companies in Arabasco Hangar at KAIA between the Company and Jeddah Airports Company, Jeddah Airports Company has the right to terminate the agreement whenever it sees fit for reasons related to the public interest by giving the Company a 60-day notice.

Pursuant to the terms of the 25-year leases of the Company at KKIA and KAIA in connection with cargo facilities, the ownership of any building constructed on the land will be transferred to the lessor upon the expiry/termination of the lease. As such, there is a risk that recent investments made by the Company to construct cargo terminals at KAIA and KKIA (for further details, please refer to Section 2.1.9 ("**Risks related to the Company's construction and development projects**") of this Prospectus) will not be recovered if these leases are terminated or expire without being renewed. The 25-year lease contracts related to KKIA and KAIA and the PMIA lease contract grant the lessor the right to terminate such contracts if the Company breaches their respective terms and does not rectify such breach within 90 days (30 days for the lease contract related to PMIA) from the date of notifying the relevant airport company of the breach. Moreover, lease contracts related to KKIA, KAIA and PMIA also grant the lessor the right to terminate the contract in the event that the Company defaults. Furthermore, upon a default by the Company of its payment obligations under the leases at the Key Locations, the lessor is entitled to enforce a bank guarantee provided by the Company under such leases and potentially seize the property and assets of the Company at the Key Locations. If the Company defaults under the relevant lease agreements, it could be subject to seizure of its property and assets which would have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and consequently, on the price of the Company's shares.

2.1.5 Risks related to the Company's inability to update or obtain technological means and resources

The Company is reliant on the uninterrupted operation of its IT technical infrastructure, which consists of a complex and sophisticated suite of computers, communication systems, supervisory monitoring and control systems, data processing systems and data acquisition and monitoring systems. If the Company's IT infrastructure, including support, backups and service recovery procedures, fails or is disrupted for any reason, such failures or disruptions may lead to a significant increase in costs (e.g., repair costs) with a marked reduction in the volume of services provided and important data of the Company, which in turn may result in losses for the Company.

Systems and electronically stored information may be susceptible to malware, pirating, cybercrime and other similar disruptions caused by unauthorized use of such systems, which may result in the loss of important data or even interruption of business. The Company may be unable to develop or acquire competitive technology capable of meeting the Company's business requirements. Furthermore, the Company may lack sufficient resources to invest in technology that will allow it to compete with its competitors and efficiently protect information and operating systems, which could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's shares.

The Company also provides a variety of services to its customers based on the type of product handled by the Company and the requirements of each customer. Each type of service and product handled by the Company has different operating and profit margins and requires different types of operational processes, equipment and staff. The need for some of these services is directly linked to the level of technology available to the Company such as the Company's reliance on systems linked to Saudi Customs (Fasah system) and cargo management and data systems such as Cargospot.

Accordingly, the Company is required to continuously invest in and upgrade its technology to ensure that profit margins are maintained. Failure to do so may result in loss of revenue or a decrease in the Company's profit margin which would materially and adversely affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's Shares. The Company occasionally enters into agreements with external parties regarding some of its technical arrangements. Accordingly, in the event that the sums owed by the Company under such agreements increase, this could result in an increase in the Company's obligations, which could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's shares.

2.1.6 Risks related to technological developments and automation

New airports, including the new KAIA, are expected to be more efficient and more technologically advanced than the current airports and may have the capability to perform part of the services previously provided by the Company. This includes, for example, the technical infrastructure systems used at King Abdulaziz International Airport in Jeddah, which are fully automated as these technologies allow the processing of cargo and storage activities more efficiently. Accordingly, some of the services provided by the Company at the Key Locations may be rendered obsolete or may decline in volume, in which case the Company would lose the revenue previously generated from such services, which would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.7 Risks related to accidents and injuries during operations

The Company faces certain operational risks in carrying out its activities inside airports and on airport runways. For example, the Company performs operations such as handling and storage of shipments, shipment build-up and breakdown activities, loading and unloading of shipments on and off warehouse racks, handling of dangerous and hazardous goods and the operation of forklifts, transporters and high loaders. In the event of a technical or human error during the provision of such services or any other services, such errors may cause damage to property, injury or even loss of life. If the Company is found liable for such damages, injuries, or loss of life (whether such errors were intentional or unintentional) to any person, this may result in regulatory sanctions and damage to the Company's reputation, as well as potential litigation claims against the Company, which may result in the payment of damages, withdrawal of regulatory licenses, authorizations or permits and/or the suspension of the Company's operations.

Furthermore, the Company's current insurance policies may not provide sufficient coverage for any such liabilities (for further information regarding the Company's insurance-related risks, please see Section 2.1.33 ("**Risks related to the adequacy of the Company's insurance to cover all losses**") of this Prospectus). The occurrence of any of these events would materially and adversely affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.8 Risks related to the ability to maintain quality of operations

The Company's ability to maintain high operating standards is critical in maintaining its existing customer base, acquiring potential new customers and avoiding potential disputes and litigation with its customers. There is no certainty that such standards will be maintained in the future. There is also a possibility that the Company's operations may be materially impacted if there is any damage to aircraft or cargo handled by the Company or delay of airline operations due to the Company's activities. This will significantly impact the financial performance of the Company, particularly if it results in a considerable decrease in the Company's customer base or adversely affects the Company's reputation and ability to acquire potential new customers. In addition, the Company relies on many other parties when conducting its activities and carrying out its business, including government agencies such as ZATCA and airport operators such as Riyadh Airports Company. Hence, the quality of the Company's operations and the maintenance thereof depends on matters beyond the Company's control, such as the performance of business by such parties. Any or all such risks would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.9 Risks related to the Company's construction and development projects

As at the date of this Prospectus, the Company is carrying out expansion and development activities in a number of airports in which it operates, including the establishment of a new terminal at KAIA, renovation of the current cargo terminal at KKIA and expansion of the current cargo services area at KFIA. For further information regarding the Company's expansion strategy, please see Section 4 ("**The Company**") of this Prospectus. In addition, for a summary of the material contracting agreements concluded by the Company, please see Section 12.5.2 ("**Consulting and Construction Agreements**"). Such material contracting agreements include:

- A consulting services contract with AECOM Arabia Limited Company regarding the new cargo terminal and material handling systems at KAIA in Jeddah (for further details in this regard, please refer to Table 12.7 ("**Consulting Services Contract for the New Cargo Terminal and Cargo Handling Systems at KAIA in Jeddah**") of this Prospectus).
- A contract for the construction of a material handling system for the cargo terminal project at KAIA in Jeddah with SD Middle East LLC (for further details in this regard, please refer to Table 12.8 ("**Construction Contract – Contract for Establishment of the Cargo Handling System for the Cargo Terminal Project at KAIA in Jeddah**") of this Prospectus).
- A construction contract with Al Bawani Co. LTD, in connection with the development of the new cargo terminal at KAIA in Jeddah. For further details in this regard, please refer to Table 12.9 ("**Construction Contract – Contract for Establishment of the Cargo Handling System for the Cargo Terminal Project at KAIA in Jeddah**") of this Prospectus.

Any renovation or expansion project which includes construction operations entails a number of risks that are common in such projects, which include, for instance, the following:

- the Company's ability to successfully complete the expansion or renovation project within the optimal timeline. Construction is being undertaken by third-party contractors and the timing of the successful completion of all milestones is dependent on various factors which may not be within the Company's control;
- disruptions to the existing operations and planned activities of the Company associated with any refurbishment and construction activities;
- events which are outside the control of the Company, such as ability to obtain the relevant consents, permissions, authorizations, licenses and permits for construction from the relevant governmental authorities or bodies in the Kingdom, may have an impact on the successful or timely completion of expansion projects; and
- the ability of contractors and consultants to obtain all necessary insurance documents under the construction and development project agreements and in accordance with the applicable laws, which include insurance against latent defects, workers' compensation insurance, employers' liability and public and third party liability insurance.

For example, AECOM Arabia Limited Company is required to obtain a number of insurance policies in connection with the development of the new cargo terminal at KAIA in Jeddah, pursuant to which the Company shall be entitled to compensation as if it were insured, however AECOM Arabia Limited Company has not provided the required insurance policies (for further details, please see Section 2.1.33 ("**Risks related to the adequacy of the Company's insurance to cover all losses**") of this Prospectus. In addition, Al Bawani Co. LTD is required under the KAIA Construction Contract to maintain insurance policies that include the Company as an insured party under such policies, however the Company has not been provided with insurance policies that expressly state that the Company is included as an insured party under the relevant insurance policies. If the Company is unable to obtain the aforementioned insurance policies, the Company may not be able to continue its operations in these locations or may incur costs, which could adversely and materially affect the Company's business, results of operations, financial condition and future prospects and therefore the Company's share price.

The Company may not be able to recover adequate compensation for losses arising from defects or unsatisfactory performance by the relevant contractors and consultants under the existing agreements for the construction and development projects. In relation to the KAIA Expansion, latent defects are not insured by Al Bawani Co. LTD. It should be noted that Resolution No. 509 dated 05/06/2018G of the Minister of Municipal, Rural Affairs and Housing requires all contractors who carry out non-governmental work to have latent defects insurance. In general, the Company may not be a named beneficiary under warranties, insurance policies and guarantees provided in relation to the Company's construction and renovation projects (including the Company's development project for the new cargo terminal at KAIA in Jeddah). Such warranties and insurance policies may not cover some or all of the losses that may arise from defects or unsatisfactory performance by the relevant contractors and consultants, which could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's Shares. For further information, please see Section 2.1.33 ("**Risks related to the adequacy of the Company's insurance to cover all losses**") of this Prospectus.

The Company may invest a significant amount of funds to start a new service(s) or expand its operations without assurance that such new service(s) or operational expansion will be profitable. The Company may also need to make significant investments in renovation or improvement of the Company's existing cargo terminals. Even when such renovations are implemented, the Company's existing cargo terminals may not be able to compete effectively with new cargo terminals of the Company's competitors.

Also, such renovations in cargo terminals may result in a temporary or partial loss of revenue or market share by the Company in the period whereby renovation works are carried out. In the event the costs of the renovation, expansion or improvement works are higher than expected, or in the event it is necessary to conduct the works earlier than the estimated time, the Company may not reach its target revenues. Moreover, any delay in completion or any increase in costs as a result of renovation or improvement works may lead to a decrease in the Company's operating income. For instance, in connection with the development work that the Company is undertaking through Saudi Tabreed as part of the cargo terminal project at KAIA (the "**Project**"), the lease states that the Company shall bear these costs, provided that such costs are deducted from the rental payments owed to Jeddah Airports Company. As of 31 December 2022G, the Project's costs amounted to SAR 30,800,000, and the Company anticipates spending a further SAR 20,500,000 upon completion of the Project. The Project is anticipated to be completed in 2023G. It should also be noted that the Company's financial statements classify the value of the cargo terminal under construction at KAIA under current assets of the Company, while the relevant arrangements stipulate that the Company is constructing the terminal on behalf of Jeddah Airports Company, whereby the ownership of the cargo terminal referred to will be transferred to Jeddah Airports Company after the expiration of the lease term. Therefore, the value of the aforementioned terminal should be classified under non-current assets. Accordingly, the Company's financial position will be negatively affected if the value of the Company's current assets is rectified, whereby the value of the cargo terminal at KAIA would be deducted from the Company's current assets, due to the nature of the asset and given the concentration of the Company's ownership risk if events outside the Company's control were to occur. This will have a negative and material impact on the Company's business, results of operations, financial position and future prospects (for further details regarding the Company's lease arrangements for the terminal from Jeddah Airports Company, please refer to Section 12.5.3.2 ("**Lease with Jeddah Airports Company - KAIA**" of this Prospectus).

Also, in the event that the lease is terminated due to a breach by the Company, the Company may not be able to recoup the value of the development work costs, which could adversely and materially affect the Company's business, results of operations, financial condition and future prospects and therefore the Company's share price. In addition, the Company currently assumes all risks, responsibilities and costs related to the completion of the construction of the cargo terminal, including, but not limited to, the above risks, the ability of the Company to successfully complete the expansion or renovation project within the optimum timeframes and the occurrence of matters beyond the control of the Company that have a negative impact on project completion. The occurrence of any of the aforementioned risks would have a negative and material impact on the Company's business, results of operations, financial condition and future prospects and therefore the Company's share price. (For further information regarding the Company's financial and operational performance, please see Section 12.5.3.2 ("**Lease Agreement with Jeddah Airports Company – KAIA**"), and Table 12.10 ("**Service Agreement with Saudi Tabreed**") of this Prospectus).

2.1.10 Risks related to Company's expansion and growth strategy

The Company's future performance depends on its ability to implement and capitalize on its expansion and growth strategy. The Company considers the following sectors to be key growth sectors which are integral to the Company's expansion and growth strategy:

- continued e-commerce growth in the Kingdom with rising demand for same day express delivery services, demand for real-time tracking and better predictability of delivery times; and
- increased demand for air freight for products in general, including pharmaceuticals in the Kingdom will increase due to the Kingdom's Vision 2030G which lays emphasis on improving several sectors in the Kingdom, including the healthcare sector. Following the onset of the COVID-19 pandemic, the demand for air transport of pharmaceuticals and related products is also increasing and becoming an increasingly important driver of air cargo volume movement globally.

The Company also plans to expand its service offering and explore new markets. This includes the Company's plans to offer further services, represented in passenger handling activities, in addition to storage and distribution centers. For further information regarding the Company's expansion plans, please see Section 4 ("**The Company**") of this Prospectus. The Company's strategy includes expansion in both scale and scope, and therefore the Company may pursue acquisitions, investments or mergers that would complement or expand the scope of the Company's business. Some such procedures could be significant relative to the size of the Company's business and may require significant capital and/or additional leverage. Such acquisitions, investments, or mergers involve various risks, including the Company's failure to accurately assess the value, strengths and weaknesses of the intended acquisition, investment or merger, or to effectively integrate the businesses or assets purchased, achieve the expected integration or recover the costs of acquisition of those businesses or assets. In addition, the Company may incur unexpected costs, liabilities and losses in connection with any business or asset it acquires, including in connection with the retention of key personnel, potential legal obligations (such as contractual, financial, organizational, environmental or other obligations, liabilities and risks related to the acquired business), and preservation of procedures, controls and quality standards and their integration. These difficulties could impact the Company's ongoing business, distract its management and employees and increase its expenses. In order to implement its strategy, the Company also wishes to make some changes to its organizational structure, including creating certain new departments and restructuring others. However, there is a risk that the Company will not be able to find the right candidates to fill the new positions as expected.

Therefore, there is a risk that the Company may be unable to fully implement its growth strategy and capitalize on the sectors which are poised to grow and contribute towards the air cargo volume in the Kingdom in the manner and timeframe in which it envisages doing so. This could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.11 Risks related to the impact of increasing operational costs and unexpected increases in capex relating to maintaining the Company's business operations

The Company expects that its operating expenditure will increase over the years as a result of a number of factors such as inflation, regulatory changes, the Labor Law, market conditions, competition, staff structures and changes to operating activities. The Company may also have to increase its capex due to delays in project completion (including the development of Phase 2 of the Jeddah terminal, the development of Phase 3 of the Riyadh terminal, and the development of the Dammam terminal) and changes to project specifications (for more information regarding the financial and operational performance of the Company, see Section 6 "**Management's Discussion and Analysis of the Company's Financial Position and Results of Operations**" of this Prospectus).

In order to maintain its profit margin, the Company may have to increase the price of its services in line with increases in its operating, administrative and management costs. If the Company does not increase its prices, this could have a material and adverse effect on its business, results of operations, financial position and future prospects, and consequently, on the price of the Company's shares.

The Company relies on its facilities, equipment and machinery to provide its cargo ground handling services. At the end of each financial year, the Company's management forecasts the capex budgeted for the purchase of equipment and machinery during the next financial year in light of: (i) the anticipated growth in the Company's operations; (ii) the need to replace old, damaged or obsolete equipment and machinery; and (iii) the need to drive efficiency with state-of-the-art equipment and machinery to maintain the quality of its services relative to its competitors. To the extent there is, for example, an unexpected or unforeseen breakdown or impairment of equipment that was not forecasted in the relevant financial year by the Company's management, this will likely result in an unexpected increase in capex for the relevant financial year in order to repair or replace such equipment.

Any of these factors would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.12 Risks relating to fluctuation of the Company's profit margins and the fact that some of the terminals in which the Company carries out its activities are not profitable

The net income margin of the Company was 28.1% in the financial year ended 31 December 2020G, 28.6% in the financial year ended 31 December 2021G, and 29.6% in the financial year ended 31 December 2022G. However, as the Company executes its strategy and expands its business, there can be no assurance that the profit margins of the Company will decline from time to time, especially given, amongst other things, any future change in market and economic conditions, any fluctuation in demand for the Company's cargo terminal operation and ground handling services, any change in customer demand with respect to the mix of products currently handled by the Company (for example, special and perishable goods typically have a higher margin than other types of goods).

Additionally, the Company operates in domestic airports (which are all the airports in which the Company operates aside from the major terminals of KFIA in Dammam, KKIA in Riyadh and KAIA in Jeddah) and PMIA in Medina without making a profit. As of 31 December 2022G, the Company's annual losses as a result of its operations at those terminals amounted to SAR 15,301,000 (for further information regarding the Company's financial and operational performance, please see Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus). The aforementioned terminals could continue to cause losses to the Company. The Company also strategically depends on SACC for some of its operations and activities under the relevant agreements. Accordingly, the Company may not be able to decide to exit such terminals, even if such terminals cause losses to the Company, as the Company is the sole operator in those terminals and is committed to the regulators to continue its work, in line with its commercial, national and strategic policies. If such losses continue to occur, the Company's profit margins may be adversely impacted, which could affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's shares.

As well as the potential for increased competition for the services provided by the Company in the Kingdom in the future. As a result, fluctuation in the Company's profit margins may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.13 Risks related to regulatory permits, licenses, consents, approvals and industry-specific certifications necessary for the Company's operations

The Company is required to obtain and maintain the necessary regulatory permits, licenses, consents and approvals from relevant government authorities and bodies (such as GACA), and specific industry related certifications such as the certificates issued by the Center of Excellence for Independent Validators of Pharmaceuticals from IATA, the WHO Good Distribution Practices (GDP) certification and ISO Certifications for its Business Continuity Management System and Quality Management System for its business operations and activities. The Company is subject to regulations relating to safety, environment and aviation as imposed by GACA, IATA and other relevant government authorities. See Section 12.4 ("**Legal Information – Summary of Material Licenses and Permits**") of this Prospectus for further details regarding the Company's main licenses and permits.

It should be noted that the Company carries out ground handling services at domestic airports without having obtained the relevant licenses mentioned in the GACA regulations since GACA has not started issuing licenses for such activities in these domestic airports, noting that the Company's revenues from its operations in domestic airports accounted for 0.3%, 4.8% and 14.2% of the Company's total revenues in the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively. In the event that GACA begins issuing these licenses, it may impose certain conditions which require the Company to incur additional expenses and costs to comply with them.

In addition, the Company distributed interim dividends during 2022G without adhering to the relevant provisions stipulated in the Implementing Regulations of the Companies Law, as the Board of Directors did not obtain prior authorization from the Assembly. Accordingly, the Company may be exposed to penalties in this regard amounting to SAR 500,000, which could adversely and materially affect the Company's business, results of operations, financial condition and future prospects and therefore the Company's share price.

Furthermore, the Company engages subcontractors and service providers in relation to its all of its operations at domestic airports, however, these have not all been formally authorized by the governor of GACA as per GACA's requirements. In addition, the Company's operations' management at its cargo terminals manages, handles and stores pharmaceutical and food items on a daily basis, however, the Company may be required to obtain licenses from the Saudi Food and Drug Authority permitting the storage of such items at its warehouses at the Key Locations, although the Company has not yet obtained such licenses as at the date of this Prospectus. For further details, please see Section 2.12.2.3 ("**Risks related to the impact of changes in laws and government policies in the Kingdom of Saudi Arabia**") of this Prospectus.

The Company may encounter obstacles in obtaining government permits, licenses, consents and approvals and specific industry-related certifications which are necessary or required for its business activities or in renewing them upon the expiry of their current term, or in fulfilling the conditions required for obtaining such permits, licenses, consents and approvals. Alternatively, it may not be able to comply with new laws, regulations or policies that may come into effect from time to time with respect to the industry in which the Company operates, in general or with respect to the particular processes or conditions to which the Company must adhere with respect to the grant of applicable permits, licenses, consents or approvals from time to time.

If the Company fails to obtain or renew government permits, licenses, consents, permissions, authorizations or approvals necessary for its operations, or if any such permits, licenses, consents, permissions, authorizations or approvals expire or are suspended, renewed under unfavorable conditions to the Company, or if the Company is unable to obtain additional permits, licenses, consents, permissions, authorizations and approvals required in the future, the Company may be required to cease its operations partially or totally and may be subject to sanctions and fines from the relevant government authorities (including the suspension or termination of the Company's licenses). The Company may also be subject to legal liability towards its clients and other contracting parties as a result of the Company's failure to perform its obligations due to it lacking the necessary licenses. As a result, this will interrupt or delay the Company's operations, causing the Company to incur additional costs and may damage the Company's reputation. This would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.14 Risks related to maintaining the reputation of the "SAL" brand

The Company believes that its success depends on its ability to maintain the "SAL" brand and its reputation for providing high-quality services to its customers.

As at the date of this Prospectus, the Company has registered its trademark "SAL" with the Saudi Authority for Intellectual Property. The Company has also registered three trademarks with the Intellectual Property Department at the Ministry of Commerce, Industry and Investment Promotion in the Sultanate of Oman; three trademarks with the Ministry of Commerce and Industry in the State of Kuwait; three trademarks with the Intellectual Property Office in the United Kingdom; three trademarks with the Trademarks Department at the Ministry of Economy in the UAE; three trademarks with the Trademarks Office at the Department of Foreign Trade and Industrial Property at the Ministry of Industry, Commerce and Tourism in the Kingdom of Bahrain; three trademarks at the Intellectual Property Office in the European Union; three trademarks at the Intellectual Property Office in Singapore and three trademarks at the General Directorate of Economy and Trade at the Ministry of Economy and Trade in the Republic of Lebanon. The Company is in the process of registering its trademark in more than 20 countries, including the US, EU, China and GCC. In the event that all trademarks are not successfully registered or are refused for registration in the relevant countries, the Company may not be able to use or protect those trademarks on which it relies heavily, which could adversely and materially affect the Company's business, financial position, results of operations and future prospects, and, therefore, the Company's share price (for further details regarding the trademarks registered under the name of the Company or which the Company is working to register, please refer to Section 12.9 ("**Intellectual Property**") of this Prospectus).

The Company and its licensors may not be able to prevent third parties from copying, or otherwise obtaining and using, proprietary technology without permission. The Company and its licensors may have to undertake litigious means in order to enforce its intellectual property rights, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. The Company and its licensors may not succeed in this regard. Such litigation, whether successful or unsuccessful, could result in substantial costs to the Company, consumption of its resources or a reduction in its revenues, all of which could adversely and materially affect the Company's business, financial position, results of operations and future prospects, and, consequently, the Company's share price.

If the Company is found to have infringed on the intellectual property rights of third parties, it may be required to pay compensation for damages, or be subject to judicial proceedings to prevent it from using certain technologies that might be important for its operations. The Company may also be required to obtain licenses for the use of the technology, which might not be available on reasonable terms and may significantly increase its operating expenses. As a result, the Company might have to develop its own technology or obtain alternative technology that does not constitute an infringement of the rights of third parties, which could require significant effort and capex, in addition to the fact that such technology might not offer the same level of operational performance, which could adversely and materially affect the Company's business, financial position, results of operations and future prospects, and, therefore, the Company's share price.

2.1.15 Risks related to long-term contractual relationships

The Company enters, from time to time, into long-term, multi-year agreements with many of its customers and suppliers, including the Company's seven-year agreement with SACC and the Company's five-year agreement with Qatar Airways (for further details regarding the agreement, please refer to Section 12.5 "**Summary of Material Agreements**" of this Prospectus). These agreements may provide for fixed pricing and other terms which the Company negotiates based on its assumptions regarding the services that it provides and the operational efficiencies and productivity improvements it expects to achieve, among other estimates. In this context, the Company seeks to pass on its fixed costs to its customers, however this may not be feasible in all situations under the terms of the contracts. Any assumptions and estimates that the Company makes may prove to be inaccurate as a result of incomplete information provided by its counterparties, changes in economic conditions, reductions in transaction volumes, change of scope, costs beyond its control, or early termination of customers' activities with it, among other factors, and as a result, its operating margins under these customer contracts may be affected under agreements where the Company bears such risks. Any of this could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's Shares.

Majority of the ground handling service agreements concluded with customers of the Company adopt standard IATA ground handling agreement terms which permit the customer to terminate for convenience with prior written notice to the Company (for further details, please refer to Section 12.5.1 ("**Customer Agreements with Airlines**" of this Prospectus). As such, there is no assurance that the Company will be able to retain or renew existing customer agreements for the long term. Termination or non-renewal of any material customer agreement could result in a loss of revenue that would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's Shares (for further details regarding the Company's revenue and financial information, please refer to Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus).

Furthermore, the Company's business, financial position, results of operations and future prospects may be materially and adversely affected by macroeconomic risks such as inflation, wage increases and currency exchange rates, due to a limited or asymmetrical sharing of such risks in certain of its contracts. Certain arrangements require the Company to make investments in property, plant, and equipment and expand its personnel and management. Also, the Company seeks to structure its arrangements with third parties on a back-to-back basis with the related customer arrangements or otherwise seek to require its customers to assume costs and commitments if they prematurely terminate their contracts with the Company. However, there may be instances where the Company is not able to offset or transfer such costs to its customers. For example, many of its standard fixed cost contracts are terminable by its customers with limited advance notice periods, and as a result the Company may have fixed costs and excess capacity.

2.1.16 Risks related to the Company's commercial relationship with consignees of cargo stored in the warehouses of the Company

The Company generates a significant proportion of its total revenue (approximately 55%, 50% and 47% in the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, respectively) from fees paid by consignees resulting from customer agreements that the Company has with airlines for the provision of air cargo ground handling services. In the case of individual customers, the consignees pay fees to the Company when collecting cargo stored in the warehouses of the Company by the airlines. However, no agreements governing the relationship between consignees and the Company have been concluded in relation to the terms and conditions for storage and delivery of shipments. Instead, the commercial relationship between the Company and the consignees exists pursuant to the agreements that the Company maintains with the airlines for the provision of air cargo ground handling services, while the relationship between airlines and consignees is governed by AWB terms and conditions. However, there is no assurance that the Company will not be exposed to claims by consignees if their shipments are damaged (for further information in this regard, please see Section 4.4.12 ("**Airline Customers**") of this Prospectus). As such, this may require the devotion of significant management effort, time and financial resources to defend the Company. The occurrence of any of these risks could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the Company's share price.

Accordingly, if the Company is not able to retain or renew existing customer agreements with airlines, this may also result in a termination of the relationship that the Company has with the consignees, which will result in a loss of revenue for the Company and will adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.17 Risks related to dependence on third-party agents, suppliers and contractors and use of external service providers

In order to operate its business, the Company is dependent on the provision of services by third parties (including subcontractors), in particular, for the provision of cargo carriage, road/feeder trucking, air cargo ground handling, specialized ULDs and marketing and sales.

In addition, the Company has entered into service agreements with Saleh Hussain Al Salamah and Al Majal Service Master at Key Locations for its air cargo terminal and ground handling operations (for further details regarding this, please refer to Section 12.5 ("**Summary of Material Agreements**") of this Prospectus).

If any third-party services or facilities on which the Company relies in conducting its business become restricted, are temporarily halted (for example, as a result of termination of certification, technical problems or industrial action), cease permanently or are not available in the future at commercially acceptable terms, this will adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's Shares. Such material adverse effect could also occur as a result of the loss or expiration of any of the Company's contracts with third-party service or facility providers and the Company's complete inability to establish suitable alternative contracts with other service providers. There is also a risk that the Company will be unable to conclude such contracts in any new markets it enters.

In addition, the performance and implementation of the obligations of the Company's external service providers (including the efficiency, timeliness and quality of related contract performance) are largely beyond the Company's control. As such, any failure of service providers to perform their obligations towards the Company in accordance with agreed levels of service could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the Company's shares.

The Company also employs third-party service providers to carry out a range of maintenance and ancillary services pertaining to the operations of the Company, particularly at domestic airports in the Kingdom which are not Key Locations. There can be no assurance that the Company's third-party service providers will always provide satisfactory services in accordance with the standards expected by the Company or by its customers or that its service providers will adequately perform their contractual duties under their agreements with the Company. Moreover, the Company is exposed to the risk of actions resulting from third-party providers which cause damage or injury to members of the public and/or employees of the Company, in which case the Company may be held liable to its customers and third parties and subject to claims for compensation. To the extent that third-party providers fail to perform services in connection with agreements that the Company has with its customers and/or are negligent and cause damage in performing their services, the Company may incur additional costs or be subject to liability under the relevant contracts with customers for unsatisfactory performance by third-party providers. In addition, the Company may not be able to engage third-party service providers with suitable experience in the locations in which it operates. The Company's service providers may engage in business practices unknown to them, encounter financial or other difficulties, or prioritize other projects and divert resources away from the Company's operations. Any of these factors would have a negative impact on the Company's reputation and may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.18 Risks related to competition from international players in the cargo and logistics industry to the Company's market position

The cargo and logistics industry in the Kingdom of Saudi Arabia is poised to grow and competitors to the Company will appear. If the Company does not have sufficient market presence or is unable to differentiate itself from its competitors, the Company may not be able to compete successfully against other companies. The competition it faces from other industry participants is set to increase, particularly in light of the Company's expansion into logistics and passenger handling services (as there are numerous businesses in the Kingdom operating in these areas), and GACA is encouraging competition across the air cargo and terminal handling industries and is awarding licenses to new players. Accordingly, the Company is not the sole provider of all air cargo handling services to commercial airlines at all airports in the Kingdom of Saudi Arabia.

On 20/06/1442H (corresponding to 2 February 2021G), GACA notified the Company that it had issued a license to SATS Saudi Arabia, a subsidiary of SATS Ltd., to provide cargo terminal services at KFIA. SATS Saudi Arabia was also awarded a 25-year cargo terminal concession at KKIA in January 2020G. SATS Ltd. operates 10 cargo terminals across Asia in locations such as Beijing, Hong Kong, Kuala Lumpur, Bengaluru, Oman and Singapore.

Some of the Company's actual and potential competitors (including the leading international ground handling and logistics services companies) may have significantly greater financial resources than it, which may make it difficult for the Company to compete successfully with them. New competitors may seek to compete with the Company only in a particular service rather than provide a comprehensive set of ground handling services. As such, new competitors may seek to acquire all or part of the market share in relation to a specific service in all or some of the Key Locations or other domestic airports. The Company may also have difficulties in expanding its operations in the Regional and Domestic airports in light of the entry of new competitors into the cargo ground handling market sector in the Kingdom of Saudi Arabia.

As a result of increased digitization, alliances or otherwise, if the Company's competitors are able to obtain more favorable terms from suppliers, offer more comprehensive focused services to customers or otherwise take actions that could increase their competitive strengths and market share, this will adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.19 Risks related to malfunction or breakdown of the equipment used by the Company in its day-to-day operations

The Company owns a significant amount of equipment such as, amongst other things, cooled containers, mobile containers, high loader/main loader decks, x-ray machines, transporters, crew steps and belt loaders which is necessary for the Company to continuously operate its business. Such equipment requires regular maintenance, and, in the event of malfunction or breakdown, the average repair time (depending on the type of equipment) is between 30 minutes and 5 hours, while replacement time (if a particular piece of equipment cannot be repaired), depending on the type or equipment, can range between 2-3 days to 6-8 months.

Despite the existence of a business continuity strategy, which includes alternative plans for the Company in the event of a malfunction or breakdown of some equipment, there is no guarantee that the alternative plans will succeed. Accordingly, in the event of a malfunction or breakdown, the Company might not be able to provide services to its customers within the agreed timeframe, which could disrupt the overall operations of the Company. This could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.20 Risks related to the relevant flight times and schedules

The Company's air freight business is directly linked to the relevant flight times and schedules. Accordingly, any change in the scheduling of flights would adversely affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's Shares. Moreover, the Company may fail to perform its obligations towards its customers if the risks mentioned in this paragraph materialize. In turn, the Company may bear legal liability towards third parties under the relevant contracts if such risks materialize, which could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.21 Risks related to customers exposing the Company to credit risk

The Company is exposed to credit risk in relation to its customers and their purchase orders. The said risks are largely dependent on the characteristics of each individual customer. As of 31 December 2022G, the Company's impairment loss on trade receivables are estimated to be SAR 29,177,000, representing 11.1% of the total trade receivables. Impairment loss on trade receivables are calculated by performing an impairment analysis on each financial reporting date using a provision matrix for measuring expected credit losses. Provision rates are based on the number of days past due for various customer segment groups that have similar loss patterns (i.e., by geographic region, type of service, type of customer, rating, coverage of letters of credit or other forms of credit insurance). (For further details regarding doubtful debts, please refer to Table 6.20 ("**Age of Trade Receivables and Impairment of Trade Receivables by Category as of 31 December**") and Section 6 ("**Management's Discussion and Analysis of Financial Condition and Results of Operations**") of this Prospectus).

As of 31 December 2022G, the total balance of trade receivables amounted to approximately SAR 262.6 million, of which the balance of Related Parties amounted to approximately SAR 81.6 million. Trade receivables that exceeded one year amounted to 7.7% of the total trade receivables, while the percentage of the balance of receivables due from Related Parties that exceeded one year amounted to 4.7% of the total trade receivables (for further details in this regard, please refer to Table 6.21 ("**Age of Trade Receivables - Related Parties and Impairment of Trade Receivables - Related Parties by Category as of 31 December 2022G**") of this Prospectus).

The Company's credit policy determines that each potential customer is analyzed individually for creditworthiness (including reviewing external ratings for a potential client profile and in some cases bank references) before terms and conditions are offered to the customer. Accordingly, purchase limits are established for each customer and these limits are reviewed periodically. The Company's credit analyses and the determination of customer terms and conditions and purchase limits could contain risks whereby they might not reflect the credit risk of a specific customer correctly (for further information, please refer to Section 2.1.33 ("**Risks related to the adequacy of the Company's insurance to cover all losses**") of this Prospectus).

Accordingly, the Company allocates an allowance for impairment of trade and other receivables. However, this allocation may also be inaccurate, and therefore, the Company may be adversely affected if its customers do not pay for their purchase orders on time. Furthermore, bankruptcy or liquidation of its customers may adversely and materially affect the Company's business, results of operation, financial position and future prospects, and consequently, the price of the Company's shares (for further details regarding the financial information, please refer to Section 6 "**Management's Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus).

The Company invoices and receives payments from its customers after the provision of the relevant services and based on the credit terms agreed in the relevant cargo ground handling agreements (which are between 30 and 60 days from the date of the invoice). The Company's customers may rely on credit to purchase services from it. If such credit becomes unavailable or more difficult to attain, the Company's customers may choose to scale back their relationship with the Company or terminate or default on existing contracts with the Company. Any of these actions may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.22 Risks related to the Company not complying with its obligations towards its customers

Most of the customer contracts of the Company contain contractual key performance provisions that the Company is required to achieve in its performance under these contracts (for further details regarding the Company's obligations as stipulated in the relevant agreements, please refer to Section 12.5 ("**Summary of Material Agreements**") of this Prospectus). The Company might not be able to deliver services to its customers or execute business strategies as originally anticipated or in the most effective or efficient manner depending on market conditions. The inability of the Company to meet these contractual key performance provisions, including failure to meet peak demand and other specified terms that vary from contract to contract, could result in the Company not being able to retain existing customers, renew existing customer contracts, expand the scope of existing customer contracts or attract new customers at the rates envisaged in its business strategy, or at all. This could result in the incurrence of costly liabilities and may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

Furthermore, if the Company is unable to meet its obligations under the relevant agreements, it may be subject to legal claims by the counterparties to the said agreements. The Company may also be indirectly affected due to, for instance, high costs of obtaining insurance coverage owing to the Company's non-compliance with its obligations and subsequent involvement in legal proceedings. This could adversely and materially affect the Group's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's shares.

2.1.23 Risks related to the Company's reliance on its Senior Executives and key personnel

The Company relies on the competence and expertise of its Senior Executives and other key personnel to manage and operate its business. However, there is no assurance that all or some of these employees will stay with the Company, whether due to being recruited by other competing companies or otherwise. If the Company is unable to maintain its current executive management or key staff or attract new staff, this may have an adverse effect on the Company's revenues, profits and results of operations. It should be noted in this context that the Company is still working on finding a replacement for the position of Chief Strategy & Corporate Communication Officer, which is vacant as at the date of this Prospectus. In addition, the Company's future success depends heavily on its continued ability to attract and maintain highly skilled and qualified staff. The Company's inability to meet future recruitment requirements may result in high costs or the inability of the Company to implement its plans and strategies (whether in connection with its business or in relation to its internal organization), which may have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, therefore, on the Company's share price.

The Company's Senior Executives, management or key personnel could act in a manner which negatively impacts the Company's business, including through misuse of information or systems, disclosure of confidential information or disseminating misleading information. Additionally, the Company may not always be able to prevent its senior management and key personnel from committing negligence or misconduct or ensure their compliance with the internal regulations and policies of the Company, which could result in losses, fines or financial liabilities for the Company, or cause harm to the Company's reputation and may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.24 Risks related to the application of financial reporting standards

In line with the instructions of the Saudi Organization for Chartered and Professional Accountants (SOCPA), the Company has prepared its financial statements in accordance with the International Financial Reporting Standards (IFRS) approved in the Kingdom of Saudi Arabia and other standards and issuances endorsed by SOCPA. Since these accounting standards are issued or updated either by the International Accounting Standards Board (IASB) or by SOCPA's board of directors, some issuances or updates may have a material adverse effect on the Company's results of operations and financial position (for further information regarding the financial reporting standards adopted by the Company, please see Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus).

2.1.25 Risks related to the Company's current debt arrangements

In order to obtain financing of the Company's construction and development projects, the Company has entered into a facility agreement with SAB, according to which SABB grants the Company a number of facilities contracts amounting to SAR 600,000,000 and also entered into two agreements with the Saudi Industrial Development Fund ("**SIDF**") amounting to SAR (234,200,000) and SAR (195,800,000), respectively ("**Credit Facilities and Loans**") (for further details, please refer to Section 12.7 ("**Credit Facilities and Loans**") of this Prospectus).

The facility agreements set out certain contain covenants, representations and warranties that apply to the Company, which include a restriction in the relevant SAB Finance Agreement that no dividends are to be paid by the Company pursuant to the specified provisions in the Credit Facilities and Loans, and that no material assets are to be transferred, in each case, without the consent of the lenders. This may restrict the ability of the Company to distribute dividends to its Shareholders in the future. In addition, the Company has pledged machinery, equipment, and all appendices of related projects and their accessories in favor of SIDF. Projects in this context means projects for which loans were concluded by the company with SIDF, which are projects providing air freight solutions both at King Abdulaziz International Airport in Jeddah and King Khalid International Airport in Riyadh.

In the event that the Company breaches any of its obligations under these facilities, the relevant lender would have the right to cancel the facility, accelerate and demand full repayment of the total outstanding facilities with immediate effect and enforce security provided in relation to these facilities or enforce any other guarantees provided by the Company (including a promissory note of SAR 750,000,000 in favor of SABB, In addition to the assets pledged in favor of SIDF in accordance with the SIDF Loans (4049) and (4110) which amount to (379,876,232) Saudi riyals). The lender may also cancel the financing and accelerate and demand full payment in the event that the Company breaches any financial obligation under any other agreement with any other party where the cost of the corresponding amount exceeds 1% of the Company's net assets. In such cases, this may interrupt, delay or cancel the construction and development projects of the Company. Furthermore, the Company may face difficulties obtaining alternative sources of financing to refinance or repay such debts. This would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.26 Risks related to the Company's requirement for additional capital in the future

The Company needs to continue to make investments to support the growth of its business and may require additional funds to respond to business challenges, implement its growth strategy, increase its market share in its current markets or expand into other markets or broaden its service offering. The cash generated from operations and the Company's existing financial resources may not be sufficient to fund this growth strategy. Accordingly, the Company may seek to raise additional capital or incur additional indebtedness.

For various reasons, (including any non-compliance with covenants under existing or future financing arrangements), additional financing or the refinancing of existing financing arrangements may not be available when needed, or may not be available on terms favorable to the Company, if at all.

An increase in indebtedness may expose the Company to additional risks. For example, an increase in the indebtedness of the Company may restrict its ability to make strategic acquisitions or cause it to make non-strategic divestitures to sell or dispose of assets, as well as limit its ability to obtain additional financing or limit its ability to distribute dividends to its Shareholders. In addition, documentation pertaining to indebtedness of the Company would typically include covenants that may restrict the operations of the Company. Please refer to Section 12.7 ("**Credit Facilities and Loans**") for a summary of the Company's existing financing agreements.

If the Company fails to obtain adequate financing on a timely basis or on terms satisfactory to the Company, or if the Company becomes unable to service its debt repayments as they fall due, this will adversely affect the Company's ability to sustain its operations or achieve its planned growth rate, which would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.27 Risks related to the Company's compliance with the CGRs

The Board approved an internal Corporate Governance Manual as of 7/10/1442H (corresponding to 19 May 2021G). The manual includes rules and procedures related to corporate governance derived from the Corporate Governance Regulations issued by the CMA. The Company's success in proper implementation of the corporate governance rules and procedures will depend on the extent of comprehension and understanding of these rules and proper execution of such rules and procedures by the Board, its Committees and Senior Executives, especially with regards to composition of the Board and its Committees, independence requirements, rules related to conflicts of interest and Related Party transactions.

The Corporate Governance Regulations impose various mandatory requirements on the Company, including the adoption of certain corporate governance policies and procedures. Failure to comply with the governance rules, especially the mandatory rules that have been derived from the Corporate Governance Regulations, would subject the Company to regulatory penalties and would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

The Ordinary General Assembly of the Company formed the Audit Committee, consisting of four non-executive members, on 21/10/1442H (corresponding to 2 June 2021G). The Board of Directors formed the Nomination and Remuneration Committee on 7/10/1442H (corresponding to 19 May 2021G), and the Executive Committee on 7/10/1442H (corresponding to 19 May 2021G) (please refer to Section 5.2 ("**Board Committees**") of this Prospectus). As part of the corporate governance framework the Company has also implemented various corporate governance policies as at the date of this Prospectus (please refer to Section 5.7 ("**Corporate Governance**") of this Prospectus).

Any inability of Board Committees' members to fully discharge their duties and adopt an approach that ensures protection of the Company's and its shareholders' interests, or any inability by the Company to practically implement the Corporate Governance Policies, may affect its corporate governance compliance, its ability to observe its continuing obligations as a publicly listed company and the Board's ability to monitor the Company's business through the Board Committees. This may arise in light of the recent formation of the Board Committees and implementation of the Corporate Governance Policies. Which may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.28 Risks related to management's insufficient experience in managing a publicly listed company

The Senior Executives have limited experience in managing listed joint stock companies in the Kingdom of Saudi Arabia and complying with the laws and regulations pertaining to such companies. In particular, the internal and/or external training that the Senior Executives will receive in managing a Saudi listed joint stock company, coupled with the regulatory oversight and reporting obligations imposed on joint stock companies, will require substantial attention from the Senior Executives, which may divert their attention away from the day-to-day management of the Company. Non-compliance with the regulations and disclosure requirements imposed on listed companies may expose the Company to regulatory sanctions, fines and official warnings. The imposition of sanctions or fines on the Company may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the Company's share price.

2.1.29 Risks related to perishable goods, pharmaceuticals and food items

The Company's operations' management at its cargo terminals manages and handles various types of goods such as perishables, pharmaceuticals, food items and valuable items on a daily basis, in respect of which specific operating handling procedures and protocols must be followed by its employees, and in respect of which maintaining, amongst other things, standard operating protocols and procedures, temperature controls and security of operations is necessary.

There is a risk that any goods improperly handled or stored by the Company could result in loss, damage or wastage of goods, and result in damage to property and personal injury to employees and third parties working or having access to such products or the Company's terminals and facilities, which in turn could result in financial and reputational damage to the Company. This could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.30 Risks related to mishandling and damage to goods in the Company's custody

As part of the Company's operations at its cargo terminals, the Company is responsible for the loading and unloading of the cargo freighters, transporting the goods to the terminal, acceptance of cargo, breakdown of cargo, provision of special product storage through providing temperature-controlled storage (if required), load control and flight operations.

Throughout this process there is a risk that the goods can be damaged, misplaced or lost while they are in the custody of the Company. The Company's insurance policies may not be adequate to compensate for any losses suffered as a result of mishandling of, or misuse of, or total loss of goods (please see Section 2.1.33 ("**Risks related to the adequacy of the Company's insurance to cover all losses**") of this Prospectus. In light of the high volume of goods handled and stored in the operation of the Company's business on a daily basis, any incident of damage or total loss or wastage or other associated losses that may occur, could result in financial and reputational damage to the Company. This could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.31 Risks related to security and theft of goods

The Company handles goods which may be valuable and of high importance. If such goods are not properly stored or secured, it may make them subject to theft from employees working at the Company's cargo terminals or warehouses, or from third parties working at the airports and/or managing access to their premises at the airports. The Company's insurance policies may not be adequate to compensate for any losses suffered as a result of theft (please see Section 2.1.33 ("**Risks related to the adequacy of the Company's insurance to cover all losses**") of this Prospectus. Any incident of theft that may occur, could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's Shares.

The relevant authorities have implemented and continue to follow various security measures, including security checkpoints and cargo screening. Such measures may reduce the productivity of the Company's operations or increase the costs associated with operations, which the Company could be forced to bear. For example, increased security and screening measures may cause delays or require customers to re-route shipments, which would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.32 Risks related to interruptions in the Company's IT network or cloud systems

The Company's ability to ensure consistent operations, accurately monitor its costs and compete effectively depends upon the sophistication and reliability of its IT network.

External and internal risks, such as malware, code anomalies, attempts to penetrate the Company's networks, and other cybercrimes, unavailability of required updates or modifications, data leakage and human error all pose a direct threat to the Company's services and customer and employee data. The Company's networks may also be subject to interruption due to unforeseen "force majeure" events or power outages.

In addition, the Company relies in some of its technical arrangements on shared services with SACC. Although the employees of either company do not have access to the data or information of the other company, there are risks represented in any technical malfunction or breach that gives the employees of either company the ability to obtain the data of the other. These types of adverse events could also occur in the event the confidentiality, integrity or availability of Company and customer information is compromised due to a data loss by the Company or a trusted third party. Additionally, the cost and operational consequences of implementing further upgrades to the Company's IT systems, networks, and data or system protection measures, whether due to expansion, upgrades, new technology, new laws and regulations, or otherwise, could be significant.

The Company's facilities and systems, or those of third-party service providers, may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data, programming or human errors or other similar events. Because such attacks are increasing in sophistication and change frequently in nature, and as the Kingdom of Saudi Arabia is a regular target of such attacks, the Company and its third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of the Company's systems, or those of its third-party service providers, may not be discovered and remediated promptly, which could result in a breach and loss of data. A security breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error made by the Company's employees may lead to a breach of consumer, service provider, employee and customer data privacy and security. Any such breach may result in a divulgence of such data to third parties against the will of all affected parties, which could undermine the privacy of such parties and result in reputational damage to the Company. In addition, this may result in a breach of applicable data protection laws and could adversely affect the Company's performance due to regulatory investigations, judicial proceedings or claims initiated against the Company in case it defaulted in preserving the safety and confidentiality of data and in ensuring compliance with the relevant controls on disclosing data in an accurate and timely manner via the appropriate channels. Any such breach or other similar event may also lead to a change of current and potential consumer behavior in a way that would impact the Company's ability to retain current customers or attract new customers, which would materially and adversely affect the Company's business, financial position, internal operations (such as logistics, inventory and management), results of operations and future prospects.

Any disruption to the internet or the Company's IT systems and/or technology infrastructure, including those impacting the Company's computer systems and website, or the occurrence of any of these risks, would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.33 Risks related to the adequacy of the Company's insurance to cover all losses

Being one of Saudia's companies, the Company has insurance coverage that protects it from the various risks to which it may be subject, pursuant to the insurance policies held by Saudia, as well as under the Company's insurance policies obtained by the Company in connection with the management and employees. Please see Section 12.8 ("**Insurance**") of this Prospectus for further details in respect of the Company's insurance coverage. The Company's business may be subject to a variety of risks for which it may not have adequate insurance coverage, for which it may not be possible to obtain full coverage, or for which it may not obtain coverage at reasonable commercial prices and the amount of insurance coverage may not be sufficient in all events to pay for the Company's claims relating to the insured risks. The Company might not also be able to successfully substantiate its claims according to the insurance policies in effect because of the exclusions or conditions of its insurance policies or any such claims may be subject to deductibles under its insurance policies such that its insurance policies may not cover the entirety of the value of the Company's claims thereunder in any event. The Company cannot ensure that its current insurance coverage is adequate to protect it from all risks that could lead to significant financial losses, third-party personal injury claims, accidents during operations or loss from damage to its property. As such, this will cause the Company to be liable for paying for some or all of the amount of any uninsured losses, which could also adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

The Company has obtained confirmation from Saudia that it will continue to be an insured party under the insurance policies held by Saudia post Listing. Despite this, there is no guarantee that this arrangement will continue, and in the event that the Company loses the right to benefit from the Saudia's insurance policies for any reason, the Company must obtain the relevant policies directly itself in order to continue its operations at all airports and the Key Locations. As at the date of this Prospectus, the Company does not maintain insurance coverage as a guarantee for the credit risks to which the Company is exposed (for further details regarding the credit risks to which the Company is exposed, please refer to Section 2.1.21 ("**Risks related to customers exposing the Company to credit risk**") of this Prospectus). As a result, this may interrupt or delay the Company's operations. In addition, the Company will incur significant additional costs in obtaining and maintaining the required insurance policies. In the event that the Company is unable to obtain the relevant insurance policies, it may be unable to continue its operations in the relevant locations. This would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.34 Risks related to litigation

Much of the Company's business involves potential risks of becoming a party to litigation. The Company may be involved in lawsuits brought by third parties, suppliers, employees or regulators. The Company cannot guarantee the final results of such cases or the amounts that may be incurred as a result of these lawsuits and judicial procedures. Accordingly, any negative consequences arising from these lawsuits and judicial procedures may have a material and adverse effect on the Company's business, results of operations, financial position and future prospects, and consequently, on the price of the Company's shares.

The Company contracts with a number of other parties, including suppliers and customers, and in general, there is a risk of disputes arising in relation to any of these agreements, such as failure to provide the agreed services as specified in such agreements or failure to achieve performance indicators. The Company may face claims, lawsuits and judicial and administrative procedures as a result of liability arising from the provision of its services. In addition, as of 31 December 2022G, there are 933 employees working for the Company, which makes it vulnerable to labor disputes and complaints. In the event that the Company is subject to any judicial or administrative procedure that results in any judgment or set of judgments against it, and such judgment or judgments involve large amounts of compensation, this will materially and adversely affect the Company's business, financial position, results of operations and future prospects, and, consequently, the Company's share price.

Such lawsuits and judicial procedures may include, but are not limited to, offences or violations in relation to any of the laws and regulations to which the Company is subject, including the Labor Law. The Company may be exposed to great liability under the applicable laws and regulations, judicial or administrative decisions or judgments, as well as the rules and regulations issued by the relevant regulatory authorities. The Company may incur significant expenses to defend itself against such claims.

It should be noted that the Company, as of 2 April 2023G, filed one lawsuit that arose during its normal course of business, whose total estimated value is SAR 566,394, in addition to two ongoing lawsuits filed against the Company related to shipment damage and loss that are covered under the insurance policy owned by Saudia, with a total estimated value of SAR 2,511,899. For more details regarding claims and lawsuits, please see Section 12.10 ("**Litigation**") of this Prospectus.

In addition, regardless of the outcome of any litigation, arbitration or regulatory proceedings, such proceedings could result in substantial costs and may require that the Company incur costs to appoint professional advisors to advise it in relation to such proceedings and also devote substantial resources to defend against such claims, which would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.1.35 Risks related to the Company's inability to commence operation of its projects as planned and within the project time limits

As at the date of this Prospectus, the Company is working on completing the strategies and construction works for several projects. The Company may fail to commence operation of such current or future projects or experience a delay in doing so as certain requirements must be met, including obtaining the necessary financing or preparing infrastructure, which are beyond the Company's control. There is no guarantee that they will be operated in general, or that they will be operated in accordance with their original plans, especially since the implementation or construction of certain projects depends on third-party services that are beyond the Company's control. Delays or non-operation of such projects in general, due to delays in implementation or construction by third parties, or for any other reason, may have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, therefore, on the Company's share price.

2.1.36 Risks related to shared services

The Company has historical arrangements with SACC regarding some shared services, whereby the Company relied in the past on a number of employees and joint departments between the two companies, including the Internal Audit, Human Resources and Risk Assessment Departments, which SACC provided entirely for the Company. The Company subsequently concluded a three-year shared services agreement with SACC in July 2021G.

The services agreement specifies the terms and conditions under which the Company provides information technology services, which include consulting, application support, end user support and project management for SACC (for further details, please refer to Section 12.6 ("**Summary of Material Agreements with Related Parties**") of this Prospectus). In addition, the Company appointed individuals to executive positions for each of the two companies, such as the CFO and the Chief Shared Services Officer, according to which each of the two companies bore the costs of their appointment by 50%. However, such arrangements lapsed following the Company's independent and permanent appointment of a CFO and a Chief Shared Services Officer in September 2021G and February 2022G, respectively.

Under the shared services agreements referred to above, the Company is exposed to credit risks as a result of the Company's payment of the full costs arising from those agreements and its subsequent receipt thereof from SACC. The amounts recovered by the Company from SACC (which are classified as other income) are estimated at a total of SAR 63.265 million in the financial year ended 31 December 2020G (equivalent to 10.6% of the Company's total costs for such period), SAR 23.8 million in the financial year ended 31 December 2021G (equivalent to 3.7% of the Company's total costs for such period) and SAR 4.6 million in the financial year ended 31 December 2022G (equivalent to 0.6% of the Company's total costs for such period). Staff costs and other operating expenses incurred by the Company on behalf of SACC as a percentage of total staff costs and other operating expenses decreased from 17.0% and 20.6% in the financial year ended 31 December 2020G and the year ended 31 December 2021G, respectively, to 8.3% and 1.0%, as a result of the change in the arrangements mentioned above (for further details in this regard, please refer to Section 6 ("**Management's Discussion and Analysis of Financial Condition and Results of Operations**") and Section 2.1.21 ("**Risks Related to Customers Exposing the Company to Credit Risk**") of this Prospectus. If SACC delays payment or fails to make payment of any of the dues, this may have a negative and material impact on the Company's business, results of operations, financial condition and future prospects and therefore on the Company's share price.

The Company has recently followed a number of procedures, such as independently and permanently appointing a CFO and a Chief Shared services Officer for the Company, as indicated above. In addition to making a number of its departments independent, such as the Internal Audit, Human Resources and Risk Assessment Departments, and reducing the number of employees provided by SACC. Accordingly, the Company may incur higher operating costs due to such measures having been taken and will not benefit from shared services as was the case in the past. This is noticeable by reviewing the financial statements for the second half of the financial year ended 2021G, whereby operating income margins were negatively affected by virtue of the new arrangements, according to which the Company became independent from SACC and no longer fully benefits from the shared services arrangements, which would adversely affect the Company's business, results of operations, financial condition and future prospects and therefore the Company's share price.

The shared services between the two companies, as at the date of this Prospectus, are limited to two agreements to provide shared services to SACC. It should be noted that in the year 2022G, the Company provided shared services to SACC amounting to approximately SAR 6.3 million, pursuant to the two agreements referred to at the start of this paragraph, whereby each company bears 50% of costs incurred under the shared services agreement. Each company also bears the costs incurred with respect to the information technology services agreement according to their consumption (the amounts incurred by the Company are estimated on behalf of SACC, and they were recovered from it and classified directly within (and deducted from) general and administrative expenses in connection with the expenses of using the information technology system, at SAR 4.3 million in the second half of the financial year ended 31 December 2021G and SAR 5.8 million for the financial year ended 31 December 2022G). As a result, if the two agreements are terminated, the Company may be adversely impacted since it could continue to incur the costs of such services for its internal purposes without being able to claim reimbursement from SACC.

It should also be noted that the Company benefits from SACC outside the framework of shared services agreements with regard to the Logistic Solutions Division and the provision of support for transport and air cargo activities in the aforementioned Division. The amounts paid by the Company to SACC in this context are estimated at a total of SAR 5.5 million in the financial year ended 31 December 2021G and SAR 45.9 million in the financial year ended 31 December 2022G.

In addition, the Company previously relied on SACC to provide a number of employees, whereby SACC provided 40 employees in the financial year ended 31 December 2020G, 24 employees in the financial year ended 31 December 2021G and 11 employees in the financial year ended 31 December 2022G. The average costs that the Company pays monthly to SACC in exchange for providing the aforementioned employees amounted to SAR 1.6 million for the financial year ended 31 December 2020G, SAR 730 thousand for the financial year ended 31 December 2021G and SAR 267 thousand for the financial year ended 31 December 2022G. It should be noted in this regard that the arrangements for the employees provided by SACC were made without an agreement between the two parties.

2.1.37 Risks related to the Company's ability to accurately predict the amount of demand for its services

The Company conducts the necessary studies to anticipate demand for the services it provides. If such expectations do not match actual demand, this may result in increased costs and a decrease in the operational efficiency of the Company as a result of overcapacity or inability to meet demand.

In the event of the occurrence of such risks, this could adversely and materially affect the Group's business, results of operations, financial position and future prospects, and, consequently, the Company's share price.

2.1.38 Risks related to working capital

The Company maintains sufficient cash flow to cover its short-term debts and operating costs. The Company's reliance on loans to finance working capital carries the risks related to finding easier credit terms. If the economic environment becomes less favorable, the Company may face stricter credit terms or be denied much-needed loans, as well as a decrease in the value of Shareholder loan guarantees, which may harm the Group's credit rating, thereby increasing the difficulty of obtaining financing (for further details regarding the Company's revenues and financial information, please refer to Section 6 "**Management's Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus), which would have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and therefore on the Company's share price.

2.1.39 Risks related to Directors or Senior Executives engaging in business which competes with the Company's business

The provisions of the Companies Law and the relevant Implementing Regulations, to which the Directors and Executive Management are subject, require the Directors and Executive Management members to obtain the authorization of the Company's General Assembly (or whomever it delegates according to the applicable regulations) in the event that the relevant Director or Executive Management member engages in any business that would compete with the Company or one of its branches of activity. This may result in cases of conflict of interest for the Directors or business which would compete with the Company and which require the General Assembly's authorization in accordance with Article 27 of the Companies Law. If the relevant Director or Executive Management member engages in any business competing with the Company's business and activities without obtaining authorization from the Company's General Assembly, this may give him access to confidential internal information related to the Company and enable him to pursue his own interests as well as those of his competing activity, which would be detrimental to the Company's interests, including damage to its reputation. As such, this could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's Shares.

It should be noted that, as at the date of this Prospectus, the Company is not aware of any activities of the Directors that are in competition with its activities and business. Moreover, none of the current Directors or Executive Management members have presented to the Company's General Assembly (or whomever it delegates according to the applicable regulations) any business or contracts indicating their involvement in any activities or business competing with that of the Company for authorization. However, Mr. Rayan bin Mostafa bin AbdulWahab Qutub is an independent director and member of Flow Progressive Logistics' Advisory Board, although the said Director confirmed that the activities of Flow Progressive Logistics do not conflict or compete with the Company's activities, and that any future conflict will be disclosed to the Company according to the applicable disclosure mechanism. Accordingly, the said Director does not believe that this activity is in competition with the Company's activities in accordance with Paragraph 2 of Article 27 of the Companies Law. The Company will comply with the applicable procedures under the relevant articles of the Companies Law and relevant regulations (including the CGRs upon listing) and will obtain approvals as needed (for further information regarding cases of conflict of interest, please see Section 5.10.2 ("**Competition with the Company**") of this Prospectus).

2.2 Risks related to the Industry, Market and Regulatory Environment

2.2.1 Risks related to changes in the customers' preferred modes of transportation or in their supply chain configuration

There are a variety of means in which freight and cargo can be transported, including by air, sea, road and railroad. The customers may choose the mean that best suits their needs in terms of type of freight, cost, speed, certainty of arrival time and other factors. Trends in preferred means may shift over time as their characteristics change or the Company's customer priorities change or because of regulatory requirements. Additionally, customers might restructure their supply chains for the purposes of optimizing their logistics spend, including by nearshoring or other alterations in the flow of their goods. For example, during periods of economic contraction and inventory de-stocking, certain customers may find that speed and certainty of arrival time is less important than when inventory levels are tight. If this is the case, such customers may choose sea freight as a lower cost but slower alternative to air freight.

This may negatively impact the Company's margins and net working capital requirements. While trends may to some extent be cyclical in nature, there can be no assurance that a negative trend may not continue indefinitely, and the Company may not be able to prepare for or predict future shifts in demand for particular transportation services, which may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.2 Risks related to international events, accidents or acts that may disrupt the Company's operations

Any damage to cargo terminals in which the Company operates (including at or near the airports in the Kingdom in which the Company operates), or to employees, caused by natural disasters beyond the Company's control, such as floods, earthquakes and acts of sabotage, such as acts of violence and wars, as well as acts targeting the Company's facilities or employees, could result in large and significant costs for the Company. Natural disasters or other acts of sabotage and damage to cargo terminals in which the Company operates will affect the Company's ability to conduct its business and fulfil its obligations, which may reduce the Company's future operating results. This will have a material adverse effect on the Company's business, results of operations, financial position and future prospects and, consequently, on the price of the Company's shares.

It should be noted that the Company conducts studies during the development phases of its projects for the purpose of assessing weather conditions, as production levels of the Company's projects depend on weather conditions in general. However, such conditions fall outside the control of the Company and could vary significantly from one period to another as a result of climate change. They are also subject to seasonal changes and are therefore difficult to predict. This variation, in addition to weather conditions in general and extraordinary adverse weather conditions, may therefore lead to variations and fluctuations in production and profitability levels, which could have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, consequently, on the price of the Company's shares.

Major international events such as the Gulf war and the Arab Spring in 2010G have, in the past, negatively affected the volume of air travel worldwide. As a substantial source of the Company's revenue is dependent on air cargo traffic in the Kingdom of Saudi Arabia which, in turn, is linked to the passenger airline traffic in the Kingdom of Saudi Arabia, an occurrence of events on a similar scale in the future (particularly if the event is related to the Kingdom of Saudi Arabia or its neighboring countries) will have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares. In addition, any political unrest between the Kingdom of Saudi Arabia and its neighboring countries or any further conflict in the Middle East or other events of general international concern (and any related economic impact of such events), may result in decreased cargo air traffic, which will have a material and adverse effect on the Company's business, results of operations, financial position and future prospects, and consequently, on the price of the Company's shares.

Certain circumstances may have a negative impact on the volume of cargo air travel in the Kingdom of Saudi Arabia during peak operation seasons, such as the spread of infectious diseases (please refer to Section 2.2.6 ("**Risks related to the outbreak of an infectious disease or other serious public health concerns, including the COVID-19 virus**") of this Prospectus). The reduction of cargo air travel into the Kingdom of Saudi Arabia will negatively impact the Company's profitability and will adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.3 Risks related to the impact of changes in laws and government policies in KSA

The Company is subject to a range of laws and regulations in the Kingdom of Saudi Arabia, which in many cases are applied by the relevant authorities in accordance with government policy or directives. Demand for services provided by the Company and its business may be materially and adversely affected by changes in laws, regulations, government policy and administrative directives, or the interpretation thereof, in the Kingdom of Saudi Arabia, including, in particular, those with application to the logistics industry in the Kingdom of Saudi Arabia. Since the applicable laws in the Kingdom may change or be modified, compliance with such laws and regulations may result in the Company incurring additional costs or being subject to fines or penalties (which, in some cases, may amount to revocation of the license granted to it by the competent authority) if no change is made to its business or services in order to comply with the requirements of such laws, resulting in additional unexpected costs, which may have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, consequently, on the price of the Company's shares.

A number of the laws and regulations applicable to the Company and its operations are new (including the regulations of GACA and the SFDA), and the interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency, and their implementation, interpretation and enforcement may involve uncertainty. There can be no assurance of favorable or unfavorable future changes in laws and regulations and/or government policy in the Kingdom of Saudi Arabia with respect to the industry in which the Company operates, including the issuance of new laws, changes in existing laws or their interpretation or enforcement. As a result, there is uncertainty as to the legal protection available to the Company and its Shareholders.

If the Company fails to comply with the applicable laws, rules and regulations, as well as any future changes in the regulatory environment, particularly those affecting the industry in which the Company operates, the Company may face fines and penalties, which may have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, consequently, on the price of the Company's shares.

2.2.4 Risks related to the Company's dependence on its customers and the airline industry

Given that the Company provides its services to airlines that operate passenger aircraft and/or cargo aircraft, airline integrators, freight forwarders operating cargo aircraft, logistics customers and consignees, the Company could potentially be affected by risks relating to the airline industry and any drop in demand for passenger airline travel globally or regionally. For example, global airline fuel prices have witnessed a sustained increase since 2009G. Higher fuel prices or a sudden spike in fuel price can result in a hike in air fares charged by airlines which could result in a worldwide reduction in air travel and consequently a decrease in airline and passenger traffic at airports, including the airports of the Kingdom of Saudi Arabia. In addition, rising fuel costs might lead airlines to implement cost-cutting measures, including reducing the number of services they receive from the Company. This would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares. A decrease in air cargo traffic in the Kingdom of Saudi Arabia (for example, due to a decline in the Saudi economy, major air disasters or another calamity or the spread of any infectious disease (please refer to Section 2.2.6 ("**Risks related to the outbreak of an infectious disease or other serious public health concerns, including the COVID19 virus**") of this Prospectus) will have a significant effect on the Company and as such, will result in reduced revenues for the Company. Any substantial reductions in the number of air cargo transport and/or passenger flights to the Kingdom of Saudi Arabia will adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.5 Risks related to seasonal sales fluctuations and weather conditions that could have an adverse impact on the Company's results of operations

The logistics industry is subject to seasonal sales fluctuations as shipments generally are higher during specific periods of the year such as Ramadan and Hajj, and less during others. At the same time, the Company's operating expenses could increase during any given year or period, for example due to weather conditions, which may lead to disruptions in delivery operations and increased safety and accident frequency rates and increased claims. If the Company were to experience lower-than-expected revenue or higher costs, especially during any such period, its expenses may not be offset. As a result, the Company may encounter difficulty in planning its business which may limit its ability to accurately forecast its future revenues or accurately budget its operating costs (for further details regarding the Company's revenues and operating costs, please refer to Section 6 "**Management's Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus). This would have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and consequently, on the Company's share price.

2.2.6 Risks related to the outbreak of an infectious disease or other serious public health concerns, including COVID-19

The outbreak of an infectious disease, such as Middle East Respiratory Syndrome (MERS), H1N1, SARS and, most recently, the coronavirus (COVID-19) in countries around the world, including in the Middle East, would have a material adverse effect on the Kingdom's economy and the business operations of the Company. The COVID-19 pandemic and its variants have caused economic and financial turmoil globally and prompted government agencies to take unprecedented measures to mitigate the spread of the pandemic, including travel bans, border closures, business closures, quarantines, stay-at-home orders and measures to stabilize markets and promote economic growth. Since the volume of demand for cargo business is related to the movement of passenger flights, the demand for cargo business has been affected due to travel bans and border closures (for further details in this regard, please refer to Section 2.1.20 ("**Risks Related to the Relevant Flight Times and Schedules**") of this Prospectus), as the restrictions imposed due to the coronavirus (COVID-19) pandemic led to a decrease in the Company's profitability, given that the Company achieved revenues of SAR 846.9 million in the financial year ended 31 December 2020G, compared to revenues of SAR 962.2 million in the financial year ended 31 December 2021G.

While the Company has adopted preventive measures and implemented contingency plans, including closing certain domestic terminals, and most of its employees are now back working in its offices, the Company cannot provide any assurance that such measures will adequately protect its business. An extended period of remote work arrangements or any other measures to counter the spread of COVID-19 in the future may increase existing risks or create new risks, including, but not limited to, cybersecurity risks, and could place stress on the Company's technological resources and business continuity plans. If one or more of the third-party vendors to whom the Company outsources certain material activities claim that they cannot perform due to force majeure or experience operational failures as a result of the COVID-19 pandemic, this could have a material adverse effect on the Company's business, results of operations, financial position and future prospects (for further details in this regard, please see Section 6 "**Management's Discussion and Analysis of Financial Position and Results of Operations**" of this Prospectus. Furthermore, the further spread of COVID-19 could impact the availability of the Group's Senior Executives and other key employees who are necessary to conduct the Company's business.

The extent of the impact of the COVID-19 pandemic on the Company's business, results of operations, financial position and future prospects will depend largely on future developments, including, amongst other things, the widespread rollout, acceptance and effectiveness of vaccines. The ongoing economic downturn could adversely affect the Company's revenues in relation to certain activities. The COVID19 pandemic could also have an adverse impact on the businesses of the Company's customers and their ability to trade. The resulting impact on the Company's business will depend on future developments which are highly uncertain and cannot be predicted.

While government organizations are engaging in efforts to combat the spread and severity of the COVID-19 pandemic, these measures may not be effective as expected. Moreover, actions taken by government authorities intended to improve the macroeconomic or other effects of COVID-19, may in the future result in regulatory uncertainty and could in turn impact the Company's business. At this time, the Company cannot predict how regulatory responses to concerns about COVID-19 will impact the Company's business.

All of the foregoing would also apply to future outbreaks of other infectious diseases or serious public health concerns in the Kingdom of Saudi Arabia. Any of the foregoing factors (including any future outbreak) would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's Shares.

2.2.7 Risks related to unexpected interruptions to the Company's business

The Company's success depends significantly on the continuous, uninterrupted operation of its cargo terminals. The operation of the Company's cargo terminals is prone to a number of risks, including severe weather conditions, physical damage to buildings, power failures, breakdowns, failure or substandard performance of equipment, the possibility of work stoppages, criminal incidents, civil unrest, natural disasters, fires and explosions, attacks and other potential hazards associated with operating cargo terminals. There is no guarantee that such risks will not occur in the future, especially since, in some cases, the Company relies on third parties such as the Airports Company for the provision of electricity, water and public services and thus they may be beyond the control of the Company. If any of the third parties breaches their obligations towards the Company, the Company's business may be interrupted and additional amounts may be incurred to find alternatives in such cases.

Such an event could have serious consequences for goods stored by the Company at the time of any incident in the cargo terminals. Given that the Company has only one cargo terminal at each Key Location, storage of other goods could also be impacted. The occurrence of any of these or similar incidents would cause a significant disruption to the Company's business, which could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

If there were a significant interruption of operations at one or more of the Company's cargo terminals, the Company's revenues and profitability would be affected, which would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.8 Risks related to fluctuations in currency exchange rates

As part of the Kingdom's policy, the Saudi riyal is, as at the date of this Prospectus, pegged to the US dollar at an exchange rate of SAR 3.75/USD 1.00. However, there is no assurance that the Saudi riyal will remain pegged against the US Dollar in the future. Any depreciation of the Saudi Arabian Riyal against foreign currencies may lead to an increase in the operating costs of the Company. If the Company is unable to pass on any increases in operating costs caused by a depreciation in the Saudi riyal to customers through higher prices, this in turn would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.9 Risks related to the cargo management and logistics industry relying on favorable trade policies

The cargo management and logistics business is reliant upon regulations at supranational, national or regional levels that currently provide a generally open framework for the trade of goods. Trade volumes are influenced by many economic, political and other factors that are beyond the control of the Company. Free trade agreements usually lead to an increase in trade activity and thus have positive impact on the logistics industry. Increased or new barriers to trade, whether physical (borders), administrative (such as declaration formalities and controls) or fiscal (such as customs tariffs, taxes and limits on the repatriation of earnings) could lead to a higher cost of doing business for its customers, lower trade volumes, relocation of production and/or distribution centers, among other factors, which may negatively affect the Company's business. Weakening of global trade arrangements, slow development or application of such agreements, increased complexity due to emergence of more bilateral or regional multilateral agreements as well as protective trade policies could significantly impact the development of global trade would in turn adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.10 Risks related to the domestic and regional economy

The Company's performance is largely dependent on the economic situation of the Kingdom. The contribution of the oil sector to the Kingdom's total GDP remains essential and significant despite the government's policies and endeavor to diversify income sources in recent years. Future fluctuations in oil prices may have a negative impact on the Kingdom's economy and government budget. Oil price fluctuations, particularly a substantial and significant drop in prices, may have a direct impact on the Kingdom's economic activity. For example, the Government may cut costs and expenses. Furthermore, the Kingdom's economic growth rate has slowed in recent years, and the Kingdom is facing challenges related to relatively high rates of population growth. In the event of future changes in economical, market or political conditions, this could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the Company's share price.

Furthermore, a change in any macroeconomic factor or indicator in the Kingdom, including economic growth, currency exchange rates, interest rates, inflation, wage levels, foreign investment and global trade could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the Company's share price.

The cargo management and logistics industry is susceptible to trends in economic activity, including, but not limited to, industrial production, consumer spending and retail activity, and a macro-economic crisis or slowdown may negatively affect the business of the Company in several ways. The Company's results of operations and financial position are directly tied to the production and movement of goods across the global, and more importantly, the regional economy. The business of the Company is also directly affected by the volume of international trade and domestic and ecommerce activities. Changes in economic conditions and trade volumes could materially and adversely affect the Company's customers, which could in turn impact their demand for the services the Company offers and negatively impact the terms on which it can provide other services to its customers. These factors could adversely affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.11 Risks related to the impact of political risks on the Company's operations

The Company's operations are concentrated in the Kingdom. Therefore, the Company's financial performance depends on the prevailing economic and political conditions in the Kingdom, as well as the global economic and political conditions that in turn affect the Kingdom's economy.

Many countries in the Middle East are suffering from political or security instability. There is no guarantee that political developments in such countries, or the economic conditions in such countries or in other countries, will not adversely affect the Kingdom's economy, foreign direct investment in the Kingdom, or the financial markets in the Kingdom in general. In addition, there is no guarantee that these factors will not have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, consequently, on the Company's share price.

War, the risk of war (for example, in Syria, Yemen or the Middle East) or a terrorist attack also may have an adverse effect on certain economies in which the Company deals with, which could adversely and materially affect the Company's business, results of operations, financial condition, and prospects. Instability in the financial markets as a result of an escalation of hostilities, terrorism or war also could impact its customers, business, financial position, future prospects and ability to raise capital. This could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

The ongoing unrest and civil war in Yemen and the drone and ballistic missile attacks by Houthis presents a unique set of challenges to the aviation industry (and its associated industries) in the Kingdom of Saudi Arabia. Similarly, a number of ballistic missiles have previously unsuccessfully targeted Riyadh which have resulted in disruptions at KKIA in Riyadh including flight delays and diversions.

This is just one example of how geopolitical events can have a negative effect on the business of the Company. Any such developments in the future could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.12 Risks related to the Company's business model relying on demand for international products and distribution channels

Globalization, changes in demand patterns and the constant re-design of production setups and supply chains with increasing complexity (such as supply chains that include mixtures of offshoring and nearshoring) drive the changing needs of the Company's customers (existing or potential) in terms of logistics services. The Company is dependent on, and must also be able to anticipate, shifts in geographic centers of production and demand for international products (inbound and outbound) that are transported via air cargo. Increased local production and increased use of sea or land transport and other factors may reduce air trade flows, which would decrease its customers' needs for its services. In order to succeed in its business, the Company must understand, react and where possible, pre-emptively anticipate customer needs in the optimization of their supply chains. Failure to provide these services successfully may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.13 Risks related to compliance by the Company with Saudization and other Labor Law Requirements

Compliance with Saudization requirements is a local regulatory requirement necessitating that all active companies in the Kingdom of Saudi Arabia employ and maintain a certain ratio of Saudi nationals amongst their workforce. The required percentage of Saudi employees varies on the basis of a company's activities. As of 31 December 2022G, the Company has a Saudization rate of 96.7%. For further details, please refer to Section 4.8.2 ("**Saudization**") of this Prospectus. However, this does not guarantee that the Company will continue to adhere to such requirements if the number of employees changes or if the regulatory authorities change the applicable requirements. The Company's failure to comply with the Saudization policies and percentages, as well as the related government directives, will result in penalties imposed by government agencies, such as the suspension of work visa applications and other sanctions. This may have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, consequently, on the Company's share price.

The Company is required to maintain employment policies and contracts that are in line with the Labor Law and MHRSD's directives, which are occasionally updated and may become more stringent in the future. If the Company fails to comply with such regulations and directives, it could encounter penalties and fines of up to SAR 10,000 per employee/violation, harm to the Company's reputation and claims by its employees, which could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's shares.

As at the date of this Prospectus, the Company has entered into a number of agreements for the supply of manpower (for further details in this regard, please refer to Section 12.5.4 ("**Other Material Agreements**") of this Prospectus). The Company is duty-bound to constantly ensure that such manpower is registered on MHRSD's Ajeer portal to avoid any penalties for non-registration thereof. The Company, as at the date of this Prospectus, has not fulfilled the registration requirements for the Ajeer platform. The penalties imposed on companies not in conformance include fines of up to SAR 100,000 for each non-conformant worker, in addition to other penalties. This would adversely and materially affect the Company's business, results of operations, financial condition and future prospects, and therefore the Company's share price.

In addition, there can be no assurance that the Company will be able to provide the required workforce or recruit the required number of Saudi nationals and/or foreign workers that it requires for its business operations or ensure its compliance with all of the Labor Law requirements without incurring additional costs which would adversely and materially affect the Company's business, financial position, results of operations and future prospects, and consequently, the Company's share price.

2.2.14 Risks related to Zakat and tax claims

The Company is subject to the laws and regulations of the Zakat, Tax and Customs Authority (ZATCA), and has submitted its Zakat and tax returns up to the end of 2022G. Accordingly, it has received Zakat certificates for these years. However, the Company has not obtained the final Zakat and tax assessments for all of these years, as its Zakat and tax returns for such years are still under review by ZATCA. ZATCA may levy additional Zakat payments for years in which assessments were not completed and the Company's dues were not paid, which may result in higher Zakat payments than expected, which may have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and consequently, on the Company's share price.

In response to Saudia's request, the Company filed an application to ZATCA seeking a 70% exemption from Zakat obligations, with such percentage accounting for Saudia's shareholding in the Company, since Saudia is exempt from Zakat because it is a state-owned company. ZATCA has not responded to the Company's application for exemption as at the date of this Prospectus. There are risks associated with the relevant authorities' (including ZATCA) interpretation that the Company is not covered by Saudia's exemption, in light of the practices followed in this regard, as well as the Minister of Finance's Resolution No. 57732 dated 13/11/1443H related to controls and scope of application of Zakat to wholly-owned companies, particularly since the Company is not wholly owned by the Government. If the necessary exemption is not granted, the Company will be required to pay an amount of SAR 30.9 million for the previous years. It should be noted that the Company has allocated the full amount to cover such case, however the aforementioned allocation might not be enough to satisfy the Company's Zakat obligations if ZATCA's calculations and justifications differ from the Company's calculation of the amounts owed by it.

Moreover, the Company may be subject to certain Zakat and tax claims due to non-compliance with the relevant laws and regulations. The total amount of the claims could be in the region of SAR 19 million, the largest of which is SAR 12.1 million that may result from the Company's failure to reverse the capital increase procedure in 2021G in its Zakat base, which is not in accordance with the relevant Zakat laws. As at the date of this Prospectus, the Company has only allocated an amount of SAR 12.1 million for such risks. No amounts have been allocated for other potential claims amounting to SAR 6.9 million. The claims referred to represent loans and liabilities subject to Zakat (claims under this item are approximately SAR 5.44 million), payments outside KSA (claims under this item are approximately SAR 1.01 million), fines imposed by the concerned authority (claims under this item are approximately SAR 0.18 million), and withholding salary payments (claims under this item are approximately SAR 0.29 million). Consequently, the Company will incur additional sums for amounts which have not been allocated in the event it fails to object to any claims filed against it.

The occurrence of any of these risks could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's share price.

2.2.15 Risks related to failure to comply with the Competition Law

The Competition Law seeks to protect fair competition in the Saudi markets and promote and establish market rules and freedom and transparency of prices. Pursuant to Article 7 of the Competition Law, entities participating in an economic concentration are required to notify the General Authority for Competition (GAC) for approval of such concentration at least 90 days prior to completing the relevant transaction. The Law defines "economic concentration" widely, in order to capture, amongst other things, any full or partial transfer of ownership of Shares or assets that would result in a change in control. The Implementing Regulations of the Competition Law set a new threshold with respect to transactions that require the approval of the GAC. If the total revenues of the entities involved in a merger or sale and purchase transaction exceed SAR 200 million, then the relevant parties must apply to the GAC at least 90 days prior to completion of such transaction. The GAC issued some guidelines regarding which entities should be taken into account when determining whether the aforementioned threshold has been exceeded. Effectively, the parties to the relevant transaction (along with any other entity controlled within their respective groups) should be considered. Given the size of the Company, any corporate transaction undertaken by the Company may trigger the SAR 100 million threshold and, as a result, such transaction may need to be filed with the GAC for approval. This is the case even if such transaction occurs outside the Kingdom and regardless of the size of the transaction.

Under the Competition Law, the GAC has a right to reject any such transaction if it deems it to be prejudicial to competition in the Kingdom. The GAC has a period of 90 days to provide a response. If it is found that a filing was required and the parties proceeded with the proposed transaction without seeking the approval of the GAC, the GAC may impose a fine of (i) up to 10% of the annual sales subject of the violation, or (ii) up to three times the amounts profited by the violators as a result of the transaction. Additionally, the GAC may require the violator(s) to take all necessary steps to rectify the violation, including unwinding the entire transaction, and a daily penalty fee of up to SAR 10,000 may be imposed until such remedial action is completed.

In the event that the Company violates the provisions of the Competition Law (whether in relation to an acquisition notification or any other provision that applies to the Company's operations) and a judgment is issued against it with respect to such violation, the Company may be subject to significant fines at the discretion of the GAC. In addition, the GAC is entitled to request (partial or full) suspension of the Company's activities temporarily or permanently in the case of repeated violations. Moreover, defending against such proceedings may be lengthy and costly to the Company. The occurrence of any of these risks would adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the Company's share price.

2.2.16 Risks related to technology-driven innovation and emerging competitors that may threaten the Company's business-model

Changing technology in cargo terminal operations may provide opportunities for the Company in the future but may also require substantial capex and investment by the Company. Newly emerging competitors at any of the Key Locations could create pressure on the Company through their offerings. Some technological developments such as artificial intelligence and automation of physical or business processes could lead to a reduction of services from cargo terminal operators like the Company, require additional capex or create margin pressure. Other technological developments could increase further transparency on costs for customers, which may create additional pressure on its business. The Company may not be agile or resourceful or dynamic enough to adapt to such developments promptly or at all, or the Company may not invest in the technological solutions that prevail in the industry in the future. Altogether, these developments and the failure to address them promptly, or at all, could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's shares.

2.2.17 Risks related to IT and cybersecurity

The Company is reliant on the uninterrupted operation of its IT technical infrastructure, which consists of a complex and sophisticated suite of computers, communication systems, supervisory monitoring and control systems, data processing systems and data acquisition and monitoring systems. If the Company's IT infrastructure, including support, backups and service recovery procedures, fails or is disrupted for any reason, such failures or disruptions may lead to a significant increase in costs (e.g., repair costs) with a marked reduction in the available production capacity, actual production and important data of the Company, which in turn may result in losses for the Company.

Systems and electronically stored information may be susceptible to malware, pirating, cybercrime and other similar disruptions caused by unauthorized use of such systems, which may result in the loss of important data. The Company may be unable to develop or acquire competitive technology capable of meeting the Company's business requirements. Furthermore, the Company may lack sufficient resources to invest in technology that will allow it to compete with its competitors and efficiently protect information and operating systems, which could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's shares.

2.2.18 Risks related to interest rate fluctuations and hedging against price fluctuations

In accordance with the terms of the financing arrangements, the Company pays interest on the basis of approved interbank rates, such as SAIBOR (Saudi Arabian Interbank Offered Rate), in addition to a profit margin. Under most of the Company's financing arrangements, the Company is required to fully or partially hedge its exposure to interest rate fluctuations during the operation period. The Company is exposed to interest rate fluctuations with respect to its financing arrangements when its hedging arrangements expire, if the Company is not protected from such fluctuations or if the Company fails to successfully implement its strategies to mitigate interest rate risks. If, in the future, the Company decides to obtain protection or hedging arrangements, hedging may cost more for the Company, and certain types of economic hedging activities may not meet the requirements of hedge accounting in accordance with IFRS. This may have a material adverse effect on the Company's business, results of operations, financial position and future prospects, and, consequently, on the Company's share price.

2.2.19 Risks related to globally high inflation rates

The demand for the Company's services could be adversely impacted by increased inflation rates worldwide. It is anticipated that tighter monetary policies, such as interest rate increases, will be implemented in the near future as a result of inflation rates in several countries throughout the world having reached their highest levels in recent years. Any increase in the rate of global price inflation may result in higher costs for the Company, which it may not be able to pass on to its customers in full or in part. This may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's Shares. If the Company is unable to increase its revenues sufficiently to offset its increased costs due to inflation, this may adversely and materially affect the Company's business, results of operations, financial position and future prospects, and, consequently, the price of the Company's shares.

2.2.20 Risks related to research published about the Company

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about the Company and its business, the Company's share price may decline. The trading price and volume of the offered securities will depend in part on the research that securities or industry analysts publish about the Company and its business. If research analysts do not conduct and maintain adequate research coverage or if one or more of the analysts who covers the Company downgrades their recommendations on the share price or publishes inaccurate or unfavorable research about the Company's business, the market price of the Company's Shares could decline. In addition, if one or more research analysts cease coverage of the Company or fail to publish reports on it regularly, it could lose visibility in the financial markets, which, in turn, could cause the market price of the Company's shares to decline.

2.3 Risks Related to the Offer Shares

2.3.1 Risks related to effective control by the current Shareholders post Offering

Following completion of the Offering, the current Shareholders will collectively hold (directly or indirectly) 70% of the issued Shares. The Substantial Shareholders will therefore be able to influence all matters and decisions requiring the approval of the Shareholders, including election of the Directors, approval of contracts, significant Company activities, distribution of dividends and adjustments which may be made to the Company's Share capital and Bylaws.

The interests of the Substantial Shareholders may differ from those of the Company's other Shareholders, and the Substantial Shareholders may prevent the Company from making certain decisions or taking certain actions that would protect the interests of the Company's other Shareholders. This may also result in a delay, deferral or prevention of a change in control or distribution of dividends and reduce demand for the Shares, which may adversely affect the value of the Shares.

Such powers might be used in a manner which would adversely and materially affect the Company's business, results of operations, financial position and future prospects.

2.3.2 Risks related to liquidity and the absence of a prior market for the Offer Shares

There has been no previous public market for offering or trading of the Shares, and there can be no assurance that an active and liquid market for the Shares will develop or be sustained after the Offering. If an active and liquid market is not developed or maintained, the trading price of the Shares would be adversely affected and may result in the loss of all or a portion of the investment made by an investor in the Company, which would have a material adverse effect on the expected returns of subscribers.

Several factors, such as the Company's financial results, the general circumstances, overall economic prosperity and the regulatory environment in which the Company operates, may result in a significant variation in the liquidity of share trading and the share price.

2.3.3 Risks related to the Substantial Shareholders Selling a Large Number of Shares Post-Offering

Saudia is a substantial shareholder in the Company as at the date of this Prospectus and will continue to be so after completion of the Offering. Saudia holds approximately 70% of the Shares as at the date of this Prospectus (and prior to the commencement of the Offering) and will hold approximately 49% of the Shares post-Offering. Saudia is also a Substantial Shareholder in SACC, which is one of the largest customers of the Company in terms of revenue. As at the date of this Prospectus, Saudia holds 70% of the Shares of SACC.

There is a risk that Saudia may reduce or dispose of part or all of its shareholding in the Company following the Lock-up Period and thereby cease to be a Substantial Shareholder in the Company in the future. This may create significant downward pressure on the market price of the Shares, especially if Saudia elects to dispose of any such Shares on the market or via a private deal at a price lower than the prevailing market price for the Shares at such point in time. Furthermore, it may also result in SACC changing its preference to receive services from, and maintain its respective customer relationship with, the Company, particularly if there is one or more competitor(s) in the market capable of providing the same or similar services to the Company or, alternatively, if it wishes to compete with the Company for the provision of cargo ground handling services and cargo terminal operations in the Kingdom. As a result, there can be no assurance that SACC will continue or renew its contract with the Company upon the expiry or lapse of the term of the agreement on 31 May 2028G if Saudia disposes of all or a large portion of its Shares in the Company prior to such date. The occurrence of any of these risks could adversely and materially affect the Company's business, results of operations, financial position and future prospects, and consequently, the price of the Company's Shares.

Additionally, sales of large numbers of the Shares on the market post-Offering, or the perception that such sales will occur, could adversely affect the market price of the Shares.

Upon the successful completion of the Offering, the Substantial Shareholders will be subject to a six-month Lock-up Period starting from the commencement of trading of the Shares on the Exchange, during which they may not dispose of any Shares that they own. The sale of a substantial number of Shares by any of the Substantial Shareholders following the six-month Lock-up Period could have an adverse effect on the market for the Shares and may result in a lower market price.

The Company does not currently intend to issue additional Shares after the end of the Offering. If the Company decides to raise capital by issuing new Shares, the newly issued Shares may adversely affect the value of the Shares in the market, and moreover there may be a decrease in the ownership percentage of the actual Shareholders if they do not subscribe to the then newly issued Shares.

2.3.4 Risks related to fluctuations in the market price of the Shares

The Offer Price has been determined based upon several factors, including the past performance of the Company, the prospects for the Company's business, the industry in which it operates, the markets in which it competes and an assessment of the Company's management, operations and financial results. The Offer Price may not be equal to the price at which the Shares will be traded following completion of the Offering and investors may not be able to resell the Offer Shares at the Offer Price or above, or at all.

The stock market in general experiences extreme price and volume fluctuations from time to time. Market fluctuations could result in extreme volatility in the price of the Shares, which could cause a decline in the value of the Shares, with price volatility being worse if the trading volume of the Shares is low. The price of Shares may be negatively affected by various factors, including the Company's performance and results of anticipated operations, departure of key personnel, changes in earnings estimates or forecasts, changes in business strategy, market conditions in its industry, the general situation of the Kingdom's economy, changes in applicable laws and regulations, terrorist acts, escalation of hostilities, acts of war or periods of widespread civil unrest, natural disasters and other calamities and stock market price fluctuations. The realization of any of these risks or other factors would have a material adverse effect on any investor's anticipated returns, or result in the loss of all or a portion of their investment in the Company.

2.3.5 Risks related to the Company's ability to distribute dividends

Future distribution of dividends will depend on several factors including, among other things, future earnings, financial condition, cash flows, working capital requirements, capex and distributable reserves of the Company. In addition to other factors, the Company may not be able to pay dividends, and the Directors may not recommend, or the Shareholders may not approve, the payment of dividends. Additionally, the Company may be restricted by the terms of financing and facilities agreements executed with financing institutions which could require the written approval of the lenders prior to making dividend payments to Shareholders (for further details, please see Section 2.1.25 ("**Risks related to the Company's current debt arrangements**") of this Prospectus). The Company may incur expenses or liabilities from time to time that would likely reduce or result in a lack of cash available for distribution of dividends. If the Company does not pay dividends on the Shares, the Shareholders may not receive any return on their investment in the Shares unless they sell the Shares at a price higher than the price at the time of their purchase, which would have a material adverse effect on any investor's anticipated returns. For further details, please refer to Section 7 ("**Dividend Distribution Policy**") of this Prospectus.

2.3.6 Risks related to foreign exchange rates when investing in the Offer Shares

The Offer Shares are, and any dividends to be paid in respect of the Offer Shares will be, denominated in Saudi riyals. Any investment in the Offer Shares by an investor whose principal currency is not the Saudi riyal will expose that investor to foreign currency exchange rate risks. This may adversely impact the value of an investor's investment in the Offer Shares or any dividends thereunder.

2.3.7 Risks Related to the Issuance of the new Shares

If the Company decides to raise capital through the issuance of new Shares, the newly issued Shares would adversely affect the market price of the Shares or dilute the ownership percentage of existing Shareholders in the Company if they do not subscribe to such newly issued Shares.

2.3.8 Risks Related to a Delay in Closing the Offering and Listing of the Offer Shares

A public offering of Shares to be listed on the Exchange typically closes concurrently with the Shares being admitted for trading on the Exchange, with both typically occurring more than two weeks after the announcement of the final Offer price for the Shares. During that time, the parties complete the retail Offer, which, in the Kingdom, has not previously begun until after the final Offer price is set (and completion of the subscription and share allocation process. The Company has implemented a number of new procedures to enable the listing of the Offer Shares to take place within the timeframe described in the "Key Dates and Subscription Procedures" section of this Prospectus). There is no guarantee that the listing of the Offer Shares will commence as expected. As a result, closing of the Offering and listing of the Offer Shares for trading on the Exchange could be delayed. The Company will announce the commencement of trading of the Shares on the Exchange through its website.

2.3.9 Risks Related to Non-Qualified Foreign Investors not Being Able to Acquire Shares Directly

In accordance with applicable regulations, non-qualified foreign investors (who are not strategic investors) wishing to participate in the Offering must enter into swap arrangements with a financial institution through which they can derive economic benefit from the Offer Shares. Non-qualified foreign investors can trade these Shares through financial institutions that hold legal title to the Shares. Accordingly, foreign investors who are not legally qualified will not be able to hold title to the Shares or vote on Shares in which they have an economic interest. Consequently, these factors could adversely affect the expected returns of the investors or lead to the loss of all or some of their investment in the Company.


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3. Market and Industry Information

3.1 Market overview

SAL Saudi Logistics Services was established on 16 October 2019, as a separate carved out entity from Saudi Airlines Cargo Company, to act as a pivotal catalyst in driving KSA's economic transformation and Saudi Arabia's aspiration of becoming a global logistics hub. The company operates at the four key hubs of Riyadh, Jeddah, Dammam, Medina and across all major domestic stations.

ALG was appointed to update the market projections across SAL's business lines, which include Cargo Handling, Passenger Handling, Fulfilment, and Logistics Solutions.

Founded in 1988, ALG is an international consulting firm specialized in transportation, infrastructure, and logistics. ALG is a fully owned subsidiary of Indra S.A, a Spanish information technology and defense systems company listed on the Madrid Stock Market and constituent of the IBEX 35 index. ALG employs over 150 consultants across 6 offices. The firm has provided strategy, business planning, infrastructure development and operational enhancement across over 2,000 assignments in more than 50 countries.

Unless expressly stated otherwise, the Market Study Update report prepared by ALG is the source of information relating to the cargo, air passenger, trade, and logistics markets in this section. ALG has provided and not withdrawn its written consent for the use of its findings in this Prospectus. Neither ALG nor its employees or any of their relatives or affiliates has any shareholding or interest of any kind in the Company or any of its affiliates or related parties.

The Directors believe that the information and data provided in this Prospectus from other sources, including the report, last updated by ALG in February 2023, are credible. However, this information was not independently verified by the Company, its Directors, its Shareholders, or its Advisors, and therefore, the Company assumes no liability for the accuracy or completeness of this information.

3.2 Macroeconomic development in Saudi Arabia

Demand for the Company's products and services is driven primarily by the cargo arriving, departing, or transiting in the Saudi airports. Those, in turn, are strongly correlated to the economic growth of Saudi Arabia, commercial viability of trade routes, fluctuations in air freight costs, and the importance of air transport in the national logistics value chain.

In 2019G, the real Gross Domestic Product (GDP) growth rate in Saudi Arabia decreased to 0.3% from 2.5% as a result of the global economic slowdown, and was followed by a -4.1% during 2020G as a result of COVID-19. A 3.2% increase was observed in 2021G and by 2022E, the nominal GDP is expected to rise sharply, in line with an increase in oil, non-oil, and government services activities, reaching SAR 3.8 trillion. Oil exports remained the largest contributor to the national economy, despite the economic diversification efforts undertaken in recent years. Excluding oil, the country is a net importer of basic consumer goods and high-value products. Saudi Arabia remains the largest economy and the most populous country in the Gulf region, with over 36.8 million inhabitants in December 2022. Saudi Arabia's GDP and population represent around 46% and 62% of the GCC's aggregate GDP and population, respectively.

The table below highlights relevant macroeconomic indicators related to Saudi Arabia, during the 2016G-2021G period, with estimates for 2022E.

Table (3.1): KSA economic indicators (2016G-2022E) [1,2,3]

	2016G	2017G	2018G	2019G	2020G	2021G	2022E
Nominal GDP (Million SAR)	2,418,508	2,582,198	3,062,170	3,013,561	2,637,629	3,125,780	3,798,129
Real GDP growth (%)	1.7%	-0.7%	2.5%	0.3%	-4.1%	3.2%	7.9%
Imports (Million SAR)	525,636	504,447	513,993	574,361	517,491	573,185	NA
Non-oil exports (Million SAR)	147,851	161,132	203,770	187,332	168,981	231,495	NA
Oil exports (Million SAR)	510,729	638,402	868,442	751,828	447,599	758,124	NA
Oil production (Million barrel per day)	10.4	10.1	10.4	9.8	9.2	9.1	10.4
Population (Thousand Inhabitant)	31,742	32,613	33,414	34,218	35,013	35,922	36,830

Source: [1] Oxford Economics, [2] Saudi General Authority for Statistics (GASTAT), [3] U.S. Energy Information Administration

3.3 Market Landscape

The international trade in Saudi Arabia grew at a 5.5% CAGR (in value) between 2017G and 2021G, encouraging the development of the cargo and logistics market, which has been dominated by the maritime sector, accounting for +91% of the total volume. Most of the maritime freight was processed in four ports: Ras Tanura Port (O&G), King Fahad Industrial Port Yanbu, King Fahad Industrial Port Jubail, and Jeddah Islamic Port. Land transportation is the second mode of transport, accounting for 8.8% of the market share. Finally, air transportation accounted for around 0.1% of the total volume, with the major airports being Riyadh, Jeddah, and Dammam.

The market has witnessed changes over the past few years, primarily arising due to disruptions induced by COVID-19. During this period, air cargo augmented its competitive advantage due to the increase in containers rates (the global container rates[3] scaled from c1,500 USD at the beginning of 2020 to c10,000 USD in 2022). Nevertheless, this advantage has been decreasing as container rates came back to their pre-Covid rates (container rate in March 2023 is back to c1,500 USD), limiting the attraction of cargos to air commonly being transported by sea.

Prior to COVID-19, global air cargo traffic was evenly split between belly hold and freighters. At the beginning of COVID-19, the passenger fleet capacity was reduced by approximately 50%, which significantly reduced the belly hold capacity. Consequently, cargo demand was observed to be transferred to existing airlines that operate dedicated freighters at higher efficiency levels. Whilst Saudi air cargo traffic has recovered steadily over the past 2 years, traffic in 2022G is still 19% lower than 2019G levels. High dependence on bellyhold capacity has contributed to the stagnation of the growth in cargo volumes in recent years, with recovery expected by end of 2023[4]. Worth noting that the handling on a freighter is relatively higher than passenger aircraft as freighters would, relatively, carry more cargo. The volume carried by a cargo freighter varies between 25 to 115 tons depending on the type of freighter. A narrow body, passenger aircraft, can carry up to 2.5 tons while wide bodies can carry up to 30 tons depending on the aircraft type and baggage load factors. SAL generates additional revenue from the turnaround of the freighter aircraft given larger volumes handled.

On the other hand, COVID-19 effects catalysed industries such as e-commerce and pharmaceuticals, wherein a shift in consumer behaviour was observed with sales increasing significantly over the past few years. COVID-19 has accelerated the shift towards e-commerce, as social distancing requirements and stay-at-home orders were imposed. COVID-19 accelerated digitalization and forced consumers to learn how to shop online. A distinct upward jog in the KSA e-commerce market is observed, having doubled in value (SAR 18Bn to 36Bn) from 2019G to 2021G. Consequently, the market is expected to maintain and grow off the current level, forecasted to grow more than 250% through 2030 from 2021, with COVID-19 having successfully stimulated most of the market and brought forth permanent changes to market place.

3 Global Container Freight Index

4 By end of 2023, if NTLS addressable market targets for 2030 are accomplished, additional national cargo capacity and transit/transfer volume grow, and to Covid-19 trade recovers. If these events do not happen, the recovery would be by the end of 2024.

While the short-term impact from COVID-19 in 2020 and 2021 has been significant in the pharmaceutical industry, the long-term impact on growth trends is more muted. Although the pandemic has dominated much of the past year, global benchmarks indicate that the wider trends on the use of medicines continue to evolve relatively unchanged. Hence, the differing impact of COVID-19 for pharma market in KSA is also expected to return to historic patterns rates as vaccination reduces the risk of further social disruptions. The largest uncertainty in the next five years will be the potential impact of economic factors on budgeting and shifts in policies regarding healthcare and medicine spending.

3.4 Cargo market

The global cargo market grew at 3.6% CAGR from 2001G to 2021G, according to the Boeing report on World Cargo Forecast (2022-2041), facing some major drawbacks and recoveries throughout this period, which include the financial crisis of 2008G, the trade stagnation in 2012G as traded commodities shifted towards bulk cargo, the increases in oil prices from 2017G to 2019G driving increases in air freight costs, and the manufacturing stagnation in 2019G as international trade feud and trade war between China and the USA led to a slight decrease in cargo trade as well.

The cargo market is globally dominated by express forwarders and network carriers, leveraging their connections and infrastructure. Further, most of the traditional passenger flag carriers capitalize on spare belly capacity to maximize revenue and eventually invest in freighter fleets to complement their networks. Freighter routes (cargo-dedicated) have been essential to cover key trade routes out of reach by passenger flows, filling the offering gap in industrial and logistic nodes around the globe.

3.5 Covid-19 impact on cargo

The cargo market showed significant resilience relative to the passengers' market between 2019 and 2021. For the case of Saudi Arabia's market, which is further developed along following sections, cargo capacity dropped by around 20% compared to approximately 50% for the passengers' capacity, thanks to the substantial growth in dedicated freighter operations. Cargo continued moving essential commodities and saw a surge in demand for pharmaceutical and e-commerce products.

COVID-19, however, is expected to have a lasting impact on both global and Saudi Arabia's cargo industry on three key fronts:

- Freighter aircraft, with a global supply of around 500+ as per SAL estimations, are expected to gain cargo market share with respect to bellyhold capacity, as their added value becomes more obvious after their surge during COVID-19. Belly capacity does not optimally serve air trade, since single-aisle aircraft do not have palletized capacity (preferred by freight forwarders), cannot handle hazardous material, and are more likely to incur payload-range limitations. It should be noted that on the offset, Low-Cost Carriers, which traditionally neglected cargo, are expected to penetrate the market in an attempt to optimize the use of their spare capacity.
- Concentration at hub airports is expected to increase, coupled with more regional distribution. The hub-and-spoke model has regained some of its lost competitiveness in a time when economies of scale are most valued. Ultra-long-range routes, bypassing the hubs, are expected to give ground as the passenger market continues to recover from COVID-19 and load factors remain stalled. Linking this idea to the following section, it is to be remarked that this hub-and-spoke model does not exist currently in Saudi Arabia, although as per Vision 2030, some airports may evolve into this direction.
- E-commerce surge will increase the need for express deliveries, with cargo being a crucial enabler in the supply chain. Airlines and freight forwarders are adapting to compete with express integrators and provide door-to-door services as well. E-commerce giants are also in continuous expansion across the entire value chain and recently stepping into the aviation sector as well.

3.6 Saudi Arabia historic cargo traffic

Cargo traffic in Saudi Arabia can be divided into two sub-markets, gateway cargo and transfer/transit cargo. The former serves the needs of the local market, importing and exporting mainly perishable and high-value goods, while the latter capitalizes on Saudi Arabia's strategic geolocation to connect cargo traveling mainly between Asia, Africa, and Europe.

Table (3.2): KSA cargo market historical evolution (Tons, 2019-2022[1, a, b])

	2019G	2020G	2021G	2022E[1, a, b]
Total	836,205	613,952	663,090	790,534
Import	441,708	359,407	366,373	450,234
Export	72,986	32,012	42,044	63,348
Transfers[b]	321,511	222,533	254,673	276,952

Source: [1] GACA

Notes: [a] Numbers above differ from the statistics of the Saudi General Civil Aviation Authority (GACA) issued in their annual reports (https://gaca.gov.sa/web/en-gb/page/publications); [b] Includes inbound and outbound movements, transfers and transits cargo

According to GACA, in 2019G, 829,135 tons of cargo were processed through Saudi Arabian airports by SAL. SAL's cargo market grew by 3.4% CAGR between 2010G and 2019G. Imports represented around 52.5% of the SAL's captured market in 2019G, while exports and transfers/transits represented 8.7% and 38.8%, respectively. The market experienced a decline in 2018G, which was caused by the lifting of jet fuel subsidies, with Saudia Airlines cutting unprofitable routes of freighters and passengers' aircraft. The latter also affected overall cargo capacity due to the decrease of bellyhold cargo capacity in passengers' aircraft. The further decrease in 2019G, coupled with the stagnation of the air passengers' market, is partially explained by the continuous rationalization efforts of air routes, and the exodus of expat population in Saudi Arabia.

In 2020G, cargo handled by SAL recorded a 27% drop in volumes, reaching 606,782 tons. This is in line with the global drop in capacity, estimated at around 30%. Over 98% and 99% of the cargo processed in Saudi Arabia in 2019G and 2020G, respectively, was handled in the three largest airports: Jeddah, Riyadh and Dammam[5], as per SAL's records.

In 2021G, cargo handled by SAL recorded an 8% increase in volume, reaching 652,299 tons from 606,782 in the previous year, which was mainly driven by the resilience in volumes carried by freighter carriers, with passenger cargo still affected by COVID-19 delaying the recovery in belly-hold capacity. The market share of SAL in 2021G was c97% (last official figure).

5 SAL records

Table (3.3): SAL cargo market historical evolution (Tons, 2011-2021) [1,a]

	2011G	2012G	2013G	2014G	2015G	2016G	2017G	2018G	2019G	2020G	2021G	CAGR 11-19
Total	**726,285**	**823,676**	**855,649**	**942,277**	**983,828**	**929,814**	**925,917**	**890,341**	**829,135**	**606,782**	**652,299**	**1.7%**
Import	331,625	372,350	382,756	395,772	451,020	466,841	434,700	415,022	435,602	352952	350988	3.5%
Export	97,085	89,948	93,782	93,919	95,550	90,699	89,951	85,086	72,022	31393	46,363	-3.7%
Transfers[b]	297,575	361,378	379,111	452,586	437,258	372,274	401,266	390,233	321,511	222437	254,948	1.0%
Jeddah	**306,676**	**371,066**	**352,199**	**437,881**	**467,255**	**431,723**	**431,378**	**414,874**	**392,065**	**237,525**	**233,017**	**3.1%**
Import	142,810	154,255	157,136	161,872	165,464	160,430	147,708	136,443	133,063	90,144	84,629	-0.9%
Export	44,170	39,721	37,132	35,229	35,950	32,523	32,214	33,461	27,546	11,956	20,747	-5.7%
Transfers[b]	119,696	177,090	157,931	240,780	265,841	238,770	251,456	244,970	231,456	135,425	127,641	8.6%
Riyadh	**315,563**	**335,540**	**353,731**	**343,310**	**352,724**	**343,727**	**354,854**	**302,786**	**297,394**	**299,478**	**361,255**	**-0.7%**
Import	126,476	144,430	153,120	161,401	204,009	221,586	195,906	188,335	222,216	210,760	220,633	7.3%
Export	35,917	33,924	38,048	35,218	35,452	31,517	29,958	25,831	23,944	12,552	17433	-4.9%
Transfers[b]	153,170	157,186	162,563	146,691	113,263	90,624	128,990	88,620	51,234	76,166	123,189	-12.8%
Dammam	**98,645**	**110,525**	**140,206**	**150,070**	**148,611**	**131,746**	**120,666**	**156,821**	**124,173**	**65,743**	**54,954**	**2.9%**
Import	59,852	71,765	70,096	69,958	76,502	76,091	84,152	83,594	75,702	50,473	44,784	3.0%
Export	14,272	12,232	12,476	15,733	16,723	15,475	16,946	17,842	12,930	4,990	6,548	-1.2%
Transfers[b]	24,521	26,528	57,634	64,379	55,386	40,180	19,568	55,385	35,541	10,280	3,622	4.7%
Medina	**5,402**	**6,546**	**9,514**	**11,015**	**15,237**	**12,726**	**11,822**	**9,888**	**10,843**	**2,208**	**1,600**	**9.1%**
Import	2,488	1,900	2,404	2,540	5,044	2,835	2,443	2,777	1,914	464	266	-3.2%
Export	2,726	4,071	6,127	7,739	7,425	7,553	8,153	5,856	5,651	1,090	874	9.5%
Transfers[b]	188	575	983	736	2,768	2,338	1,226	1,255	3,278	654	460	42.9%
Others	**-**	**-**	**-**	**-**	**-**	**9,892**	**7,197**	**5,972**	**4,660**	**1,791**	**1,472**	**-**
Import	-	-	-	-	-	5,899	4,491	3,873	2,707	1,039	676	-
Export	-	-	-	-	-	3,631	2,680	2,096	1,951	746	760	-
Transfers[b]	-	-	-	-	-	362	26	3	2	6	36	-

Source: [1] Company's records

Notes: [a] Numbers above differ from the statistics of the Saudi General Civil Aviation Authority (GACA) issued in their annual reports (https://gaca.gov.sa/web/en-gb/page/publications); [b] Includes inbound and outbound movements, transfers and transits cargo; [c] Estimate based on Company records

3.7 Saudi Arabia cargo traffic forecast

Saudi Arabia is expected to increase its presence in the global cargo market as part of Saudi Arabia's vision to enhance livability, diversify away from oil and promote local manufacturing. The projections of the Saudi Arabian cargo market are to increase by a 9.5% CAGR between 2019 and 2030, reaching 2,272,454 tons (which is below the aspiration set in the Vision 2030, 4.5 Mn tons). This growth is expected to be driven by:

- Strong macroeconomic drivers, with Saudi Arabia standing as one of the powerhouses in the region in terms of GDP and demographics. Saudi Arabia's GDP and population are anticipated to grow by 2.1% and 1.9% CAGR over the coming decade (between 2022 and 2032), at a stronger pace than previous 2021G estimations, 1.8% and 1.6% CAGR, respectively, as per the latest forecasts shared by Oxford Economics in December 2022.
- The recovery profile after COVID-19. While capacity deployed for freighters surpassed the 2019G levels, passenger capacity is yet to fulfill this goal. Nevertheless, the cargo market is not expected to reach 2019G levels before 2024.
- Plans laid to increase the national productive capacity, in line with Vision 2030, boosting air exports. This includes ensuring that a third of the pharma market is produced nationally in Saudi Arabia.
- Growth in consumption of certain commodities with a high affinity for air transport, as a result of closing the existing consumption gaps. Saudi Arabia is currently significantly short of the global average in terms of pharma and electronics consumption per capita; closing part of that gap will imply a substantial increase in air shipments.
- E-commerce penetration, currently estimated around 9.3% of the national retail market is significantly below mature economies[6] (currently at 15%-35%). The exponential adoption of e-commerce in Saudi Arabia, today still incipient, is expected to be a game-changer in the supply chain dynamics of Saudi Arabia and an opportunity for cargo to capture most of the disrupted flows.
- The strategic direction set by the Ministry of Transports to capture logistics' leakage to neighboring countries, as other GCC logistics hubs have been benefiting from handling most of the cargo destined to Saudi Arabia and transferring those goods by road into Saudi Arabia. Currently, it is estimated that around two third of high-value goods destined to Saudi Arabia arrive by air to neighboring countries, to be then transferred into KSA by road. This leakage represents a potential for the sector to increase as the Saudi Arabian airports enhance their operational performance and modernize their infrastructure.
- The intention to position Saudi Arabia as a global transportation and logistics hub, enhancing its cargo capabilities: fleet growth, infrastructure development, processes improvement and embraced digitization, leading to the air transfers/transits segment to comprise an expected larger share of the Saudi Arabian cargo market in the coming years

The table below presents the forecasted growth of cargo volumes in Saudi Arabia.

Table (3.4): KSA cargo market forecast (Tons, 2022-2030)[1]

	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	CAGR 22-30
Total	**790,534**	**950,491**	**1,145,551**	**1,325,825**	**1,536,578**	**1,704,359**	**1,885,129**	**2,072,197**	**2,272,454**	**14%**
Import	450,234	541,632	640,566	734,405	831,097	932,331	1,038,152	1,148,492	1,263,572	14%
Export	63,348	88,983	118,947	143,161	168,398	194,912	223,190	253,197	285,001	21%
Transfers[a]	276,952	319,876	386,038	448,259	537,083	577,116	623,787	670,508	723,881	13%

Source: [1] Market Study conducted by ALG for the Company

Note: [a] Includes transfers and transits cargo,

6 Economies considered include China, France, Sweden, United States, United Kingdom, South Korea and others.

3.8 Passengers and Cargo airlines

3.8.1 Local Airlines: Saudia Airline and Saudia Cargo

Saudia Airline (including Saudia Cargo) is the only national carrier with strong presence in the cargo market. The airline transported over 57% of the total cargo processed in the Saudi Arabian airports in 2018G and 2019G. Their share increased to 68% and 69% in 2021G and 2022G respectively, as most of the foreign carriers cut their international flights and focused on serving their respective local markets. Saudia is expected to keep its dominant position in the local cargo market, despite strong competition from GCC network carriers. In the case of Riyadh, the new airline Riyadh Air might challenge Saudia's dominance.

As of 2022, Saudia's passengers' aircraft fleet consisted of 144 aircraft with a mixed composition between narrow-body aircraft for domestic and regional flights (mainly Airbus 320 family) and wide-body aircraft to serve long-haul and some regional destinations (B777, B787 and A330). The airline is expected to grow its fleet by 40 additional aircraft by 2030, most of them narrow-bodies.

Saudia Cargo's fleet consists of 7 freighters (four of B777F and three of B747-400) and is expected to grow to 13 aircraft in the next five years. The airline's development plans, coupled with the set increase in the productivity of the current fleet, are expected to enhance the carrier's competitive position, especially in the transfer/transits market which is driven mainly by price and supply.

3.8.2 Foreign Airlines

Several foreign airlines serve Saudi Arabia's airports, serving cargo into the local market and connecting it to their home bases. In 2019G, the top foreign players included Emirates, Turkish Airlines, Etihad Airways, Cargolux, Biman Airways, Ethiopian Airlines, Egyptair and DHL. It is expected that the number of airlines and frequencies operating in Saudi Arabia increases as the market grows, the ongoing liberalization efforts materialize, and the national air trade balances (as a result of Vision 2030 plans to boost exports).

Vision 2030 and major GACA initiatives

Vision 2030

Saudi Arabia's Vision 2030 comprises extensive plans that include economic, social and development programs aimed at preparing Saudi Arabia for the post-oil stage. It stresses on the logistics sector as a major pillar for Saudi Arabia's development, encompassing air, sea and land transport. As per Vision 2030 aspirations, Saudi Arabia aims to reach the amount of 4.5M tons of cargo by 2030. Several objectives are derived from the Vision 2030 that will have significant impact on the cargo market:

- Support the development plans and the diversification of KSA's economy.
- Build a unique regional logistics hub as a distinctive gateway to the 3 continents.
- Achieve durable links between existing trade hubs as well as opening new routes.
- Enhance the competitiveness of the ports sector and facilitate operational efficiency.
- Strengthen the national production and industry.
- Increase the size of the Saudi Arabian economy and move up from 19th place to the first 15 ranks worldwide.

This is supported by the National Industrial Development and Logistics Program and the National Transport and Logistics Strategy, which aim to facilitate the path towards achieving the Vision's targets through implementable roadmaps, especially regarding the logistics infrastructure, trade facilitation and transport sector boosters.

On the other hand, the target set on Vision 2030 regarding the air traffic is to achieve 330 million passengers by 2030. In turn, this will increase the number of flights landing in Saudi Arabian airports, enhancing the air cargo capacity, which will support the growth in cargo overall.

3.8.3 Saudi Arabia hub positioning and airline development

Along with the 330 million passengers target by 2030, developing the hub and spoke model is one of the key aspirations set by GACA in its Aviation Sector Strategy, which foresees a major contribution to transfer/transit volumes, both for passengers and cargo. Saudi Arabia aims to enable the hub and spoke model, utilizing two international airports: Jeddah and Riyadh; and to capitalize on its unique geolocation and large gateway market to capture global passengers and cargo macro flows.

Implementing this vision requires several stakeholders to deliver on their promises across the aviation value chain, including inter alia:

- Extensive network of global destinations served by national carriers.
- Extensive fleet development plans, with focus on wide-body aircraft and freighter aircraft
- State-of-the-art airport facilities to process transiting and gateway cargo.
- Enhanced operations and efficiency in the different relevant processes/operations.
- Dedicated facilities for the different types of flows and/or commodities.
- Competitive pricing for all services provided along the aircraft turn-around.

The National Aviation Sector Strategy aims as well to increase the share of local carriers by boosting their competitiveness and efficiencies, with Jeddah cemented as Saudia (and Saudia Cargo) hub. Further, the plans foresee the establishment of new airlines: Neom Airline in NEOM and Riyadh Air in Riyadh, which are set to enhance the global offering and connectivity in the market.

3.8.4 Airport infrastructure expansion

Saudi Arabia's policy framework is geared toward improving its logistics competitiveness across transport modes, which includes expanding and improving Saudi Arabia's airports and its cargo facilities. All stakeholders along the cargo value chain are working towards boosting their regional competitiveness while gaining the capabilities needed to handle the growing demand.

Jeddah King Abdulaziz International Airport (KAIA)

Jeddah's master plan caters to a large cargo & logistics park around the current South Terminal. The new Cargo Village will increase its total surface from over 0.5Mn sqm. to 1.7 Mn sqm., with 4.2 km of front (apron) line. The concept behind this cargo village is to create the right ecosystem for KAIA to become the hub of the Western Region and main airport in the Red Sea, playing a pivoting role in the Africa-Europe macro-flows and the restored trade with Sudan.

Riyadh King Khalid International Airport (KKIA)

Riyadh Airport is undergoing a continuous expansion of its first-line capacity, with multiple new terminals commencing operations in the last two years, and with others planned to open soon. Riyadh Airports Master Plan proposes the prioritization of spaces behind the current cargo terminals for second-line logistic activities (warehousing, cross-docking, etc.) and reserves large plots of land in the 3rd line for the Integrated Logistics Bonded Zone (ILBZ) Project, industrial and entertainment uses.

Dammam King Fahd International Airport (KFIA)

The Cargo Village expansion project at Dammam Airport entails an increase of over 250,000 sqm of specialized facilities and a bounded logistics zone. The asset is geared towards positioning KFIA as the Eastern gateway of Saudi Arabia and reducing the logistics leakage to/from Bahrain and the UAE.

Bonded and socio-economic zones in Saudi Arabia

Since the announcement of the Vision 2030 strategy in Saudi Arabia, Bonded Zones and Special Economic Zones have been assigned a key role in enabling the country's economic development, attracting foreign investment, creating jobs, promoting non-oil trade, contributing to building logistics networks and world-class infrastructure.

The bonded and re-export zones offer several benefits to air cargo businesses, such as tax and custom duty exemptions, access to modern infrastructure and logistics services, streamlined customs procedures, and central location for air cargo handling and logistics, making it more efficient and easier for business to transport their goods by air to and from Saudi Arabia.

3.8.5 Competition in the cargo handling market

As of 2021, SAL is the largest provider of cargo handling services in Saudi Arabia, with a presence in all the major country's airports. The only competitor at the time is SATS, the first international cargo handler to operate in Saudi Arabia.

SATS is a global company specializing in providing specialized cargo handling and logistics services, as well as catering solutions in the aviation sector. In recent years, SATS has pursued a geographic expansion strategy through a combination of acquisitions and new partnerships to enhance its presence in Southeast Asia, the United Arab Emirates, and the Kingdom of Saudi Arabia. SATS Saudi Arabia Limited commenced operations in the Kingdom following the completion of the construction of a refrigerated cargo terminal in Dammam in 2016G, with a capacity of handling up to 150,000 tons of cargo annually. In 2020G, SATS was awarded a 25-year concession for a second cargo terminal at Riyadh Airport (King Khalid International Airport), designed to handle 300,000 tons annually. SATS is expected to leverage the capabilities of Jeddah Airport in the coming years.

SAL is nevertheless expected to continue dominating the Saudi Arabian market in the next decade. The Company is expected to retain the main local carriers as their customers (Saudia, Saudia Cargo, etc.), and several foreign carriers.

Operating in Saudi Arabia requires obtaining a license from GACA, the sole regulator of the Saudi Arabian aviation sector. SAL currently holds all the required licenses and certifications needed to ensure the smooth operation of cargo to and from Saudi Arabia. This necessitates the fulfillment of rigorous prerequisites from local and international authorities.

3.9 Logistics solutions market

The Company has developed an integrated logistics offering centered around cargo, leveraging its dominant position in cargo handling services, and its national footprint.

The target of SAL is to expand its value proposition, adopting a broader service portfolio that meets the logistics needs of its clients. The Company has defined a new corporate strategy to align its growth objectives with Saudi Arabia's Vision 2030, improve the in-country logistics performance and support the development of Saudi Arabia as a global logistics hub. This section presents a brief overview of the Saudi logistics market and expected evolution of the market segments targeted by the Company.

The National Transportation Strategy 2023 identified a set of aspirations for the sector:

- Enhance the transport sector's performance and ensure it is a key enabler of Vision 2030.
- Heighten the sector's performance through increasing integration across different modes at the assets level and improving interfaces with 12 new logistics hubs
- Enhance the sector's health to ensure a sustainable delivery of aspired performance in coordination with all affiliates

3.9.1 Logistics market overview

The logistics market encompasses all activities related to the acquisition, storage, and transportation of goods from origin to destination. The logistics market of a country often includes:

- Its logistics infrastructure, typically: ports, airports, railway and road networks, warehouses, dry ports, logistic parks; and
- Its service providers, typically: infrastructure operators, customs agents and brokers, freight forwarders, 3rd party logistics providers, trucking companies, airlines, and shipping lines.

Logistics players tend to expand their service portfolio along the logistics value chain to be able to provide their customers with end-to-end logistics solutions, either by building in-house capabilities or by establishing partnerships with peer entities.

The main players in the logistic market in KSA include (list no-inclusive) Tamer logistics, Kerry logistics, Agility Logistics, Almajdouie Logistics, Al Futtaim Logistics, DHL, UPS, FedEx or Aramex. These logistics companies offer diverse logistical solutions, such as shipping, transportation, courier, customs brokerage, and freight forwarding services. However, the sector is still fairly regulated, and several entry barriers limit the penetration of global players, like custom brokers, shipping agents, airline sales agents, among others.

At present, the Company is a licensed provider of cargo handling services, freight forwarding services & customs clearance services, and has built the capabilities to provide road transportation, warehouse management and other value-added logistic services, such as on-site activities & packaging.

Regarding the modes of transport, the maritime cargo represents c. 90% of the national trade in volume and c. 65% in value (2021G) according to GATSAT and Zatca. The Saudi Arabian ports handled 10 million TEUs in 2021G, mainly concentrated in four ports: Jeddah Islamic Port, King Abdullah Port, King Abdulaziz port Dammam and Jubail Port. Maritime cargo has been growing at 4.8% CAGR from 2012G to 2021G, with KAP and Jeddah driving the sector's growth.

Air cargo represents around 1% of the national trade in volume and c. 21% in value. The Company's records reported 829,135 tons of cargo handled in 2019G and 606,782 tons in 2020G, concentrated (83% in 2019G and 88% in 2020G) in the two hubs of Saudia Airlines: RUH and JED. Trade managed by land accounted for 41.294 Bn SAR in 2021G. Saudi Arabia has an extensive, well-structured road network that connects most of the densely populated areas, industrial cities, and logistics areas, complemented by two freight railway lines.

Saudi Arabia has announced several transport infrastructure developments aimed at increasing the logistics capacity of Saudi Arabia in the coming years, including inter alia: The Saudi Landbridge, the GCC Railways, the KAP expansion, the Airports Master Plans, several new industrial parks, and special economic zones.

3.9.2 Target market segments for the Company

Reference to the Company's Corporate Strategy, four verticals are defined as high priority to expand its value proposition within the logistics solutions:

- Health care sector
- Events & Entertainment
- Automotive & Aerospace
- Governmental

3.9.3 Current market and projections for Health care

In 2021G, Saudi Arabia's pharma trade and national pharma production both combined accounted for 162,400 tons in volumes and SAR 45 Bn in value. Medicines and medical consumables represented around 76% of the local Pharma market in volumes, followed by medical supplies and disposable health care materials (15%), and in vitro diagnostic products (9%). Governmental pharma distributors accounted for 22% of the pharma market in 2021G, which left the non-governmental part of the market with a volume of 126k tons. More than half of the total pharma market was transported as maritime cargo (61%), while land and air cargo accounted for 20% and 19%, respectively.

Table (3.5): Saudi Arabia's Pharma market (2012-2021) [1,2,3,4,5]

		2012G	2013G	2014G	2015G	2016G	2017G	2018G	2019G	2020G	2021G	CAGR 12-21
Pharma market (in k tons)	Medicines & consumables	100.0	108.9	124.6	123.1	93.5	122.2	110.2	110.0	113.0	123.8	2.4%
	Medical supplies	22.4	24.4	34.0	27.5	23.6	26.5	25.7	26.8	25.1	24.2	0.9%
	IVDs	9.7	12.0	15.1	11.2	11.2	13.1	16.9	10.7	9.9	14.4	4.5%
	Total	**132.1**	**145.3**	**173.7**	**161.8**	**128.3**	**161.8**	**152.8**	**147.5**	**148.0**	**162.4**	**2.3%**
Pharma market (in Bn SAR)	Medicines & consumables	22.0	25.8	26.8	28.9	26.4	27.2	27.7	28.2	29.5	34.9	5.3%
	Medical supplies	4.8	5.5	6.5	6.4	4.3	5.2	5.6	6.7	6.0	6.3	3.1%
	IVDs	1.9	2.5	2.8	2.6	2.2	2.4	2.5	2.7	2.8	3.8	8.0%
	Total	**28.7**	**33.8**	**36.1**	**37.9**	**32.9**	**34.8**	**35.8**	**37.6**	**38.3**	**45.0**	**5.1%**

Source: [1] UN Comtrade; [2] Saudi Customs, [3] GASTAT, [4] OEC, [5] ALG market study for the Company

The overall Pharma market is projected to grow at 5% CAGR in volume, and at 8% CAGR in value, between 2019G and 2030E. National pharma production is expected to expand, in line with the National Transformation Program's objective of covering 40% of the pharma consumption with local production by 2030E. The growth of the pharma consumption is expected to come as result of Saudi Arabia's tendency to close the existing consumption gap of pharmaceutical products per capita, the improvement of the national healthcare systems, the growing role of public procurement agencies and the Vision 2030's objective to improve livability.

Current market and projections for Events & Entertainment

In 2019G, entertainment, cultural and business events moved around 23,370 tons of cargo. Cultural and entertainment events, which include music concerts, art galleries, national day celebrations, and other leisure events account for the largest portion of Saudi Arabia's events market (34%). Sports events, such as golf tournaments, football games, car races, and similar kinds of competitions, contribute to around 28% of the market. Business events, including trade shows, conferences and other business-related events, account for approximately 27% of the market. Finally, political, financial, and industrial events that are part of the national agenda account for rest of the market. COVID-19 had a considerable impact on the market, decreasing the generated cargo volumes by around 60% from 2019G to 2021G (23.3k to 9.4k tons). Air transport moved most of the events market freight (69%) in 2021G, followed by land (30%) and maritime reaching c.1%.

Two subcategories within the events market can be separated and included in the governmental sector: national (governmental) events and business (semi-governmental) events. These two groups accounted in 2021G around 14% (1.3k tons) of the market, while the non-governmental part added the remaining 8.1k tons.

The events market is projected to increase at a 21% CAGR from pre-pandemic levels in 2019G until 2030E, driven mainly by its immaturity, hence its large potential to grow. Saudi Arabia is aiming to cement its global position by organizing several renowned international events, promoting culture, and improving quality of life for its residents. The country's Vision 2030 gives a specific mention to the culture, entertainment, and sports opportunities in KSA, with public entities created or strengthened to enhance the sector.

Current market and projections for Automotive & Aerospace

The high-value parts market is a niche market segment in Saudi Arabia that is small in terms of volume but high in terms of value. The two areas that are identified as market gaps within this market are the parts related to high value car parts and aircraft parts (both civil and military aircraft parts). It is estimated that the total volume of parts carried in 2021 is approximately 6k tons of cargo; 4.9k tons of aircraft parts (of which 1.9k tons were military aircraft parts) and 1.1k tons in high value car parts. Most of the high-value parts freight market is transported by air (76%), followed by sea (22%) and land (c.2%).

The high-value aircraft parts market is expected to grow by 9% CAGR from 2022E till 2030E; this is driven mainly by the exponential amount of civil aircraft orders expected by Saudi carriers in line with Vision 2030. This market is expected to grow from 4.9k tons in 2022 to 9.7k tons in 2030E. High-value car parts is expected to grow by 3.3% CAGR, from 1.1k tons in 2022E to 1.4k tons in 2030E. The lower growth rate is due to the relatively maturity of the automobile market within KSA.

Current market and projections for governmental sector

Governmental sector is integrated by freight cargoes from the last three verticals, accounting for a total of 39.2k tons in 2021G, divided between governmental pharma distributors (36k tons), national and business semi-governmental events (1.3k tons) and military aircraft parts (1.9k tons).

Estimated shares of governmental cargos per transport modes showed a split between maritime, air and land cargo of 57%, 23% and 20%, respectively.

3.10 Fulfilment and last-mile delivery market

The Company aims to develop fulfilment and last-mile delivery services to cover the entire value chain and to respond to e-retailer client requirements in Saudi Arabia. The target is to operate through an asset-light model by insourcing fulfilment centres and outsourcing last-mile delivery capabilities, thereby exploiting the synergies created from developing fulfilment and transportation/logistics businesses concurrently. The company aims to outsource these capabilities in the short-term from international players with a local presence, aiming to insource the same in the long-term after reaching sufficient scale of volumes.

This section presents a brief overview of the Saudi Arabian e-commerce market and the expected evolution of the market segments targeted by the Company.

3.10.1 Fulfilment market overview

The e-commerce market in Saudi Arabia, with a valuation of 31,988 million SAR in 2021, is marked by robust competition among prominent players. Aramex, DHL, FedEx, UPS, and SFC emerge as the main active competitors in this dynamic market, contributing significantly to its growth and development. These companies provide end-to-end fulfillment services, including inventory management, order processing, picking and packing, shipping, and returns management. They also offer value-added services such as custom packaging, kitting and assembly, and same-day or next-day delivery.

In 2020, e-commerce benefited strongly from the impact of COVID-19 lockdown measures. Restrictions and curfews forced most retailers looking to cushion losses to switch channels from in-store to e-commerce. Retailers that did not have an e-commerce platform in place quickly adjusted their websites for e-commerce orders and delivered via food delivery apps that adjusted to "deliver anything." This allowed e-commerce to see a massive increase in value sales and a spike in constant value growth.

According to Saudi Arabia's Vision 2030 plans, the government aims to increase the contribution of modern trade and e-commerce to 80% of the retail sector by 2030. As a country where around 60% of the population is under 30 years old, and mobile internet penetration exceeds 84%[7] across all age brackets, the emerging e-commerce channel still offers massive potential for growth. Consequently, e-commerce is set to see continued strong growth in Saudi Arabia over the forecast period, underpinned by increasing digitalization and growing internet usage. The value of e-businesses increased to more than 36 billion SAR in 2021, approximately a 23% increase compared to 2020 figures.

However, certain factors represent obstacles to the further development of e-commerce in Saudi Arabia, such as poor Arabic e-commerce content, rigid cross-border commerce regulations, and lack of special economic zones and bonded zones. Streamlining deliveries within Saudi Arabia is challenging due to the lack of efficient courier delivery services, as existing courier companies constantly experience delayed deliveries, with higher shipping costs compared to their counterparts in the UAE. Moreover, there are not many fulfilment centers that are capable of operating at a high level in Saudi Arabia, customs duty is frequently imposed at the Saudi Arabian border for shipments coming from other GCC states, and inspection can take up to 24 hours, thus delaying delivery.

The top e-commerce players in the Kingdom are following a mixed approach to develop in-house and partner with third-party logistics to satisfy their growing needs. While Amazon operates in the country with 5 warehouses and 11 delivery stations, Noon does it with 3 warehouses and 7 delivery stations. Market consolidation is set to drive high levels of capital investment in assets, facilities and automation, to decrease dependency on external partners, as current productivity levels do not justify outsourcing to "specialized" local third-party logistics.

3.10.2 Current market and projections for E-commerce

E-commerce penetration in the Saudi Arabian retail market has drastically increased in recent years, recording a 31% CAGR for the period 2012-2021. In 2021G, the Saudi Arabian e-commerce retail market was estimated to reach its historical peak at around SAR 36.3 billion, corresponding to around 9.3% of the overall national retail market.

The e-commerce retail market is highly fragmented, yet dominated by four product categories:

- Electronics, accounting for 25% of the e-commerce market in 2021G and growing at 46% CAGR between 2012G-2021G
- Apparel and footwear, accounting for 16% of the market in 2021G and growing at 39% CAGR between 2012G-2021G
- Accessories, including eyewear, jewelry, watches, markers, etc. accounting for 6% of the market in 2021G and growing at 24% CAGR between 2012G-2021G
- Appliances, accounting for 7% of the market in 2021G and growing at 33% CAGR between 2012G-2021G

7 Statista

Table (3.6): Saudi Arabia's retail and e-commerce markets (2012-2021) [1,2]

<table>
<tr><th colspan="2"></th><th>2012G</th><th>2013G</th><th>2014G</th><th>2015G</th><th>2016G</th><th>2017G</th><th>2018G</th><th>2019G</th><th>2020G</th><th>2021G</th><th>CAGR 12-21</th></tr>
<tr><td colspan="2">Total National retail market</td><td>225.6</td><td>246.0</td><td>271.4</td><td>300.8</td><td>334.2</td><td>369.4</td><td>390.4</td><td>391.2</td><td>379.1</td><td>391.5</td><td>6%</td></tr>
<tr><td rowspan="4">National E-commerce market (in Bn SAR)</td><td>Consumer Electronics E-Commerce</td><td>0.3</td><td>0.7</td><td>1.0</td><td>1.9</td><td>2.0</td><td>2.8</td><td>4.2</td><td>4.5</td><td>7.3</td><td>8.9</td><td>46%</td></tr>
<tr><td>Apparel and Footwear E-Commerce</td><td>0.3</td><td>0.5</td><td>0.8</td><td>1.1</td><td>1.4</td><td>1.6</td><td>2.4</td><td>2.9</td><td>4.8</td><td>5.8</td><td>39%</td></tr>
<tr><td>Personal Accessories & Eyewear E-Commerce</td><td>0.3</td><td>0.4</td><td>0.5</td><td>0.6</td><td>0.9</td><td>1.1</td><td>1.3</td><td>1.3</td><td>1.7</td><td>2.1</td><td>24%</td></tr>
<tr><td>Consumer Appliances E-Commerce</td><td>0.2</td><td>0.3</td><td>0.3</td><td>0.3</td><td>1.0</td><td>1.1</td><td>1.2</td><td>1.2</td><td>2.0</td><td>2.6</td><td>33%</td></tr>
<tr><td colspan="2">Others</td><td>2.0</td><td>2.1</td><td>2.3</td><td>2.6</td><td>4.1</td><td>4.9</td><td>5.7</td><td>8.6</td><td>13.8</td><td>16.9</td><td>27%</td></tr>
<tr><td colspan="2">Total</td><td>3.1</td><td>4.0</td><td>4.9</td><td>6.5</td><td>9.4</td><td>11.5</td><td>14.8</td><td>18.5</td><td>29.6</td><td>36.3</td><td>31%</td></tr>
</table>

Source: [1] Euromonitor International, [2] ALG market study for the Company

The Saudi Arabian e-commerce retail market is forecasted to continue its upwards trend at 16% CAGR between 2020G and 2030E. This growth is expected to be the compounded result of two market forces:

- The organic evolution of the underlying retail market, fueled by population growth, new customer base and higher disposable income per capita.
- The e-commerce penetration rate, expected to evolve from 9.3% in 2021G to 18.7% in 2025E and 26% in 2030E, closing the adoption gap between Saudi Arabia and other developed economies. The rate in developed economies[8] with high e-commerce penetration ranges typically between 15% and 35%.

3.11 Passenger and ramp handling services

Complementing its cargo handling and logistics offering, the Company intends to enter into the passenger ground and ramp handling services. Reference to its Corporate Strategy, the Company believe to be best positioned to meet a market gap in terms of baggage handling services in the Saudi Arabian airports, which can be found especially in the two local Low-Cost Carriers (LCC) (Flynas and Flyadeal) – given that the main local airline (Saudia) relies highly on SGS as their ground handling operator – and the rest of foreign LCCs serving in the international Saudi Arabian passenger's market. In addition, LCCs demand some extra services such as buses from remote stands to terminal which are in the end another chargeable service to provide.

The market for passenger ground handling services in the Kingdom is predominantly controlled by SGS, which has maintained a market share of 95% in last years. Swissport is the sole competitor in the Kingdom, operating in Riyadh, Jeddah, Dammam, Medina, and Buraidah. Swissport has established a reduced client portfolio in Saudi Arabia, including Gulf Air, Pakistan Airlines, Jazeera, Salam Air, and Sri Lankan Air, among others.

The forecasted business of the Company in passenger handling business is directly driven by the number of passengers utilizing Saudi Arabia's airports. This section presents a brief overview of the Saudi Arabian air passenger market and presents a forecast for the market until 2030.

8 Economies considered include China, France, Sweden, United States, United Kingdom, South Korea, and others

Saudi Arabia historic passengers' traffic

According to the Saudi Arabian General Authority for Civil Aviation (GACA), over 103.7 million passengers passed through the Saudi airports in 2019G. Domestic travelers represented around 52.6% of the market, while international passengers and general aviation travelers represented 46.3% and 1.2%, respectively.

Regarding the share of LCCs per type of traffic, Flynas and Flyadeal served more than 30% of the domestic traffic in 2019G, while more than 6% of the international. In addition, the foreign LCCs served more than 10% of the international traffic.

Ground handling services market refers to a wide range of activities required to prepare an aircraft after its arrival and prior to its departure for its subsequent operation. Ground handling services can be clustered into two main functions:

- Passenger-related functions, comprising the functions occurring in the passengers' terminal: check-in, baggage services, special needs handling, boarding and disembarkation, etc.
- Aircraft-related services, including the functions occurring in the ramp or apron: marshalling, push-back, towing, potable water provision, waste removal, refueling, baggage and catering loading, etc.

Table (3.7): KSA passengers' market historical evolution (Million passenger, 2010-2019)[1]

	2010G	2011G	2012G	2013G	2014G	2015G	2016G	2017G	2018G	2019G
Total	47.9	54.4	64.8	68.1	74.8	81.9	85.3	92.1	100.0	103.7
Domestic[a]	22.6	24.8	29.2	30.6	34.0	39.4	39.6	45.3	51.0	54.5
Int'l	24.7	29.0	34.9	36.8	39.9	41.5	44.7	45.8	48.0	48.0
GA	0.6	0.6	0.7	0.7	0.9	1.0	1.0	1.0	1.0	1.2

Source: [1] GACA Annual Reports

Note: [a] Includes the sum of all airports' traffic, i.e., double counted at country level; [b] 2020 and 2021 estimates are available and are considered for forecasting; however, not included here to avoid data skewing due to COVID-19 impact

Saudia is the main local carrier, while Flynas and Flyadeal, both considered LCCs, are the two next main local carriers present in the Saudi Arabian air passenger market. In 2022G, the three local airlines offered the 99.5% of the domestic seats, with 57.0%, 20.6% and 21.9%, respectively. On the international scene, they achieved around 32.6%, 8.3% and 2.0% of the total offer, respectively.

Several foreign airlines currently serve Saudi Arabia's passenger market. In 2022G, the top 5 foreign airlines in terms of seat offering included Emirates Airlines (4.4%), Egypt Air (4.1%), Qatar Airways (3.4%), Flydubai (3.3%), and Pakistan International Airlines (3.2%).

In terms of offered seats share in Saudi Arabia during the last years, the low-cost airlines share of the market has grown at a 9.2% CAGR, from 14% in 2013 to 31% in 2022G.

This LCCs growth has been more notable on the domestic sector, in which the seats share has evolved from 11% in 2013 (all achieved by Flynas by then) to 43% in 2022 (achieved by both Flynas and Flyadeal after the appearance of the latter in 2017), at a CAGR of 15.7%. Whereas on the international offer, LCCs seat shares evolved from 15% in 2013 (5% local LCCs and 10% foreign LCCs) to 25% in 2022 (10% local LCCs and 15% foreign LCCs), at a CAGR of 7.6%.

Table (3.8): Seats Shares Historical Evolution per Traffic Type (2013-2022)

	2013G	2014G	2015G	2016G	2017G	2018G	2019G	2020G	2021G	2022G
Total (Mn Seats)	**63.8**	**72.9**	**80.2**	**92.4**	**98.2**	**99.3**	**99.4**	**46.7**	**54.0**	**90.4**
Local LCCs	7%	9%	9%	10%	10%	13%	15%	20%	23%	22%
Foreign LCCs	7%	6%	6%	6%	6%	7%	7%	9%	3%	9%
Mainlines	86%	85%	85%	84%	84%	80%	78%	71%	74%	69%
Domestic (Mn Seats)	**20.4**	**22.5**	**23.4**	**26.6**	**32.3**	**34.6**	**36.0**	**21.6**	**28.9**	**31.9**
Local LCCs	11%	16%	20%	23%	22%	27%	32%	37%	35%	43%
Foreign LCCs	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Mainlines	89%	84%	80%	77%	78%	73%	68%	63%	65%	57%
Int'l (Mn Seats)	**43.4**	**50.4**	**56.8**	**65.8**	**65.9**	**64.7**	**63.4**	**25.1**	**25.1**	**58.5**
Local LCCs	5%	6%	5%	5%	5%	6%	6%	6%	9%	10%
Foreign LCCs	10%	8%	9%	9%	10%	10%	11%	17%	7%	15%
Mainlines	85%	86%	86%	86%	85%	84%	83%	77%	84%	75%

Source: [1] OAG Analyser

Saudi Arabia passengers' traffic forecast

Saudi Arabia's organic passenger traffic growth (excluding general aviation) is set at a 4.0% CAGR between 2019G and 2030G, reaching 158 million passengers by 2030, and driven by the positive macroeconomic outlook of Saudi Arabia and the foreseen post-Covid recovery profile. Covid-19 effects can be observed on the traffic data available for 2020 and 2021, with passenger traffic amounting to 38 million and 49 million passengers, respectively. It should be highlighted that the forecasted traffic growth of the for Saudi LCC between 2019 and 2030 is set at 8.2% CAGR.

Additionally, plans laid for the development of Saudi Arabia as a global touristic destination, both for leisure and business visitors, coupled with the ambitions to position Saudi Arabia as a global hub for passenger transits, which could further boost the organic market growth. In this regard, GACA envisions that Saudi Arabia could welcome 330 million passengers by 2030.

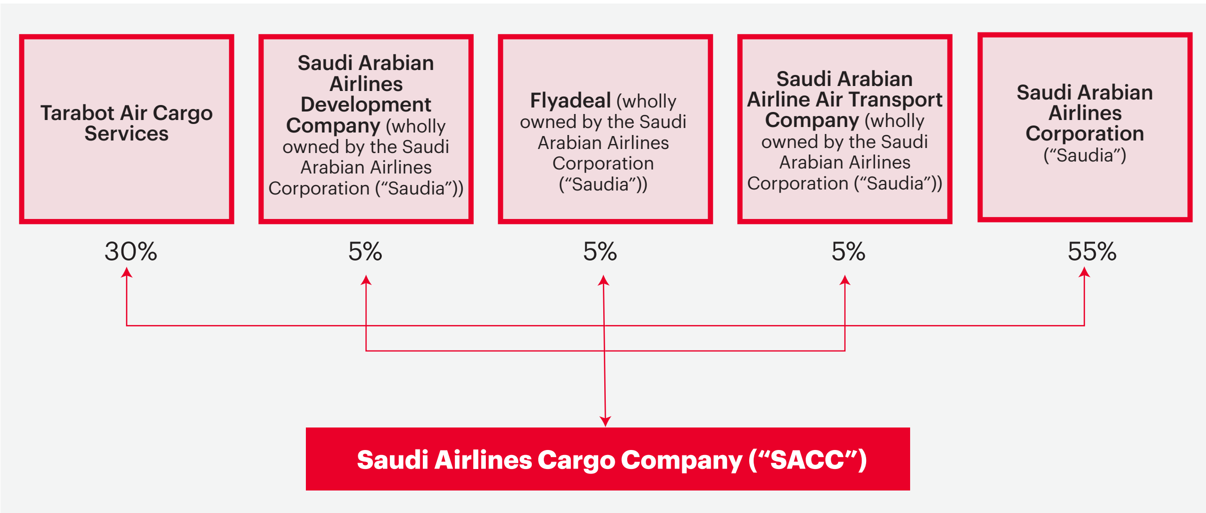

SAL.

4. The Company

4.1 Overview of the Company and its Business Activities

SAL Saudi Logistics Services Company (the "**Company**") is a closed joint-stock company with Commercial Registration No. 4030367493 dated 17/02/1441H (corresponding to 16/10/2019G), established pursuant to Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 30/03/2021G). Prior to its conversion to a closed joint stock company, the legal name of the Company was SAL Cargo Company Limited. The Company's registered Head Office as per its commercial registration certificate is located at Prince Sultan Road, AlSalama District, Jeddah, KSA. The Company's P.O. Box is 2661.

The operations of the Company were initially provided by Saudi Arabian Airlines Public Corporation ("**Saudi Airlines Corporation**") since the date of its establishment and have existed for over 70 years. Saudi Airlines Corporation established a number of subsidiaries by privatising a number of its strategic business units, including the air cargo and ground handling division, in accordance with Supreme Economic Council Resolution No. 27/1 dated 14/02/1427H (corresponding to 14/03/2006G). The privatisation process was completed in 2008G with the establishment of the Saudi Airlines Cargo Company ("**Saudia Cargo**" or "**SACC**") pursuant to Royal Decree No. M/70 dated 15/08/1428H (corresponding to 28/08/2007G). 30% of Saudia Cargo's shares were sold to Tarabot Air Cargo Services Limited ("Tarabot"). The ownership of SACC is as follows:



The shareholders of Saudia Cargo established a separate entity – the Company – on 17/02/1441H (corresponding to 16/10/2019G) and all business, assets and employees were transferred to the Company to undertake the work of ground handling of shipments so that it would be an independent company from Saudia Cargo as of 05/05/1441H (corresponding to 01/01/2020G), as a necessary preparatory step for the Company to offer its shares in an initial public offering.

As at the date of this Prospectus, the Company's main activities, as provided under its commercial registration, include general warehousing of a variety of goods, ground transportation of goods, ground management and supervision services in airports, ground service providers, loading and unloading of air cargo aircraft, approved air cargo agencies, air cargo handling of goods and mail, and logistics services. The Company's Bylaws also stipulate that the Company undertakes and carries out the following objectives: transportation and warehousing, other transport support activities, customs clearance activities, warehousing, other cargo handling operation activities, cargo handling, loading and unloading, loading and unloading of passenger luggage, marine cargo providers (marine cargo brokers), cargo brokers, other transport support activities, shipping and transportation agency activities, air cargo agency activities, aircraft brokerage services, loading and unloading of cargo boxes, land transportation of goods, operation of warehousing facilities for all types of cargo, ground management and supervision services at airports, general warehousing of a variety of goods, warehousing in ports and customs or free zones, warehousing of chilled and frozen goods (cold stores), chilled food warehouses, fuel and chemical warehouses, manufacturing industries, construction, wholesale and retail trade, repair of motor vehicles and motorcycles, accommodation and food service activities, information and communication, real estate activities, administrative services activities and support services.

As at the date of this Prospectus, the Company's share capital is eight hundred million Saudi Riyals (SAR 800,000,000), divided into eighty million (80,000,000) ordinary shares with a fully paid-up nominal value of SAR 10 per Share, all of which are ordinary cash shares.

The Company has two shareholders, Saudi Airlines Corporation, which holds 70% of the shares in the Company, and Tarabot, which holds 30% of the shares in the Company. The business and activities of the Company are primarily regulated and supervised by GACA.

As at the date of this Prospectus, the Company has its headquarters in Jeddah (under Commercial Registration No. 4030367493), with 18 branches located in different cities, including the Riyadh branch (under Commercial Registration No. 1010607713), Dammam branch (under Commercial Registration No. 2050130835) and Medina branch (under Commercial Registration No. 4650215858). The Company has no subsidiaries.

The Company undertakes airside cargo handling services, landside cargo handling services and other support services for airlines, which include aircraft ramp handling, cargo handling, terminal handling, customs inspections management, facility storage services, cold chain, escorting, road feeders, and screening services. Additionally, the Company provides logistics solutions services, which includes end-to-end solutions, special projects and customs clearance and warehousing. In the future, the Company intends to provide passenger handling services represented in loading and unloading of passenger luggage.

As at the date of this Prospectus, the Company has a presence at a total of 18 international and domestic airports. The Company is operating directly at four international airports in Riyadh (KKIA), Jeddah (KAIA), Dammam (KFIA) and Medina (PMIA) ("**Key Locations**"). Additionally, the Company is offering services at another 9 international airports and 5 domestic airports ("**Other International and Domestic Airports**"), as shown below:

Exhibit (4.1): Key Locations and Other International and Domestic Airports

Source: The Company

As at the date of this Prospectus, the Company operates cargo terminals at all Key Locations with an aggregate warehousing area of 139,402 square meters (m2) at Key Locations as follows: the Company's warehousing at its Riyadh terminals is 70,000 m2, the Company's warehousing at its Jeddah terminals is 33,500 m2, the Company's warehousing at its Medina terminals is 1,902 m2 and the Company's warehousing at its Dammam terminals is 34,000 m2. By 2027G, the Company plans to expand the warehousing area at its terminals in Jeddah to approximately 63,000 m2 in total. The Company does not intend to increase the warehousing area at any of its terminals at other key airports (for further details, please refer to Section 4.4 ("**Competitive Strengths and Strategy of the Company**") of this Prospectus). All such cargo terminals have the capacity to handle multiple types of cargo under varying conditions in the Company's climate- and temperature-controlled facilities. Additionally, the Company launched comprehensive end-to-end logistics solutions services in October 2021G.

In the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, the Company handled 606,782 tonnes, 652,299 tonnes and 721,722 tonnes of cargo across KSA, respectively. Out of these volumes, 99.3%, 99.7% and 99.8% were handled at the Key Locations in the above-mentioned financial years, respectively. The remaining volumes were handled through subcontractors at Other International and Domestic Airports. The Company's annual revenues in these financial years were SAR 846,885 thousand, SAR 962,170 thousand and SAR 1,222,650 thousand, respectively, which represents an 20.2% revenue Compound Annual Growth Rate (CAGR) for the period between the financial year ended 31 December 2020G and the financial year ended 31 December 2022G. Cargo handling represented 87% and logistics services represented 13% of the Company's revenue for the financial year ended 31 December 2022G.

The Company deploys state-of-the-art capabilities in air cargo ground handling, which has allowed it to become the industry leader in the Kingdom in this sector. In the financial year ended 31 December 2022G, the Company handled cargo for 380 flights per day. It achieved an EBITDA of SAR 545,418,000 and an EBITDA margin of 45% in the financial year ended 31 December 2022G. Cargo handling and other services accounted for 99%, while logistics solutions accounted for 1% of the Company's EBITDA in the same financial year. In terms of cargo type, import, transit, and export cargo handling services represented 77%, 16% and 6% of the Company's revenue for the financial year ended 31 December 2022G, respectively. In terms of product types, general products accounted for 57%, while perishable, healthcare, dangerous, courier, and other products accounted for 14%, 10%, 8%, 7%, and 4% of the Company's total revenue in the same financial year, respectively.

The Company maintains ground handling service agreements with several airlines. These agreements have been prepared in accordance with the template set out in Annex B of the Standard Ground Handling Agreement adopted by the International Air Transport Association (IATA) (the "**Standard Ground Handling Agreement**"). As at 31 December 2022G, the Company has agreements with more than 160 customers (including airlines, brokers, freight forwarders and logistics customers), of which there are 58 cargo airlines with whom the Company has entered into Standard Ground Handling Agreements ("**Airline Customers**"). For further information, please refer to Section 12.5 ("**Summary of Material Agreements**") for summaries of the material agreements. In the financial year ended 31 December 2022G, cargo handling accounted for 86.8% of the Company's total revenue.

Additionally, the Company launched a comprehensive logistics solutions service in October 2021G, which has demonstrated meaningful growth and contributed to 13.1% of total revenue for the financial year ended 31 December 2022G. Other services accounted for the remaining 0.8% of the Company's total revenue. In the financial years ended 31 December 2020G, 31 December 2021G, and 31 December 2022G, there was a trend of consistent revenue diversification, with logistics solutions revenue increasing yearly. This revenue diversification trend is expected to continue, driven by two factors: (i) an expanding client base for current activities; and (ii) the introduction of new revenue lines by the Company, represented in the Company entering the warehousing and distribution sectors, in addition to providing ground services for passengers.

As at 31 December 2022G, the logistics solutions network has a global presence through its partnerships with service providers, with major locations in Europe (90 locations including locations in Germany, Italy, the UK, the Netherlands, France, Spain, Sweden and Belgium), Asia (100 locations in Asia Pacific, including in China, India, the Philippines, Malaysia, South Korea, Pakistan and Japan), and the rest of the world (50 locations in the Middle East and Africa, including in South Africa; and 56 locations in the Americas, including in the USA and Brazil). The Company's logistics solutions include: (i) end-to-end solutions, such as air freight, sea freight and land freight, (ii) special projects logistics, such as for motorsports, events (including Formula 1 racing events) and exhibitions, as well as tailor-made solutions, and (iii) customs clearance and warehousing. In the financial year ended 31 December 2022G, the Company had entered into agreements with more than 40 service providers and had more than 30 active customers. As such, the Company performed more than 7,000 services, which translated into SAR 160 million revenue for the same financial year.

As of 31 December 2022G, government customers represented 45% of the Company's logistics services revenue, while entertainment and events customers represented 35%, automotive and aerospace customers represented 14%, healthcare customers represented 5%, and other customers represented 1% of the Company's logistics solutions services revenue. In terms of type of service, air freight services accounted for 85%, and sea freight, other, and land freight services accounted for 6%, 5%, and 3% of the Company's logistics solutions services revenue in the same financial year, respectively.

The Company also serves airlines to airlines operating ad-hoc flights. The Company's customers include cargo airlines that transport cargo to and from the Kingdom. The Company also currently maintains an agreement with Saudia Cargo, its top customer, which was concluded on 1 January 2020G (amended on 1 June 2021G to extend its term until 31 May 2028G and such that it is automatically renewable for an additional term of seven (7) years). Please refer to Section 12.5.1 ("**Customer Agreements with Airlines**") of this Prospectus for further details.

In the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, the Company's largest customer on average was SACC, who accounted in aggregate for approximately 20%, 26% and 22% of the Company's total revenue and approximately 44%, 56% and 55% of the Company's airline revenue in the above-mentioned financial years, respectively. The Company's ten largest customers in aggregate accounted for 40%, 44% and 35% of the Company's total revenue and 89%, 93% and 90% of the Company's airline revenue for the same financial years, respectively.

Table (4.1): Percentage of total revenue directly generated by airlines

Airlines	Total revenue			Airline revenue		
	FY20G	FY21G	FY22G	FY20G	FY21G	FY22G
Saudia Cargo	20%	26%	22%	44%	56%	55%
Total top 10 customers	40%	44%	35%	89%	93%	90%

Source: The Company

The Company's key customers for the financial years ended 31 December 2020G, 2021G and 2022G are as follows:

Table (4.2): The Company's key customers for the financial years ended 31 December 2020G, 2021G and 2022G

Customer	Description	Sales volume (SAR)	Transaction type	Independence status of the counterparty
Financial year ended 31 December 2020G				
Customer 1	Air cargo handling services	172,720,381	Contractual	Non-independent
Customer 3	Air cargo handling services	59,978,753	Contractual	Independent
Customer 4	Air cargo handling services	20,781,430	Contractual	Independent
Customer 5	Air cargo handling services	20,570,908	Contractual	Independent
Customer 6	Air cargo handling services	18,294,173	Contractual	Independent
Customer 7	Air cargo handling services	16,667,936	Contractual	Independent
Customer 10	Air cargo handling services	12,277,740	Contractual	Independent
Customer 13	Air cargo handling services	8,346,718	Contractual	Independent
Customer 9	Air cargo handling services	7,953,435	Contractual	Independent
Customer 14	Ramp handling services	3,083,038	Contractual	Independent
Total top 10 customers	-	340,684,515	-	-
Financial year ended 31 December 2021G				
Customer 1	Air cargo handling services	253,322,051	Contractual	Non-independent
Customer 3	Air cargo handling services	43,231,483	Contractual	Independent
Customer 4	Air cargo handling services	29,048,897	Contractual	Independent
Customer 2	Air cargo handling services	25,224,839	Contractual	Independent
Customer 6	Air cargo handling services	18,184,396	Contractual	Independent
Customer 5	Air cargo handling services	16,799,474	Contractual	Independent
Customer 7	Air cargo handling services	13,190,864	Contractual	Independent
Customer 9	Air cargo handling services	7,341,687	Contractual	Independent
Customer 11	Air cargo handling services	7,147,692	Contractual	Independent

Customer	Description	Sales volume (SAR)	Transaction type	Independence status of the counterparty
Customer 12	Air cargo handling services	5,149,383	Contractual	Independent
Total top 10 customers	-	418,640,765	-	-
Financial year ended 31 December 2022G				
Customer 1	Air cargo handling services	264,003,659	Contractual	Non-independent
Customer 2	Air cargo handling services	30,984,557	Contractual	Independent
Customer 3	Air cargo handling services	26,759,119	Contractual	Independent
Customer 4	Air cargo handling services	24,913,483	Contractual	Independent
Customer 5	Air cargo handling services	16,901,589	Contractual	Independent
Customer 6	Air cargo handling services	15,465,198	Contractual	Independent
Customer 7	Air cargo handling services	15,226,186	Contractual	Independent
Customer 8	Ramp handling services	14,231,784	Contractual	Independent
Customer 9	Air cargo handling services	11,042,859	Contractual	Independent
Customer 10	Air cargo handling services	8,826,244	Contractual	Independent
Total top 10 customers	-	428,354,678	-	-

Source: The Company

The Company recognises that its presence and functions at the Key Locations are of critical importance to the movement of international air cargo into the Kingdom, and aims to remain the air cargo terminal and ground handling operator of choice, given its substantial existing market share (approximately 95% across its airports), strong positioning and capabilities, and long-standing relationships with key stakeholders in the air logistics sector. The Company has been operating in the region for more than 50 years and believes it has an advantage over new entrants, which would need a significant amount of time to develop the same level of relationships.

The Company has committed to investing approximately SAR 1.5 billion to upgrade the level of its operations to help meet significant estimated growth in air cargo over the next ten years and demand for specialist services, and has an approximately SAR 906 million medium-term capital expenditure plan. This capital expenditure plan will be self-funded without the use of IPO proceeds. In Riyadh and Jeddah, for example, the Company is adding new, technology-driven, integrated facilities, which will cut handling times substantially and increase its capacity to handle perishables and complex items, such as healthcare products and vaccines.

The Company is confident in the quality of exposure to the sector that it offers potential investors, particularly given that the Kingdom represents the largest import and export market of the GCC countries, and the third largest cargo transit hub in the GCC after UAE and Qatar.

The Kingdom benefits from several socio-economic advantages that support demand growth in the air cargo transport sector. As a result, the Company believes it is well-positioned to take advantage of the Kingdom's aspiration, encapsulated in the Saudi Vision 2030 Strategy, to become a global logistics hub, efficiently linking trade between Asia, Europe, and Africa. To this end, the Company believes that investment in logistics infrastructure and its relevant processes produces a significant positive impact, creating entrepreneurial opportunities, encouraging trade and investment, and enhancing productivity and competitiveness. The Kingdom's air cargo market is estimated to grow from 790,534 tonnes in 2022G to 2,272,454 tonnes in 2030G, representing a CAGR of 14%, while its e-commerce market is estimated to grow at 16% CAGR between 2020G and 2030G. For more information, please refer to Section 3 ("**Market and Sector Information**") of this Prospectus.

Broader national and economic factors also support the investment case for the sector. For example, the Saudi Vision 2030 aims to increase the number of visitors to the Kingdom to over 300 million by 2030G. The Saudi Government's ambition to develop the sports and leisure industry also promises to increase traffic to the Kingdom. In 2023G, KSA's sporting calendar features Formula 1, the Saudi Cup horse racing, the Diriyah E-Prix and the WWE, while the Kingdom's other significant events include the Riyadh and Jeddah Seasons. This increase in the number of international events is expected to further increase demand for international air cargo imports requiring sophisticated, high quality logistics management expertise, all of which favours the Company, as the unrivalled and highly experienced market leader of the sector in Saudi Arabia.

4.2 Vision and Mission of the Company

4.2.1 Vision

To be the logistics champion for a globally connected nation.

4.2.2 Mission

To seamlessly deliver world-class logistics solutions and create sustainable value for all our stakeholders by continuously developing and leveraging our market leading footprint, talent, successful partnerships and state-of-the-art technologies.

4.2.3 Core Values

Achieving excellence

We take bold decisions that promote the interests of our consumers and maximise the creative potential of our employees while conducting our operations with flexibility and high efficiency, offering the best levels of quality.

Commitment to integrity

In order to achieve quality and added value in logistics services, we uphold the highest standards of professional behaviour, including honesty and commitment and constantly ensure that our actions are in line with our promises.

Customer comes first

In our search for novel solutions that completely satisfy our consumers, we challenge conventional thinking, and work tirelessly and passionately to inspire others.

Promoting creativity and transformation

We promote innovation and adaptation to change, and seek to provide expertise when thinking, analysing and executing in order to obtain measurable, practical results. Additionally, we are open to innovative ideas that may benefit our business.

4.3 The Structure of the Company

4.3.1 Incorporation

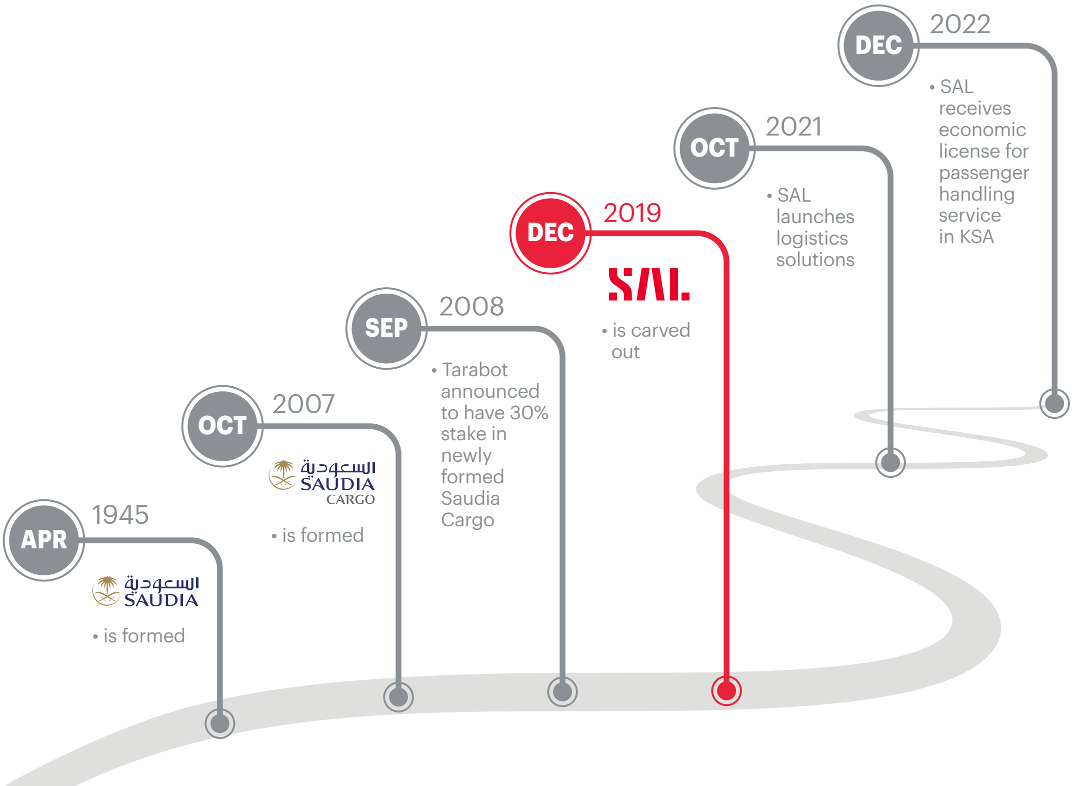
The Company is a closed joint-stock company with Commercial Registration No. 4030367493 dated 17/02/1441H (corresponding to 16/10/2019G), established pursuant to Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 30/03/2021G). Prior to its conversion to a closed joint stock company, the legal name of the Company was SAL Cargo Company Limited. The Company's registered Head Office as per its commercial registration certificate is located at Prince Sultan Road, AlSalama District, Jeddah, KSA. The Company's P.O. Box is 2661.

The Company does not own any subsidiaries as at the date of this Prospectus.

4.3.2 History and Evolution

The operations of the Company were initially provided by Saudi Airlines Corporation since the date of its establishment and have existed for over 70 years. The Saudi Airlines Corporation established a number of subsidiaries by privatising a number of its strategic business units, including the air cargo and ground handling division, in accordance with Supreme Economic Council Resolution No. 27/1 dated 14/02/1427H (corresponding to 14/03/2006G). The privatisation process was completed in 2008G with the establishment of Saudia Cargo, pursuant to Royal Decree No. M/70 dated 15/08/1428H (corresponding to 28/08/2007G). 30% of Saudia Cargo's shares were sold to Tarabot. As a necessary preparatory step for the Company to offer its shares in an initial public offering, the shareholders of Saudia Cargo established a separate entity and transferred all business, assets and employees to such entity - the Company - to undertake the work of ground handling of shipments so that it would be an independent company from Saudia Cargo as of 05/05/1441H (corresponding to 01/012020G).

Exhibit (4.2): Timeline of the history of the Company:



Saudia Cargo was established as a wholly owned subsidiary of Saudi Airlines Corporation in accordance with: (i) Supreme Economic Council Resolution No. 1/27 dated 14/02/1427H (corresponding to 14/03/2006G), which approved the privatisation programme for Saudi Airlines Corporation; and (ii) Royal Decree No. M/70 issued on 15/08/1428H (corresponding to 28/08/2007G), which allowed Saudi Arabian Airlines to incorporate wholly owned subsidiaries in the Kingdom. On 09/07/1429H (corresponding to 13/07/2008G), Tarabot became a shareholder in Saudia Cargo, as Saudi Airlines Corporation sold 30% of its share to Tarabot.

Since its incorporation, Saudia Cargo has been repeatedly recognised around the world as an industry leader, receiving awards and accolades, including the International Air Cargo Marketer of the year Award by the STAT Trade Time Award for Excellence in Air Cargo in 2020G, the Airline of the Year-Asia Award by Air Cargo News Awards in 2021G, the On-Time Hero Award by TLME Heroes of the Pandemic Awards in 2021G, the Most Innovative Performer award and the most Innovative Company-Transformation award by the Transport Logistics Middle East TLME Innovation Awards in 2022G, the International Cargo Airline of the Year Highly Acclaimed Awards by Air Cargo India in 2022G, and the Best Places to Work award in Saudi Arabia in 2022G.

Saudi Airlines Corporation and Tarabot (the shareholders of Saudia Cargo) incorporated the Company (as a separate entity and its operations were spun out of Saudia Cargo), as a limited liability company established in Jeddah and registered in the Kingdom of Saudi Arabia under commercial registration number 4030367493, dated 17/02/1441H (corresponding to 16/10/2019G). The Company's shares were distributed as follows:

Table (4.3): Shareholders' Shares in the Company at the time of incorporation

	Number of Shares	Share Value (SAR)	Total Value of Shares (SAR)	Ownership Percentage
Saudi Arabian Airlines Corporation	35,000	10	350,000	70%
Tarabot	15,000	10	150,000	30%
Total	**50,000**	**10**	**500,000**	**100%**

Source: The Company

On 19/04/1441H (corresponding to 17/12/2019G), the Company and Saudia Cargo entered into the Agreement for the Transfer of the Ground Handling Business of Saudi Arabian Airlines Cargo Company, and an annex to the Agreement was concluded on 04/06/1442H (corresponding to 18/01/2021G), (together, the "**Cargo Ground Handling Business Asset Transfer Agreement**"). Under the Cargo Ground Handling Business Asset Transfer Agreement, Saudia Cargo transferred its entire air cargo terminal operations and ground handling business to the Company with effect from 05/05/1441H (corresponding to 01/01/2020G) for no consideration. Please refer to Section 12.6.1 ("**Cargo Ground Handling Business Asset Transfer Agreement**") for a summary of this agreement.

On 07/08/1442H (corresponding to 21/03/2021G), the Company was converted from a limited liability company into a closed joint stock company pursuant to Ministerial Resolution No. 275 dated 17/08/1442H (corresponding to 30/03/2021G). At the Conversion Assembly held on 07/08/1442H (corresponding to 21/03/2021G), the shareholders of the Company voted to increase the share capital of the Company from SAR 500,000 (five hundred thousand Saudi Riyals) to SAR 800,000,000 (eight hundred million Saudi Riyals), divided into 80,000,000 (eighty million) ordinary shares of SAR 10 (ten Saudi Riyals), each through capitalisation of: (i) SAR 468,214,000 (four hundred and sixty-eight million. two hundred and fourteen thousand Saudi Riyals) from a capital contribution by the shareholders and; (ii) SAR 331,286,000 (three hundred and thirty-one million, two hundred and eighty-six thousand Saudi Riyals) from the Company's retained earnings. In addition, it was voted to change the Company's name from "SAL Cargo Company Ltd" to "SAL Saudi Logistics Services".

As at the date of this Prospectus, the Company's share capital amounts to SAR 800,000,000 (eight hundred million Saudi Riyals), divided into 80,000,000 (eighty million) ordinary shares of SAR 10 (ten Saudi Riyals) per share.

The Company's shares were distributed as follows:

Table (4.4): Distribution of the Company's Shares as at the date of this Prospectus

	Number of Shares	Total Value of Shares (SAR)	Ownership Percentage
Saudi Airlines Corporation	56,000,000	560,000,000	70%
Tarabot	24,000,000	240,000,000	30%
Total	**80,000,000**	**800,000,000**	**100%**

Source: The Company

The following table provides the Company's shareholding structure pre- and post-Offering.

Table (4.5): Structure of the Company's Shareholders pre- and postOffering

	Pre-Offering			Post-Offering		
	No. of Shares	Par Value (SAR)	Direct Ownership	No. of Shares	Par Value (SAR)	Direct Ownership
Saudi Airlines Corporation	56,000,000	560,000,000	70%	39,200,000	392,000,000	49%
Tarabot	24,000,000	240,000,000	30%	16,800,000	168,000,000	21%
The Public	-	-	-	24,000,000	240,000,000	30%
Total	**80,000,000**	**800,000,000**	**100%**	**80,000,000**	**800,000,000**	**100%**

Source: The Company

4.4 Competitive Strengths and Strategy of the Company

4.4.1 Competitive Strengths

The Company possesses significant competitive advantages within the cargo handling and logistics solutions sectors, along with a footprint that includes operations at the four Key Locations and service offerings at the 14 Other International and Domestic Airports in the Kingdom. This extensive coverage, combined with the expertise and relationships developed over the more than 70 year history of the operations of the Company, provide a steadfast platform for sustainable and profitable growth.

Well-positioned in a highly attractive Saudi cargo and logistics markets with excellent growth potential driven by Vision 2030

The Vision 2030 Strategy recognises that investments in the logistics infrastructure and efficient processes produces a multiplier effect, creating entrepreneurial opportunity, encouraging trade and investment, and enhancing productivity and competitiveness. The strategy aims to transform the Kingdom into a regional logistics hub, efficiently linking trade across Asia, Europe, and Africa, through the National Transportation and Logistics Strategy (NTLS). The Kingdom is rolling out a programme of investment in air, sea and land infrastructure, industrial zones, and in improved connectivity between economic hubs.

The Company's growth strategy is largely aligned with the National Industrial Development and Logistics Program of Vision 2030 and the National Transport and Logistics Strategy (NTLS) to allow the Company to take full advantage of significant opportunities as the Kingdom becomes a major regional logistics hub. The Company's Management believes that by leveraging its unrivalled position in air cargo handling, it will be able to deploy its sector expertise, deep market experience and relationships to capitalise on the expected growth in domestic consumption, and capture increased air cargo volumes, rapid expansion in e-commerce, and demand for third-party logistics services including warehousing and fulfilment centres.

Additionally, the Saudi cargo and logistics markets have a significant growth potential across all key verticals. The total cargo handling market in the Kingdom is expected to grow at a 14.1% CAGR from 0.8 million tonnes in 2022G to 2.3 million tonnes in 2030G. The total logistics solutions market in the Kingdom is expected to grow at a 11% CAGR from 194 thousand tonnes in 2022G to 446 thousand tonnes in 2030G. The total passenger ground services market in the Kingdom is expected to grow at a 11.3% CAGR from 67 million passengers in 2022G to 158 million passengers in 2030G. And the total fulfilment market in the Kingdom is expected to grow at a 13.1% CAGR from SAR 49 billion in 2022G to SAR 131 billion in 2030G.

With Saudi Airlines Corporation as a key stakeholder in strategic developments in aviation driven by the government of the Kingdom, and with Tarabot as a leading developer of transportation projects in the Kingdom, the Company's Management believes that its strong shareholder base will reinforce the positioning of the Company to leverage on the development of the airport and logistic sectors in the Kingdom. As at the date of this Prospectus, Saudi Airlines Corporation, a 70% shareholder of the Company, which will hold 49% of the Company shares immediately after the Offering, is also a key stakeholder in the Government's strategy, and plays a leading role in the development of the aviation sector. In addition, Saudi Airlines Corporation provides a significant advantage by being a customer of the Company (including indirectly through Saudia Cargo), the largest airline operating in and out of the Kingdom, and the only transit and transfer player in the market, for both passengers and cargo. In 2008G, Tarabot acquired their 30% shareholding in the Company's predecessor entity, Saudia Cargo, with a mandate to support enhancing private sector focused efficiencies, and will hold 21% of the Company shares immediately after the Offering. Tarabot and its shareholders have intimate knowledge of the local market and have provided strategic guidance and direct support to the Company in developing its longer-term vision, mission and strategy beyond its core operations. Tarabot has also supported the Company in a number of areas to develop the Company, including the strategic assessment of opportunities and leveraging their strong banking relationships in the financing of the cargo terminal infrastructure.

Leading market position in cargo handling with an excellent global logistics solutions network and high barriers to entry

The Company has a presence throughout the ground handling value chain across all domestic airports in the Kingdom, from unloading, handling and supply chain support to transport and loading. It also currently handles approximately 78,285 tonnes of e-commerce volumes entering the Kingdom by air. Services provided by the Company at its Key Locations and Other International and Domestic Airports include loading and unloading cargo freighters; cool chain and special cargo transport and storage; general cargo storage and warehousing services – including storage in cooled facilities; cargo documentation and delivery.

The Company has an approximately 95% market share across its airports and handled 722 thousand tonnes of cargo in the financial year ended 2022G. 49.60% of the Company's cargo volume was handled at Riyadh airport, 40.04% at Jeddah airport, 9.84% at Dammam airport 0.28% at Medina airport, and 0.25% at other airports. At Jeddah airport, the Company handled more than 157 flights per day and 289 thousand tonnes of volume (including oversized cargo), having a total capacity (excluding oversized cargo) of 352 thousand tonnes and having 33,500 m2 of cargo terminal area, as at 31 December 2022G. At Riyadh airport, the Company handled more than 159 flights per day and 358 thousand tonnes of volume (including oversized cargo), having a total capacity (excluding oversized cargo) of 332 thousand tonnes and having 70,000 m2 of cargo terminal area, as at 31 December 2022G. At Dammam airport, the Company handled more than 53 flights per day and 71 thousand tonnes of volume (including oversized cargo), having a total capacity (excluding oversized cargo) of 160 thousand tonnes and having 34,000 m2 of cargo terminal area, as at 31 December 2022G. At Medina airport, the Company handled more than 11 flights per day and 2 thousand tonnes of volume (including oversized cargo), having a total capacity (excluding oversized cargo) of 5,500 thousand tonnes and having 1,902 m2 of cargo terminal area, as at 31 December 2022G.

The Company is also the front-end face of commercial and service delivery to the end customer, with actual operations and delivery performed through robust partnerships for services across the logistics value chains. The Company has also served as logistics solutions partner to many specialised events, such as the Riyadh and Jeddah seasons and various sporting events. As at 31 December 2022G, the logistics solutions network has a global presence, with major locations in Europe (90 locations including locations in Germany, Italy, the UK, the Netherlands, France, Spain, Sweden and Belgium), Asia (100 locations in Asia Pacific, including in China, India, the Philippines, Malaysia, South Korea, Pakistan and Japan), and the rest of the world (50 locations in the Middle East and Africa, including in South Africa; and 56 locations in the Americas, including in the USA and Brazil).

Additionally, the Company operates in a market with extremely high barriers to entry for potential competitors. For example, the General Authority of Civil Aviation (GACA) requires developing a large terminal as part of its concession agreements. The Company already has existing terminal facilities and owned infrastructure at four international airports, with extensive additional investment already deployed and refurbishment and expansions at Jeddah and Riyadh ongoing. Further, the Company is well-acquainted with regulatory procedures in the Kingdom. While regulation in the Kingdom is gradually being digitalised, it remains in the local language, which creates challenges for foreign parties seeking to enter the relevant market or strengthen their presence in it.

The Company has been operating for more than 50 years in the regions, while new entrants would require a significant amount of time to develop the same level of relationships. Due to previously being a division of Saudi Airlines Corporation, the Company has long-time and solid relationships with the GACA, Zakat And Tax Customs Authority (ZATCA), the General Directorate of Investigation (GDI) and the Saudi Food and Drug Authority (SFDA). The Company manages and maintains its relationships with governmental stakeholders through a dedicated external affairs function, which works collaboratively with different departments of the Company, liaising with these stakeholders to ensure maintenance of the Company's relationships and business. The below key stakeholders are directly linked to the Company's activities and involved in its daily operations:

- **The General Authority of Civil Aviation (GACA):** GACA regulates the commercial operation, economic aspects, safety and operational processes in all airports of the Kingdom. The Company undertakes its main activity 'Cargo Ground Handling' under a Ground Service Provider Licence and the Loading and Unloading of Air Cargo Aircraft Economic Licence, both issued and regulated by GACA. For further details, please refer to Section 12.4 ("**Government Approvals, Licenses and Certificates**") for summaries of the Company's key licenses and permits.
- **Zakat And Tax Customs Authority (ZATCA):** the Company works closely with ZATCA in the Company's main terminals and through customs handover agreements at eight Saudi airports, where the Company provides operational services at these areas by moving the cargo from the warehouses to the inspection areas for ZATCA to perform their inspections and then moving the cargo back to the warehouse, which gives the Company's customers the advantages of robust quality control. The Company also collaborates with ZATCA through several trade facilitation projects, such as the 'Road Feeder Services (RFS)' for transit shipments and customs clearance of land shipments at the Company's stations.
- **General Directorate of Investigation (GDI):** the Company works closely with the GDI at all its stations, ensuring the implementation and application of the national aviation security programme and the efficient screening of inbound, outbound and transit/transfer shipments.

- **Saudi Food and Drug Authority (SFDA):** the Company handles imports and exports of foods, healthcare products, and perishable shipments, including fresh fruits and vegetables, medicines and vaccines, which requires close cooperation with the SFDA to ensure effective inspection and compliance to SFDA regulations and handling best practices.
- **Other government entities:** the Company also maintains close relationships with other governmental entities, such as the Communications and Information Technology Commission (CITC), the Ministry of Commerce (MoC), the Ministry of Transport (MoT) and the Ministry of Environment, Water and Agriculture (MEWA).

Additionally, the Company's services and facilities conform to the highest international safety and quality standards. Its certifications and accreditations include EU GDSP certification (September 2025G), and ISO Certifications for its Business Continuity Management System (December 2023G) and Quality Management System (December 2023G), in addition to those related to regulatory requirements stated in Section 12.4 ("**Licenses and Certificates**"), affirming the highest standards of service provision.

Diversified customer base combining global airlines and Government entities under long term contracts

The Company has a diversified customer base combining global airlines and government entities. The Company's total revenue of SAR 1,223 million for the financial year ended 31 December 2022G was attributable to cargo handling revenue and logistics solutions revenue, each representing 87% and 13% or SAR 1,062 million and SAR 160 million of total revenue, respectively. The cargo handling revenue was split between ramp cargo handling services and terminal cargo handling services, at 45% to 55%, respectively, and the logistics solutions revenue was split among government, events and entertainment, automotive and aerospace, healthcare, and other customers at 45%, 35%, 14% 5% and 1%, respectively, for the same financial year.

The Company maintains an extensive list of long-standing relationships with global customers, several of which date back to its original operations within Saudi Arabian Airlines Corporation ("Saudia") and Saudi Airlines Cargo Company. As at December 31 2022G, the Company has agreements with 58 Airline Customers, including airlines that transport air cargo to and/or from the Kingdom (the "**Customer Agreements with Airlines**"), all of which are based on the Standard Ground Handling Agreement. The long-term nature of these arrangements provides the Company with extensive visibility in the market and considerable stability in relation to its revenues, and the top 10 long-medium term contracts with clients of the Company represent, directly and indirectly, approximately 33.3% of the Company's business in total. Please refer to Section 12.5.1 ("**Customer Agreements with Airlines**") of this Prospectus for a summary of this agreement. In 2022G, Saudia Cargo was the Company's largest customer, whereby in the financial years ended 31 December 2020G, 2021G and 2022G, this relationship accounted for approximately 44%, 56% and 55%, respectively, of the Company's airline revenue, and approximately 20%, 26% and 22%, respectively, of the Company's total revenue. The Cargo Handling Agreement with Saudia Cargo has a term of seven years, with an automatic extension for a similar period, starting from 5/5/1441H (corresponding to 01/01/2020G). As a previous business unit (before becoming a separate entity) of Saudia Cargo, the Company also has a strong relationship at the working level, and a comprehensive understanding of Saudia Cargo's business and needs, providing an important advantage over its competitors. Please refer to Section 12.5.1 ("**Customer Agreements with Airlines**") of this Prospectus for a summary of this agreement.

The Company's other Airline Customers represented, in the financial years ended 31 December 2020G, 2021G and 2022G, approximately 14%, 16%, and 15%, respectively, of the Company's total revenues. The terms of the Agreements vary between one and seven years and cover Key Locations as well as Other International and Domestic Airports. Please refer to Section 12.5.1 ("**Customer Agreements with Airlines**") of this Prospectus, for a summary of this agreement.

Driving growth through expansion of capabilities and leveraging existing networks in cargo handling and logistics solutions

The Company believes that the main difference between the Company and its competitors in the Kingdom is its significant capture of the air cargo handling market. As at the date of this Prospectus, the Company provides ground handling services directly and maintains operation of cargo terminal facilities across the Key Locations, and is licensed by GACA to offer services at all Other International and Domestic Airports. The Company's proven track record in providing cargo ground handling and cargo terminal operation services in the Kingdom, combined with its established systems and processes in airports, provide a strong position in the market and a base to extend services in Other International and Domestic Airports in case these airports open up to international air traffic in the future.

Customers may enter into one single umbrella cargo handling contract with the Company for all of their respective air cargo handling needs and requirements across the Kingdom's international and Other International and Domestic Airports, which the Company believes creates a distinct competitive advantage.

Additionally, the Company has committed to investing approximately SAR 1.5 billion in state-of-the-art cargo terminal facilities, such as additional fully automated cold storage facilities and other fully automated systems and cargo handling equipment that involve improvements on the racking system, road feeder services, and elevating transfer vehicles, all of which conform to IATA, IOSA, ISO and airlines' standards. The Company expects to continue investing in such facilities and equipment, given the increasing air cargo traffic in the Kingdom. The Company also plans to expand the footprint of its warehousing to approximately 137,500 m2, in aggregate, by 2027G at the following locations:

- **KAIA, Jeddah:** Replacement of the existing cargo terminal with two new cargo terminals through two phases. As at the date of this Prospectus, phase one has already been completed and has increased the warehousing space to 33,500 m2 and increased the warehousing capacity to 352 thousand tonnes, involving costs of approximately SAR 390 million. Phase two is expected to be completed by 2027G and add 29,500 m2 of warehousing space and increase the capacity to 770 thousand tonnes, involving expected costs of approximately SAR 396 million;
- **KKIA, Riyadh:** Addition of new North Terminal and refurbishment and further expansion of the existing cargo terminals through two phases. As at the date of this Prospectus, phase one has already been completed and has increased the warehousing space to 70,000 m2 and increased the warehousing capacity to 332 thousand tonnes, involving costs of approximately SAR 196 million. Phase two is expected to be completed by 2027G and increase the warehousing capacity to 827 thousand tonnes of capacity, involving expected costs of approximately SAR 410 million; and
- **KFIA, Dammam:** Refurbishment of the existing cargo services area of approximately 34,000 m2 with 160 thousand tonnes of warehousing capacity. The project is expected to be completed by 2032G and increase the warehousing capacity to 252 thousand tonnes, involving expected costs of approximately SAR 100 million.

The Company has invested heavily in its infrastructure and automation, where the Company has partnered up with leading technology companies such as Siemens - Middle East to deploy state-of-the-art automated handling systems, to be integrated with the Company's stakeholders' end-to-end processes in order to increase efficiency across its operations and provide better visibility to customers. In addition, to assure a more comprehensive range of services for customers, the Company has invested in specialised product-specific facilities, such as cold chain facilities, dangerous goods facilities, live animals and secure facilities for high-value goods.

To assist its operations, the Company utilises Cargospot, an end-to-end cargo management system with control over commercial, operation and revenue accounting processes. This system uses different integration technologies with different stakeholders, such as those employed by airlines and freight forwarders, and includes complete inbound, outbound and transit/transfer handling, quality and service management, management reporting tools, and integration and compliance, whilst also supporting customs and security compliance and offering full messaging capability. Being integrated with stakeholders, such as customs and airlines, gives the Company the advantage in providing high levels of visibility and assurance. Cargospot is subject to regular automatic updates by the service provider on a quarterly basis.

A visionary and highly experienced management team with qualified workforce and a clear environmental, social and governance sustainability agenda

The Company maintains a highly qualified and experienced Board and Management team, and benefits from the extensive experience of its staff, given the length and continuity of service of many of them. Several of the Company's Senior Executives have a wide range of relevant previous experience. The Company's CEO has held several positions in the public and private sectors, with 22 years of experience. In addition, the Company's CFO has extensive expertise; he served as the CFO of South African Airways Cargo for 8 years before joining Saudia Cargo. The Company's Management believes that this expertise ensures high and consistent levels of performance and service, which are reflected in the Company's strong financial position. The Company has also successfully recruited several new managers with extensive domestic and international experience in air cargo terminal operations and other industries (Healthcare, automotive, perishable goods, etc.) to key positions.

Additionally, the Company has heavily invested in its employees and maintains a highly skilled and experienced workforce across all key airports in the Kingdom, where it provides its services. The Company has an IATA-approved training centre for its employees, which provides the necessary skills and training to support high levels of service. The Company also continues to heavily invest in the Saudization of its employees, which has led to an increased number of Saudi nationals being employed, trained and deployed by the Company across various airports, in line with the Ministry of Human Resources and Social Development's Saudization policy. Rules like the Saudization policy could potentially deter international companies, giving the Company a competitive edge.

The Company also has an ambitious environmental, social and corporate sustainability agenda. As part of its environmental agenda, the Company is undertaking the following initiatives: (i) planning the development of solar energy solutions in new terminals to reduce emissions; (ii) transitioning to an electric fleet by replacing heavy diesel ground support equipment, tractors and forklifts with battery-powered solutions; and (iii) developing waste management measures across all stations such as segregation at source and recycling. As part of its social agenda, the Company has introduced the following plans: (i) ensuring employee safety by regularly tracking safety KPIs; (ii) developing community relations by participating in tree planting initiatives and donations; (iii) human capital development by introducing programs to develop career development succession, leadership, innovation and engagement across all levels; and (iv) promoting diversity, equality and inclusion in the workplace. As part of its governance agenda, the Company has introduced the following plans: (i) having a board of directors with diverse experience, industry background and age, and having an independent chairperson of the board; (ii) enhancing data protection and cyber security by having dedicated cyber security policies and teams, as well as strong data protection guidelines; and (iii) ensuring robust corporate governance through committees monitoring corporate performance and ensuring business continuity.

4.4.2 Strategy

The Company started to conduct its operations independently of Saudia Cargo as of 01/01/2020G with the ambition of becoming "the logistics champion for a globally connected Saudi Arabia". The Company understands the importance of the growing logistics sector in the Kingdom, in line with the Vision 2030 goal to position the Kingdom as a global logistics hub. To this end, the Company has developed a robust strategy focusing on four distinct areas, with clear value initiatives and strategic objectives for each of them. These initiatives are represented in the following: expansion of cargo handling capabilities, growth in new and fertile markets in the logistic solutions sector, expansion of ground services activities for passengers to complement ground handling services, warehousing and distribution as an addition to the logistics services value chain, and additional investment in infrastructure development.

The Company has also previously invested approximately SAR 600 million in expanding the area of its facilities. In addition, the Company intends to invest approximately SAR 906 million in the medium term in modern cargo terminal facilities, such as additional fully-automated refrigeration storage facilities, other automated systems and cargo handling equipment, including racking system improvements, ground handling activities for transit cargo and trolley lifting, all of which comply with IATA, IOSA, ISO and airline standards. The Company expects to continue investing in such facilities and equipment, given the increasing air cargo traffic in KSA. The Company plans to expand the area of its warehousing to total approximately 137,500 m2 by 2027G in the following locations, whereby the milestones of the Company's strategic plans are as follows:

- **KAIA, Jeddah:** The second phase is expected to be launched in 2027G, which will add 29,500 m2 of warehousing space and increase the capacity to 770 thousand tons, at an expected cost of approximately SAR 396 million.
- **KKIA, Riyadh:** As at the date of this Prospectus, the first phase has been completed, the warehousing area has been increased to 70,000 m2 and the capacity has been increased to 332,000 tons, at a cost of approximately SAR 196 million. The second phase is expected to be completed by 2027G and the warehousing area will be increased to 827 thousand tons, at an expected cost of approximately SAR 410 million.
- **KFIA, Dammam:** The project is expected to be completed by 2032G and will result in an increase in warehousing capacity to 252 thousand tons, at an expected cost of approximately SAR 100 million.

A clear strategic roadmap to expand cargo handling capabilities

The Company aims to continue leveraging its strong market position and well-established client relationships to provide additional services linked to operating its core cargo terminals and implementing the Company's plans to tap into markets with significant growth potential. The Company's key objectives are protecting and strengthening its leadership position in cargo handling, reviewing the infrastructure plan and investing in digital solutions, and improving operational performance.

According to the ALG market report, air cargo volumes in the Kingdom are expected to grow at more than 14% CAGR between 2022G and 2030G and reach approximately 2.3 million tonnes by 2030G, driven primarily by an increase in export cargo and transit. To support this increased movement of cargo, the Company's current infrastructure development plans include SAR 1.5 billion in strategic investments to increase total handling capacity to approximately 1.9 million tonnes per year, including inbound, outbound and transfer cargo, total warehouse space to approximately 169,000 m2, and material handling system (MHS) capacity to 1,240 positions (aircraft storage containers used for cargo). In order to capitalize on the market growth and to protect its market share, the Company plans to roll out additional growth and optimization initiatives focusing on operational excellence, customer and market share retention and product and service expansion. The Company plans to launch a cargo handling operations excellence program, optimise the pricing model on warehouse and ramp services, and develop an overarching commercial strategy. Additionally, the Company plans to scale up air transfer and transit services as well as road freight services, and also increase high yield products, such as healthcare and courier products, and new services, such as aircraft cleaning and fuelling. The Company also plans to provide tailored services for priority clients, launch a military base ground handling operations and launch ground support services.

Significant untapped growth potential in emerging and promising logistics solutions markets

The Kingdom's need for end-to-end logistics is growing in line with the Kingdom's Vision 2030, with a significant focus on events and specialised government-related activities. The Company has identified four verticals as high priority to expand its value proposition on the logistics solutions: (i) Governmental; (ii) auto and aircraft parts; (iii) Events and Entertainment; and (iv) Healthcare.

According to the ALG market study, the pharmaceutical market is projected to grow at 12% CAGR by 2030G, driven by the Kingdom's ambition to close the existing consumption gap compared to the global average for developed economies. This is expected to positively impact entities operating in the air cargo market as pharmaceutical products and medical supplies are a key market for air cargo due to their high value and time-sensitive nature. The Company has existing cold chain facilities for providing logistics services to the pharmaceutical sector. Likewise, the events market is projected to increase at a 24% CAGR until 2030G, driven mainly by its immaturity, hence its large potential to grow. The Kingdom is aiming to cement its global position by organizing several renowned international events, promoting culture, and improving quality of life for its residents. The aircraft parts market is expected to grow by 11% CAGR until 2030G, which is driven mainly by the exponential amount of civil aircraft orders expected by Saudi carriers in line with Vision 2030. Similarly, the luxury car parts market is expected to grow at a 6% CAGR while the government entities market is expected to grow at a 4% CAGR by 2030G. Additionally, the Company has significant relationships and experience in providing logistics services to serve specialised needs of government/semi-government entities. In order to further penetrate the logistics solutions market, the Company plans to implement further initiatives focusing on customer and market share retention and product and service expansion. The Company plans to roll out end-to-end solutions for government and semi-government entities. In addition to its core market, the Company is targeting the market of niche logistics solutions designed for large-scale projects. The Company believes these niche markets offer the potential for higher profitability, a reduced level of competition, and offer localised demand. In addition to this, the Company aims to geographically expand the logistics solutions business through growing its overseas footprint to capture new clients. This is planned to be done by increased presence in target international markets through setting-up satellite offices to complement the current model of remote management from the Kingdom.

The Company has entered the market by outsourcing some services to logistics service providers, however, it began working concurrently to forge some strategic alliances, in addition to insourcing some of the core services. The success of this strategy has already been illustrated by the integrated solutions offered by the Company as the logistics partner for Riyadh and Jeddah seasons in 2021G and Jeddah F1 race in 2021G and 2022G, besides the Company's engagement with Saudia Aerospace Engineering Industries in warehouse and inventory management projects in Riyadh, Jeddah, Dammam and Medina, in addition to door-to-door shipping services for aircraft engines and spare parts.

Expansion into passenger ground services to complete ground handling offering

According to the ALG market study, organic passenger traffic in the Kingdom is expected to grow at a 11.3% CAGR, reaching 158 million passengers by 2030G, which is driven by the positive macroeconomic outlook of the Kingdom, the plan to establish the Kingdom as a global logistics hub, the estimated tourism boom in the Kingdom and the planned giga projects in the Kingdom, such as NEOM or ROSHN, which are expected to attract a large number of people to visit the country. The Company believes that its multiple decades of experience in cargo handling and its experience with operations at airports provide the Company with a deep understanding of the airport ecosystem, which positions the Company well to expand into the passenger ground services. In order to leverage this market growth, the Company plans to first establish a partnership with a top international ground handler to facilitate the development of passenger ground services in the Kingdom and to gain a substantial market share with the largest local and international low-cost carriers ("**LCCs**") in the Kingdom.

The LCCs market represents an attractive opportunity to capture market share. The Company has signed a memorandum of understanding with Menzies Aviation, a leading global passenger ground service provider, to collaboratively deliver passenger ground services, and aims to provide leading cost-efficient ground handling services combining the expertise of both partners (for further details, please see Section 12.5.4.1 ("**Non-binding Memorandum of Understanding with Menzies Aviation**") of this Prospectus). The Company aims to provide excellent operational performance via digitally enabled services, while offering a wide network coverage in the Kingdom, and offering fit-for-purpose pricing for the services. By potentially entering into a joint venture with an established international player, the Company aims to provide a service offering dedicated to such LCCs.

In December 2022G, the Company also acquired the Economic Licenses required by the GACA for the provision of passenger ground services at 18 Saudi main and domestic airports. Currently, the market is controlled by Saudi Ground Services (SGS) offering its services to all airlines across all airports in the Kingdom, with Saudi Airlines Corporation as its key customer. However, the Company sees an opportunity to enter the market due to potential changes in existing demand, current competitors potentially exiting the market, as well as potential new demand from new major clients entering the market, where capability ramp-up would be gradual.

Fulfilment as a natural addition to the logistics value chain

In line with Vision 2030 for the Kingdom to become a global logistics hub and attract foreign direct investment, the entire e-commerce logistics value chain must expand in terms of capacity. As at the date of this Prospectus, the Company is the main gateway in the Kingdom for air cargo, and the vast majority of e-commerce shipments pass through the Company's dedicated facilities in Riyadh and Jeddah. As one of the fastest growing industries globally, the Company has decided to provide special e-commerce services. The Kingdom's e-commerce market is expected to grow at a CAGR of approximately 13% from 2022G to 2030G, reaching SAR 26 billion by 2030G, driven by increased e-commerce penetration, which is expected to reach 26% of total retail by 2030G. Similarly, the number of fulfilment orders processed in the Kingdom is expected to grow at a 13% CAGR reaching 298 million orders in 2030G. The Company believes that its experience in air cargo operations gives it the capacity to accommodate the increasing needs for speed, safety and accuracy in e-commerce logistics. The Company aims to become the preferred e-commerce fulfilment partner in the Kingdom, offering advanced and fit-for-purpose solutions enabled by digital systems.

The Company plans to be the e-commerce warehousing and fulfilment partner of choice in the Kingdom, offering advanced and fit-for-purpose facilities, enabled by technology solutions, integrated with partners (technology, first mile, last mile delivery, which is the last stage of logistics services in which delivery is made to the end customer, freight, warehouse players) and offering wide network/coverage across the Kingdom through its own and third-party operator networks, including: (i) fulfilment centres; (ii) basic fulfilment; (iii) bonded zone services; (iv) e-commerce fulfilment; and (v) last mile delivery. Moreover, the Company aims to cover the marketplace fulfilment centre, 3PL fulfilment centre, courier express parcel fulfilment centre, and warehouse technology part of the value chain. The Company's strategy is based on expansion through an asset light model with capital investment in fulfilment centres and introducing the last mile fleet once the market share is captured.

Additional investment in infrastructure development

In line with its strategy, the Company intends to expand its existing facilities and service offerings. It is actively pursuing new business opportunities that would add and complement its existing range of products and services, as well as utilise its capabilities and infrastructure. The Company's current development plans include SAR 1.5 billion in strategic investments to increase total handling capacity to approximately 1.9 million tonnes per year, including inbound, outbound and transfer cargo, total warehouse space to approximately 169,000 m2, and material handling system (MHS) capacity to 1,240 positions (aircraft storage containers used for cargo), all by the end of the first quarter of 2027G.

The Company currently aims to expand its existing operations in the Key Locations in the Kingdom by increasing and upgrading the areas of its cargo terminals in KKIA, KAIA and KFIA, and offering additional services to existing and new customers in the Key Locations. Furthermore, the Company plans to expand outside the international airports in the Kingdom by adding further services within the logistics value chain and by offering warehousing services outside of airports.

4.4.3 Overview of the Company's principal activities

The following sets out an overview of the services provided by the Company:

Exhibit (4.3): Overview of the Services Provided by the Company

Source: The Company

4.4.4 Cargo handling services

The Company provides various services to customers according to the Standard Ground Handling Agreement. The Standard Ground Handling Agreement sets out a wide range of services that can be provided by handling companies, which includes the main services provided by the Company, such as aircraft unloading services, load control services and flight operations, cargo terminal services, including storage of general and special cargo, representation of airlines, and administration and supervision services. Furthermore, the Company offers a variety of additional services, such as domestic road feeder services (RFS), shield services (services for guarding valuable shipments), "One-Window" concept services, ground support equipment (GSE) and other support services at various locations.

The Company provides a large proportion of these services to its customers, although the extent of the services varies between the customers.

4.4.5 Cargo handling operations

The Company operates cargo terminals and provides ground handling services to customers as part of the Standard Ground Handling Agreement for two types of cargo, cargo on cargo aircraft and cargo in the belly of passenger aircrafts, which include:

- Outbound cargo: Cargo is exported out of the Kingdom by the airlines.
- Inbound cargo: Cargo is imported into the Kingdom by the airlines.
- Transfer cargo: Cargo arrives at the airport, is unloaded from the aircraft, then loaded again to a different aircraft for its onward journey.

The Company's cargo handling services include: (i) airside services, such as aircraft ramp handling and cargo handling; (ii) landside services, such as terminal handling, facility storage services, and customs inspection management, such as a courier platform for express clearance; and (iii) value-added services, such as cold chain services, escorting services, road feeder services, and screening services. The Company's key clients for cargo handling services include both government entities and private sector clients. These key clients include Saudia Cargo, Emirates, Cargolux, DHL, Etihad, Aramex, Turkish Airlines and Qatar Airways.

The diagram below sets out the different types of ground handling services and cargo terminal services for inbound, outbound and transit/transfer cargo:

Exhibit (4.4): Ground Handling Services and Cargo Terminal Services for Inbound, Outbound and Transit/Transfer cargo.

Ground Handling Services

I T E

Ramp Handling

- Cargo offloading and transportation services are carried out to the freighters by the Saudi Logistic Services Company

I T E

Load Control, Dispatch, and Cargo Flight Services

- The company transports cargo, onloads it on cargo aircraft and provides onloading and cargo flight related services

Cargo Terminal Services

T I

Cargo Break-up

- The cargo is broken-up in the terminal based on product type
- Cargo transport is also broken up in preparation for security screening

I

Cargo Storage

- Cargo is stored inside the warehouse based on products type
- The company charges fees from customers for shelf time

Security Screening T E

- The company assists with the x-ray security check which is performed on all outbound/transit cargo.

Cargo Terminal Services

T E

Pallet/Unit Load Device (ULD) Build-up

- Pallets and ULDs are built up to prepare for cargo transport
- Manifests are also finalized.

I

Customers Clearance

- Cargo is transported to and retrieved from the custom inspection area before handover to the consignee

Cargo On-Loading T E

- The company onload and transport cargo from the terminal/warehouse to the aircraft.
- SAL receives the cargo from the terminal/ company warehouse and transfers and onloads it onto the passenger aircraft.

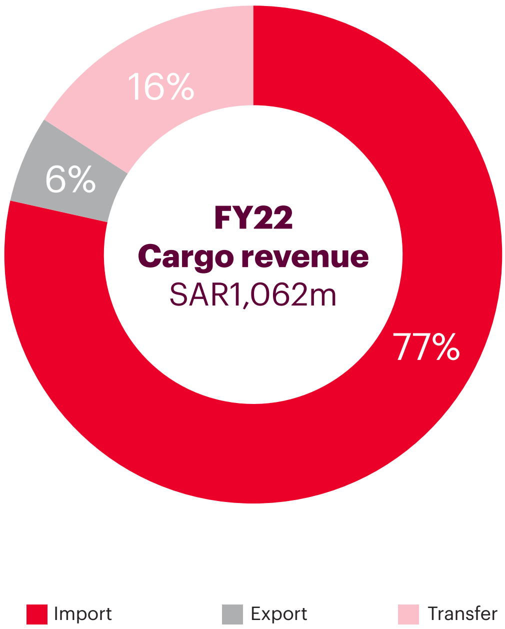
I Cargo Import

T Cargo Transport

E Cargo Export

The diagram below sets out the cargo volume breakdown for inbound, outbound and transit/transfer cargo.

Exhibit (4.5): Cargo Volume for Inbound, Outbound and Transit/Transfer Cargo



Source: The Company

4.4.5.1 Cargo handling of inbound cargo

In case of transport on cargo aircraft, the Company provides ramp activities, which include the unloading of the cargo from the aircraft either by Unit Load Devices ("**ULDs**") (for large aircraft) or manually (for smaller aircraft), and transporting the cargo to the cargo terminal. The Company uses a hi-loader to lift the ULDs into the storage hold area of large aircrafts. Please refer to Section 4.4.6.2 ("**Ramp Handling Services**") of this Prospectus, for more details.

In case of transport in the belly of passenger aircraft, either the passenger aircraft ramp handler (such as SGS) or the Company unloads the cargo from the aircraft and transports it to the cargo terminal, where it hands it over to the Company's terminal operations team.

At the cargo terminal, the Company is involved in landside activities i.e., it completes the necessary procedures related to cargo documents, receives the cargo and breaks it up from the pallets or containers.

During customs clearance and cargo collection by the consignees, the cargo is stored appropriately, depending on the type of product. Please refer to Section 4.4.6.3 ("**Cargo Terminal Services**") of this Prospectus, for more details. Furthermore, the Company notifies the consignees that the shipment is ready for delivery.

Then the cargo is retrieved and handed over to the consignees for customs inspection upon consignee request. ZATCA performs a random sample check on all imported cargo. Thereafter, the cargo is handed over to the recipient or consignee.

4.4.5.2 Cargo handling of outbound cargo

The Company personnel accept cargo from customers of the airlines at terminals, check the cargo documents and complete the necessary procedures. The Company offloads the cargo from the trucks and moves it to the cargo terminal. At the cargo terminal, the Company conducts a manual screening of the cargo, and an electronic scan is performed by the General Investigation Department (GID). After the security screening, the Company organizes the cargo on pallets or in containers to prepare it for carriage and loading, and finalizes the manifest, which is a document containing the shipment information.

While waiting for transport on the dedicated aircraft, the cargo is stored appropriately in the cargo terminal, depending on the type of product. Please refer to Section 4.4.6.3 ("**Cargo Terminal Services**") of this Prospectus for more details.

In case of transport on cargo aircraft, the Company transports the cargo to, and loads the cargo into, the aircraft, either by ULD (for large aircraft) or manually (for smaller aircraft). The Company uses a hi-loader to lift the cargo into the storage hold area of large aircraft on ULDs. Please refer to Section 4.4.6.2 ("**Ramp Handling Services**") of this Prospectus for more details.

In case of transport in the belly of passenger aircraft, the Company hands over the cargo at the cargo terminal to SGS or the ramp handling team of the Company, which transports it and loads it into the aircraft.

4.4.5.3 Cargo handling of transfer cargo

In case of transport on dedicated cargo aircraft, the Company unloads the cargo from the aircraft either by ULDs (for large aircraft) or manually (for smaller aircraft), and transports the cargo to the cargo terminal. The Company uses a hi-loader to lift the cargo onto the storage hold area of large aircraft on ULDs. The Company also checks the cargo documents.

In case of transport in the belly of passenger aircraft, SGS or the Company's ramp handling team unloads the cargo from the aircraft and transports it to the cargo terminal, where it hands it over to the Company's terminal operations team.

At the cargo terminal, the Company is involved in all landside activities, i.e., it completes the necessary procedures related to cargo documents, accepts the cargo and breaks it up from the pallets or containers. The Company conducts a manual screening of the cargo and an electronic scan is performed by the relevant governmental authorities. After the security screening, the Company organizes the cargo on pallets or in containers to prepare it for carriage, and finalizes the manifests.

While waiting for the transport based on the scheduled flight for export, the cargo is stored appropriately in the cargo terminal, depending on the type of product. Please refer to Section 4.4.6.3 ("**Cargo Terminal Services**") of this Prospectus for more details.

In case of transport on dedicated cargo aircraft, the Company transports and loads the cargo into the aircraft either by a ULD (for large aircraft) or manually (for smaller aircraft). The Company uses a hi-loader to lift the cargo into the storage hold area of large aircraft on ULDs. Please refer to Section 4.4.6.2 ("**Ramp Handling Services**") of this Prospectus for more details.

In case of transport in the belly of commercial passenger aircraft, the Company hands over the cargo at the cargo terminal to SGS or the ramp unloading and handling team of the Company, which transports it to, and loads it onto, the aircraft.

4.4.6 Ground handling activities

4.4.6.1 Load control and cargo flights and aircraft services

As part of the landside activities, the Company conducts the following activities:

- Load planning, including planning the load on the aircraft based on the available capacity;
- Cargo aircraft weight and balance calculations, including calculation of the weight distribution inside the aircraft;
- Issuing loading instruction reports, captain notification reports and load sheets;
- Loading supervision or/and cargo aircraft turnaround coordination;
- Messaging and communications, including communication with the flight crew via radio;
- Crew administrative matters;
- Cargo aircraft waste and potable water servicing, including the control of the quality of potable water and the provision and operation of appropriate units and equipment; and
- The cooling and heating of the aircraft, including the provision and operation of appropriate units or equipment.

4.4.6.2 Ramp handling services

The Company provides various ramp handling services on request to cargo aircraft, which include the following:

- Marshalling the aircraft on arrival and departure, assisting in aircraft parking including the provision of suitable equipment for secure parking;
- Loading and unloading of the aircraft and the provision of necessary ground support equipment;
- Provision and operation of the necessary units for aircraft engine starting;
- Provision and operation of the necessary units for the supply of electrical ground power to aircraft; and
- Provision and operation of the necessary equipment for the towing and push-back of aircraft and the communication with flight crew.

4.4.6.3 Cargo Terminal Services

The Company provides cargo terminal services after arrival of the cargo in the cargo terminal, when completing the cargo customs clearance procedures and pick-up by the consignees in case of inbound cargo and transfer cargo. In case of outbound cargo, the Company stores the cargo while awaiting its scheduled flight.

The Company invoices the costs for the storage directly to the relevant consignees of the cargo.

The Company has extensive experience in storage of cargo and has facilities at Key Locations to store general cargo and special cargo. The Company has a dedicated team, trained and certified by GACA, that works 24/7 (through shifts) to operate modern facilities and handle all types of cargo that require special handling.

The Company provides a variety of specialized storage facilities to provide adequate storage services for all types of cargo. For further information regarding cooled facilities and transport-cooled equipment and containers, refer to Section 4.4.6.9 ("**Cooled Facilities and Transport Cooled Equipment and Containers**") of this Prospectus.

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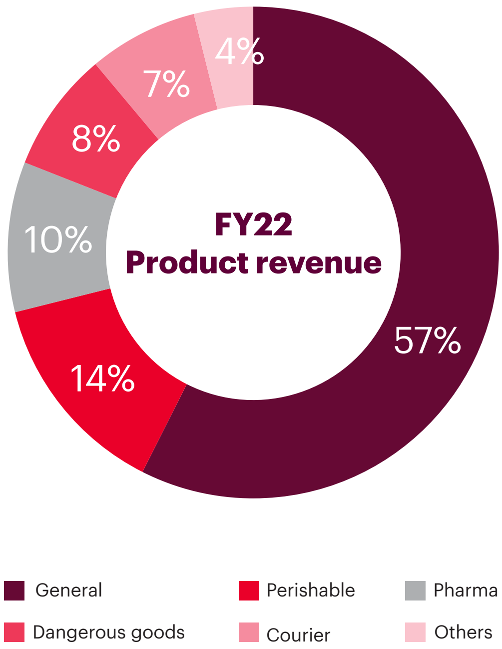
The following sets out an overview of the cargo handled by the Company by category in the financial year ended 31 December 2022G:

Exhibit (4.6): Overview of the Cargo Handled by the Company by Category during the Financial Year Ended 31 December 2022G



Source: The Company

4.4.6.4 Perishable goods

The Company provides services to handle and store perishable goods, including meat and meat by-products, fish and seafood, dairy products, fruit and vegetables, flowers and chemicals. These products have short lifespans and are very sensitive in terms of being cooled, due to their chemical and physiological characteristics. If their temperature is not kept consistent, they are more susceptible to severe damage and wastage during transport. These products must be handled with the utmost caution and efficiency to preserve them and keep them in perfect condition when they reach the final consumer. Please refer to Section 4.4.6.9 ("**Cooled Facilities and Transport Cooled Equipment and Containers**") of this Prospectus for more details.

4.4.6.5 Courier handling and e-commerce

The Company receives, handles and stores courier and e-commerce shipments. The Company has dedicated facilities and a dedicated team for courier and e-commerce shipments at KKIA and KAIA airports to ensure proper handling, as well as fast track clearance and quick delivery to the brokers, thus supporting the complete e-commerce supply chain model. In addition, the Company offers a dedicated space for the brokers and courier companies to lease and perform their operations to facilitate a faster shipping process for the customers by being close to the ground handling operations.

4.4.6.6 Dangerous goods and materials

The Company provides services to handle and store dangerous and hazardous goods and materials, such as inflammable substances, solvents and corrosives, toxic materials and infectious agents (such as medical waste, gases and explosives). Given the sensitivity and high risks involved in the storage of these goods, handling and storage of dangerous goods and materials require strict compliance with applicable laws and regulations and taking precautionary measures. The Company has dedicated special facilities in Jeddah and Riyadh, which are compliant with the dangerous goods and materials storage requirements, and segregate dangerous goods and materials and general cargo. Personnel in such facilities are specially trained on IATA Dangerous Goods Regulations.

4.4.6.7 Healthcare

The Company provides services to handle and store healthcare products. Healthcare products are highly perishable goods and must be stored at certain temperatures. The Company also participates in a transportation committee, together with NUPCO, ZATCA, the SFDA and the manufacturers, in handling the COVID-19 vaccines transported to the Kingdom (from Pfizer and AstraZeneca). Please refer to Section 4.4.6.9 ("**Cooled Facilities and Transport Cooled Equipment and Containers**") for more details.

4.4.6.8 Valuable cargo

The Company also provides services to handle and store valuable cargo in dedicated facilities secured, locked, guarded by security personnel, and monitored with CCTV 24/7.

4.4.6.9 Cooled facilities and transport cooled equipment and containers

The Company has dedicated cooled facilities spread over an area of approximately 19,390 m2 in the Key Locations, which are compliant with 'good distribution practice' regulations for the storage of healthcare and perishable goods. The below table sets out an overview of the space and locations of these facilities:

Table (4.6): Area of Cooled Facilities

	Jeddah	Riyadh	Dammam	Medina	Other Domestic Airports
Healthcare & Perishables	7,200 m^2	10,000 m^2	1,859 m^2	100 m^2	231 m^2

Furthermore, the Company has mobile cooling equipment, which includes:

- **Cooled containers,** which are used for transportation of cargo that must be stored at certain temperatures between warehouse and aircraft for rapid loading and unloading within a temperature range of -20°C to +20°C;
- **Mobile containers,** which are used for temperature-controlled transit shipments to maintain the integrity of the shipment and avoiding temperature excursion beyond the temperature range of -20°C to +20°C;
- **Thermal blankets,** which are used in the airside for the cargo and keep healthcare, medical supplies and highly perishable shipments at the required temperature;
- **Dry ice,** which is used for temperature-controlled shipments to sustain the end-to-end cold chain and is added to healthcare and highly perishable shipments when needed;
- **Data loggers** (active or inactive), which are used to record real-time temperature and humidity of the cargo. In case of active data loggers, it records the actual location of the shipment during the shipment journey; and
- **Thermal boxes,** which are used in the transport of highly sensitive products, such as vaccines. The Company is now offering thermal boxes that safeguard the temperature for the expected transport duration and beyond.

4.4.7 Multimodal Services and Road Feeder Services (RFS) (sea to air movement and road feeder services)

The Company provides sea to air movement and road feeder services with the assistance of subcontractors to transport goods in their vans and trucks between seaports and airports and from one airport to another airport in the Kingdom. These services include completing the necessary procedures for transit documents, coordinating with authority and operators, dealing with customs formalities, loading and offloading, organising transportation of the cargo and returning empty containers, as well as packing, re-packing and labelling cargo. The RFS service is mainly offered to the airlines to expand their network and the multimodal services for the freight forwarders or consignees to optimize their supply chain and logistics. The Company is working closely with the stakeholders and regulators to enhance both services in order to provide additional connectivity to the carrier airlines for airport transfer cargo services.

4.4.8 Ground support equipment (GSE)

The Company provides Ground Support Equipment (GSE), which the Company provides to freighters as a part of its value-added service. GSE includes providing cones, general processing units (GPUs), accelerated processing units (APUs) as well as marshalling services. The GSEs are needed to start the aircraft as well as to provide electricity to the aircraft and keep the air conditioning running while the aircraft's engines are switched off.

4.4.9 Communications and cargo operations

The Company provides communication services between cargo aircraft and the terminals and receives, processes and sends all messages using the airlines' originator code or double signature procedure. It also operates the wireless communication channels between the ground station and the aircraft. The Company also helps prepare the captain's load manifest, load sheets, load information report and other relevant reports for the airlines' flights.

4.4.10 Government coordination services

The Company offers direct coordination with the ZATCA, SFDA and MEWA through the "One-Window" concept to its customers in Riyadh. This allows its customers to complete all regulatory requirements with ease and obtain clearance for the cargo. The Company also coordinates with other stakeholders, such as the Ministry of Interior and the CITC, to facilitate clearance for its customers. The introduction of the One-Window concept enhanced the customs clearance procedures by consolidating relevant stakeholders to a single place.

4.4.11 Other services

The Company offers security services to shipments of precious and valuable products, which require special protection, across the Key Locations. Such products receive priority and special control in the breakdown area. The Company has dedicated safe rooms with double locking mechanisms and specialised vehicles for the transport at the airport, and employs dedicated, trained personnel to handle such products through its Shield services (services for guarding valuable shipments). The Company also offers an express service called "Flash Cargo" whereby import cargo is given priority upon arrival and goes straight to clearance. It also offers, for example, communication services between the cargo aircraft and the terminals, and receives, processes and sends all messages using the airlines' originator code or double signature procedure. It also operates the wireless communication channels between the ground station and the aircraft. The Company also helps prepare the captain's load manifest, load sheets, load information report and other relevant reports for the airlines' flights.

4.4.12 Airline Customers

The Company's customers include airlines that operate passenger aircraft and/or cargo aircraft, brokers, freight forwarders operating cargo aircraft, logistics customers and consignees. As at the date of this Prospectus, the Company has agreements with 68 Airline Customers.

The agreements with the airlines have been prepared in accordance with the Standard Ground Handling Agreement and permit the Company to provide a broad range of services, including air cargo terminal operation and ground handling, ramp loading and unloading services, cargo terminal storage, customs coordination and communications and flight operation services. The customers can select the services that the Company offers according to their specific needs. Please refer to Section 12.5.1 ("**Customer Agreements with Airlines**") for more details. In the financial year ended 31 December 2022G, the revenues generated directly under the agreements with airlines represented in aggregate approximately 36% of the total revenues of the Company.

The consignees usually enter into formal agreements with airlines and not with the Company. Whether the cargo from a consignee will be stored in the facilities of the Company typically depends on whether the relevant airline has entered into an agreement with the Company. Although the relationship between the consignees and the Company is not formally documented, the Company invoices the costs for the storage of the cargo directly to the relevant consignees. Please refer to Section 2.1.16 ("**Risks related to the Company's commercial relationship with consignees of cargo stored in the warehouses of the Company**") of this Prospectus for more information on risks related to consignees. In the financial year ended 31 December 2022G, the landside revenues generated from such storage that were paid directly by the consignees represented approximately 47% of the total revenues of the Company.

In the financial years ended 31 December 2020G, 31 December 2021G and 31 December 2022G, the Company's largest customer on average was SACC, who accounted in aggregate for approximately 20%, 26% and 22% of the Company's total revenue and approximately 44%, 56% and 55% of the Company's airline revenue alone in such financial years, respectively. Furthermore, Saudia Cargo transported approximately 65%, 69% and 68% of all international imports and exports, transfer and transit air cargo in the Kingdom in the financial years ended 31 December 2020G, 2021G and 2022G, respectively.

The Company is committed to further diversifying and increasing its customer portfolio and base. In the financial year ended 31 December 2022G, the Company's ten largest customers were Saudia Cargo, Qatar Airways, Emirates Airlines, Ethiopian Airlines, Cargolux Airlines, Etihad Airways, DHL Aviation, FPT Future Pioneers, Pakistan Airlines and British Airways, and in aggregate accounted for 40%, 44% 35% of the Company's total revenue and 89%, 93% and 90% of the Company's airline revenue for the same financial years, respectively.

Table (4.7): Percentage of Airline Revenue Generated by the Company from Airlines

Airlines	Total revenue			Airline revenue		
	FY20G	FY21G	FY22G	FY20G	FY21G	FY22G
Saudia Cargo	20%	26%	22%	44%	56%	55%
Total Top10	40%	44%	35%	89%	93%	90%

Source: The Company

The Company believes that it has a stable customer base and is supported by long-term contracts, which include the key players that account for a significant volume of international air cargo operations in the Kingdom.

4.4.13 Logistics solutions services and customers

The Company launched a comprehensive end-to-end logistics solutions service in October 2021G. The logistics solutions services have since demonstrated meaningful growth and contributed to 13% of the Company's total revenue as at 31 December 2022G. The Company's logistics solutions include:

- end-to-end solutions, including air freight, sea freight and land freight;
- special projects logistics, such as for motorsports, entertainment events and industrial projects, as well as tailor-made solutions as per customer needs; and
- customs clearance, on-site services and warehousing services.

As at 31 December 2022G, the Company entered into agreements with more than 40 global service providers and provided logistics solutions services to more than 30 active customers. As such, the Company performed more than 7,000 services which translated into SAR 160 million revenue for the financial year ended 31 December 2022G, having achieved a SAR 5 million EBITDA and a 3% EBITDA margin. The revenue breakdown by type of client translated to 45% for the government, 35% for Events and Entertainment, 14% for Automotive and Aircraft Parts, 1% for Healthcare, and 5% for other types of clients as at 31 December 2022G. The revenue breakdown by type of service translated to 85% for Air freight, 6% for Sea freight, 3% for Land freight, and 6% for other types of services for the same financial year.

The Company's key clients for its logistics solutions services includes both government entities and private sector clients. These key clients are Saudia Aerospace Engineering Industries, King Salman Humanitarian Aid and Relief Center, Ministry of Sport, MDL Beast, Royal Commission for AlUla and the General Entertainment Authority.

The market for such lead logistics is fragmented, however, the Company differentiates itself by:

- Acting as an integrated logistics provider, through partnerships with major service providers, where the Company provides its customers with full access to a wide range of logistics services and a global network.
- Bespoke capabilities, specialized as per project/shipment needs, providing specialized logistics services and capabilities to serve the sectors' needs. In addition, the Company provides numerous value-added services (e.g., customs clearance support, documentation clearance procedures, reverse logistics, on-site services, picking and packing, consolidation, cargo insurance support etc.).
- Coverage in customer targeted locations through expanded presence (through partnerships/direct presence) in customer targeted locations.
- Digital/technological enablement through "Cargowise", whereby the Company manages the end-to-end (Operational and Commercial) processes through the system and is able to offer its customers and suppliers any type of integration/tracking services.

The Company has a global logistics solutions network and is the front-end face of commercial and service delivery to the end customer, with actual operations and delivery performed through robust partnerships for services across the logistics value chains. As at 31 December 2022G, the logistics solutions network has a global presence, with major locations in Europe (90 locations including locations in Germany, Italy, the UK, the Netherlands, France, Spain, Sweden and Belgium), Asia (100 locations in Asia Pacific, including in China, India, the Philippines, Malaysia, South Korea, Pakistan and Japan), and the rest of the world (50 locations in the Middle East and Africa, including in South Africa; and 56 locations in the Americas, including in the USA and Brazil).

4.4.14 The SAL brand

The Company has been operating under the "SAL" brand since 27/03/1441H (corresponding to 24/11/2020G). The Company has registered the brand in the Kingdom with the Saudi Authority for Intellectual Authority under registration number 1441009504. The Company's Management believes that operating under the SAL brand has allowed the Company to distinguish itself from the air transport-related operations when commencing new business operations outside of airport services and in the logistics services. Please refer to Section 12.9 ("**Intellectual Property**") of this Prospectus for a summary of the Company's registered intellectual property.

4.4.15 Licenses and certifications

The Company holds several licenses and certificates, such as a GACAR 151 license to authorize Stations to provide Ground Handling Services at the Aerodrome, a Cargo Ground Services Provider's Economic License to authorize Stations to provide Ground Handling Services at the Aerodrome, an Aircraft Economic Loading and Unloading License to authorize KAIA, KFIA, KKIA and PMIA Stations to provide Handling Services for Air Cargo and provision of Logistical Services for Cargo Aircraft at the Aerodrome, Unified Logistics License, a RA3 security license, which is provided by EU Aviation Security to register the KAIA, KFIA and KKIA Stations, an EU-GDP Certificate, which is provided for specific Storage of Pharmaceutical Products and Medical Supplies in controlled and refrigerated conditions 15 to 25 °C & 2 to 8 °C, and an E & T type of Envirotainer certificate, which is for Advanced Handling of refrigerated medicine containers in order to provide ground handling services for medical materials and using them for refrigeration devices with great care and high efficiency in the Kingdom's Aerodromes. Please refer to Section 12.4 ("**Government Approvals, Licenses and Certificates**") of this Prospectus for a summary of the Company's key licenses and permits.

4.4.16 Suppliers

The following were the top suppliers of the Company in the financial years ended 31 December 2020G, 2021G and 2022G:

Table (4.8): Top suppliers of the Company in the financial years ended 31 December 2020G, 2021G and 2022G

Supplier	Description	Purchase volume (SAR)	Transaction type	Independence status of the counterparty
Financial year ended 31 December 2020G				
Supplier 2	Utility rental	54,368,179.64	Contractual	Independent
Supplier 4	Utility rental	30,321,700.00	Contractual	Independent
Supplier 1	Manpower, productivity	28,184,865.25	Contractual	Independent
Supplier 15	Manpower, productivity	24,331,685.28	Contractual	Independent
Supplier 12	Manpower, productivity	20,849,331.60	Contractual	Independent
Supplier 7	Insurance	17,901,831.78	Contractual	Independent
Supplier 16	Equipment rental	8,566,877.71	Contractual	Independent
Supplier 14	Maintenance	7,788,638.45	Contractual	Independent
Supplier 13	Security services	7,528,962.42	Contractual	Independent
Supplier 17	IT services	4,949,465.00	Contractual	Independent
Total top 10 suppliers	-	204,791,537.13	-	-

Supplier	Description	Purchase volume (SAR)	Transaction type	Independence status of the counterparty
Financial year ended 31 December 2021G				
Supplier 2	Utility rental	54,368,179.64	Contractual	Independent
Supplier 1	Manpower, productivity	52,944,919.33	Contractual	Independent
Supplier 11	Logistics services	34,535,263.79	Contractual	Non-independent
Supplier 4	Logistics services	30,321,700.00	Contractual	Independent
Supplier 7	Insurance	18,739,197.34	Contractual	Independent
Supplier 12	Manpower, productivity	18,271,367.34	Contractual	Independent
Supplier 13	Security services	14,055,979.98	Contractual	Independent
Supplier 14	Maintenance	12,155,462.83	Contractual	Independent
Supplier 3	Logistics services	10,896,990.00	Contractual	Non-independent
Supplier 5	Utility rental	9,056,996.00	Contractual	Independent
Total top 10 suppliers	-	255,346,056.25	-	-
Financial year ended 31 December 2022G				
Supplier 1	Manpower, productivity	58,077,994.00	Contractual	Independent
Supplier 2	Utility rental	54,368,179.00	Contractual	Independent
Supplier 3	Logistics services	41,799,618.00	Contractual	Non-independent
Supplier 4	Utility rental	30,321,700.00	Contractual	Independent
Supplier 5	Utility rental	29,408,438.00	Contractual	Independent
Supplier 6	Logistics services	22,948,555.00	Contractual	Independent
Supplier 7	Insurance	22,096,749.00	Contractual	Independent
Supplier 8	Utility rental	17,314,490.00	Contractual	Independent
Supplier 9	Logistics services	16,280,378.00	Contractual	Independent
Supplier 10	Logistics services	15,782,933.00	Contractual	Independent
Total top 10 suppliers	-	308,399,034.00	-	-

Source: The Company

4.4.17 Advertising and marketing

The Company's advertising and marketing team focuses on developing the image and the SAL brand through a variety of campaigns, advertisements and collaborations with government and private entities, special projects and other opportunities. Certain examples highlighting these endeavors are noted below:

- **Riyadh Season sponsorship** – The Company was a strategic sponsor for the season and all of its supporting activities in 2021G and 2022G.
- **Saudi Cup sponsorship –** In 2022G, the Company participated in this two-day festival of international horse racing touted as the world's most valuable race with a total prize purse of approximately SAR 132.8 million (US$35.4 million), the Company marketed itself as a trusted logistics and ground-handling brand that safely handles highly valuable racehorses and thoroughbreds.
- **Jeddah Season sponsorship –** The Company is a main logistics sponsor in 2022G and 2023G.
- **Supply Chain Logistics Conference sponsorship –** The Company is the logistics sponsor for the conference for the second year in a row.

4.4.18 Overview of the Company's Material Properties and Facilities

The Company has cargo terminals at the Key Locations in the Kingdom, which contain the Company's offices at these locations.

The Company also leases facilities at 4 Key Locations and 14 Other International and Domestic Airports in the Kingdom, as set out below:

Exhibit (4.7): Details of the Key Facilities and Locations as at 31 December 2022G

Jeddah

Flights handled (per day)	+157
Annual volume handled in FY22	289k tons
Capacity	352k tons
Cargo terminal area (sqm)	33,500

Riyadh

Flights handled (per day)	+159
Annual volume handled in FY22	358k tons
Capacity	332k tons
Cargo terminal area (sqm)	70,000

Medina

Flights handled (per day)	+11
Annual volume handled in FY22	2k tons
Capacity	5.5k tons
Cargo terminal area (sqm)	1,900

Dammam

Flights handled (per day)	+53
Annual volume handled in FY22	71k tons
Capacity	160k tons
Cargo terminal area (sqm)	34,000

Source: Company information

Leased area at Other International and Domestic Airports as at 31 December 2022G:

Table (4.9): Leased Area at Other International and Domestic Airports

Location	Taif	Abha	Alqassim	Tabuk	Gizan	Hail	Najran	Aljouf	Arar	Albaha	Gurayat	Alqaysumah	Sharurah	Bisha
Area (m2)	473	432	359	392	345	290	80	244	15	27	19	0	30	28

Source: The Company

4.4.19 Cargo terminal at KAIA, Jeddah

The Company has entered into a land lease agreement at KAIA with Jeddah Airports Company for an area of 131,000 m2. The lease agreement has a duration of 25 years and expires on 31 March 2042G. In addition, the Company has entered into a lease agreement for leasing a land area of 10,000 m2 in KAIA which will expire on 17 July 2023G. For details of the Agreement, please refer to Section 12.5.3 ("**Air cargo facilities leases at Key Locations**") of this Prospectus.

As at the date of this Prospectus, the cargo terminal area of the Company at KAIA comprises approximately 33,500 m2. In the financial year ended 31 December 2022G, the Company handled an average of 157 flights per day at this cargo terminal, with the total cargo volume handled amounting to 289 thousand tonnes (40% of total cargo handled by the Company in this financial year).

The project is expected to be completed by 2027G in two phases. The completion of phase one has increased the warehousing space to 33,500 m2 and increased the warehousing capacity to 352 thousand tonnes, involving costs of approximately SAR 390 million. Phase two is expected to be completed by 2027G and add 29,500 m2 of warehousing space and increase the capacity to 770 thousand tonnes, involving expected costs of approximately SAR 396 million.

4.4.20 Cargo terminal at KKIA, Riyadh

The Company entered into a lease agreement at KKIA with the Riyadh Airports Company for an area of 83,086 m2. The lease agreement has a duration of 25 years and expires on 31 April 2042G. For details of the Agreement, please refer to Section 12.5.3 ("**Air cargo facilities leases at Key Locations**") of this Prospectus.

In 2020G, the company expanded its new facility in KKIA with a total area of 20,500 m2 that is focused on e-commerce & courier, healthcare, medical supplies, and outbound cargo. The new facility has 5,000 m2 of state-of-the-art cold warehousing for storing healthcare and medical supplies. In addition, the facilities are equipped with the latest automated technology for cargo container management, which increased the managed capacity in the facilities. As at the date of this Prospectus, the cargo terminal area of the Company at KKIA comprises approximately 70,000 m2 in aggregate. In the financial year ended 31 December 2022G, the Company handled an average of 159 flights per day at this cargo terminal, with the total cargo volume handled amounting to 358 thousand tonnes (50% of total cargo handled by the Company in this financial year).

The Company has added a new North terminal and plans to refurbish and further expand the existing cargo terminals in two phases. As at the date of this Prospectus, phase one has already been completed and has increased the warehousing space to 70,000 m2 and increased the warehousing capacity to 332 thousand tonnes, involving costs of approximately SAR 196 million. Phase two is expected to be completed by 2027G and increase the warehousing capacity to 827 thousand tonnes of capacity, involving expected costs of approximately SAR 410 million.

4.4.21 Cargo terminal at KFIA, Dammam

The Company has entered into a lease agreement at KFIA with the Dammam Airports Company for an area of 45,552 m2. The lease agreement expired on 28 February 2021G. As at the date of this Prospectus, the Company is seeking to renew the agreement and is still using the cargo area despite the expiration of the agreement (for more details on risks related to leases, please refer to Section 2.1.3 ("**Risks related to relevant leases for cargo terminals in Key Locations**"). In the financial year ended 31 December 2022G, the Company handled an average of 53 flights per day at this cargo terminal, with the total cargo volume handled amounting to 71 thousand tonnes (10% of total cargo handled by the Company in this financial year).

As at the date of this Prospectus, the cargo area of the cargo terminal of the Company at KFIA comprises 34,000 m2 with 160 thousand tonnes of warehousing capacity. The Company plans to further expand and refurbish the existing cargo terminal and increase the warehousing capacity to 248 thousand tonnes by 2025G, involving expected costs of approximately SAR 100 million.

4.4.22 Cargo terminal at PMIA, Medina

The Company has entered into a lease agreement at PMIA with the Tibah Airports Operations Company for an area of approximately 1,900 m2. The lease agreement has a duration of one year and is automatically renewed unless either party notifies the other of the intention of non-renewal at least 60 days before the expiration of the lease agreement. For details of the Agreement, please refer to Section 12.5.3 ("**Air cargo facilities leases at Key Locations**") of this Prospectus. In the financial year ended 31 December 2022G, the Company handled an average of 11 flights per day at this cargo terminal, with the total cargo volume handled amounting to 6 thousand tonnes (0,3% of total cargo handled by the Company in this financial year).

At this stage, the Company has no plans to expand or replace the existing facilities, considering the relatively low cargo volume at PMIA.

4.4.23 Cargo terminals and office spaces in Other International and Domestic Airports

The Company has entered into a lease agreement with Cluster 2 in relation to leasing warehouses and office spaces in Other International and Domestic Airports with a total area of approximately 4,300 m2. The lease agreement has a duration of one year, which is automatically renewed for the same period unless either party notifies the other of its intention of non-renewal at least 60 days before the expiration of the lease agreement. For details of the Agreement, please refer to Section 12.5.3 ("**Air cargo facilities leases at Key Locations**") of this Prospectus. Other International and Domestic Airports accounted for 0.2% of total cargo handled by the Company in the financial year ended 31 December 2022G.

4.5 Company Departments and Support Functions

The functions of the major departments and business units of the Company are briefly described below:

4.5.1 Commercial Division

The Commercial Division works to enhance and increase Company revenue and profitability by developing and maintaining supporting infrastructure and delivering a business model that provides a differentiated customer experience. The Department is also responsible for sales; pricing and sales policy analysis; customer services; reporting; strategic partnerships and agreement development; contract management; market research; and management of external product, brand and business communications. The Department manages key accounts, customer service and product development.

4.5.2 Finance Division

The Finance Division conducts a range of functions, including accounting and reporting in accordance with both internal and international financial and accounting reporting standards; trial balance; managing reconciliation and controlling related activities and preparing reconciliation reports (in the Kingdom and outstations); conducting detailed financial analysis of the Company's financial statements; measuring financial performance against local, regional and international benchmarks; managing external audit reporting requirements; budgeting and forecasting budget management; establishing and maintaining effective working relationships with banks and financial institutions; leading the preparation of estimated cash flow statements; ensuring sufficient liquidity and cash to meet Company obligations; and managing the reconciliation of treasury-related accounts to ensure that accurate records are maintained and timely posted.

4.5.3 Internal Audit Department

The Company has an Internal Audit Department that audits the Company's accounts and is responsible for the development and implementation of audit policies. Key functions of the Internal Audit Department include interviewing audit business functions to identify and understand all aspects of internal controls, procedures, policies and practices; and performing audit assignments on various functions and activities of the Company to identify areas of risk and assess the effectiveness of internal control measures, as well as ensure adherence to the Company's policies and procedures so that operational efficiency and protection is maximized. The Unit also conducts investigations to detect possible fraudulent activities, creates awareness of new laws and other legislation related to audit among all stakeholders, and ensures that the requirements of the General Court of Audit are promptly met.

4.5.4 Corporate Affairs Division

The Corporate Affairs Division is responsible for the following:

- **Risk and Business Continuity Management,** coordinating with various business units to develop risk management frameworks for all departments in the Company, reviewing risk policies, enhancing risk management awareness, developing business continuity plans, as well as engaging in credit risk management, P&L, balance sheet credit assessment and credit ratings.
- **Governance and Compliance,** performing compliance assessment and review (e.g., corporate governance, annual reports, disclosure standards etc.), managing regulatory, safety, security and corporate compliance analysis, code of conduct and P&P compliance.
- **Health, Safety, Security and Environment** ("HSSE"), maintaining and ensuring the implementation of policies in line with international standards on safety and security across the Company's operations in the Kingdom. The division develops, implements, maintains and monitors security plans for all Company offices and stations; undertakes regular security inspections of stations in the Kingdom; keeps abreast of changes in security rules, regulations and practices; and liaises with all concerned entities to ensure that all operations are conducted in line with best practices. The HSSE division is also responsible for the continuous inspection of all work areas to create a safe environment for Company personnel and stakeholders. It assesses the safety of all equipment for use in the stations, manages internal and external environmental audits, and reviews company-wide environmental requirements to ensure that all environmental regulations, policies, procedures and international standards are adhered to, as well as plans and implements preventative health care programmes to encourage a healthy lifestyle and adherence to safety regulations.
- **Quality Management,** ensuring the effective implementation of the quality management system(s), as well as design, development and maintenance of quality assurance data systems, supervision of training material and training sessions delivery to enhance awareness of quality management systems throughout the Company, quality KPI monitoring and reporting, business process engineering and improvement, and management of quality certification – such as ISO management, IMS and SMS.
- **Cybersecurity Department:** Ensuring the protection of networks, information technology systems, operational technology systems and their hardware and software components, the services they provide and the data they contain, from any penetration, disruption, modification, illegal access, use or exploitation and enhancing cybersecurity and defense against any cyber threats through developing plans and strategies, supervising implementation thereof, developing policies and mechanisms for governance, as well as raising awareness in line with the controls of the National Cybersecurity Authority and the relevant authorities.
- **Legal Department:** The Legal Department provides legal advice to mitigate and eliminate legal risks, resolves issues and disputes, and provides legal assistance to support business transactions. The Department is also responsible for managing litigation and dispute settlement activities, and leading legal negotiations; developing and reviewing contracts, agreements, and other related legal documents; investigating malpractice, misconduct, or fraudulent activity; liaising with relevant entities and reviewing all regulations and instructions issued by regulatory authorities in relation to the Company's business and activities; and supervising general assembly meetings.

4.5.5 Logistics Solutions Division

The Logistics Solutions Division provides end-to-end logistics services and solutions to customers offering broad range of products such as (Air freight, Sea freight, Land transportation, Custom Clearance, Warehousing and on-site services), relying on sales and business development teams that act as the front-end with the clients and backed by the Operations and Execution Team which executes, manages and oversees the flow of the service from origin till the final destination.

4.5.6 Warehousing and Delivery Division

The Warehousing and Delivery Division provides warehousing and delivery services, relying on a sales and business development team that acts as the customer front end, supported by an operations and implementation team that implements and manages service flow.

4.5.7 Operations Division

The Operations Division is responsible for all ground handling operations and services in the Kingdom, with a particular focus on operations in the Key Locations. The objectives of the Operations Division are to deliver operational efficiency, cost-competitiveness, customer-orientation, quality, compliance, and profitability in services delivered. Other functions of the Operations Division include ground handling services design (specification and development); regulatory and environmental compliance and safety; applying performance management techniques to monitor and improve service levels; and liaising with Saudi Ground Services and other third-party ground handlers to ensure smooth operations and internal synergies.

4.5.8 Support Services Division

The Support Services Division is responsible for managing projects and facilities, specifically planning and coordination of project support services; allocation and utilization of space and resources in buildings; development of specifications and design of ground support equipment (GSE); coordination of maintenance to ensure operational readiness across Other International and Domestic Airports; securing optimum usage of man-hours and personnel cost minimization; and ensuring that corporate facilities meet health and safety requirements, as well as comply with rules, regulations and business standards. In addition, it manages projects, ensures operational readiness and provides an adequate level of familiarization and training for all cargo terminal stakeholders with regard to new facilities, processes and systems prior to the commencement of operations. The Department provides ORAT setup, readiness preparation for post-operation, training readiness, trials, transfer, opening support, and post-operation support; provides governance and stakeholder management; defines facilities, systems, procedural and manpower requirements; and ensures coordination with other departments and airport stakeholders. The Department is also responsible for the ongoing management of cargo terminals development capital expenditure projects to ensure desired outcomes and objectives are delivered. The Department also facilitates design development to deliver the required scope of work within budget and ensures the timely delivery of construction.

4.5.9 Strategy and Corporate Communication Division

The Strategy Division is tasked with developing the Company's strategy, annual planning, strategy review and performance monitoring, to ensure the Company retains well-founded mid- and long-term business plans to remain strategically competitive in the market. The Department leads the development and refinement of the Company's vision and strategy in support of management and corporate decision making to ensure short-, medium- and long-term profitability and returns. It advises and collaborates with department heads to set project plans; reviews market intelligence and competitiveness assessments to refine the Company's strategy, business model, product line up etc.

4.5.10 Human Capital Division

The Human Capital Division is responsible for developing and implementing the strategies and policies of the Human Capital Division to be an effective strategic partner that contributes to achieving the Company's strategic objectives. It is also tasked with enhancing manpower management through developing and building cadres, attracting highly qualified talent, managing the organizational structure and workforce planning, in line with the Company's requirements and strategy. Additionally, it is further responsible for ensuring the efficiency of human capital is raised to achieve the highest levels of functional performance.

4.5.11 Digital Transformation and Information Technology Department

The Digital Transformation and Information Technology Department is concerned with developing and managing all business applications and enhancing the infrastructure of all information technology systems, as well as designing, implementing, managing and maintaining databases and software. It is also responsible for developing an integrated strategy that aims at enabling digital transformation. Essentially, the Department aims to provide all services digitally, developing the necessary infrastructure and creating an environment that handles business easily.

4.6 Research and Development

As at the date of this Prospectus, the Company does not have a research and development policy since the Company is a service provider and therefore does not produce any products nor does it have any production processes.

4.7 Company's Assets

The Company confirms that it has no assets outside the Kingdom of Saudi Arabia and, as of 31 December 2022G, its total assets amounted to SAR 3,283.5 million. The total value of non-current assets amounted to SAR 1,932.2 million, including SAR 705.4 million of property and equipment, SAR 1,212.5 million of right-of-use assets and 14,299 million of intangible assets as of 31 December 2022G (for further information regarding this, please refer to Section 6 ("**Management's Discussion and Analysis of Financial Position and Results of Operations**") of this Prospectus).

4.8 Employees, employee development and other programmes

4.8.1 Employees

As at 31 December 2022G, the Company employed a total of 933 employees (902 of whom are Saudi nationals) overall. Additionally, the Company has agreements with leading staffing firms for the provision of additional outsourced manpower as needed.

The Company entered into employment contracts with all of the Company's Senior Executives and other members of management. The contracts stipulate their salaries and other allowances, according to their qualifications and experience, and include a number of benefits, such as medical insurance for the employees and their families. They are renewable and subject to the Saudi Labour Law. Please refer to Section 5.6.2 ("**Contracts concluded with Senior Executives**") of this Prospectus for summaries of the employment contracts with the Senior Executives.

The table below sets out the number of Saudi and Non-Saudi employees that are employed by the Company across its sectors, as at 31 December 2020G, 2021G and 2022G:

Table (4.10): Number of Saudi and Non-Saudi employees at the Company*

Function/Division	31 December 2020G			31 December 2021G			31 December 2022G		
	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total	Non-Saudi	Saudi	Total
CEO Office	2	4	6	2	4	6	2	4	6
Commercial	4	31	35	5	30	35	4	30	34
Finance	11	34	45	7	26	33	4	28	32
Governance	6	224	230	6	201	207	1	185	186
Internal Audit	4	2	6	2	3	5	2	3	5
Legal	0	7	7	1	6	7	1	4	5
Logistics Solutions**	-	-	-	-	-	-	2	16	18
Operations	4	534	538	2	549	551	2	545	547
Shared Service	14	75	89	11	75	86	9	43	52
Projects	5	12	17	4	12	16	3	28	31
Strategy and Corporate Communication	1	5	6	2	20	22	1	16	17
Total	**51**	**928**	**979**	**42**	**926**	**968**	**31**	**902**	**933**

* The number of employees and their classification across the Company's departments were included based on the Company's organizational structure as of 31 December 2022G.

** Logistics Solutions department was established in 2022G.

4.8.2 Saudization

The "**Nitaqat**" Saudization Program was approved pursuant to the Minister of Human Resources and Social Development ("**MHRSD**") Resolution No. 4040 issued on 12/10/1432H (corresponding to 10/09/2011G), based on the Council of Ministers Resolution No. 50 issued on 21/05/1415H (corresponding to 27/10/1994G), which was applied as of 12/10/1432H (corresponding to 10/09/2011G). MHRSD established the "**Nitaqat**" program to provide establishments with incentives to hire Saudi nationals. The program assesses an establishment's performance based on specific ranges, which are platinum, green (which is further divided into three categories, low green, middle green and high green), yellow, and red. Establishments that are classified within the platinum and green categories are deemed to be compliant with the Saudization requirements and receive certain specified benefits, such as the ability to obtain and renew work visas for foreign employees or the ability to change the profession of foreign employees (except for professions reserved exclusively for Saudi nationals). Establishments that are classified as yellow or red (depending on the extent to which they are non-compliant) are deemed to be non-compliant with the Saudization requirements and are subject to certain punitive measures, such as a limited ability to renew work visas for foreign employees or the complete inability to obtain or renew work visas for foreign employees.

As at 31 December 2022G, the Company had a Saudization ratio of 96.7%. As such, the Company was categorized at the date as being within the platinum category of the Nitaqat Saudization program approved by the MOHRSD.

The table below shows the number of employees of the Company and the achieved Saudization percentages as at 31 December 2022G:

Table (4.11): Number of Saudi and Non-Saudi employees of the Company

Company Name	Total Employees	Saudi Employees	Non-Saudi Employ-ees	Share of Saudi Employees %	Category (if any)
The Company	933	902	31	96.7	Platinum

Source: The Company

4.8.3 Employee development

In continuation of the methodology and strategy of the human resources sector in developing employees, the Company has adopted five main programmes to evolve its mission, vision and strategy in order to support the Company's business. The pillars of these programmes reflect the Company's Organizational Business Plan and shareholder vision: containing costs; enriching the employee experience; harnessing technology; upskilling human capital; and developing performance. The Company has also set strategic milestones in the area of technology and employee development.

The Company has adopted a digital transformation plan that is being implemented to transform the operating model of the Human Resources Sector, including all of its processes, employee experience, data management, reporting and technology adoption. More than 20 self-services have been introduced to address the most pressing employee needs, including obtaining documents, loan and advance requests, personal information updates, business trip requests and health insurance management. Additionally, the Company added two modules in its HR systems, a compensation module where employees can have an overview of their compensation, and an onboarding module that helps new joiners with training materials. More than 12 Management-level self-services have also been introduced, including employee transfer, promotion, internal hiring management and external hiring management.

A core responsibility of the Human Resources Sector is the upskilling of human capital to maintain the sustainability of supplying the Company with required technical and leadership skills. In terms of training management and manpower development, a revamped training needs identification programme has been launched, which helps deliver significant cost optimisation, high business alignment and sustainable skill supply to the Company. Additionally, an e-learning platform has also been introduced in 2020G to streamline the training delivery process. Such development is complemented by a rigorous programme named Masar, where two versions of this programme were launched. The first version of this programme focused on job succession and effective leadership for leaders, where the number of graduates was 35 employees. The second version focused on creativity in logistics services for the employees where the number of graduates was 273 employees. In general, this programme with its two versions is concerned with identifying, developing and refining talent to be the basic nucleus in the continuity of the Company's business and assume supervisory and leadership positions in the future, sponsored by high-level universities and academies. A globally reputable, specialised human resources firm has also been appointed to review the process of employee coaching and mentoring by Company leaders to help them drive the performance culture across the Company.

In terms of employee engagement in the workplace, a three-year transformative plan has been introduced via an external consulting company that assesses annual employee engagement levels, benchmarking these against local and global practices and assisting in the development of action plans to raise employee engagement where required, resulting in an improvement in the Company's employee engagement score of more than 12 points.

4.9 Business continuity

The Board of Directors confirm that there has been no interruption to the Company's business during the 12 months preceding the date of this Prospectus that may affect or have had a significant impact on its financial condition.

4.10 Significant disruptions to the Company's business

There have been no significant interruptions to the Group's business in the past three fiscal years.

4.11 Material change in the nature of the business

As at the date of this Prospectus, there has been no material change in the nature of the Company's business that may, singularly or in the aggregate, have a material impact on the Company's business, financial condition, results of operations or prospects. Except as disclosed in the Prospectus, the Company does not intend to make any material changes as at the date of this Prospectus.

4.12 Working capital statement

The Company has working capital sufficient for a period of at least 12 months immediately following the date of publication of this Prospectus.

4.13 Ownership structure and shareholder

4.13.1 Saudi Arabian Airlines Corporation

Saudi Airlines Corporation, the national carrier of the Kingdom, was founded as a Government corporation pursuant to Royal Decree No. M/24 dated 18/07/1385H (corresponding to 11/11/1965G), as amended by Council of Ministers Resolution No. 375 dated 8/9/1437H. The board of directors of Saudi Arabian Airlines Corporation are appointed by Royal Decree and include representatives from Ministries and governmental authorities and individuals who are not government employees. Saudi Airlines Corporation has also holdings and shares in several companies operating in KSA aviation and airports eco-system.

Saudi Airlines Corporation's main operations centre is located at KAIA, at the Company's headquarters is in Jeddah, Al Khalidiya district. Other major operational hubs are in KFIA, KKIA and PMIA. In addition to this, Saudi Arabian Airlines also operates cargo and private aviation services, either by itself or together with strategic partners.

Following the Offering, Saudi Arabian Airlines will hold 39,200,000 Shares, representing 49% of the Company's share capital, and will continue to be the largest shareholder in the Company. For the related risks, please refer to Section 2.3.1 ("**Risks related to effective control by current Shareholders following the Offering**") of this Prospectus.

4.13.2 Tarabot Air Cargo Services

Tarabot is a limited liability company registered in Riyadh, the Kingdom of Saudi Arabia under Commercial Registration No. 1010252350 dated 19/06/1429H (corresponding to 23/06/2008G), with a share capital of SAR 500,000. The activities of Tarabot include operation of warehouse facilities for all goods excluding foodstuff, loading and breakup of cargo and passenger luggage irrespective of transport mode, and freight forwarding agents.

The following table shows the ownership structure of Tarabot as at the date of this Prospectus:

Table (4.12): Ownership Structure of Tarabot Cargo as at the date of this Prospectus

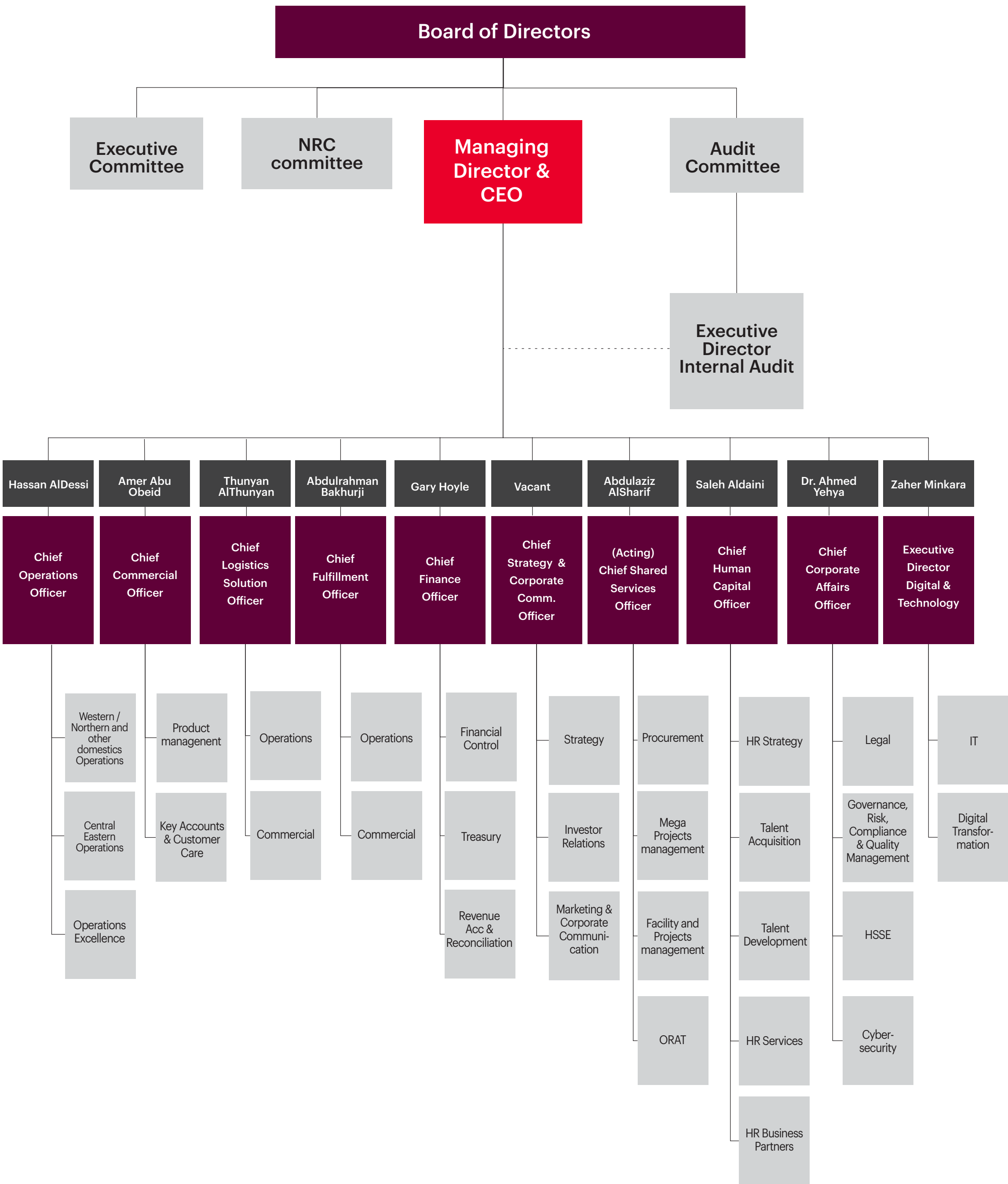
Shareholder					Shareholding Percentage
1.	**Tarabot Investment and Development**				**99%**
	1.1	**Vision International Investment Co.**			**44.8%**
		1.1.1	Abdullah Abunayyan Trading Co.		50%
			1.1.1.1	Muhammad Abdullah Rashid Abunayyan	8.39%
			1.1.1.2	Ibrahim Abdullah Rashid Abunayyan	8.39%
			1.1.1.3	Khaled Abdullah Rashid Abunayyan	8.39%
			1.1.1.4	Abdulilah Abdullah Rashid Abunayyan	8.39%
			1.1.1.5	Saad Abdullah Rashid Abunayyan	7.95%
			1.1.1.6	Riyad Abdullah Rashid Abunayyan	7.95%
			1.1.1.7	Rakan Abdullah Rashid Abunayyan	7.95%
			1.1.1.8	Munira Ibrahim Muhammad Abunayyan	7.58%
			1.1.1.9	Nora Mohammed Abdulaziz Al-Madhi	6.26%
			1.1.1.10	Maha Abdullah Rashid Abunayyan	4.20%
			1.1.1.11	Sarah Abdullah Rashid Abunayyan	4.20%
			1.1.1.12	Salwa Abdullah Rashid Abunayyan	4.20%
			1.1.1.13	Nawal Abdullah Rashid Abunayyan	4.20%
			1.1.1.14	Raeda Abdullah Rashid Abunayyan	3.98%
			1.1.1.15	Ruba Abdullah Rashid Abunayyan	3.98%
			1.1.1.16	Nouf Abdulaziz Abdullah Abunayyan	3.98%
		1.1.2	Abdulkadir Al Muhaidib and Sons Co.		50%
			1.1.2.1	Amwal Al Ajial Holding Co.	100%
				1.1.2.1.1 Essam Abdel Qader Al-Muhaidib	28%
				1.1.2.1.2 Suleiman Abdul Qader Al-Muhaidib	28%
				1.1.2.1.3 Emad Abdel Qader Al-Muhaidib	28%
				1.1.2.1.4 Maryam Abdul Qader Al Muhaidib	4%
				1.1.2.1.5 Awatef of Abdul Qader Al-Muhaidib	4%
				1.1.2.1.6 Haifa Abdul Qader Al-Muhaidib	4%
				1.1.2.1.7 Tamader Abdel Qader Al-Muhaidib	4%
	1.2	**Sultan Holding Co.**			**22.4%**
		1.2.1	HH Prince Sultan bin Mohammed bin Saud Al Kabeer Al Saud		100%

Shareholder				Shareholding Percentage
1.3	**Al-Fozan Holding Co.**			**22.4%**
	1.3.1	Abdulatif and Mohammed Al-Fozan Holding		60%
		1.3.1.1	Rawabi Alriyadh Limited Company	50%
			1.3.1.1.1 Mohammed Ahmed Al-Fozan	100%
		1.3.1.2	Alma'ali Holding Company	50%
			1.3.1.2.1 Abdullah Abdullatif Al-Fozan	10%
			1.3.1.2.2 Ali Abdullatif Al-Fozan	10%
			1.3.1.2.3 Khaled Abdullatif Al-Fozan	10%
			1.3.1.2.4 Abdullatif Ahmed Al-Fozan	70%
	1.3.2	Khaled Abdullatif Al-Fozan		10%
	1.3.3	Ali Abdullatif Al-Fozan		10%
	1.3.4	Abdullah Abdullatif Al-Fozan		10%
	1.3.5	Fozan Mohammed Al-Fozan		10%
1.4	**Omran Mohammed Al-Omran and partners Investments Co.**			**10.4%**
	1.4.1	Imran Mohammed Al-Omran		85.020%
	1.4.2	Torfah Abdullah Al-Mazrou		1.876%
	1.4.3	Muhammed Imran Al-Omran		2.016%
	1.4.4	Abdul Mohsen Omran Al-Omran		2.016%
	1.4.5	Musa Imran Al-Omran		2.016%
	1.4.6	Abdul Rahman Omran Al-Omran		2.016%
	1.4.7	Saad Omran Al-Omran		2.016%
	1.4.8	Khalid Omran Al-Omran		2.016%
	1.4.9	Nora Omran Al-Omran		1.008%
2.	**Al-Athat Co.**			**1%**
2.1	**Tarabot Investment & Development**			**100%**
Total				**100%**

5. Ownership and Organizational Structure

The Company's organizational structure comprises the General Assembly and the Board of Directors (the "**Board of Directors**" or the "**Board**") together with the committees of the Board, i.e., the Audit Committee, the Nomination and Remuneration Committee and the Executive Committee. Such committees assume the powers delegated thereto by the Board in accordance with the Company's corporate governance rules. The Board is ultimately responsible for direction, general supervision and general control of the Company and the Senior Management of the Company. The following chart sets out the organizational structure of the Company:

Exhibit (5.1): The organizational structure of the Company as at the date of this Prospectus



The following table also shows the Company's ownership structure pre-and post-Offering:

Table (5.1): Overview of Share Ownership Pre-and Post-Offering

Shareholder Name	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Shareholding Percentage	No. of Shares	Nominal Value (SAR)	Shareholding Percentage
Saudi Arabian Airlines Corporation ("Saudia")	56,000,000	560,000,000	70%	39,200,000	392,000,000	49%
Tarabot Air Cargo Services Limited	24,000,000	240,000,000	30%	16,800,000	168,000,000	21%
Public	-	-	-	24,000,000	240,000,000	30%
Total	**80,000,000**	**800,000,000**	**100%**	**80,000,000**	**800,000,000**	**100%**

Source: The Company

5.1 Board of Directors and Board Secretary

5.1.1 Composition of the Board

Pursuant to the Company's Bylaws, the Board of Directors is comprised of nine (9) directors appointed by the Ordinary General Assembly. The Companies Law, the CGRs, the Bylaws and the Company's Corporate Governance Manual define the Board's duties and responsibilities. The tenure of Directors, including the Chairman, is a maximum of three (3) years. As an exception, the Shareholders appointed the first Board of Directors for five (5) years as of 15/08/1442H (corresponding to 29 March 2021G).

The following table sets out the details of the Directors as at the date of this Prospectus:

Table (5.2): The Company's Board of Directors

No.	Name	Position	Nationality	Age	Status	Date of Appointment	Direct Ownership (%)		Indirect Ownership (%)	
							Pre-Offering	Post-Offering	Pre-Offering	Post-Offering
1.	Fawaz bin Mohammed bin Fawaz Alfawwaz	Chairman	Saudi	61	Non-Executive/ Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
2.	Mohammad bin Abdullah Rashed Abunayyan	Vice Chairman	Saudi	60	Non-Executive/ Non-Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	0.56%[9]	0.39%
3.	Rasheed bin Abdul Rahman bin Nasser Al Rasheed	Director	Saudi	57	Non-Executive/ Non-Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
4.	Faisal bin Saad bin Abdullah Albedah	Director	Saudi	43	Managing Director/ Non-Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
5.	Olivier Philippe Auguste Bijaoui	Director	French	64	Non-Executive/ Independent	09/05/1443H (corresponding to 13/12/2021G)	-	-	-	-
6.	Ahmed bin Abdulaziz bin Ibrahim Alwassiah	Director	Saudi	53	Non-Executive/ Non-Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
7.	Rayan bin Mostafa bin AbdulWahab Qutub	Director	Saudi	50	Non-Executive/ Independent	16/08/1442H (corresponding to 29 March 2021G)	-	-	-	-
8.	Fahad bin Abdullah bin Hussain Moussa	Director	Saudi	46	Non-Executive/ Non-Independent	14/10/1442H (corresponding to 26/05/2021G)	-	-	-	-
9.	Ibraheem bin Adel Ibraheem Sheerah	Director	Saudi	45	Non-Executive/ Non-Independent	08/02/1444H (corresponding to 04/09/2022G)	-	-	-	-

Source: The Company

The current Secretary is Homam Saleh Abdullah Bogary, who was appointed to this position for the current term of the Board pursuant to a Board resolution issued in meeting no. 6 dated 07/10/1442H, corresponding to 19/05/2021G. He does not own any Shares in the Company.

9 Prior to the Offering, Mohammad bin Abdullah Rashed Abunayyan indirectly owns 0.56% of the Company's Shares, through his ownership of 8.39% of Abdullah Abunayyan Trading Corp. (ATC), which owns 50% of the shares of Vision International Investment Company, which in turn owns 44.8% of Tarabot Investment and Development, which in turn has beneficial ownership of 100% of Tarabot Air Cargo Services Company (through a direct ownership stake of 99% and an indirect ownership stake of 100% of the shares of Al-Uzah Company, which owns 1% of Tarabot Air Cargo Services Company), which in turn owns 30% of the Company's shares prior to the Offering.

5.1.2 Board Responsibilities

The responsibilities of the Board of Directors and Secretary include:

5.1.2.1 Board of Directors

Pursuant to the Company's Bylaws, the Board of Directors shall be vested with the broadest powers to run the day-to-day business of the Company. The Board of Directors shall have the following responsibilities:

- engaging in tenders and auctions; bidding for contracts, including, but not limited to, documents pertaining to sales, leases, rentals, representations, declarations and mortgages, et cetera; conducting transactions on behalf of the Company; collection and making of payments; receiving rights with third parties; and making acknowledgements;
- participating in the establishment of companies; opening Company branches; signing all types of contracts, deeds and documents, including, but not limited to, the constitutional documents of the companies which are established by the Company or in which the Company holds Shares and all amendments to the constitutional documents of the companies in which the Company holds Shares and the appendices thereto, as well as all resolutions of shareholders in such companies relating to capital increases; purchasing and assigning Shares; notarizing contracts and signing with the Department of Companies at the Ministry of Commerce and Industry and with notaries public; amending, changing, making additions to, cancelling, extracting, renewing and receiving commercial registration certificates; changing company names; and providing financial support, save loans to subsidiaries;
- signing contracts and deeds before notaries public and government entities, as well as loan agreements, guarantees and securities; subordination of the debts due to the Company; and issuing official powers of attorney in the name of the Company;
- selling and purchasing real estate, land, shares, stocks and other movable and fixed assets; disposing of the Company's assets and property; and mortgaging fixed and movable assets to guarantee loans obtained by the Company and the subsidiaries in accordance with the following conditions:
  - the Board must specify in its resolution the justification for such action;
  - the sale price must be roughly comparable to the equivalent value thereof;
  - the payment of the price for such transaction may not be deferred except in certain circumstances and with sufficient guarantees; and
  - such action shall not cause the Company to discontinue some of its activities or incur further liabilities.
- transferring titles and accepting the transfer thereof; receiving payment in any manner deemed appropriate thereby; receiving; delivering; leasing; collecting; and making payments;
- opening and managing bank accounts; withdrawing from and depositing with banks; obtaining loans from banks; signing all papers, documents, cheques and banking transactions; and investing the Company's funds in local and international markets within or outside KSA;
- appointing and dismissing lawyers, employees and auditors; requesting visas; recruiting manpower from abroad, signing employment contracts therewith and determining the salaries thereof; requesting issuance of residence permits; and transferring and waiving sponsorships;
- concluding loans with Government funds and institutions, regardless of their duration; entering into commercial loans and obtaining loans and other credit facilities from Government institutions, commercial banks, financial institutions and credit companies; issuing letters of guarantee in favor of any party if it believes doing so is in the best interest of the Company; issuing promissory notes and tradable instruments; and executing all types of agreements and banking transactions with terms not exceeding that of the Company;
- approving the Company's internal, financial, administrative and technical regulations and employee policies and procedures; authorizing the Company's executives to sign on the Company's behalf in accordance with the regulations and controls set by the Board; endorsing and implementing the Company's business plans; and approving the Company's annual budget; and
- discharging the Company's debtors from their obligations, provided that the minutes of the Board meeting and the reasons given for its resolution shall observe the following:
  - the discharge must be after the lapse of at least one year from the establishment of the debt;
  - the discharge must be for a specified maximum annual amount for each debtor; and
  - discharge of debtors is an exclusive right of the Board and must not be delegated.

- The Board of Directors also has the right to conciliate, waive, conclude, commit and contract on behalf of the Company. The Board of Directors shall have the authority to carry out all acts necessary to achieve the Company's objectives.
- The Board may, within the scope of its competence, authorize one or more of the Directors or third parties to carry out specific assignment(s) or perform certain actions. The Board may delegate any of its powers and authorities to anyone it deems fit and may cancel such delegation in whole or in part.
- The Company's Board of Directors shall have the authority to establish subcommittees as may be necessary for the Company's business and needs. The Board may also grant such committees any competency it deems appropriate, and shall coordinate between such committees in order for them to decide promptly on the issues presented thereto for the Board to effectively carry out its duties.
- The Board of Directors may, within the scope of its competencies, delegate one or more of the Directors or third parties to carry out specific assignment(s).

5.1.2.2 Chairman

The Chairman shall be responsible for leading the Board and supervising its operations and the effective performance of its duties, and shall represent the Company in its relations with third parties, before courts, Government entities, notaries public, dispute resolution committees of all types and levels, chambers of commerce and industry, private bodies, companies and all foundations. Pursuant to the Company's Bylaws, the competencies and duties of the Chairman shall include the following in particular:

- calling for Board meetings and presiding over such meetings; and
- signing on behalf the Company and representing it in its relations with third parties and Government entities.
- The Chairman or his authorized representative may also sign all agreements, contracts and deeds, including, but not limited to, the constitutional documents of the companies in which the Company holds Shares along with all amendments thereto, including resolutions relating to the appointment and removal of directors, assignment of Shares, capital increases and decreases and the purchase and sale of stocks and Shares; pay and receive the price, liquidate such companies and cancel the commercial registrations thereof.
- The Chairman or his authorized representative may also lease any property belonging to the Company and receive the rent thereof; rent any property on behalf of the Company; make rental payments; create, sign, endorse and receive commercial papers; and perform all banking transactions necessary for the Company's business, including opening and closing banking accounts; withdrawing from and/or depositing into the same; requesting and signing facilities of all types and loans of any amount from commercial banks; signing all guarantees; requesting and issuing all warranties and opening credits on behalf of the Company; signing the treasury operations and products; signing facilities contracts and papers on the behalf of the Company and its subsidiaries; signing and cashing cheques; signing Islamic Murabaha (cost-plus financing) agreements and investment contracts; opening and closing investment portfolios to trade and deal in the Shares of joint stock companies and all company securities and offerings.
- The Board may delegate one or more of the Directors or third parties to carry out specific assignment(s) related to the Company's business.

5.1.2.3 Vice Chairman

The Vice Chairman shall replace the Chairman in case of his absence.

5.1.2.4 Secretary

The current Secretary is Homam Saleh Abdullah Bogary. The Secretary shall be responsible for organizing Board meetings. Under the Company's Bylaws and Internal Corporate Governance Regulations, the main responsibilities of the Secretary shall include the following:

- documenting board meetings and preparing the minutes thereof;
- maintaining the reports submitted to the Board and the reports prepared thereby;
- providing the Directors with the Board's agenda, working papers, documents, information and any additional documentation or information requested by any of the Directors in relation to the topics included in the meeting agenda;

- ensuring that the Directors comply with the procedures approved by the Board;
- notifying Directors of the dates of Board meetings with sufficient advance notice;
- presenting the draft meeting minutes to the Directors for their views thereon before signature thereof;
- ensuring that Directors have full and prompt access to a copy of the minutes of Board meetings, and the information and documents related to the Company;
- coordinating between the Directors;
- organizing a register of disclosures of the Board and Executive Management as per the Company's Internal Corporate Governance Regulations; and
- providing assistance and advice to the Directors.

5.1.2.5 CEO

The CEO shall be generally responsible for the performance of the Company's Executive Management and its day-to-day financial and operational performance, the development and implementation of the Company's strategy and the implementation of the Company's annual business plans approved by the Board of Directors. The CEO shall exercise his duties under the direct supervision of the Board of Directors and shall serve as a liaison between the Board and the Executive Management of the Company.

5.1.3 Biographies of the Directors and Secretary

An overview of the experience, qualifications and current and previous positions of the Directors and the Secretary.

5.1.3.1 Summary Biography of Fawaz bin Mohammed bin Fawaz Alfawwaz

Table (5.3): Summary Biography of Fawaz bin Mohammed bin Fawaz Alfawwaz

Name	FAWAZ BIN MOHAMMED BIN FAWAZ ALFAWWAZ
Age	61 years
Nationality	Saudi
Current Position	Chairman
Professional and Academic Qualifications	Bachelor's degree in Accounting and Finance, King Saud University, KSA, 1983G. He attended several specialized training courses at a number of foreign training facilities. His training included advanced management, leadership, corporate financial strategies, joint services, credit and risk management, international treasury management, financial control and corporate governance.
Other Current Positions	• Chairman, Saudi Acrylic Acid Company (SAAC), a limited liability company operating in the management of acrylic acid and derivatives projects, from 2020G to present. • Director and Chairman of the Audit Committee, Saudi Chemical Company, a listed joint-stock company operating in the chemical, industry and drug distribution sector, from 2019G to present. • Director and Chairman of the Audit Committee, Tasnee & Sahara Olefins Company (TSOC), a closed joint-stock company operating in the petrochemical sector, from 2015G to present. • Director and Chairman of the Audit Committee, The Industrialization Energy Services Company (TAQA), a closed joint-stock company operating in the drilling and petroleum services sector, from 2015G to present. • Executive Vice President - Finance & Support Functions, National Industrialization Company (Tasnee), a listed joint-stock company operating in petrochemicals, manufacturing materials and marketing of its products, from 2015G to present.

Name	FAWAZ BIN MOHAMMED BIN FAWAZ ALFAWWAZ
Previous Positions	• Director and Chairman of the Audit Committee, Malath Cooperative Insurance Co., a listed joint-stock company operating in the insurance sector, from 2016G to 2019G. • Chairman, SACC, a closed joint stock company operating in the air cargo sector, from 2016G until July 2021G. • Director and Member of the Audit Committee, Alba Company - Bahrain, a listed joint-stock company operating in the mining and aluminum sector, from January 2015G until the end of March 2015G. • Director and Chairman of the Audit Committee, Yansab, a listed joint-stock company operating in the petrochemical sector, from 2013G to 2015G. • Vice President of Finance, Saudi Basic Industries Corp. (SABIC), a listed joint-stock company operating in the petrochemical sector, from 2010G to 2015G. • Member of the Advisory Committee, Capital Market Authority, from 2016G to 2017G. • Director and Chairman of the Audit Committee, Yansab, a listed joint-stock company operating in the petrochemical sector, from 2007G to 2012G. • Vice Chairman and Chairman of the Audit Committee, Yansab, a listed joint-stock company operating in the petrochemical sector, from 2013G to 2015G. • General Manager of Finance, Saudi Basic Industries Corp. (SABIC), a listed joint-stock company operating in the petrochemical sector, from 2004G to 2009G. • General Manager of Accounting, Saudi Basic Industries Corp. (SABIC), a listed joint-stock company operating in the petrochemical sector, from 2000G to 2004G. • Assistant Vice President of Finance, SABIC Marketing Ltd (a subsidiary of SABIC), a limited liability company operating in the petrochemical sector, from 1996G to 1999G. • He assumed several accounting and financial positions in SABIC Marketing Ltd (a subsidiary of SABIC), a limited liability company operating in the petrochemical sector, from 1983G to 1995G.

5.1.3.2 Summary Biography of Mohammad bin Abdullah Rashed Abunayyan

Table (5.4): Summary Biography of Mohammad bin Abdullah Rashed Abunayyan

Name	MOHAMMAD BIN ABDULLAH RASHED ABUNAYYAN
Age	60 years
Nationality	Saudi
Current Position	Non-Executive Vice Chairman
Professional and Academic Qualifications	High school diploma, Al Yamama Secondary School, KSA, 1979G.
Other Current Positions	• Chairman, ACWA Power (formerly known as International Company for Water and Power Projects), a listed joint stock company operating in the water and energy sector, from 2008G to present. • Non-Executive Vice President, Saudi-Indian Relations Advisory Board. • Non-Executive Member of the Advisory Committee, ZATCA, a non-profit organization operating in the Government sector, from 2019G to present. • Non-Executive Member of the Founding Board, NEOM Investment Fund, a Saudi Government entity operating in the industrial sector, from 2021G to present. • Non-Executive Director, Local Content and Private Sector Development Unit, a non-profit organization operating in the public sector, from 2019G to present. • Non-Executive Director, University Higher Education Fund, a non-profit fund operating in the public sector, from 2019G to present. • Director, General Authority of Foreign Trade (GAFT), a Government body aiming to enhance KSA's international commercial gains, from 2022G to present. • Chairman, Saudi-Uzbek Business Council, a non-profit council operating in the public sector, from 2020G to present. • Chairman, Saudi-Emirati Coordination Council, a non-profit council operating in the public sector, from 2020G to present. • Non-Executive Chairman, Saudi Arabian Industrial Investment Company (Dussur), a Saudi closed joint-stock company operating in the investment sector, from 2017G to present. • Non-Executive Chairman, Arabian Qudra (AQ), a Saudi limited liability company operating in the industrial gases sector, from 2014G to present.

Name	MOHAMMAD BIN ABDULLAH RASHED ABUNAYYAN
Other Current Positions	• Non-Executive Chairman, Air Products Qudra, a limited liability company operating in the industrial gases sector, from 2020G to present. • Non-Executive Vice Chairman, SACC, a Saudi closed joint stock company operating in the cargo sector, from 2008G to present. • Non-Executive Director, Lafana Investment Company, a closed joint stock company operating in the investment sector, from 2011G to present. • Non-Executive Director, RAFAL Real Estate Development Co., a Saudi limited liability company operating in the real estate sector, from 2011G to present. • Non-Executive Chairman, Tarabot Investment and Development, a Saudi closed joint-stock company operating in the transportation sector, from 2021G to present. • Non-Executive Vice Chairman, SAL Saudi Logistics Services Company, from 2019G to present. • Non-Executive Chairman, Saudi Tabreed, a Saudi closed joint-stock company operating in the district cooling sector, from 2005G to present. • Non-Executive Chairman, Vision International Investment Company, a Saudi closed joint-stock company operating in the investment sector, from 2002G to present. • Non-Executive Director, Neom Green Hydrogen Company (NGHC), a Saudi limited liability company operating in the energy sector, from 2021G to present. • Non-Executive Director, Noor Energy 1, a closed joint-stock company incorporated outside KSA operating in the energy sector, from 2018G to date. • Non-Executive Director, Shuaa Energy 1 PSC, a closed joint-stock company incorporated outside KSA operating in the energy sector, from 2015G to date. • Non-Executive Director, Shuaa Energy 3 PSC, a closed joint-stock company incorporated outside KSA operating in the energy sector, from 2020G to present. • Non-Executive Director, Jizan Integrated Gas and Power Transformation Company, a Saudi mixed limited liability company operating in the gas and energy sector, from 2015G to date. • Non-Executive Director, Hassyan Energy Phase 1, a closed joint-stock company incorporated outside KSA operating in the energy sector, from 2016G to date. • Shareholder and Non-Executive Chairman, Family Gold Company, a limited liability company operating in the investment sector, from 2011G to present. • Shareholder and Non-Executive Chairman, Mohammad Abdullah Abunayyan Company, a limited liability company operating in the investment sector, from 2011G to present. • Non-Executive Chairman, Vision Industries, a limited liability company operating in the industry sector, from 2021G to present. • Non-Executive Chairman, Jazan Gas Projects Company, a limited liability company operating in the industrial gases sector, from 2015G to present. • Non-Executive Director, Tarabot Air Cargo Services, a limited liability company operating in the industry sector, from 2008G to present.
Previous Positions	• Non-Executive Director, Global Ports and Rails, a limited liability company operating in the transportation and logistics services sector, from 2015G to 2020G. • Non-Executive Director, Welspun Middle East Pipes Coating Company, a Saudi limited liability company operating in the pipe coating sector, from 2010G until July 2020G. • Non-Executive Chairman, Qurayyah Project Company LLC, a limited liability company operating in the energy sector, from 2011G to 2020G. • Non-Executive Chairman, Qurayyah Investments Company, a limited liability company operating in the energy sector, from 2011G to 2019G. • Non-Executive Chairman, Hajr for Electricity Production Company, a closed joint-stock company operating in the energy sector, from 2011G to 2019G. • Non-Executive Director, ACWA Power Khalladi, a closed joint-stock company operating in the water and energy sector, from 2016G to 2018G. • Non-Executive Director, Pohang Iron and Steel Company, a limited liability company operating in the building materials sector, from 2015G to 2018G. • Non-Executive Chairman, Al Mourjan for Electricity Production, a closed joint-stock company operating in the energy sector, from 2013G to 2018G. • Non-Executive Chairman, Rabigh Investment Company Limited, a limited liability company operating in the energy sector, from 2013G to 2018G.

Name	MOHAMMAD BIN ABDULLAH RASHED ABUNAYYAN
Previous Positions	• Non-Executive Chairman, ACWA Güç, a Turkish joint stock company operating in the energy sector, from 2011G to 2018G. • Non-Executive Chairman, ACWA Power Enerji Anonim Sirketi, a Turkish joint-stock company operating in the energy sector, from 2011G to 2018G. • Non-Executive Chairman, KSB Arabia, a limited liability company operating in the energy sector, from 2010G to 2018G. • Non-Executive Director, Aziz European Pipe Factory for Trading and Contracting, a limited liability company operating in the manufacturing sector, from 2006G to 2018G. • Non-Executive Chairman, Saudi Agricultural Development Co. (INMA), a limited liability company operating in the agricultural sector, from 2003G to 2018G. • Non-Executive Chairman, Abunayyan Holding, a limited liability company operating in the water and energy sector, from 2001G to 2018G. • Non-Executive Director, Saudi Tumpane Company, a limited liability company operating in the contracting sector, from 2005G to 2017G. • Non-Executive Chairman, ACWA Power Solafrica Bokpoort CSP Ltd, a limited liability company in South Africa operating in the energy sector, from 2013G to 2017G. • Non-Executive Director, Sun and Life Company, a limited liability company operating in the construction sector, from 2009G to 2017G. • Non-Executive Director, Desert Aluminum Company Ltd, a limited liability company operating in the contracting sector, from 2015G to 2016G. • Non-Executive Chairman, Central Electricity Generating Company, a closed joint-stock company operating in the energy sector, from 2011G to 2016G. • Non-Executive Chairman, ENARA Energy Investments, a closed joint-stock company operating in the energy sector, from 2011G to 2016G. • Non-Executive Chairman, Floating Ships Company for Water Projects, a limited liability company operating in the water sector, from 2011G to 2016G. • Non-Executive Chairman, Rabigh Expansion Project Company, a limited liability company operating in the energy sector, from 2013G to 2015G. • Non-Executive Chairman, Multiple Shares Company, a limited liability company operating in the investment sector, from 2012G to 2015G. • Non-Executive Chairman, Al Raeda Energy, a limited liability company operating in the energy sector, from 2011G to 2015G. • Non-Executive Chairman, Higher Institute for Water and Power Technologies, a non-profit organization operating in the education sector, from 2011G to 2015G. • Non-Executive Chairman, ACWA Power Barka SAOG (Barka 1), a closed joint-stock company operating in the water and energy sector, from 2010G to 2015G. • Non-Executive Chairman, Projects Acquisition Company Limited, a limited liability company operating in the energy sector, from 2009G to 2015G. • Non-Executive Director, Rabigh Operations & Maintenance Company, a limited liability company operating in the maintenance sector, from 2009G to 2015G. • Non-Executive Director, Industrial Cities Development and Operating Company, Trading and Contracting, a limited liability company operating in the facilities management sector, from 2008G to 2015. • Non-Executive Chairman, Kahromaa Limited, a limited liability company operating in the contracting sector, from 2008G to 2015G. • Non-Executive Vice Chairman, First National Operation & Maintenance Co., a limited liability company operating in the maintenance sector, from 2007G to 2015G. • Non-Executive Director, Jubail Water & Power Company, a closed joint-stock company operating in the energy and water sector, until 2014G. • Non-Executive Chairman, SGA Marafiq Holdings Company, a limited liability company operating in the energy sector, from 2006G to 2015G. • Non-Executive Chairman, Shuqaiq Arabian Water & Electricity Company, a limited liability company operating in the energy sector, from 2006G to 2015G.

Name	MOHAMMAD BIN ABDULLAH RASHED ABUNAYYAN
Previous Positions	• Non-Executive Chairman, Saudi Malaysia Water & Electricity Company, a limited liability company operating in the water and energy sector, from 2005G to 2015G. • Non-Executive Chairman, Shuaibah Water and Electricity Company, a limited liability company operating in the water and energy sector, from 2005G to 2015G. • Non-Executive Chairman, Multiforms LLC, a UAE limited liability company operating in the building materials sector, from 2012G to 2014G. • Non-Executive Chairman, International Barges Co. for Water Desalination, a limited liability company operating in the water sector, from 2007G to 2014G. • Non-Executive Chairman, Alimtiaz Operation & Maintenance Company, a limited liability company operating in the maintenance sector, from 2010G to 2013G. • Non-Executive Director, Altoukhi Company for Industry, Trading and Contracting, a limited liability company operating in the construction sector, from 2009G to 2013G. • Non-Executive Chairman, Beatona Company, a limited liability company operating in the waste management sector, from 2008G to 2013G. • Non-Executive Director, Saudi Research & Marketing Group, a limited liability company operating in the research sector, from 2007G to 2013G. • Non-Executive Chairman, Shuqaiq International Water & Electricity Company, a limited liability company operating in the water and energy sector, from 2007G to 2013G. • Non-Executive Director, Shuqaiq Water and Electricity Company, a joint-stock company operating in the water and energy sector, from 2007G to 2013G. • Non-Executive Director, Tanmiah Transport Co, a limited liability company operating in the logistics services sector, from 2007G to 2013G. • Non-Executive Chairman, Arabian Pipes Company, a limited liability company operating in the construction sector, from 2012G to 2017G. • Non-Executive Chairman, Saudi Malaysia Operation & Maintenance Services Company, a limited liability company operating in the maintenance sector, from 2006G to 2013G. • Non-Executive Director, Saudi Agriculture Development Company, a limited liability company operating in the economic development sector, from 1999G to 2017G. • Non-Executive Director, Saudi Deyaar, a limited liability company operating in the contracting sector, from 2007G to 2012G. • Non-Executive Director, Shuaibah Expansion Holding Company, a limited liability company operating in the water and energy sector, from 2007G to 2012G. • Non-Executive Director, Shuaibah Expansion Project Company, a limited liability company operating in the water and energy sector, from 2007G to 2012G. • Non-Executive Director, Rabigh Arabian Water & Electricity Company, a limited liability company operating in the water and energy sector, from 2006G to 2012G. • Non-Executive Chairman, Shuaibah Water and Electricity Company, a joint-stock company operating in the water and energy sector, from 2005G to 2012G. • Non-Executive Director, Riyadh Chamber of Commerce and Industry, a governmental entity operating in the business development sector, from 2004G to 2012G. • Non-Executive Director, Grain Silos and Flour Mills Organization (SAGO), a non-profit organization operating in the food sector, from 2005G to 2011G. • Non-Executive Director, SAMBA Financial Group, a listed joint-stock company operating in the finance sector, from 2004G to 2009G. • Non-Executive Director, National Agriculture Development Co. (NADEC), a listed joint-stock company operating in the basic consumer goods sector, from 2001G to 2009G. • Non-executive Chairman, National Agricultural Marketing Company, a limited liability company operating in the marketing sector, from 1997G to 2007G.

5.1.3.3 Summary Biography of Rasheed bin Abdul Rahman bin Nasser Al Rasheed

Table (5.5): Summary Biography of Rasheed bin Abdul Rahman bin Nasser Al Rasheed

Name	RASHEED BIN ABDUL RAHMAN BIN NASSER AL RASHEED
Age	57 years
Nationality	Saudi
Current Position	Non-Executive Director
Professional and Academic Qualifications	Higher Diploma in Management Information Technology Systems, King Saud University, KSA, 1988G.
Current Positions	• Non-Executive Director, Al-Hassan Ghazi Ibrahim Shaker Company, a listed joint-stock company operating in the retail of luxury goods, from 2022G to present. • Member of the Audit Committee, ACWA Power (formerly known as International Company for Water and Power Projects), a listed joint-stock company operating in the water and energy sector, from 2022G to present. • Non-Executive Director and Member of the Audit Committee, Dr. Sulaiman Al Habib Medical Services Group, a listed joint-stock company operating in the health sector, from 2021G to present. • Non-Executive Director, Hemma Finance Limited, a closed joint-stock company operating in the financial services sector, from 2022G to present. • Non-Executive Vice Chairman, Saudi Tabreed, a closed joint-stock company operating in the district cooling sector, from 2021G to present. • Non-Executive Chairman, Al Ramz Real Estate, a closed joint-stock company operating in the real estate sector, from 2020G to present. • Member of the Executive Committee, Nomination and Remuneration Committee and Audit Committee, SAL Saudi Logistics Services Company, a Saudi closed joint-stock company operating in the logistics services sector, from 2019G to present. • Non-Executive Director, Chairman of the Executive Committee, Member of Nomination and Remuneration Committee and Member of the Audit Committee, Saudi Airlines Cargo Company (SACC), a closed joint-stock company operating in the cargo sector, from 2012G to present. • Non-Executive Director, Tarabot Investment and Development (formerly Integrated Transport Company), a closed joint-stock company operating in the logistics services sector, from 2012G to present. • Managing Director, Tarabot Investment and Development, a closed joint-stock company in Riyadh operating in the logistics services sector, KSA, from 2014G to present. • Non-Executive Director and Member of the Executive Committee, Vision International Investment Company, a closed joint-stock company operating in the infrastructure sector, from 2007G to present. • Non-Executive Director and Chairman of the Risk and Audit Committee, Jazan Gas Projects Company, a limited liability company operating in the industrial gases sector, from 2015G to present. • Non-Executive Director, Tarabot Air Cargo Services, a limited liability company operating in the logistics services sector, from 2014G to present. • Non-Executive Director, Al-Uzah Company, a limited liability company operating in the logistics services sector, from 2014G to present. • Non-Executive Director, Saudi Integrated Waste Treatment Company, a limited liability company operating in the recycling sector, from 2013G to present.
Previous Positions	• Non-Executive Chairman, Zelan Arabia Co., a limited liability company operating in the construction sector, from 2007G to 2023G. • Non-Executive Director, Al-Abraj Integrated Telecommunications Company, a limited liability company operating in the telecommunications sector, from 2019G to 2022G. • Non-Executive Director, ACWA Power (formerly known as International Company for Water and Power Projects), a closed joint-stock company operating in the water and energy sector, from 2008G to 2022G. • Non-Executive Director, Central District Cooling Company (CDCC), a limited liability company operating in the district cooling sector, from 2021G to 2021G.

Name	RASHEED BIN ABDUL RAHMAN BIN NASSER AL RASHEED
Previous Positions	• Non-Executive Chairman, Saudi Riyadh Cooling Company, a limited liability company operating in the district cooling sector, from 2015G to 2021G. • Non-Executive Chairman, Dharhan Valley Cooling Company, a limited liability company operating in the district cooling sector, from 2019G to 2021G. • Non-Executive Chairman, Saudi Dhahran District Cooling Company (SDCC), a limited liability company operating in the district cooling sector, from 2009G to 2021G. • Non-Executive Chairman, Saudi Tabreed Operations and Maintenance Company (STOM), a limited liability company operating in the district cooling sector, from 2009G to 2021G. • Managing Director, Saudi Tabreed, a closed joint-stock company operating in the district cooling sector, from 2011G to 2021G. • Non-Executive Director, Saudi Tabreed, a closed joint-stock company operating in the district cooling sector, from 2008G to 2021G. • Non-Executive Chairman, Communications Network Coverage Company, a limited liability company operating in the telecommunications sector, from 2020G to 2021G. • Non-Executive Chairman, Riyadh Water Production Company, a limited liability company operating in the water sector, from 2015G to 2020G. • Owner, Al Ramz Real Estate Company, a closed joint-stock company operating in the real estate sector, from 2017G to 2019G. • Non-Executive Director, Global Ports and Rails, a limited liability company operating in the transportation sector, from 2014G to 2019G. • Non-Executive Director, Welspun Middle East Pipes Company, a limited liability company operating in the manufacturing sector, from 2008G to 2014G. • Non-Executive Director, Arabian Japanese Membrane Co., a limited liability company operating in the manufacturing sector, from 2008G to 2014G. • Chairman and CEO, Arabian Company for Water & Power Development "ACWA Holding" (currently known as Vision International Investment Company), a Saudi joint-stock company operating in the energy sector, from 2007G to 2014G. • Non-Executive Director, Arabian Company for Water and Power Projects, a limited liability company operating in the water and energy sector, from 2004G to 2011G. • Non-Executive Director, Shuaibah Water and Electricity Company, a limited liability company operating in the water and energy sector, from 2006G to 2009G. • Non-Executive Director, Abdullah Abunayyan Group, a limited liability company operating in the investment sector, from 2006G to 2009G. • Non-Executive Director, Shuqaiq Water and Electricity Company, a limited liability company operating in the water and energy sector, from 2006G to 2009G. • Non-Executive Director, Rabigh Arabian Water & Electricity Company, a limited liability company operating in the water and energy sector, from 2006G to 2009G. • Vice Chairman and CFO, Abdullah Abunayyan Group, a Saudi limited liability company operating in the investment sector, from 2000G to 2007G. • Senior Management Information Consultant, Al-Rashed Chartered Accountants, a professional company operating in the accounting sector, from 1998G to 2000G. • Senior Management Consultant, Al-Rashed Chartered Accountants, a professional company operating in the accounting sector, from 1996G to 1997G. • Management Consultant, Al-Rashed Chartered Accountants, a professional company operating in the accounting sector, from 1993G to 1995G. • Computer Programmer and Systems Analyst, Royal Saudi Air Force (BDM International), a Government entity operating in the aviation sector, from 1992G to 1993G. • Computer Programmer, Saudi Telecom Company (STC), a listed joint-stock company operating in the telecommunications sector, from 1988G to 1992G.

5.1.3.4 Summary Biography of Faisal bin Saad bin Abdullah Albedah

Table (5.6): Summary Biography of Faisal bin Saad bin Abdullah Albedah

Name	FAISAL BIN SAAD BIN ABDULLAH ALBEDAH
Age	43
Nationality	Saudi
Current Position	Managing Director & CEO of the Company
Professional and Academic Qualifications	• MBA, Prince Sultan University, Riyadh, 2010G. • Bachelor's degree in Accounting, King Saud University, Riyadh, 2001G.
Other Current Positions	N/A
Previous Positions	• Director and Secretary General, Saudi Exports, a Government body focused on increasing Saudi non-oil exports, from 2021G to 2022G. • Director, General Authority of Foreign Trade (GAFT), a Governmental body aiming to enhance KSA's international commercial gains, from 2021G to 2022G. • Director and Member of the Executive Committee, Saudi EXIM Bank, a bank seeking to promote the development and diversification of Saudi exports, from 2021G to 2022G. • Director, National Centre for Palms & Dates, a center seeking to develop and sustain the palm and dates sector, from 2021G to 2022G. • Independent Director and Member of the Executive Committee and Investment Committee, National Unified Procurement Company for Medical Supplies (NUPCO), a limited liability company operating in the health sector, from 2019G to 2022G. • Director, SACC, a closed joint-stock company operating in the cargo sector, from 2020G to March 2021G. • Secretary General, Logistics Services Committee, a committee of the National Industrial Development and Logistics Program (NIDLP), from 2020G to 2021G. • Advisor to the Minister, MOMRAH, from 2019G to 2020G. • Deputy Governor, Saudi Customs for Trade Facilitation, from 2017G to 2019G. • Supply Chain Manager, Diaverum, a limited liability company operating in the health sector, from 2015G to 2017G. • Senior Supply Chain Manager, Baxter- Dubai, UAE, a limited liability company operating in the health sector, from 2010G to 2015G. • Business Development Manager, Jadwa Investment, a closed joint-stock company operating in the investment sector, from 2008G to 2010G. • Project Coordinator, Saudi Industrial Investment Group (SIIG), a listed joint-stock company operating in the industries sector, from 2006G to 2008G. • Supply Chain Manager, Arabian Health Care Supply Co., a limited liability company operating in the health sector, from 2003G to 2006G.

5.1.3.5 Summary Biography of Olivier Philippe Auguste Bijaoui

Table (5.7): Summary Biography of Olivier Philippe Auguste Bijaoui

Name	OLIVIER PHILIPPE AUGUSTE BIJAOUI
Age	64
Nationality	French
Current Position	Non-Executive Director
Professional and Academic Qualifications	• Master's degree in International Commercial Law, Sorbonne University, France, 1993G. • Bachelor's degree in International Commercial Law, Sorbonne University, France, 1992G. • Master's degree in Business Administration, Sorbonne University, France, 1980G. • Bachelor's degree in Business Administration, Sorbonne University, France, 1979G.
Other Current Positions	• Chairman and Owner, OBInvest, a simplified joint-stock company operating in the investment sector, from 2016G to present.

Name	OLIVIER PHILIPPE AUGUSTE BIJAOUI
Previous Positions	• Chairman and CEO, Worldwide Flight Services (WFS), a simplified joint-stock company operating in the ground handling sector, from 2004G to 2016G. • Chairman and CEO, Worldwide Flight Services (WFS), a simplified joint-stock company operating in the ground handling sector, from 2003G to 2004G. • Executive Vice President, VINCI Airports, a simplified joint-stock company operating in the airport operation sector, from 2003G to 2004G. • COO and Executive Vice President, VINCI Airports, a simplified joint-stock company operating in the airport operation sector, from 2001G to 2003G. • International Executive Vice President and Chairman, Cargo Worldwide, Worldwide Flight Services (WFS), a simplified joint-stock company operating in the ground handling sector, from 2000G to 2001G. • International Executive Vice President, Worldwide Flight Services (WFS), a simplified joint-stock company operating in the ground handling sector, from 1990G to 2000G. • First Deputy CEO, AMR Services Corp., a limited liability company operating in the ground handling sector, from 1996G to 1999G. • Chairman, SFS, a limited company operating in the ground handling sector, from 1993G to 1995. • Vice President - Europe, AMRS, a limited liability company operating in the ground handling sector, from 1993G to 1995G. • Chairman, SFS, a limited company operating in the ground handling sector, from 1980G to 1993G. • CEO, SFS, a limited company operating in the ground handling sector, from 1980G to 1993G.

5.1.3.6 Summary Biography of Ahmed bin Abdulaziz bin Ibrahim Alwassiah

Table (5.8): Summary Biography of Ahmed bin Abdulaziz bin Ibrahim Alwassiah

Name	AHMED BIN ABDULAZIZ BIN IBRAHIM ALWASSIAH
Age	53
Nationality	Saudi
Current Position	Non-Executive Director
Professional and Academic Qualifications	Bachelor's degree in Production Engineering and Mechanical Systems, King Abdulaziz University, KSA, 1993G.
Other Current Positions	• Deputy CEO for Operations, Saudi Air Transport Company, a limited liability company operating in the aviation sector, from 2020G to present. • Non-Executive Director, SACC, a closed joint-stock company operating in the air cargo sector, from 2020G to present. • Non-Executive Director, Alsalam Aircraft Maintenance, a limited liability company operating in the aircraft maintenance sector, from 2021G to present.
Previous Positions	• Non-Executive Director, Saudia Aerospace Engineering Industries, a limited liability company operating in the aircraft maintenance sector, from 2016G to 2018G. • Assistant General Manager for Fleet and Agreements, Saudia, a public institution operating in the air transport sector, from 2018G to 2020G. • Assistant General Manager of Air Services, Saudi Air Transport Company, a limited liability company operating in the aviation sector, from 2014G to 2018G. • Non-Executive Director, Saudi Rotorcraft Support Company, from 2017G to 2020G.

5.1.3.7 Summary Biography of Rayan bin Mostafa bin AbdulWahab Qutub

Table (5.9): Summary Biography of Rayan bin Mostafa bin AbdulWahab Qutub

Name	RAYAN BIN MOSTAFA BIN ABDULWAHAB QUTUB
Age	50
Nationality	Saudi
Current Position	Non-Executive Director
Professional and Academic Qualifications	• Bachelor's degree in Business Administration (Hons.), King Abdulaziz University, 1995G. • 2030 Leaders Program, Misk, 2020G. • Technical Transformation and Innovation Management Program, Silicon Valley, USA, 2019G. • Government Transformation Management Program, Harris University, USA, 2015G. • Real Estate Development Program, Harvard University, 2014G. • Real Estate Development Design Program, Harvard University, 2014G. • Economic Development Management Program, University of Oxford, UK, 2010G.
Other Current Positions	• Partner and General Manager, Next Direction Retail Company, a limited liability company operating in the retail sector, from 2023G to present. • Partner and Director, Alafia Medical Services, a limited liability company operating in the medical services sector, from 2022G to present. • Independent Director and Member of the Nomination and Remuneration Committee, Saudi Company for Electronic Information Exchange "Tabadul" owned by Elm, a limited liability company operating in the technology sector, from 2022G to present. • Independent Director, Virgin Megastores, a closed joint-stock company operating in the retail sector, from 2022G to present. • Partner and Director, Q30, a limited liability company operating in the investment sector, from 2019G to present. • Partner and General Manager, Nama Al Baraka, a limited liability company operating in the investment sector, from 2019G to present. • Independent Director, Member of the Executive Board, and Member of the Remuneration Committee, Alsulaiman Group, a Saudi holding company operating in the investment and operation sector, from 2020G to present. • Member of the Advisory Board, Flow Progressive Logistics, a limited liability company operating in the logistics sector, from 2017G to present. • Chairman, Ehteraf Real Estate Development, a limited liability company operating in the real estate development sector, from 2022G to present. • Partner and Director, Silah (Shift Inc.), a limited liability company operating in the transportation sector, from 2017G to present. • Member of the Logistics Consulting Council, Ministry of Transport, a Government entity, from 2018G to present. • Vice Chairman, Logistics National Committee, a committee of the Council of Saudi Chambers, from 2020G to present. • Chairman of the Logistics Council, Jeddah Chamber, from 2020G to present. • Member of the Advisory Board, King Abdul Aziz Port in Jeddah, a Government entity operating in the port sector, from 2020G to present.
Previous Positions	• Member of the Executive Board and Member of the Audit Committee, Flow Progressive Logistics, a limited liability company operating in the logistics sector, from 2017G to 2022G. • Director, SACC, a closed joint-stock company operating in the cargo sector, from 2020G to 2021G. • CEO, King Abdullah Port, from 2017G to 2019G. • Chairman, Specialised Marine Services Company, a limited liability company operating in the marine services sector, from 2017G to 2019G. • CEO, Industrial Valley, King Abdullah Economic City, an entity operating in the industrial sector, from 2014G to 2017G. • Director of Business Development and Relations, Economic Cities Authority, King Abdullah Economic City (Emaar), from 2008G to 2014G. • Chief Marketing Officer and Director of Mergers and Acquisitions, Unilever, a limited liability company operating in the consumer sector, from 2004G to 2008G. • Marketing Manager and Director of the Food and Tea Research Department, Unilever, a limited liability company operating in the consumer sector, from 2001G to 2004G. • Brand Manager of Food Division, Unilever, a limited liability company operating in the consumer sector, from 2000G to 2001G. • Assistant Brand Manager, Unilever, a limited liability company operating in the consumer sector, from 1998G to 2000G. • Business Manager, Savola Group, a listed joint-stock company operating in the food production sector, 1998G. • Assistant Brand Manager, Savola Group, a listed joint-stock company operating in the food production sector, from 1997G to 1998G. • Trainee in the Management Department, Savola Group, a listed joint-stock company operating in the food production sector, from 1995G to 1997G.

5.1.3.8 Summary Biography of Ibraheem bin Adel Ibraheem Sheerah

Table (5.10): Summary Biography of Ibraheem bin Adel Ibraheem Sheerah

Name	IBRAHEEM BIN ADEL IBRAHEEM SHEERAH
Age	45
Nationality	Saudi
Current Position	Non-Executive Director
Professional and Academic Qualifications	• Bachelor's degree in Engineering, Production and Design of Mechanical and Aviation Systems, King Abdulaziz University, 2000G. • MBA in Logistics and Supply Chain, University of North Texas, USA, 2009G. • Master's degree in Systems Engineering, University of North Texas, USA, 2009G. • PhD in Mechanical Engineering, University of Arlington, USA, 2014G.
Other Current Positions	• Assistant General Manager for Transformation, Saudia, a public institution operating in the air transport sector, from 2021G to present. • Chairman of the Local Content Committee, Saudia, a public institution operating in the air transport sector, since 2022G. • Member of the Nomination and Remuneration Committee, SAL Saudi Logistics Services Company, a closed joint-stock company operating in the logistics services sector, from 2022G to present. • Director, Ability Technologies, a foreign company in the USA operating in the technology sector, from 2019G to present.
Previous Positions	• Chairman, Saudi Hobby Clubs Association (HAWI), a non-profit governmental association operating in the recreational activities sector, from 2021G to 2021G. • Executive Director of Business Planning, Quality of Life Program, a Government entity operating in the Government services sector, from 2018G to 2021G. • Vice President of Strategy, General Authority for Awqaf, a Government entity operating in the Government services sector, from 2018G to 2018G. • General Manager of Project Management and Operational Excellence, National Centre For Privatization, a Government entity operating in the Government services sector, from 2017G to 2018G. • Vice President of Corporate Control and Strategy, Saudi Railway Company (SAR), a closed joint-stock company operating in the transportation sector, from 2015G to 2017G.

5.1.3.9 Summary Biography of Fahad bin Abdullah bin Hussain Moussa

Table (5.11): Summary Biography of Fahad bin Abdullah bin Hussain Moussa

Name	FAHAD BIN ABDULLAH BIN HUSSAIN MOUSSA
Age	46 years
Nationality	Saudi
Current Position	Non-Executive Director
Professional and Academic Qualifications	• Bachelor's degree in Finance, College of Industrial Management, King Fahd University of Petroleum and Minerals, Dhahran, 2000G. • He completed several courses in advanced executive management in Columbia University in 2016G and Stanford University in the USA in 2015G, and INSEAD in Singapore in 2007G.
Other Current Positions	• Executive Assistant General Manager for Investment, Saudia, a public institution operating in the aviation sector, from 2021G to present. • Member of the Nomination and Remuneration Committee of the Board of Directors, National Petrochemical Industrial Co. (NAPTET), a closed joint-stock company operating in the petrochemical sector, from 2020G to present. • Member of the Executive Committee and Audit Committee, SAL Saudi Logistics Services Company, a Saudi closed joint-stock company operating in the logistics services sector, from 2021G to present. • Director, SACC, a Saudi closed joint-stock company operating in the cargo sector, from 1 July 2021G to present. • Director and Member of the Executive Committee, Saudi Airlines Catering Company, a listed joint-stock company operating in the aircraft and special events catering sector, since 2022G to present. • Director, Alsalam Aerospace Industries, a limited liability company operating in the aircraft maintenance sector, from 2022G to present.

Name	FAHAD BIN ABDULLAH BIN HUSSAIN MOUSSA
Previous Positions	• Director, Aircraft Accessories and Components Company (AACC), a Saudi limited liability company operating in the aircraft maintenance sector, from 2021G to 2023G. • Deputy CEO - Director of Financial Institutions, National Commercial Bank, a joint-stock company operating in the banking sector, from 2015G to 2021G. • Senior Vice President and Regional Director - Financial Institutions - Europe, America, Middle East and North Africa, National Commercial Bank, a joint-stock company operating in the banking sector, from 2012G to 2015G. • Vice President and Group Chairman - Private Banking Services, National Commercial Bank, a joint-stock company operating in the banking sector, from 2006G to 2012G. • Director of the Strategic Business Unit - Treasury Group, National Commercial Bank, a joint-stock company operating in the banking sector, from 2005G to 2006G. • Senior Marketing Officer - Treasury Group, National Commercial Bank, a joint-stock company operating in the banking sector, from 2004G to 2005G. • Trader of Treasury Products and Sales, Samba Financial Group, a joint-stock company operating in the banking sector, from 2000G to 2004G.

5.1.3.10 Summary Biography of Homam Saleh Abdullah Bogary

Table (5.12): Summary Biography of Homam Saleh Abdullah Bogary

Name	HOMAM SALEH ABDULLAH BOGARY
Age	41 years
Nationality	Saudi
Current Position	Board Secretary
Professional and Academic Qualifications	• Master's degree in Industrial Management, University of Central Missouri, USA, 2007G. • Bachelor's degree in Marketing. University of Missouri-Columbia, USA, 2005G.
Other Current Positions	N/A
Previous Positions	• Secretary, SACC, a closed joint-stock company operating in the cargo sector, from 2018G to 2021G. • Sales Manager for the Western Province, SACC, a closed joint-stock company operating in the cargo sector, from 2016G to 2018G. • Senior Account Manager, SACC, a closed joint-stock company operating in the cargo sector, from 2012G to 2016G. • Assistant Marketing Manager and Director of the Procurement Department, Al Azizia Panda United Company, a limited liability company operating in the retail sector, from 2008G to 2012G.

5.2 Board Committees

The Board of Directors is responsible for the formation of committees to improve the Company's management. Each committee shall have its own charter that sets out clear rules for its roles, powers and responsibilities. The committees shall hold periodic meetings for the purpose of carrying out their duties.

The following is a summary of the structure, responsibilities and current members of each standing committee:

5.2.1 Audit Committee

The core function of the Audit Committee is to verify the adequacy of the internal control system and its effective implementation, and to provide the Board with recommendations for the operation and development of such system in order to achieve the Company's objectives and protect the interests of its Shareholders and investors in an efficient and cost-effective manner. The Committee is also responsible for reviewing risk management policies, the annual risk report and risk mitigation plans before they are submitted to the Board of Directors. Such Committee is also tasked with verifying compliance with the corporate governance rules and practices of the CMA and the Company's Internal Corporate Governance Regulations. According to its scope of work, the Committee shall carry out all the work that enables it to achieve its tasks, including:

- examining the interim and annual financial statements, and determining whether they are complete, accurate and have been prepared in line with the necessary reporting standards, in addition to communicating all comments and recommendations to the Board;

- reviewing the performance budget reports prepared by the Finance Department and analyzing any discrepancies between estimated and actual figures;
- studying the accounting policies adopted by the Company and expressing an opinion thereon and providing recommendations to the Board in this regard;
- examining any issue included in the financial reports prepared by the Management, or raised by the Company's departments or external auditors;
- discussing the comments of the external and internal auditors on the financial statements with the Management and the Board, and monitoring any corrective actions taken in that regard;
- informing the Board of any significant non-compliance issues and providing appropriate recommendations thereon;
- examining and reviewing the Company's internal and financial control and risk management systems;
- monitoring and supervising the performance and activities of the Company's internal auditor and Internal Audit Department, if any, to ensure the availability of the necessary resources and their effectiveness in performing the duties and tasks assigned thereto. If the Company has no internal auditor, the Committee shall provide a recommendation to the Board on whether there is a need to appoint an internal auditor;
- analyzing the internal audit reports and following up the implementation of the corrective measures with respect to the remarks made in such reports;
- providing recommendations to the Board on the nomination and dismissal of the auditors, determining their remuneration and assessing their performance after verifying their independence and reviewing the scope of their work and the terms of their contracts;
- verifying the independence, objectivity and fairness of the external auditor and the effectiveness of the auditing activities, taking into account the relevant rules and standards;
- reviewing the Auditor's action plan and activities, verifying that no technical or administrative work was submitted outside the scope of the audit works and providing its opinions in this regard;
- responding to the inquiries of the Company's Auditor and making recommendations to the Board in this regard;
- studying the external auditor's report and notes on the financial statements and following up on steps taken in relation to the same;
- ensuring the Company's compliance with the relevant laws, regulations, policies and directives;
- developing a policy for the Company's Risk Management Unit; and
- reviewing the risk report and providing recommendations to the Board on the same.

The Audit Committee shall consist of three (3) to five (5) members appointed by the Ordinary General Assembly, provided that at least one (1) of the members is an independent Director, none of its members are executive Directors and one of its members is specialized in finance and accounting.

The Board of Directors shall take the necessary measures to enable the Committee to carry out the tasks entrusted thereto, including informing the Committee, without limitation, of all data, information, reports, records, correspondence or other matters that the Committee deems important to have access to.

The following members were appointed to the Audit Committee at the Ordinary General Assembly meeting held on 21/10/1442H (corresponding to 2 June 2021G). Additionally, Mr. Rasheed bin Abdul Rahman bin Nasser Al Rasheed was appointed at the Ordinary General Assembly meeting held on 17/09/1443H corresponding to (18/04/2022G). The General Assembly approved the Audit Committee Charter on 06/04/2023G.

Table (5.13): Members of the Audit Committee

No.	Name	Position
1	Zaid bin Abdulrahman Abdullah Al Gwaiz	Chairman of the Committee - External Member (Non-Director/Independent)
2	Olivier Philippe Auguste Bijaoui	Member (Non-Executive Director/Independent)
3	Rasheed bin Abdul Rahman bin Nasser Al Rasheed	Member (Non-Executive Director/Non-Independent)
4	Fahad bin Abdullah bin Hussain Moussa	Member (Non-Executive Director/Non-Independent)

Source: The Company

The following is a brief overview of the members of the Audit Committee:

5.2.1.1 Summary Biography of Zaid bin Abdulrahman Abdullah Al Gwaiz

Table (5.14): Summary Biography of Zaid bin Abdulrahman Abdullah Al Gwaiz

Name	Zaid bin Abdulrahman Abdullah Al Gwaiz
Age	59 years
Nationality	Saudi
Current Position	Chairman of the Committee - External Member (Non-Director/Non-Executive)
Professional and Academic Qualifications	Bachelor's degree in Accounting, King Saud University, Riyadh, KSA, 1987G.
Other Current Positions	• Director, Chairman of the Risk Committee and Member of the Nomination and Remuneration Committee, Saudi National Bank, a listed joint-stock company operating in the banking sector, from 2018G to present. • Chairman of the Audit Committee and Member of the Risk Committee, Bupa Arabia for Cooperative Insurance, a listed joint-stock company operating in the health insurance sector, from 2022G to present. • Director and Chairman of the Audit and Risk Committee, AWJ Holding, a closed joint-stock company operating in the multi-investment sector, from 2022G to present. • Chairman of the Audit and Risk Committee, Jeddah Central Development Company, a closed joint-stock company operating in the real estate development sector, from 2020G to present. • Member of Asset-Liability Committee at ALCO, and Member of Risk Committee of Mohammed Ibrahim Alsubeaei & Sons Investment Co (MASIC), a closed joint stock company operating in multi-investment, from 2014G to present.
Previous Positions	• Director, Chairman of the Nomination Committee and Chairman of the Investment Committee, Bupa Arabia for Cooperative Insurance, a listed joint-stock company operating in the health insurance sector, from 2014G to 2022G. • Director and Member of the Audit Committee, Rajhi Steel, a closed joint-stock company operating in the industrial sector, from 2014G to 2019G. • Director and Chairman of the Audit Committee, Gulf Bank, a limited liability company operating in the investment services sector, from 2019G to 2021G. • Director and Chairman of the Audit Committee, Alawwal Bank, a limited liability company operating in the investment services sector, from 2010G to 2015G. • Director, Member of the Nomination Committee and Member of the Audit Committee, Middle East Specialised Cables (MESC), a listed joint-stock company operating in the industrial sector, from 2009G to 2015G. • Deputy Managing Director, HSBC Saudi Arabia, a limited liability company operating in the investment banking sector, from 2003G to 2007G. • General Manager of the Corporate Sector, SABB, a listed joint-stock company operating in the banking sector, from 1990G to 2003G. • Chief Accountant, King Faisal Specialist Hospital, a Government entity operating in the health services sector, from 1987G to 1990G.

5.2.1.2 Summary Biography of Olivier Philippe Auguste Bijaoui

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Olivier Philippe Auguste Bijaoui.

5.2.1.3 Summary Biography of Rasheed bin Abdul Rahman bin Nasser Al Rasheed

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Rasheed bin Abdul Rahman bin Nasser Al Rasheed.

5.2.1.4 Summary Biography of Fahad bin Abdullah bin Hussain Moussa

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Fahad bin Abdullah bin Hussain Moussa.

5.2.2 Nomination and Remuneration Committee

The key function of the Nomination and Remuneration Committee is to identify qualified individuals and candidates to serve as Directors, and to assist the Board of Directors in establishing a sound governance system and developing the relevant policies and procedures as may be necessary. According to its scope of work, the Committee shall carry out all the work that enables it to achieve its tasks, including:

- determining and nominating qualified members for membership of the Board of Directors;
- performing an annual review of Board membership criteria, including the capabilities, expertise and availability in terms of time for the Board's activities;
- reviewing the structure of the Board and proposing the required amendments thereto in light of the Company's interests;
- determining the strengths and weaknesses of the Board of Directors and proposing the required amendments thereto in light of the Company's interests;
- nominating the Committee members for approval by the Board or the General Assembly;
- monitoring the independence of independent Directors and identifying any conflicts of interest on an annual basis;
- developing clear policies regarding the remuneration of Directors and Senior Executives;
- reviewing and proposing plans for the assumption of key executive positions; and
- reviewing and approving the remuneration and benefit structure of the Company as a whole, including job grades, wage and benefit structure and performance related bonuses and incentives.

The Nomination and Remuneration Committee shall consist of three (3) to five (5) members who shall be appointed by the Company's Board of Directors, including at least one (1) independent Director (the chairman of the Committee must be an independent Director), and it must not include any executive Directors.

The Board of Directors shall take the necessary measures to enable the Committee to carry out the tasks entrusted thereto, including informing the Committee, without limitation, of all data, information, reports, records, correspondence or other matters that the Committee deems important to have access to.

The following members were appointed to the Nomination and Remuneration Committee by the Board of Directors on 07/10/1442H (corresponding to 19/05/2021G). The General Assembly approved the Nomination and Remuneration Committee Charter on 21/10/1442H (corresponding to 02/06/2021G).

Table (5.15): Members of the Nomination and Remuneration Committee

No.	Name	Position
1	Rayan bin Mostafa bin AbdulWahab Qutub	Chairman (Non-Executive Director/Independent)
2	Rasheed bin Abdul Rahman bin Nasser Al Rasheed	Member (Non-Executive Director/Non-Independent)
3	Ibraheem bin Adel Ibraheem Sheerah	Member (Non-Executive Director/Non-Independent)
4	Tariq bin Mohammed bin Abu Bakr Al-Amoudi	Member (Non-Director/Independent)

The following is a brief overview of the members of the Nomination and Remuneration Committee:

5.2.2.1 Summary Biography of Rayan bin Mostafa bin AbdulWahab Qutub

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Rayan bin Mostafa bin AbdulWahab Qutub.

5.2.2.2 Summary Biography of Rasheed bin Abdul Rahman bin Nasser Al Rasheed

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Rasheed bin Abdul Rahman bin Nasser Al Rasheed.

5.2.2.3 Summary Biography of Ibraheem bin Adel Ibraheem Sheerah

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Ibraheem bin Adel Ibraheem Sheerah.

5.2.2.4 Summary Biography of Tariq bin Mohammed bin Abu Bakr Al-Amoudi

Name	Tariq bin Mohammed bin Abu Bakr Al-Amoudi
Age	39
Nationality	Saudi
Current Position	Member of the Nomination and Remuneration Committee
Professional and Academic Qualifications	• Master's degree in Business Administration, Griffith University, Australia, 2007G. • Bachelor's degree in Marketing, Alfaisal University, 2005G.
Other Current Positions	• Chief Human Resources Officer, Bupa Arabia, a public joint stock company operating in the insurance sector, from 2017G to present. • Chairman of the Nomination and Remuneration Committee, Saudi Tourism Investment Company (STIC), a public joint-stock company operating in the investment sector, from 2020G to present. • Director and Member of the Audit Committee, Kafaa, a public joint-stock company operating in the consulting sector, from 2023G to present. • Member of the Nomination and Remuneration Committee, Jeddah Central Development Company, a closed joint-stock company operating in the real estate sector, from 2019G to present. • Member of the Nomination and Remuneration Committee, Uptown Jeddah Company, a closed joint-stock company operating in the real estate sector, from 2020G to present. • Member of the Nomination and Remuneration Committee, Makkah Healthcare Cluster, a closed joint-stock company operating in the real estate sector, from 2021G to present. • Member of the Nomination and Remuneration Committee, First Mills, a closed joint-stock company operating in the food sector, from 2020G to present. • Member of the Nomination and Remuneration Committee, King Abdullah Economic City, a public joint-stock company operating in the real estate sector, from 2022G to present. • Member of the Nomination and Remuneration Committee, Jeddah Port Gate Company, a closed joint-stock company operating in the supply sector, from 2022G to present. • Member of the Human Resources Committee of the Advisory Board, Saudi Central Bank, from 2017G to present. • Member of the Nomination and Remuneration Committee, D360 Bank, a closed joint-stock company operating in the banking sector, from 2022G to present.
Previous Positions	• Chief Human Resources Officer, Procter & Gamble, a public joint-stock company operating in the consumer products sector, from 2007G to 2012G. • International Human Resources Manager, Procter & Gamble, a public joint-stock company operating in the consumer products sector, from 2012G to 2016G. • Human Resources Manager, Procter & Gamble, a public joint-stock company operating in the consumer products sector, from 2007G to 2012G.

5.2.3 Executive Committee

The core function of the Executive Committee is to assist the Board by carrying out the tasks and activities assigned to it by the Board in order to run the Company's business. According to its scope of work, the Committee shall carry out all the work that enables it to perform its tasks, including:

- the Committee may participate in the annual planning and budgeting process in order to ensure that business plans and budgets align with the Company's vision, mission, and strategy;
- reviewing the CEO's recommendations regarding the Company's strategies, operations and strategic plan;
- reviewing the Company's annual budget and recommending to the Board revisions thereto;
- periodically reviewing the Company's strategic plans and operational objectives in order to ensure they align with the Company's objectives;
- reviewing proposed new investments and assisting in the decision-making process for investments made in accordance with investment policies and procedures, and the review and approval thereof by the Board of Directors;
- examining any Zakat or tax issues that may arise from the investments made by the Company;
- advising the Board to establish branches, agencies or subsidiaries;

- advising the Board on the initiation of legal proceedings, the follow-up of other judicial proceedings, or the settlement of matters that pose a high risk to the business; and
- discussing the authority matrix with the Board and making recommendations in this regard.

The Executive Committee shall consist of five (5) members to be appointed by the Company's Board of Directors.

The following members were appointed to the Executive Committee by the Board of Directors on 07/10/1442H (corresponding to 19 May 2021G). The General Assembly approved the Executive Committee Charter on 19/05/2021G.

Table (5.16): Members of the Executive Committee

No.	Name	Position
1	Mohammad bin Abdullah Rashed Abunayyan	Chairman of the Committee (Non-Executive Vice Chairman/ Non-Independent)
2	Rasheed bin Abdul Rahman bin Nasser Al Rasheed	Member (Non-Executive Director/Non-Independent)
3	Rayan bin Mostafa bin AbdulWahab Qutub	Member (Non-Executive Director/Independent)
4	Faisal bin Saad bin Abdullah Albedah	Member (Managing Director/Non-Independent)
5	Fahad bin Abdullah bin Hussain Moussa	Member (Non-Executive Director/Non-Independent)

Source: The Company

The following is a brief overview of the members of the Executive Committee:

5.2.3.1 Summary Biography of Mohammad bin Abdullah Rashed Abunayyan

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Mohammad bin Abdullah Rashed Abunayyan.

5.2.3.2 Summary Biography of Rasheed bin Abdul Rahman bin Nasser Al Rasheed

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Rasheed bin Abdul Rahman bin Nasser Al Rasheed.

5.2.3.3 Summary Biography of Rayan bin Mostafa bin AbdulWahab Qutub

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Rayan bin Mostafa bin AbdulWahab Qutub.

5.2.3.4 Summary Biography of Faisal bin Saad bin Abdullah Albedah

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Faisal bin Saad bin Abdullah Albedah.

5.2.3.5 Summary Biography of Fahad bin Abdullah bin Hussain Moussa

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Fahad bin Abdullah bin Hussain Moussa.

5.3 Senior Executives

The Executive Management consists of qualified members who have the necessary knowledge and experience to manage the Company's business in line with the objectives and directives of the Board of Directors. The Company has been successful in retaining its Executive Management team, developing qualified employees and promoting them to senior positions in the Company. The following table shows the names and details of the Senior Executives and their ownership in the Company as at the date of this Prospectus.

The following table shows the details of the Senior Executives of the Company:

Table (5.17): Details of Senior Executives[10]

Name	Position	Date of Appointment to Current Position	Nationality	Age	No. of Shares Held	
					Pre-Offering	Post-Offering
Faisal bin Saad bin Abdullah Albedah	Managing Director & CEO	1 February 2022G	Saudi	43	-	-
Gary Hoyle	CFO	1 January 2020G	South African	54	-	-
Thanean Sulaiman Abdullah Althanean	Chief Logistics Solutions Officer	17 April 2022G	Saudi	35	-	-
-	Chief Strategy & Corporate Communication Officer	-	-	-	-	-
Saleh Ahmed Yaslam Aldaini	Chief Human Capital Officer	28 May 2023G	Saudi	47	-	-
Amer Nimer Taher Abu Obeid	CCO	1 January 2020G	Jordanian	51	-	-
Hassan Zaki Hassan Aldessi	COO	15 April 2022G	Saudi	37	-	-
Ahmed Saeed Ali Yahya	Chief Corporate Affairs Officer	28 May 2023G	Egyptian	52	-	-
Abdulaziz Talal Al-Sharif	Acting Chief Support Services Officer	28 May 2023G	Saudi	40	-	-
Mustafa Yunus Makda	Executive Director Internal Audit	1 January 2020G	Pakistani	35	-	-
Abdul-Rahman Saraj Omar Bakhurji	Chief Fulfilment Officer	2 April 2023G	Saudi	35	-	-
Zaher Mohammad Zouheir Minkara	Executive Director Digital and Technology	28 May 2023G	Lebanese	39	-	-

5.3.1 Summary Biographies of the Senior Executives

The following is an overview of the experience, qualifications and the current and previous positions of each of the Senior Executives:

5.3.1.1 Summary Biography of Faisal bin Saad bin Abdullah Albedah

Please see Section 5.1.3 ("**Biographies of the Directors and Secretary**") for further details regarding the experience, qualifications and current and previous positions of Faisal bin Saad bin Abdullah Albedah.

5.3.1.2 Summary Biography of Gary Hoyle

Table (5.18): Summary Biography of Gary Hoyle

Name	Gary Hoyle
Age	54 years
Nationality	South African
Current Position	Chief Financial Officer
Professional and Academic Qualifications	• Certified Accountant, South African Institute of Chartered Accountants, South Africa, 2000G. • Bachelor's degree in Accounting Science (Hons.), University of South Africa, South Africa, 1996G. • Bachelor's degree in Commercial Accounting (Hons.), University of Port Elizabeth, South Africa, 1994G.
Other Current Positions	N/A

10 The Company is currently working on finding a replacement for the position of Chief Strategy & Corporate Communication Officer. The Company believes that a replacement will be appointed within approximately three months from the date of this Prospectus, and any developments in this regard will be announced.

Name	Gary Hoyle
Previous Positions	• CFO, SACC, a closed joint-stock company operating in the cargo sector, from 2016G to 2019G. • CFO, South African Airways Cargo, a limited liability company owned by the government of South Africa and operating in the air cargo sector, from 2007G to 2015G. • Financial Director, Tanker Services Limited, a South African proprietary limited company operating in the land transport sector, from 2005G to 2007G. • Financial Director, Imperial Cargo, a South African proprietary limited company operating in the land transport sector, from 2003G to 2005G. • Financial Manager, Imperial Cargo, a South African proprietary limited company operating in the land transport sector, from 2000G to 2003G. • Assistant Manager, PricewaterhouseCoopers, a professional company operating in the accounting sector, from 1995G to 2000G.

5.3.1.3 Summary Biography of Saleh Ahmed Yaslam Aldaini

Table (5.19): Summary Biography of Saleh Ahmed Yaslam Aldaini

Name	Saleh Ahmed Yaslam Aldaini
Age	47 years
Nationality	Saudi
Current Position	Chief Human Capital Officer
Professional and Academic Qualifications	• Bachelor s degree in Marketing, King Abdulaziz University, KSA, 2010G.
Other Current Positions	N/A
Previous Positions	• Chief Shared Services Officer, SAL Saudi Logistics Services Company, a closed joint-stock company operating in the air cargo sector, from 2020G to 2023G. • Chief Human Resources Officer, SACC, a closed joint-stock company operating in the air cargo sector, from 2019G to 2020G. • Executive Director Human Resources, SACC, a closed joint-stock company operating in the air cargo sector, from 2019G to 2020G. • Director of Human Resources, Abdul Latif Jameel Investment Company Limited, a limited liability company operating in the auto parts and transportation, distribution and manufacturing of oils sector, from 2006G to 2018G.

5.3.1.4 Summary Biography of Amer Nimer Taher Abu Obeid

Table (5.20): Summary Biography of Amer Nimer Taher Abu Obeid

Name	Amer Nimer Taher Abu Obeid
Age	51 years
Nationality	Jordanian
Current Position	Chief Commercial Officer
Professional and Academic Qualifications	• Bachelor's degree in Economics, Yarmouk University, Jordan, 1995G.
Other Current Positions	N/A
Previous Positions	• Executive Director of Commercial Affairs, SACC, a Saudi closed joint-stock company operating in the cargo sector, from 2009G to 2019G. • General Manager of Sales, SNAS DHL Worldwide Express - in cooperation with DHL Express Saudi Arabia, a joint-stock company operating in the express cargo and logistics services sector, from 2000G to 2009G. • Financial Advisor, ANZ Grindlays Bank, a limited liability company operating in the finance sector, from 1995G to 2000G.

5.3.1.5 Biography Summary of Ahmed Saeed Ali Yahya

Table (5.21): Biography Summary of Ahmed Saeed Ali Yahya

Name	Ahmed Saeed Ali Yahya
Age	52 years
Nationality	Egyptian
Current Position	Chief Corporate Affairs Officer
Professional and Academic Qualifications	• PhD in International Commercial Arbitration, American University in London, UK, 2003G. • Postgraduate diploma in International Commercial Law, University of Wales, UK, 1996G. • Bachelor's degree in Law, King Abdulaziz University, Jeddah, KSA, 1991G.
Other Current Positions	N/A
Previous Positions	• Chief Legal Officer, SAL Saudi Logistics Services Company, a closed joint-stock company operating in the air cargo sector, from February 2021G to May 2023G. • General Counsel, Jabal Omar Development Company, a public joint-stock company operating in the real estate development sector, from 2008G to 2018G. • VP Legal Affairs, Barwa, a limited liability company operating in the investment sector, from 2007G to 2008G. • General Counsel, Petromin, a closed joint-stock company of Aramco operating in the petroleum sector, from 2006G to 2007G.

5.3.1.6 Summary Biography of Hassan Zaki Hassan Aldessi

Table (5.22): Summary Biography of Hassan Zaki Hassan Aldessi

Name	Hassan Zaki Hassan Aldessi
Age	38 years
Nationality	Saudi
Current Position	Chief Operations Officer
Professional and Academic Qualifications	• Bachelor's degree in Public Administration, specializing in Organizational Management and Administrative Development, King Abdulaziz University, KSA, 2013G. • Executive MBA, American University of Beirut, Lebanon, 2022G.
Other Current Positions	Chief Operations Officer, SAL Saudi Logistics Services Company
Previous Positions	• VP Operation, SACC, a Saudi closed joint-stock company operating in the cargo sector, from 2021G to 2022G. • Director of Network Operations, SACC, a Saudi closed joint-stock company operating in the cargo sector, from 2019G to 2021G. • Regional Performance Manager (Europe), SACC's Frankfurt office, a Saudi closed joint-stock company operating in the cargo sector, from 2017G to 2019G. • Regional Performance Manager (MENAT), SACC's Jeddah and Cairo offices, a Saudi closed joint-stock company operating in the cargo sector, from 2015G to 2017G. • Cargo Operations Control Specialist and Member of SCIB, SACC, a Saudi closed joint-stock company operating in the cargo sector, from 2012G to 2015G. • Supervisor of Control Unit Operations, SACC, a Saudi closed joint-stock company operating in the cargo sector, from 2008G to 2012G. • Cargo Service Representative, SACC, a Saudi closed joint-stock company operating in the cargo sector, from 2005G to 2008G.

5.3.1.7 Summary Biography of Thanean Sulaiman Abdullah Althanean

Table (5.23): Summary Biography of Thanean Sulaiman Abdullah Althanean

Name	THANEAN SULAIMAN ABDULLAH ALTHANEAN
Age	35 years
Nationality	Saudi
Current Position	Chief Logistics Solutions Officer
Professional and Academic Qualifications	• Master's degree in Business Administration (MBA), Alfaisal University, KSA, 2016G. • Bachelor's degree in Industrial Engineering, King Fahd University of Petroleum and Minerals, KSA, 2012G.
Other Current Positions	• A member representing and chairing the air cargo sector in Riyadh Chamber's Logistics Services Committee, a committee of Riyadh Chamber that primarily coordinates between the public and private sectors to improve logistics services in KSA, from 2021G to present. • A member representing the logistics services sector in the National Committee for Local Content, a committee of the Council of Saudi Chambers that strengthens and maximizes the contribution of local content to national projects, from 2021G to present.
Previous Positions	• Chief Business Development and Corporate Communications Officer, SAL, a Saudi closed joint-stock company operating in the cargo sector, from 2021G to 2022G. • Executive Director of Business Development and External Relations, SAL, a Saudi closed joint-stock company operating in the cargo sector, from 2021G to 2021G. • Advisor to the Secretary of the Logistics Services Committee, which runs under the National Industrial Development and Logistics Program (NIDLP) and is presided over by HE. Minister of Transport and Logistics Services, from 2020G to 2021G. • General Manager of Quality and Corporate Excellence, MOMRAH, a Saudi Government entity, from 2019G to 2020G. • Logistics Consultant, Saudi Customs, a Saudi Government entity, from 2017G to 2019G. • Logistics Sr. Planner - Supply Chain Management, SABIC, a Saudi listed company operating in the petrochemicals sector, from 2014G to 2017G. • Production Planning Engineer - Planning and Economics Department, SABIC, a Saudi listed company operating in the petrochemicals sector, from 2012G to 2014G.

5.3.1.8 Summary Biography of Mustafa Yunus Makda

Table (5.24): Summary Biography of Mustafa Yunus Makda

Name	Mustafa Yunus Makda
Age	35 years
Nationality	Pakistani
Current Position	Executive Director Internal Audit
Professional and Academic Qualifications	• MBA, Department of Business Administration and Commerce, University of Karachi, Pakistan, 2011G. • Bachelor's degree in Business Administration, College of Business Administration and Commerce, University of Karachi, Pakistan, 2008G.
Other Current Positions	N/A
Previous Positions	• Director Internal Audit, SACC, a closed joint-stock company operating in the cargo sector, from 2017G to 2019G. • Risk Management Specialist, SACC, a closed joint-stock company operating in the cargo sector, from 2014G to 2016G. • Internal Audit, Saudi Cable Company, a listed joint-stock company operating in the electric cable sector, from 2010G to 2014G.

5.3.1.9 Summary Biography of Abdulaziz Talal Al-Sharif

Table (5.25): Summary Biography of Abdulaziz Talal Al-Sharif

Name	Abdulaziz Talal Al-Sharif
Age	39
Nationality	Saudi
Current Position	Acting Chief Support Services Officer
Professional and Academic Qualifications	Bachelor's degree in Architectural Engineering, King Fahd University of Petroleum and Minerals, KSA, 2008G.
Other Current Positions	N/A
Previous Positions	• General Manager of the Facilities Department, ZATCA, a Saudi Government entity, from 2021G to 2021G. • General Manager of Land Port Development, Saudi Customs, a Saudi Government entity, from 2019G to 2021G.

5.3.1.10 Summary Biography of Abdul-Rahman Saraj Omar Bakhurji

Table (5.26): Summary Biography of Abdul-Rahman Saraj Omar Bakhurji

Name	Abdul-Rahman Saraj Omar Bakhurji
Age	35 years
Nationality	Saudi
Current Position	Chief Fulfilment Officer
Professional and Academic Qualifications	Bachelor's degree in Supply Chain and Logistics Technology, University of Houston, 2011G.
Other Current Positions	Director, Majra Solutions Support Services, a limited liability company operating in the field of warehousing and distribution.
Previous Positions	• General Manager of the Logistic Services Sector, NUPCO, a closed joint-stock company wholly owned by the Public Investment Fund, operating in the health sector and concerned with purchasing, storing and distributing medicines and medical supplies for Government sectors, from 2017G to 2023G. • CEO, Majra Solutions Support Services, a Saudi limited liability company operating in warehousing and distribution, from 2015G to 2017G. • Development Specialist, Sadara, 2015G. • Contracts Specialist, SABIC, from 2014G to 2015G. • Continuous Development Specialist, Kuehne+Nagel, 2013G. • Systems and Programs Analyst, Saudi Aramco, a Saudi listed company operating in oil and gas sector, from 2011G to 2013G.

5.3.1.11 Summary Biography of Zaher Mohammad Zouheir Minkara

Table (5.27): Summary Biography of Zaher Mohammad Zouheir Minkara

Name	Zaher Mohammad Zouheir Minkara
Age	39
Nationality	Lebanese
Current Position	Executive Director Digital and Technology
Professional and Academic Qualifications	Bachelor's degree in Computer Science and Business, Lebanese University, 2006G.
Other Current Positions	N/A
Previous Positions	• Senior Manager - Planning, Saudi Investment Bank, a listed joint-stock company operating in the banking sector, from 2015G to 2019G. • Executive Director - International Banking Business, Dubai Islamic Bank, a listed joint-stock company operating in the banking sector, from 2006G to 2015G.

5.4 Declarations of the Directors, Senior Executives and Secretary

5.4.1 The Directors, Senior Executives and Secretary declare the following:

- None of them have ever been declared bankrupt or subject to bankruptcy proceedings.
- No insolvency has been declared during the previous five years for a company in which any of the Directors, proposed directors, Senior Executives or Secretary were appointed to an administrative or supervisory position.
- Except as disclosed in Section 5.6.2 ("**Interests of Directors, Senior Executives and the Secretary in the Shares and Debt Instruments of the Company and its Subsidiaries**"), none of the Directors, proposed directors, Senior Executives, Secretary or any of their relatives have any direct or indirect interest in the Shares or debt instruments of the Company or its subsidiaries or any interest in any other matter that could affect the business of the Company.

5.5 Remuneration of the Directors and Senior Executives

Pursuant to the Company's Bylaws, the Company's General Assembly shall determine the remuneration of Directors. Remuneration and compensation of a Director shall be subject to the limits stipulated by the Companies Law and its regulations. In addition, the Board's report to the Ordinary General Assembly shall contain a comprehensive statement of all remuneration, expense allowances and other benefits received by Directors during the financial year. Such report shall also include a statement of the amounts received by the Directors in their capacities as employees or executives of the Company and amounts received for any technical, administrative or advisory works. The report shall also include a statement of the number of meetings of the Board and the number of meetings attended by each Director from the date of the last General Assembly meeting.

Additionally, in accordance with the Company's Bylaws, the Directors and Senior Executives are not permitted to vote on their remuneration or compensation. The remuneration of Senior Executives is determined under the employment contracts concluded with them according to the remuneration policy adopted by the Company and based on the recommendations of the Nomination and Remuneration Committee. Furthermore, the Directors and Senior Executives are not permitted to borrow from the Company or vote on any contract or arrangement in which they have an interest.

None of the Directors receive any in-kind benefits. Senior Executives are covered by medical insurance. Families of non-Saudi employees receive travel tickets in addition to an education allowance (for up to three children). The Secretary receives medical insurance.

The table below shows the remuneration paid by the Company and its affiliates to the Directors, Committee members and top five Senior Executives (including the CEO and CFO). Such remuneration includes salaries, benefits and allowances for the financial years ended 31 December 2020G, 2021G and 2022G.

Table (5.28): Remuneration of the Directors, Committee Members and Senior Executives

SAR	2020G	2021G	2022G
Directors	3,500,000	4,900,000	3,300,000
Top five Senior Executives	12,978,090	9,047,571*	14,786,815

* It should be noted that this amount includes the remuneration of each of the former CEO (who resigned in mid-2021G), the acting CEO (who was temporarily appointed for that year) and the top four Senior Executives.

Source: The Company

5.6 Contracts Concluded with Directors and Senior Executives

5.6.1 Contracts concluded with Directors

As at the date of this Prospectus, no contracts have been concluded between the Company and the Directors except for the employment contract concluded with Faisal bin Saad bin Abdullah Albedah, the Company's CEO.

5.6.2 Contracts Concluded with Senior Executives

The Company has concluded employment contracts with all members of the Company's Executive Management in which their salaries and remuneration are specified depending on their qualifications and experience. Such contracts include a number of benefits such as a monthly transportation allowance and a housing allowance, or both. These contracts are renewable and are subject to the Saudi Labor Law. The table below provides a brief overview of the employment contracts with the Company's Senior Executives:

Table (5.29): Summary of Employment Contracts of the CEO, CFO and Senior Executives[11]

Name	Position	Contract Date	Contract Term
Faisal bin Saad bin Abdullah Albedah	Managing Director & CEO	1 February 2023G	Three years
Gary Hoyle	Chief Financial Officer	15 May 2023G	One year, automatically renewable for a similar period
-	Chief Strategy & Corporate Communication Officer	-	-
Thanean Sulaiman Abdullah Althanean	Chief Logistics Solutions Officer	3 January 2021G	One year, automatically renewable for a similar period
Saleh Ahmed Yaslam Aldaini	Chief Human Capital Officer	1 January 2020G	Open-ended
Amer Nimer Taher Abu Obeid	Chief Commercial Officer	1 January 2023G	One year, automatically renewable for a similar period
Hassan Zaki Hassan Aldessi	Chief Operations Officer	1 January 2020G	Open-ended
Ahmed Saeed Ali Yahya	Chief Corporate Affairs Officer	1 February 2021G	One year, automatically renewable for a similar period
Abdulaziz Talal Al-Sharif	Acting Chief Support Services Officer	1 April 2023G	One year, automatically renewable for a similar period
Mustafa Yunus Makda	Executive Director Internal Audit	1 October 2022G	One year, automatically renewable for a similar period
Abdul-Rahman Saraj Omar Bakhurji	Chief Fulfilment Officer	02 April 2023G	One year, automatically renewable for a similar period
Zaher Mohammad Zouheir Minkara	Executive Director Digital and Technology	28 May 2023G	One year, automatically renewable for a similar period

Source: The Company

5.7 Corporate Governance

5.7.1 Overview

The principal sources for the Company's governance are the CGRs issued by the CMA, certain provisions of the Companies Law, and the best corporate governance practices in KSA. The Company has also approved its Internal Corporate Governance Regulations, which were prepared in accordance with the Corporate Governance Regulations issued by the CMA.

The framework of the CGRs regulates the various relationships between the Board of Directors, Executive Directors, Shareholders and other stakeholders by establishing rules and procedures to facilitate decision-making processes with the aim of protecting the rights of Shareholders and other stakeholders and promoting the values of credibility, fairness, competitiveness and transparency in the Company's conduct in the context of the Exchange and business environment.

The CGRs also require developing clear methods and procedures for disclosure and transparency, which ensure that the Board of Directors serves the best interests of Shareholders and provides a clear and fair image of the Company's financial position and results of operations.

The Company's policy aims to adopt high standards of corporate governance and to apply the CGRs to the Company as at the date of the Offering, noting that the Company currently applies most of the provisions of the CGRs and will fully comply with the CGRs as at the date of Offering. The Company believes that its commitment to compliance with the CGRs and other relevant laws and regulations is an important factor in its continued success, and the Company will continue to update its Internal Corporate Governance Regulations when needed to reflect best practices.

11 The Company is currently working on finding a replacement for the position of Chief Strategy & Corporate Communication Officer. The Company believes that a replacement will be appointed within approximately three months from the date of this Prospectus, and any developments in this regard will be announced.

5.7.2 Key Corporate Governance Requirements

The CGRs outline the key governance requirements to which the Company adheres and will adhere. These requirements cover the following broad areas:

- General rights of Shareholders (Articles 4 to 9).
- Rights relating to meetings of the General Assembly (Articles 10 to 15).
- The Board of Directors: formation, responsibilities and competencies, working procedures and training (Articles 16 to 39).
- Conflicts of interest (Articles 40 to 46).
- Company Committees (Articles 47 to 69).
- Internal controls, external auditors, Company reports and policies, etc. (Articles 70 to 95).

5.7.3 The Company's Corporate Governance Guidelines and Internal Regulations

The Corporate Governance Regulations must be complied with by the Company. Accordingly, the Company has developed and approved a number of internal rules and regulations, including the Internal Corporate Governance Regulations, to act as a guide for effective implementation of governance provisions within the Company, in order to achieve the long-term best interests of Shareholders and to ensure compliance with the CGRs and any other applicable laws and regulations issued by the CMA. These internal rules and regulations include:

- **Internal Corporate Governance Regulations.** Pursuant to the Board Resolution dated 18/09/1444H (corresponding to 09/04/2023G), the Company approved the latest version of the Company's Internal Corporate Governance Regulations.
- **Code of Conduct Policy.** Pursuant to the Board Resolution dated 18/09/1444H (corresponding to 09/04/2023G), the Company approved the latest version of the Code of Conduct.
- **Membership Standards and Procedures for Directors, Committee Members and Senior Executives.** Pursuant to the General Assembly Resolution dated 21/10/1442H (corresponding to 02/06/2021G), the Company approved the latest version of the Membership Standards and Procedures for Directors, Committee Members and Senior Executives.
- **Audit Committee Charter.** Pursuant to the General Assembly Resolution dated 21/10/1442H (corresponding to 02/06/2021G), the Company approved the latest version of the Audit Committee Charter.
- **Nomination and Remuneration Committee Charter.** The General Assembly approved the Nomination and Remuneration Committee Charter on 21/10/1442H (corresponding to 02/06/2021G).
- **Executive Committee Charter.** Pursuant to the General Assembly Resolution dated 07/10/1442H (corresponding to 19 May 2021G), the Company approved the latest version of the Executive Committee Charter.
- **Remuneration Policy.** Pursuant to the General Assembly Resolution dated 21/10/1442H (corresponding to 02/06/2021G), the Company approved the latest version of the Remuneration Policy.
- **Conflicts of Interest and Related Party Transactions Policy.** Pursuant to the General Assembly Resolution dated 21/10/1442H (corresponding to 02/06/2021G), the Company approved the latest version of the Conflicts of Interest and Related Party Transactions Policy.
- **Dividend Distribution Policy.** Pursuant to the Board Resolution dated 18/09/1444H (corresponding to 09/04/2023G), the Company approved the latest version of the Dividend Distribution Policy.
- **Whistleblowing Policy.** Pursuant to the Board Resolution dated 18/09/1444H (corresponding to 09/04/2023G), the Company approved the latest version of the Whistleblowing Policy.
- **Disclosure and Transparency Policy.** Pursuant to the Board Resolution dated 18/09/1444H (corresponding to 09/04/2023G), the Company approved the latest version of the Disclosure and Transparency Policy.

The Company has adopted a Governance Policy that governs the formation of the Board of Directors, how conflicts of interest are resolved and how Shareholder interests are protected.

5.7.4 Compliance with the CGRs

The Company adheres to the mandatory governance requirements that apply to joint-stock companies in KSA, except for certain provisions that are mandatory only in relation to listed companies and therefore do not currently apply to the Company due to it not yet being listed on the Saudi Exchange. However, the Company shall apply and comply with such provisions as of the date the Company's Shares are listed on the Exchange. These requirements include the following provisions set forth in the CGRs:

- Paragraph a of Article 8 in relation to announcing information regarding the nominees for Board membership on Tadawul's website when calling for the General Assembly.
- Paragraph b of Article 8 concerning the limitation of voting in the General Assembly to the Board nominees whose information has been announced in accordance with Paragraph a of Article 8.
- Paragraph d of Article 13 regarding publication of the invitation to the General Assembly on websites of Tadawul and the Company.
- Paragraph e of Article 13 regarding amendments to the agenda of the General Assembly during the period between the publication of the announcement referred to in Paragraph d of Article 13 and the date of convening the General Assembly meeting.
- Paragraph c of Article 14 regarding making the information related to the items of the General Assembly available to Shareholders through the websites of Tadawul and the Company, and accessing information related to the items of the General Assembly agenda, particularly the reports of the Board and the auditor, the financial statements and the Audit Committee's report.
- Paragraph d of Article 15 regarding providing the CMA with a copy of the minutes of the General Assembly meeting.
- Paragraph e of Article 15 relating to announcing to the public and notifying the CMA and Tadawul of the results of the General Assembly meeting immediately following its conclusion.
- Paragraph d of Article 17 regarding notifying the CMA of the names of the Board members and descriptions of their membership, as well as any changes that may affect their membership within five working days from the date of such changes.
- Article 65 related to publication of the nomination announcement on the websites of the Company and Tadawul to invite persons wishing to be nominated to Board membership, provided that the nomination period remains open for at least one month from the date of such announcement.

5.8 Conflicts of Interest

The Company's Bylaws and internal regulations and policies do not provide any powers that enable any Director to vote on a contract, business or an offer in which they have a direct or indirect interest, pursuant to the provisions of Articles 27 and 71 of the Companies Law, which stipulate that Directors may not have a direct or indirect interest in business or contracts concluded for the Company, except with an authorization from the Ordinary General Assembly, the Shareholders, or their delegates. In addition, Article 27 of the Companies Law prohibits Directors from participating in any business that would compete with the Company, or to compete with the Company in any branches of the Company's activity, except with authorization from the General Assembly, the shareholders, or their delegates.

Pursuant to the above Article, Directors must disclose and notify the Board of Directors of their personal interests in business and contracts concluded for the Company, or if they have an interest competing with the Company. Such notification shall be recorded in the minutes of the meeting of the Board upon convening. The Chairman shall notify the Ordinary General Assembly of the business and/or contracts in which a Director has a direct or indirect interest, and such notification shall be accompanied by a special report from the Company's Auditor, prepared according to the auditing standards recognized in KSA.

A Director who has a direct or indirect interest in the business and contracts concluded for the Company may not participate in the deliberations or vote on the resolutions issued in respect of such contracts or business.

The Company has developed and implemented a clear written policy to address conflicts of interest and dealings with Related Parties which accounts for the size of the Company, the nature of its business and its internal organization, in order to ensure that there is a clear mechanism for identifying conflicts of interest, competing interest cases and cases in which the approval of the General Assembly must be sought.

The policy on conflicts of interest and dealings with Related Parties sets out strict procedures that aim to comply with the general rules under the Companies Law, the CGRs, the Regulatory Controls Relating to Listed Joint-Stock Companies and other relevant requirements. The Board of Directors approved the policy on conflicts of interest and Related Party transactions on 18/09/1444H (corresponding to 09/04/2023G).

Except as disclosed in Section 5.10.1 ("**Interests in Contracts and Agreements concluded with the Company**"), the Directors declare that there are no conflicts of interest with the Company's Directors or Senior Executives in relation to contracts or transactions concluded with the Company, and that they have not been engaged in any activities similar to, or competing with, the Company's activities as at the date of this Prospectus.

As at the date of this Prospectus, none of the Directors engage in any business competing with or similar to the Company's business.

5.9 Interests of Directors, Senior Executives and the Secretary in the Shares and Debt Instruments of the Company

5.9.1 Interests of Directors in the Company

The table below shows the direct and indirect interests of each of the Directors in the Shares of the Company.

Table (5.30): Interests of Directors in the Company's Shares

Name of Director	Shareholding Percentage	Description
Mohammad bin Abdullah Rashed Abunayyan	0.56% (indirectly)	Prior to the Offering, Mohammad bin Abdullah Rashed Abunayyan indirectly owns 0.56% of the Company's Shares, through his ownership of 8.39% of Abdullah Abunayyan Trading Corp. (ATC), which owns 50% of the Shares of Vision International Investment Company, which in turn owns 44.8% of Tarabot Investment and Development, which in turn has beneficial ownership of 100% of Tarabot Air Cargo Services Company (through a direct ownership stake of 99% and an indirect ownership stake of 100% of the Shares of Al-Uzah Company, which owns 1% of Tarabot Air Cargo Services Company), which in turn owns 30% of the Company's Shares prior to the Offering.

None of the remaining Directors have any interest in the Company's Shares. The Directors have no direct or indirect interest in the debt instruments of the Company, or in any other matter that may affect the Company's business. It is also worth noting that relatives of the Directors have no direct or indirect interest in the Shares or debt instruments of the Company, or in any other matter that may affect the Company's business. For the purposes of this Section 5.9 ("**Interests of Directors, Senior Executives and the Secretary in the Shares and Debt Instruments of the Company**"), the definition of a relative includes a Director's husband, wife and minor children.

5.9.2 Interests of Senior Executives, the Secretary and their Relatives in the Company

None of the Directors, Senior Executives, Secretary or any of their relatives have any direct or indirect interest in the Shares or debt instruments of the Company, or in any other matter that may affect the Company's business.

5.10 Interests of Directors and Senior Executives

5.10.1 Interests in Contracts and Agreements concluded with the Company

On 29 August 2020G, the Company entered into an agreement with Saudi Tabreed to upgrade the chilled water system (for further details, see Section 12.5.4 ("**Other Material Agreements**") of this Prospectus). It should be noted that the Directors Mohammad bin Abdullah Rashed Abunayyan and Rasheed bin Abdul Rahman bin Nasser Al Rasheed have an indirect interest in this agreement due to being directors of Saudi Tabreed. In addition, Mohammad bin Abdullah Rashed Abunayyan has an indirect ownership in Saudi Tabreed. Thus, Articles 27 and 71 of the Companies Law apply to this agreement, requiring the authorization of the Company's General Assembly. The Company's Ordinary General Assembly authorized this agreement in its meeting held on 05/09/1444H (corresponding to 27/03/2023G).

The Company has also entered into three agreements with SACC, namely the Ground Service Agreement, the Project and Facility Management Service Agreement and the IT Service Agreement, in which four Directors (Mohammad bin Abdullah Rashed Abunayyan, Rasheed bin Abdul Rahman bin Nasser Al Rasheed, Ahmed bin Abdulaziz bin Ibrahim Alwassiah and Fahad bin Abdullah bin Hussain Moussa) have an interest, due to them serving as directors of SACC. For further details, please see Section 12.6 ("**Summary of Material Agreements with Related Parties**") of this Prospectus. Thus, Articles 27 and 71 of the Companies Law apply to these agreements, requiring the authorization of the Company's General Assembly. As required under Articles 27 Article 71 of the Companies Law, the Company's Ordinary General Assembly authorized these agreements in its meeting held on 05/09/1444H (corresponding to 27/03/2023G).

Except as stated above, none of the Directors, Senior Executives or the Secretary have any interest in any of the contracts and agreements concluded with the Company.

5.10.2 Competition with the Company

As at the date of this Prospectus, the Directors do not engage in any business that competes with the Company's business or any business that competes with the Company in any branches of the Company's activity. However, it should be noted that the Director, Mr. Rayan bin Mostafa bin AbdulWahab Qutub, is an independent Director and a member of the Advisory Board of Flow Progressive Logistics. Nevertheless, Mr. Rayan has confirmed that the activities of Flow Progressive Logistics do not conflict or compete with the Company's activities, and that any future conflict shall be disclosed to the Company according to the applicable disclosure mechanism. Accordingly, the Director does not believe that this activity is in competition with the Company's activities in accordance with Paragraph 2 of Article 27 of the Companies Law. The Company shall comply with the applicable procedures under the relevant articles of the Companies Law and relevant regulations (including the CGRs upon listing) and shall obtain the required approvals if necessary. For further details regarding the risks associated with this relationship, please see Section 2.1.39 ("**Risks related to the Engagement of Directors or Senior Executives in Business or Activities Competitive with those of the Company**") of this Prospectus.

Based on the foregoing, the Board of Directors acknowledges and confirms that each Director shall:

1- Comply with Articles 27 and 71 of the Companies Law and Articles 40 to 46 of the CGRs.
2- Refrain from voting on resolutions of the Board of Directors or the General Assembly related to business, contracts or transactions concluded with Related Parties that are carried out for the Company if they have a direct or indirect interest in such business or contracts or have a direct or indirect competitive interest therein.
3- Not participate in any business that would compete with the Company or compete with the Company in one of the branches of its activity except with the authorization of the Ordinary General Assembly pursuant to the provisions of Article 27 of the Companies Law.

Ensure that all future business and contracts, including those in which a Director has an interest, are concluded in accordance with the provisions of the CGRs and the regulatory controls and procedures issued in implementation of the Companies Law and that they do not include preferential terms for a Director and are entered into on an arm's length basis similar to all ordinary transactions and contracts with other third parties.

5.11 Employee Share Schemes

As at the date of this Prospectus, the Company does not have any employee share schemes or other arrangements involving the employees in the Company's capital.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6. Management's Discussion and Analysis of Financial Condition and Results of Operations

6.1 Management's Discussion and Analysis of Financial Position and Results of Operations

6.1.1 Management's Discussion and Analysis of Financial Position and Results of Operations for the three years ended 31 December 2020G, 2021G and 2022G

The following Management Discussion and Analysis ("**MD&A**") of the financial results of SAL Saudi Logistics Services Company ("the Company") for the years ended 31 December 2020G, 2021G and 2022G, based on the special purpose audited financial statements for the year ended 31 December 2020G ("FY20G"), and the audited financial statements for the years ended 31 December 2021G ("FY21G") and 31 December 2022G ("FY22G"), together being the "**Financial Statements**"; and should be read in conjunction with the financial statements referred to above.

Unless otherwise specified, the financial information presented in this discussion has been derived from the Financial Statements prepared by the Company and audited in accordance with the International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia by the Company's independent auditors KPMG Professional Services ("KPMG") for the special purpose audited financial statements for the year ended 31 December 2020G, and audited financial statements for the years ended 2021G and 2022G. The Company has applied the International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements that are issued by the Saudi Organization for Certified Public Accountants (SOCPA) (collectively referred to as the "International Financial Reporting Standards (IFRS) as endorsed in KSA") for the preparation of the financial statements for a special purpose for the year ended 31 December 2020G, and the financial statements for the years ended 31 December 2021G and 2022G.

Neither KPMG nor any of its subsidiaries, employees (forming part of the team working for the Company) or any of their relatives own any shares or stock of any kind in SAL that would impair their independence as at the date of the financial statements. KPMG provided, as on the date of this prospectus, its written consent to refer in this prospectus to its role as an independent auditor for the Company's financial statements prepared for a special purpose for the financial year ended on 31 December 2020G, and the financial statements for the financial years 2021G and 2022G.

The above-mentioned financial statements are an integral part of this section and should be read in conjunction with these financial statements and their supplementary notes, and these financial statements are contained in Section (19) "**Audited Financial statements and the auditor's report**" of this Prospectus.

The figures in this MD&A have been rounded to the nearest SAR in thousands, unless stated otherwise. Therefore, if summed, the numbers may differ to those which are stated in the tables. Annual percentages, margins, expenses and CAGRs are based on the rounded figures.

Except as disclosed otherwise, the financial information for the financial year ended 31 December 2020G was extracted from the financial information presented in the special purpose audited financial statements for the year ended 31 December 2020G. The financial information for the financial years ended 31 December 2021G and 2022G were extracted from the audited financial statements of the Company for the financial year ended on 31 December 2022G.

This section might include forward-looking statements related to the Company's future capabilities, based on the management's plans and prospects as to its growth, results of operations and financial condition that could involve prospective risks and uncertainties. The Company's actual results could differ materially from those anticipated as a result of numerous factors, risks and future events, including those discussed in this Section of the Prospectus or elsewhere thereof, particularly Section (2) "**Risk Factors**" of this Prospectus.

6.2 Directors' Declaration

1- The directors declare that the financial information presented in this section is extracted without material change and is presented to be consistent with the special purpose audited financial statements for the year ended 31 December 2020G, and the audited financial statements for the years ended 31 December 2021G and 2022G and the accompanying notes, which were prepared by the Company in accordance with the accounting standards approved by the Saudi Organization for Chartered Professional Accountants (SOCPA) and according to the International Financial Reporting Standards (IFRS). They were audited by the Company's independent auditors KPMG for the years ended 31 December 2020G, 2021G and 2022G.

2- The directors also declare that the Company has enough working capital for 12 months from the date of this Prospectus.

3- The directors declare that there has not been any material adverse change in the financial or trading position of the Company in the three financial years preceding the application for registration and offer of securities that are subject to this Prospectus and during the period from the end of the period covered in the external auditors' report up to and including the date of approval of the Prospectus, with the exception to what has been mentioned in section or any another section in this prospectus, especially the factors mentioned in Section (2) "**Risk Factors**" of this Prospectus.

4- The directors declare that all material facts related to the Company and its financial performance have been disclosed in this Prospectus, and that there are no other information, documents, or facts the omission of which would make any statement herein misleading.

5- The directors declare that the Company does not have any properties, including contractual financial securities or other assets, the value of which are subject to fluctuations or are difficult to ascertain, which significantly affects the evaluation of the financial position.

6- The directors confirm that no commissions, discounts, brokerages or other non-cash compensation have been granted within the three years immediately preceding the application for registration and offer of securities that are the subject of this Prospectus in connection with the issue or offer of any securities by the Company.

7- The directors declare that the Company has no intention of making any fundamental change of its activity.

8- The directors declare that there has not been any interruption in the business of the Company which may have or has had a significant effect on the financial position in the last 12 months.

9- The directors confirm that the Company's capital is not under option.

10- The directors declare that the properties of the Company are not subject to any mortgages, rights or encumbrances as of the date of this Prospectus, except for what has been disclosed in Section (2) "**Risk Factors**" and Section (12) "**Legal Information**" of this Prospectus.

11- The directors declare that the Company has presented comprehensive details in this Section of all fixed assets and investments, including contractual securities and other assets whose value is volatile or difficult to estimate (excluding finance portfolios).

12- The directors declare that the Company has not issued, existing or approved but unissued debt instruments, term loans or secured or unsecured mortgages, except as disclosed in Section (6-1-26 Long term loan) of this Prospectus.

13- The directors declare that the Company has no indebtedness, including bank overdrafts, liabilities under acceptances, acceptance credits or hire purchase commitments.

14- Unless otherwise specified, the directors do not have any shareholding or interest of any kind in the Company, and nor does any relative of theirs

6.3 Risk factors affecting the operations of the Company

The following is a discussion of the most important factors that affected or are expected to affect the financial position of the company and the results of its operations. These factors are based on information currently available to the Company and none of them may have an impact on the Company's business.

6.3.1 Air freight demand

The demand for the company's products and services is determined by the volume of internal and external air freight and transit. These sizes are related to several factors such as:

- Macroeconomic growth in Saudi Arabia affecting inbound goods due to higher consumption.
- Specific government initiatives for export growth in specific sectors such as pharmaceuticals.
- Increased consumption of some commodities highly related to air transport.
- The spread of e-commerce.

Moreover, the government of the Kingdom of Saudi Arabia is taking several strategic initiatives for the Kingdom to be a global hub for transportation and logistics which will directly benefit the company. Section 3 ("**Market and Sector Information**") provides some information on the main drivers of demand for air freight as well as a brief analysis of historical trends.

6.3.2 Flight operations

The company's revenues are related to airlines that transport goods to and from the Kingdom of Saudi Arabia, especially the Saudi Airlines Cargo Company, which contributed 54% of airline revenues (about 22% of total revenues) in 2022G. Any changes in the number of airlines covering the Kingdom of Saudi Arabia, the number of destinations restricted or changes in the number of flights by existing airlines will have an impact on the volumes handled by the company and thus on its revenues.

6.3.3 New services and sectors

The company's strategy is to become a comprehensive logistics provider, and, in this regard, it will continue to expand its services. For example, the company launched integrated logistics solutions services in October 2021. The company is exploring several new initiatives for growth and these initiatives will have a direct impact on the company's performance. For more information on the Company's growth initiatives, please refer to Section (4) ("**The Company**") of this Prospectus.

6.3.4 Freight station's capacity

A large part of the company's revenue is generated through freight station services, as the company provides services after the arrival of the goods at the freight station, when the goods are awaiting customs clearance and then received by the consignees in the case of importing or transporting goods. In the case of exporting goods, the company stores the goods while awaiting its scheduled flight. The company is expanding at its main sites and has back-up capacity available at other regional airports providing it with a great opportunity for growth:

- King Abdul-Aziz International Airport, Jeddah: The company has a cargo terminal area of more than 33,500 square meters with a capacity of 352,000 tons. The company plans to increase this capacity to 770,000 tons on an area of 63,000 square meters. The project is expected to be completed in 2027G.
- King Khalid International Airport, Riyadh: The area of the company's cargo terminal is about 70,000 square meters with a capacity of 332,000 tons. The company plans to renovate the existing cargo terminal to a capacity of 827,000 tons.
- King Fahd International Airport, Dammam: As at the date of this Prospectus, the cargo space at the company's cargo terminal is 30,000 square meters with a capacity of 160,000 tons. The company plans to expand and renovate the existing freight terminal to a capacity of 248,000 tons.

6.4 Basis of preparation, Summary of significant accounting policies, and new standards, interpretations and amendments

Basis of preparation

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

Basis of measurement

These financial statements are prepared under the historical cost convention, except for employees' end of service benefits liabilities, which have been measured at present value of defined benefit obligations using unit credit method of actuarial valuation.

Functional and presentation currency

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

Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect application of accounting policies, reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures including disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

Judgements

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

Going concern

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

Determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Company based its assumptions and estimates on parameters available at the date of preparing the financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses (ECL) of trade receivables

The Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in note 9.

Useful lives of property and equipment

The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management believes that residual may not result in significant change to depreciation charge and carrying amount of the assets. Management also believes that the straight-line depreciation reflects the pattern of consumption of economic benefits. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives and residual values differ from previous estimates.

Useful life of intangible assets

The management determines the estimated useful life of intangible asset with finite useful life for calculating amortization. This estimate is determined after considering expected usage of the assets or any technical obsolescence. Management believes that the straight-line amortization reflects the pattern of consumption of economic benefits. The management reviews the useful life of intangible asset annually and future amortization charge is adjusted where management believes the useful life differs from previous estimate.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is based on a discounted cash flows (DCF) model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Employee end of service benefit liabilities

The present value of defined benefit obligations regarding employee's end of service benefit plan is determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates and employee turnover rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate / government bonds extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for country. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rate for the country as well as seniority, promotion, demand, and supply in the employment market. Further detail about the employee end of service benefits are provided in note 16.

Determination of discount rate for present value calculations

Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

Zakat assessment

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("**ZATCA**") in the Kingdom of Saudi Arabia. The Company recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat will be due. The final outcome of any additional amount assessed by the ZATCA is depending on the eventual outcome of the appeal process which the Company is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the statement of profit or loss in the period in which such final determination is made.

Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all period presented in these financial statements.

a- Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non- current. A liability is current when:

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

The Company classifies all other liabilities as non-current.

b- Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in theinanceal statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

c- Revenue

The Company recognizes revenue when or as a performance obligation is satisfied. (e.g. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer). The Company applies following five-step model as given in IFRS to determine when to recognize revenue and at what amount:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Company expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties, amounts collected on behalf of others and is recorded net of trade discounts and volume rebates.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

The Company assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

Rendering of services

The company is engaged in providing ramp handling, cargo handling and logistics services. These revenues are recognised when services are rendered. All revenues of the Company are recognized at point of time when the service is provided. All services of the Company are delivered within kingdom of Saudi Arabia.

d- Finance income and finance cost

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

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

e- Expenses

Cost of revenue

Service costs and direct operating expenses are classified as cost of revenue. This include all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to employee costs, rent expense, depreciation expense, aircraft handling and other operating costs.

Selling and distribution expenses

These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, distribution and related expenses.

General and administrative expenses

These pertain to operation expenses which are not directly related to the services. These also include allocations of general overheads which are not specifically attributed to cost of revenue or selling and distribution expenses.

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

f- Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

g- Withholding tax

The Company withhold taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld.

h- Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non- monetary items measure at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items that are measure at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

i- Dividends

The Company recognises a liability to pay a dividend when distribution is authorised and no longer at the discretion of the Company. As per the articles of association of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

Non-cash distributions, if any, is measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss and other comprehensive income.

j- Contingencies

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

k- Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write off the cost of property and equipment less their estimated residual values using straight-line method over the estimated useful lives, which are as follows:

Lease hold improvements	5- 20 years
Equipment	3-7 years
Furniture and fixtures	5-7 years
Computer	3-5 years

An item of property and equipment ("the asset") and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and depreciation methods for property and equipment are reviewed on annual basis at the end of each fiscal year and adjustments are made whenever necessary.

Capital working in progress

Capital work in progress (CWIP) is measured at cost less impairment losses, if any, and not depreciated until such time the assets are available for use and transferred to the respective category under property, and equipment. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use, if the recognition criteria are met.

l- Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized, and the related expenditure is reflected in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The software are amortized on straight line basis. The estimated useful life of software is two to ten years. The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

m- Financial instruments

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

1- Financial assets

Initial recognition and measurement

Trade receivables are initially recognized when they are originated. All other financial assets are initially recognized when company becomes party to contractual provisions of the instruments. Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL).

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) ("**Revenue**").

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts and other receivables.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Derecognition

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

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

The Company recognizes an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through statement of profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts and other receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 451 days past due.

The Company considers a financial asset in default when contractual payments are 451 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2- Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets

The Company assesses at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment of goods, are recognized in the statement of profit or loss in expense category consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at the date of preparing each statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

n- Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

o- Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. Right-of-use assets are subject to impairment. Refer to the accounting policies under section Impairment of non-financial assets.

Lease Liabilities

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

Rent concessions

In response to the COVID-19 corona virus pandemic, in May 2020G the International Accounting Standards Board (the Board) issued amendments to IFRS 16 Leases to provide practical relief to lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concession are lease modification and instead are permitted to account for them as they were not lease modifications. Rent concessions are eligible for practical expedient if they occur as a direct consequent of the COVID-19 Pandemic and if all of the following criteria are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as or less than, the consideration for the lease immediately preceding the change:
- Any reduction in lease payments affects only payments originally due on or before June 2021; and
- There is no substantive change to the other terms and conditions of the lease.

The amendment is effective for annual periods beginning on or after 1 June 2020G and early adoption is permitted. The company has early adopted and applied the practical expedient consistently to eligible rent concessions.

p- Government grant

Government Grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expense are recognized, unless the condition for receiving the grant are met after the related expenses have been recognized. In this case the grant is recognized when it becomes receivable.

q- Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short- term bank deposits with original maturity of three months or less, if any, which are available to the Company without any restrictions and which are subject to an insignificant risk of changes in value.

r- Business combination – common control transaction

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. In applying book value accounting, any adjustment required to account for any difference between the consideration paid and the capital /net assets of the acquiree is reflected in retained earnings.

s- Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred in the statement of profit or loss and other comprehensive income.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t- Employee benefits liabilities

This represents end-of-service ("employee benefits") under defined unfunded benefit plan. End-of-service benefits, as required by Saudi Arabia Labour Law, are required to be provided based on the employees' length of service.

The Company's net obligations in respect of employee benefits ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with independent actuarial valuations carried out every year. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in statement of profit or loss and other comprehensive income in the year in which they arise.

u- Transactions with shareholders

Contributions by shareholders in their capacity as shareholders are recognised as capital contribution including waiver of a loan granted by a shareholder or by a fellow subsidiary where the waiver is instigated by the common parent.

v- Earnings per share - EPS

The management determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year; a reasonable approximation of the weighted average is adequate in many circumstances.

Diluted earning per share amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

w- Segment information

A segment is a distinguishable component of the Company that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

The Company has the following two strategic divisions, which are reportable segments and are defined and used by the Board of Directors when reviewing the Company's performance. These divisions offer different products and services and are managed separately because of their different fundamentals.

The following summary describes the operations of each reportable segment:

Reportable segments	Operations
Air cargo handling	Cargo handling services to air cargo carriers operating at the Kingdom's airports
Logistic solutions	End to end logistic solutions services, customs clearance, warehousing and inventory management

The Company's Board reviews the internal management reports of each strategic division at least quarterly.

New standards, interpretations and amendments

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

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

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2024
IFRS 17	Amendments	1 January 2023
IAS 8	Definition to accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Date postponed indefinitely
IFRS 17 and IFRS 9	Initial Application of IFRS 17 and IFRS 9 – Comparative Information (amendments to IFRS 17)	1 January 2023
IFRS 16	Lease Liability in a Sale and Leaseback – Amendment	1 January 2024

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

Following amendments to IFRS and International Accounting Standards were effective on or after 1 January 2022, but they did not have a material effect on the Company's financial statements:

Effective date	New Standards or amendments
1 April 2021	Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient
1 January 2022	A number of narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

6.5 Results of operations for the financial years ended 31 December 2020G, 2021G and 2022G

Table (6.1): Statement of profit or loss and other comprehensive income for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G*	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Revenue	846,885	962,170	1,222,650	13.6%	27.1%	20.2%
Cost of revenue	(449,223)	(476,194)	(631,681)	6.0%	32.7%	18.6%
Gross profit	**397,662**	**485,976**	**590,969**	**22.2%**	**21.6%**	**21.9%**
Other income	63,704	24,025	13,207	(62.3%)	(45.0%)	(54.5%)
Selling and distribution expenses	(14,757)	(27,870)	(30,251)	88.9%	8.5%	43.2%
General and administration expenses	(135,072)	(136,711)	(147,411)	1.2%	7.8%	4.5%
Operating profit	**311,537**	**345,420**	**426,514**	**10.9%**	**23.5%**	**17.0%**
Finance income	360	3,534	18,882	881.7%	434.3%	624.2%
Finance costs	(71,843)	(70,437)	(74,920)	(2.0%)	6.4%	2.1%
Profit before Zakat	**240,054**	**278,517**	**370,476**	**16.0%**	**33.0%**	**24.2%**
Zakat	(2,277)	(2,962)	(8,064)	30.1%	172.2%	88.2%
Profit for the year	**237,777**	**275,555**	**362,412**	**15.9%**	**31.5%**	**23.5%**
Remeasurement gain / (loss) on defined benefit obligation	(4,174)	(16,632)	3,425	298.5%	(120.6%)	n.a.
Total comprehensive income for the year	**233,603**	**258,923**	**365,837**	**10.8%**	**41.3%**	**25.1%**
KPIs						
Cargo volume handled (Tonnes)	606,782	652,299	721,722	45,517	69,423	114,940
Capacity (Tonnes)	849,500	849,500	849,500	-	-	-
Number of clients (airlines)	68	68	58	-	(10)	(10)
Average blended revenue per KG (SAR)**	1.4	1.4	1.5	0.0	0.0	0.1
Total average headcount	971	986	968	15	(18)	(3)
As a % of revenue					**ppt.**	
Gross profit	47.0%	50.5%	48.3%	3.6	(2.2)	1.4
Selling and distribution expenses	(1.7%)	(2.9%)	(2.5%)	(1.2)	0.4	(0.8)
General and administration expenses	(15.9%)	(14.2%)	(12.1%)	1.7	2.2	3.9
Profit before Zakat	28.3%	28.9%	30.3%	0.6	1.4	2.0
Profit for the year	28.1%	28.6%	29.6%	0.6	1.0	1.6

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G except for the KPIs that are from Management information

* For comparability purposes, other income, general and administration expenses and finance income and costs for the year 2020G were presented in this section based on the financial statements for the year ended 31 December 2021G. The numbers presented above differ from the numbers presented in the special purpose audited financial statements for the year ended 31 December 2020G due to the reclassification of certain accounts between general and administration expenses, finance costs and other income.

Bank charges amounting to SAR 1.6 million have been reclassified from finance costs, as presented in the special purpose audited financial statements for the year ended 31 December 2020G, to general and administration expenses as presented in the audited financial statements for the year ended 31 December 2021G.

Finance income amounting to SAR 360 thousand has been reclassified from other income, as presented in the audited financial statements prepared for special purpose for the year ended 31 December 2020G, to finance costs as presented in the audited financial statements for the year ended 31 December 2021G.

Note: Finance costs – net in 2020G was broken down into finance income and finance costs for comparability purposes with 2021G and 2022G periods

** Average blended revenue per KG is calculated based on air cargo handling revenue (i.e. total revenue excluding logistic solutions revenue divided by cargo volume handled in KG)

General note:

The audited figures of 2020G for cost of revenue, general and administration expenses and selling and distribution expenses were not comparable to the audited figures of 2021G due to a difference in the costs mapping applied by the auditors. For further details, please refer to section ("Change in cost and expense mapping between 2020G and 2021G").

Revenue

Revenue was mainly generated from operations in 3 stations Riyadh (44.4% of total revenue in 2022G), Jeddah (27.2%) and Dammam (13.9%) and consisted of terminal handling revenue (47.0% of total revenue in 2022G), airline handling revenue (39.1%), logistics solutions revenue (13.1%), and other revenue (0.8%). In 2021G, the Company launched "Logistic Solutions" offering comprehensive and customized end-to-end third-party logistics services to governmental and semi-governmental entities in KSA.

Revenue increased from SAR 846.9 million in 2020G to SAR 962.2 million in 2021G (13.6%) driven by airline handling services (+SAR 107.8 million) which was volume driven (+45.5 thousand tonnes) as it was impacted historically by COVID-19, coupled with the launching of Logistic solutions which recorded a revenue of SAR22.8 million in 2021G (nil in 2020G) and the recognition of SAR 9.5 million related to ad hoc operations prior to the launch of Logistic Solutions. This was offset by charter revenue (-SAR 43.8 million) which was directly affected by the resumption of scheduled flights activity with the ease-up of COVID-19 restrictions, leading to a lower number of unscheduled charters which were actively operational during the pandemic to make up for the lower traffic in passenger flights.

Revenue increased from SAR 962.2 million in 2021G to SAR 1.2 billion in 2022G (27.1%) mainly due to:

- i- The ramp up of the logistic solutions service line (+SAR 137.7 million), and
- ii- The increase in terminal handling services (+SAR 93.7 million) in line with the higher cargo volumes handled (+24.7 thousand tonnes of imports and exports) following the resumption of the overall business activity post COVID-19 and the increase in the blended average revenue per KG due to product mix.

Over the historical period, revenue was affected by seasonal factors largely driven by high volumes of cargo handled towards year-end holidays and before Ramadan, low activity during Ramadan month and pick-up around the Eids (Fitr and Adha). COVID-19 changed the seasonality trends in 2020G.

Cost of revenue

Cost of revenue mainly included employee costs (23.9% of total cost of revenue in 2022G), operating costs (SAL Solutions) (21.0%), contractual labour cost (14.6%), depreciation on right-of-use assets (9.9%), rental expenses (8.1%) and others (8.1%).

The increase in cost of revenue by 6.0% from SAR 449.2 million in 2020G to SAR 476.2 million in 2021G was primarily on the back of recording operating costs (SAL Solutions) of SAR 24.9 million in relation to the Company's new business line which provided end-to-end solutions, and out of which SAR 4.1 million were ad hoc costs prior to the launch of Logistic Solutions.

Cost of revenue increased by 32.7% to SAR 631.7 million in 2022G in line with the increase in revenue and was attributable to:

- i- The ramp up of Logistic Solutions which translated into an increase in operating costs (SAL Solutions) by SAR 132.7 million, and
- ii- The increase in repair and maintenance costs by SAR 14.6 million in relation to Jeddah and Riyadh new terminals.

Other income

Other income included rent concessions on Dammam contract (57.6% of total other income in 2022G), Management and service fees charged to a related party (35.0%) and others (7.4%).

Other income decreased by 62.3% from SAR 63.7 million in 2020G to SAR 24.0 million in 2021G following the formalization of the relationship between SAL and SACC by signing off a new shared services agreement in 2021G that defined the IT services provided by SAL to SACC and the applicable related charges. Please refer to "Other income" section for further details about the shared services agreement between SAL and SACC.

Other income decreased by 45.0% to SAR 13.2 million in 2022G as a result of the drop in management and service fees charged to a related party by SAR 19.2 million, partially offset by the recognition of rent concession, i.e. lease relief, on Dammam contract amounting to SAR 7.6 million.

Selling and distribution expenses

Selling and distribution expenses mainly included employee costs (52.7% of total selling and distribution expenses in 2022G), others (47.0%), amortization of intangible assets (0.2%) and depreciation expense (0.1%).

Selling and distribution expenses increased by 88.9% from SAR 14.8 million in 2020G to SAR 27.9 million in 2021G mainly due to:

- i- A reclassification of SAR 7.4 million attributable to the update in expense mapping in 2021G,
- ii- the hiring of junior staff with lower salaries and 3-4% annual salary increments, and
- iii- recognition of cargo claims provision which the Company started providing for in 2021G albeit historically being borne by SACC and were booked by the auditors under employee costs.

Selling and distribution expenses increased by 8.5% to SAR 30.3 million in 2022G largely impacted by higher marketing expenses of SAR 6.3 million. This was partially offset by the drop in (i) employee costs by SAR 3.1 million due to reclassifying cargo claims provision under general and administration expenses, and (ii) amortization of intangible assets by SAR 1.5 million.

General and administration expenses

General and administration expenses mainly included employee costs (48.6% of total general and administration expenses in 2022G), others (25.7%), impairment loss on trade receivables (11.2%) and professional and technical consultancies (6.2%).

General and administration expenses slightly increased by 1.2% from SAR 135.1 million in 2020G to SAR 136.7 million in 2021G mainly as a result of:

- i- Higher employee costs (+SAR 8.3 million) which primarily resulted from a reclassification of salary and wages to align the 2020G expense mapping with the adjusted mapping in 2021G,
- ii- Higher professional and technical consultancies (+SAR 6.8 million) mainly due to incurring exceptional consultancy fees for feasibility analysis and specialized services (e.g. Employees' surveys), and
- iii- Higher impairment loss on trade receivables (+SAR 5.7 million) in line with the increase in balances aged over one year. This was partially offset by the decrease in IT services (-SAR 18.4 million) due to the update in mapping following the reclassification to cost of revenue, offset by post COVID-19 normalization.

General and administration expenses increased by 7.8% to SAR 147.4 million in 2022G mainly as a result of the increase in others (+SAR 16.0 million), out of which SAR 12.0 million related to higher zakat provision booked in 2022G in relation to the potential GAZT exemption which has not been confirmed yet. This was partially offset by the drop in professional and technical consultancies by SAR 5.5 million over the same period.

Finance income

Finance income on Murabaha deposits related to commission earned on the Company's investment in short term Murabaha deposits with local banks.

Finance income amounted to SAR 360 thousand in 2020G, increased from SAR 3.5 million in 2021G to SAR 18.9 million in 2022G mainly driven by the increase in SIBOR rates and improvement in investment strategy.

Finance costs

Finance costs comprised finance charges on lease liabilities (93.1% of total finance costs in 2022G), interest on long term loan (6.7%) and exchange loss (0.2%).

Finance costs decreased by 2.0% from SAR 71.8 million in 2020G to SAR 70.4 million in 2021G mainly due to lower finance charges on lease liabilities.

Finance costs increased by 6.4% to SAR 74.9 million in 2022G mainly due to recording interest on long term loan from SABB bank of SAR 500.0 million due to expensing finance costs instead of capitalising as was the case previously due to the completion of the asset that was being constructed.

Zakat

Zakat increased from SAR 2.3 million in 2020G to SAR 3.0 million and SAR 8.1 million in 2021G and 2022G, respectively, as a result of a higher zakat base.

6.5.1 Revenue by type

Table (6.2): Revenue by type for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Terminal handling services	424,053	433,156	535,702	2.1%	23.7%	12.4%
Customs revenue	37,957	47,860	39,281	26.1%	(17.9%)	1.7%
Terminal handling revenue	**462,011**	**481,016**	**574,983**	**4.1%**	**19.5%**	**11.6%**
Airline handling services	292,877	400,645	442,699	36.8%	10.5%	22.9%
Charter revenue	91,998	48,233	34,862	(47.6%)	(27.7%)	(38.4%)
Airline handling revenue	**384,874**	**448,878**	**477,561**	**16.6%**	**6.4%**	**11.4%**
Logistic solutions revenue	-	22,751	160,411	n.a.	605.1%	n.a.
Other	-	9,525	9,695	n.a	1.8%	n.a.
Total	**846,885**	**962,170**	**1,222,650**	**13.6%**	**27.1%**	**20.2%**
Cargo volume handled in tonnes						
Import	352,882	350,988	376,999	(1,895)	26,012	24,117
Export	31,367	46,363	45,071	14,997	(1,292)	13,704
Import + Export	**384,249**	**397,351**	**422,070**	**13,102**	**24,719**	**37,821**
Transfers	222,533	254,948	299,652	32,415	44,704	77,119
Total	**606,782**	**652,299**	**721,722**	**45,517**	**69,423**	**114,940**

Source: Management information

Note: The amounts in this section have been rounded to the nearest thousand riyals. Therefore, the sum of these numbers may differ from what is shown in the table

Revenue consisted of terminal handling revenue (47.0% of total revenue in 2022G), airline handling revenue (39.1%), Logistic solutions revenue (13.1%) and other revenue (0.8%).

Terminal handling services revenue

Terminal handling services revenue was generated from services provided on the terminal side and mainly related to the handling and storage of Cargo depending on its type (General, special – i.e. pharma, dangerous goods, high value, etc).

The increase in terminal handling services revenue by 2.9% from SAR 424.1 million in 2020G to SAR 433.2 million in 2021G was mainly volume driven (+13.1 thousand tonnes of imports and exports), positively impacted by the historically low volume recorded due to COVID-19.

Terminal handling services revenue increased by 23.7% to SAR 535.7 million in 2022G mainly on the back of higher volumes handled (+ 24.7 thousand tonnes) as the flight's activity in KSA recovered due to:

- i- The full year impact of total lifting of travel restrictions related to COVID-19; and
- ii- Higher number of travelers coming to KSA to perform the Umrah as compared to 2020G and 2021G as travel restrictions were implemented because of COVID-19.

The growth in revenue between 2021G and 2022G was also due to product mix and higher average revenue per KG recorded for General Cargo which contributed to c.56% of total revenue in 2022G.

Customs revenue

Customs revenue was mainly generated on the delivery rack of imports where cargo is retrieved and handed over to the broker for custom inspection. Such services are billed directly to the brokers mainly based on volumes that are handled / stored.

The increase in customs revenue by 26.1% from SAR 38.0 million in 2020G to SAR 47.9 million in 2021G was volume driven impacted by (i) post COVID-19 normalization and (ii) the full year impact following the ramp-up of the services in certain stations such as Dammam (which started in September 2020G) and Jeddah (October 2020G).

Customs revenue decreased by 17.9% to SAR 39.3 million in 2022G following the enhancement in the efficiency at the stations in KSA, as stricter monitoring and policies were put into action.

Airline handling services revenue

Airline handling services (or "**Airside service**") revenue was generated from services provided on the airside and delivery section and mainly related to the ramp handling activities. All cargo is typically handled (export, transit in, transit out and import) at the airlines' side.

The increase in airline handling services revenue by 36.8% from SAR 292.9 million in 2020G to SAR 400.6 million in 2021G largely stemmed from SACC and was attributable to:

- i- Higher overall volumes handled due to the historical negative impact of COVID-19 on flights activity, and
- ii- Charging an amount of SAR 23.5 million to SACC in connection with domestic revenue recovery which was billed at once in 2021G.

Airline handling services revenue increased by 10.5% to SAR 442.7 million in 2022G in line with the higher volumes handled mainly from transfer volumes coupled with the change in the domestic station recovery arrangement which was originally based on cost +15% and was changed in 2022G to a 60:40 combined loss/profit ratio whereby SACC bears 60% of the combined losses/profits and SAL bears the remaining 40%.

Charter revenue

Charter revenue was generated from the handling of unscheduled charters and one-off ad hoc flights particularly during the COVID-19 pandemic, which are typically occasional and only occur during unusual circumstances. These services are charged at higher rates leading to higher profitability levels given they are considered non-scheduled.

The decrease in charter revenue from SAR 92.0 million in 2020G to SAR 48.2 million and SAR 34.9 million in 2021G and 2022G, respectively, was mainly on the back of the resumption of the scheduled flights with the ease-up of COVID-19 restrictions.

Logistic solutions revenue

Logistic solutions segment was launched in 2021G with revenue reaching SAR 22.8 million , offered end-to-end third-party logistics solutions services to KSA governmental and semi-governmental entities by targeting their specialized projects and needs. The services included freight forwarding, customs clearance, warehousing, and customized solutions. The Company recorded during the same year SAR 9.5 million related to ad hoc operations prior to the launch of Logistic Solutions segment.

Logistic Solutions revenue increased by 460.8% to SAR 160.4 million in 2022G due to the ramp-up of this service line and as a result of completing projects with key customers.

Other revenue

In 2021G, other revenue amounted to SAR 9.5 million and was mainly related to ad hoc operations prior to the launch of Logistic Solutions.

Other revenue amounted to SAR 9.7 million in 2022G and mainly related to revenue from:

- i- Office and space rental charges to different governmental entities utilizing the terminals (c.82% of total other revenue in 2022G), and
- ii- Regulatory staff trainings of the Company's vendors.

6.5.2 Revenue and gross profit by station

Table (6.3): Revenue and gross profit by station for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Riyadh	455,564	509,112	542,635	11.8%	6.6%	9.1%
Jeddah	249,412	279,036	332,841	11.9%	19.3%	15.5%
Dammam	137,585	125,176	169,462	(9.0%)	35.4%	11.0%
Others	4,324	26,094	17,302	503.5%	(33.7%)	100.0%
Revenue from stations	**846,885**	**939,419**	**1,062,239**	**10.9%**	**13.1%**	**12.0%**
Logistic solutions	-	22,751	160,411	n.a	605.1%	n.a
Total revenue	**846,885**	**962,170**	**1,222,650**	**13.6%**	**27.1%**	**20.2%**
Riyadh	293,904	326,449	365,118	11.1%	11.8%	11.5%
Jeddah	111,557	134,480	157,746	20.5%	17.3%	18.9%
Dammam	49,976	38,641	79,905	(22.7%)	106.8%	26.4%
Others	(57,776)	(15,504)	(28,000)	(73.2%)	80.6%	(30.4%)
Gross profit from stations	**397,662**	**484,066**	**574,769**	**21.7%**	**18.7%**	**20.2%**
Logistic solutions	-	1,910	16,200	n.a	748.1%	n.a
Total gross profit	**397,662**	**485,976**	**590,969**	**22.2%**	**21.6%**	**21.9%**
As a % of total revenue						
Riyadh	53.8%	52.9%	44.4%	(0.9)	(8.5)	(9.4)
Jeddah	29.5%	29.0%	27.2%	(0.5)	(1.8)	(2.3)
Dammam	16.2%	13.0%	13.9%	(3.2)	0.9	(2.4)
Others	0.5%	2.7%	1.4%	2.2	(1.3)	0.9
Logistic solutions	0.0%	2.4%	13.1%	2.4	10.8	13.1
Gross margin						
Riyadh	64.5%	64.1%	67.3%	(0.4)	3.2	2.8
Jeddah	44.7%	48.2%	47.4%	3.5	(0.8)	2.7
Dammam	36.3%	30.9%	47.2%	(5.5)	16.3	10.8
Logistic solutions	n.a	8.4%	10.1%	n.a	1.7	n.a
Total	**47.0%**	**50.5%**	**48.3%**	**3.6**	**(2.2)**	**1.4**
Capacity at year-end (in tonnes)						
Riyadh	332,000	332,000	332,000	-	-	-
Jeddah	352,000	352,000	352,000	-	-	-
Dammam	160,000	160,000	160,000	-	-	-
Medina	5,500	5,500	5,500	-	-	-
Cargo volume handled (in tonnes)						
Riyadh	299,510	361,256	357,537	61,746	(3,719)	58,028
Jeddah	237,526	233,018	289,271	(4,508)	56,253	51,745
Dammam	65,744	54,954	71,273	(10,790)	16,318	5,528
Other	4,002	3,071	3,641	(931)	570	(361)
Total	**606,782**	**652,299**	**721,722**	**45,517**	**69,423**	**114,940**

Source: Management information

The Company generated revenue and gross profit from the following operations: air cargo handling and logistic solutions. Revenue and gross profit from air cargo handling were generated from 4 main stations where we analysed revenue and gross profit from the top 3 stations Riyadh, Jeddah and Dammam and other domestic stations such as Medina.

Riyadh station revenue and gross profit

Revenue in Riyadh grew by 11.8% from SAR 455.6 million in 2020G to SAR 509.1 million in 2021G mainly on the back of the increase in airline handling services (+SAR 48.4 million) and terminal handling services (+SAR 30.5 million), in line with higher volumes handled (+61.7 thousand tonnes) following the ease-up of COVID-19 restrictions and the resumption of flights.

This was partially offset by the decrease in charter revenue (-SAR 24.5 million) as a result of the shift from chartered flights back to scheduled flights post COVID-19.

Revenue in Riyadh increased by 6.6% to SAR 542.6 million primarily from terminal handling services (+SAR 35.8 million) attributable to normal operations and the full-year impact of recovery from the COVID-19 pandemic despite the general drop in volumes handled from 361.3 thousand tonnes in 2021G to 357.5 thousand tonnes in 2022G impacted by the pick-up in volumes handled in Jeddah and Dammam stations.

Riyadh station's gross margin remained relatively stable at c.64% over the 2020G-2021G period, despite the 11.8% increase in revenue mainly as a result of higher depreciation expense following the completion of Riyadh new terminal by towards the end of 2020G.

Riyadh stations's gross margin increased to 67.3% in 2022G mainly from the lower contractual labour costs (-SAR 7.9 million) due to the full-year impact of the new productivity model at the Riyadh station whereby SAL is currently being charged based on the volumes handled rather than the resources deployed at the station.

Jeddah station revenue and gross profit

Revenue in Jeddah grew by 11.9% from SAR 249.4 million in 2020G to SAR 279.0 million in 2021G mainly on the back of:

- i- Airline handling services revenue (+SAR 34.8 million) as a result of the higher average revenue per KG due to product mix from handling higher volumes of imports and exports (+3.3 thousand tonnes) which typically yield high prices as compared to transfers, and
- ii- Customs revenue (+SAR 10.2 million) as a result of (i) the ramp-up and full year impact from the cost recovery of customs costs from clients in Jeddah which started as of October 2020G and (ii) the shift in the business model of Jeddah station from being a transit hub, to handling more imports and exports shipments subject to customs charges.

This was partially offset by a decrease in charter revenue (-SAR 15.6 million) as a result of the shift to scheduled flights post COVID-19.

Revenue in Jeddah increased by 19.3% to SAR 332.8 million in 2022G was directly attributed to the higher volumes handled (imports and transfers) in 2022G (+53.8 thousand tonnes) in line with Management's strategy to position Jeddah station as a main transfer hub in the region. This was also positively impacted by the resumption of the scheduled flights with the lifting of travel restrictions post COVID-19.

Jeddah station's gross margin increased from 44.7% in 2020G to 48.2% in 2021G mainly due to the increase in station's revenues of SAR 29.6 million and decrease in employee costs by SAR 8.2 million.

Despite the growth in revenue in Jeddah in 2022G, gross margin declined to 47.4% primarily driven by the increase in rental expenses mainly as a result of booking an additional accrual for Jeddah old building rental expense to compensate for the Company's historical under-accrual, and depreciation expense largely impacted by the opening of the Jeddah new terminal in September 2022G.

Dammam station revenue and gross profit

Dammam revenue decreased by 9.0% from SAR 137.6 million in 2020G to SAR 125.2 million in 2021G mainly due to the drop in terminal handling services revenue (-SAR 17.9 million) because of lower handled tonnages (-4.1k tons). This was partially offset by the increase in customs revenue (+SAR 6.3 million) because of the full-year impact.

Dammam revenue increased by 35.4% to SAR 169.5 million in 2022G largely impacted by the higher handled imports over the period (+16.5 thousand tonnes) due to normal course of business operations and post COVID-19 normalization.

Dammam station's gross margin decreased from 36.3% in 2020G to 30.9% in 2021G due to the lower cost absorption (lower cargo volume handled) and the increase in contractual labour costs.

In accordance with the increase in revenue and the higher fixed cost absorption (higher volumes with relatively stable cost of revenue), Dammam gross margin increased to 47.2% in 2022G.

Others' revenue

Others' revenue mainly included Medina station, other domestic stations and ground handling head office. Revenue generated from these stations increased by 503.5% from SAR 4.3 million in 2020G to SAR 26.1 million in 2021G mainly due to billing SACC for revenue related to domestic stations for FY20 and FY21 at once for SAR23.5m in relation to airline handling services.

Other's revenue decreased to SAR 17.3 million in 2022G mainly due to the decrease in other domestic stations' revenue by 10.4 million mainly driven by the reduced SACC domestic recovery of SAR 12.9 million. This was partially offset by recording under shared services, rental and training revenue collectively amounting to SAR 2.9 million during the same period.

Logistic solutions revenue and gross profit

Logistic solutions was launched in Q3-2021G and generated revenues reaching SAR 22.8 million 2021G and SAR 160.4 million in 2022G. This new service line offers end-to-end third-party logistics solutions services mainly, but not limited to KSA governmental and semi-governmental entities including first mile and last mile, freight forwarding, customs clearance and warehousing.

Logistic solutions revenue increased from SAR 22.8 million in 2021G to SAR 160.4 million in 2022G due to the ramp-up of this service line and resulted from completing projects from key customers.

Typically, prices are set on a project basis and as such differ from one project to another. The pricing is on cost-plus basis and is determined after applying a 10-20% markup on the estimated cost for each project. As such, Logistic solutions' gross margin amounted to 8.4% in 2021G and 10.1% in 2022G.

6.5.3 Cost of revenue by nature

Table (6.4): Cost of revenue by nature for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Employee costs	192,424	143,610	150,919	(25.4%)	5.1%	(11.4%)
Operating costs (Logistic Solutions)	-	24,901	132,688	n.a	432.9%	n.a
Contractual labour cost	94,143	104,338	92,431	10.8%	(11.4%)	(0.9%)
Depreciation on right-of-use assets	59,860	62,756	62,849	4.8%	0.1%	2.5%
Rental expenses	37,793	41,004	51,044	8.5%	24.5%	16.2%
Depreciation expenses	23,903	36,230	48,360	51.6%	33.5%	42.2%
IT services	-	14,657	21,822	n.a	48.9%	n.a
Aircraft handling and other charges	15,286	17,323	17,768	13.3%	2.6%	7.8%
Amortization of intangible assets	2,144	2,505	2,797	16.8%	11.7%	14.2%
Others	23,670	28,870	51,003	22.0%	76.7%	46.8%
Total	**449,223**	**476,194**	**631,681**	**6.0%**	**32.7%**	**18.6%**
KPIs					**var.**	
Average number of employees	721	745	759	24	14	38
Average monthly salary per employee (SAR)	22,240	16,064	16,570	(6,177)	506	(5,670)

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
As a % of total revenue					**ppt.**	
Employee costs	22.7%	14.9%	12.3%	(7.8)	(2.6)	(10.4)
Operating costs (SAL Solutions)	0.0%	2.6%	10.9%	2.6	8.3	10.9
Contractual labour cost	11.1%	10.8%	7.6%	(0.3)	(3.3)	(3.6)
Depreciation on right-of-use assets	7.1%	6.5%	5.1%	(0.5)	(1.4)	(1.9)
Rental expenses	4.5%	4.3%	4.2%	(0.2)	(0.1)	(0.3)
Depreciation expenses	2.8%	3.8%	4.0%	0.9	0.2	1.1
IT services	0.0%	1.5%	1.8%	1.5	0.3	1.8
Aircraft handling and other charges	1.8%	1.8%	1.5%	(0.0)	(0.3)	(0.3)
Amortization of intangible assets	0.3%	0.3%	0.2%	0.0	(0.0)	(0.0)
Others	2.8%	3.0%	4.2%	0.2	1.2	1.4
Total	53.0%	49.5%	51.7%	(3.6)	2.2	(1.4)

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G and Management information

Cost of revenue included all direct and other costs related to the stations' and logistic solutions' operations and mainly comprised employee costs (23.9% of total cost of revenue in 2022G), operating costs (SAL Solutions) (21.0%), contractual labour cost (14.6%), depreciation on right-of-use assets (9.9%), rental expenses (8.1%) and others (8.1%).

Employee costs

Employee costs are related to the full-time employees that are involved in providing services (operations, maintenance, etc.) at the terminals. Employee costs mainly comprised salaries and wages (50.8% of total employee costs in 2022G), allowances and bonuses (23.9%) and medical costs (10.4%) amongst others.

Despite the increase in the number of employees from 721 in 2020G to 745 in 2021G, employee costs decreased by 25.4% from SAR 192.4 million to SAR 143.6 million in line with the decrease in the average monthly salary per employee (-SAR 6.2 thousand). This drop was mainly attributable to:

- i- An update in cost mapping in 2021G which reclassified costs amounting to SAR 24.3 million to general and administrative expenses and selling and distribution expenses,
- ii- The drop in the Company's performance bonus following the change in bonus pool from a combined level of SACC and SAL to that of SAL, which is relatively lower, also considering that the Company did not meet its target in 2021G; and
- iii- The drop in other allowances following the decrease in the number of SV employees deployed at SAL through SACC from 40 in 2020G to 24 in 2021G. These employees are under the sponsorship of SACC but provide services to SAL.

Employee costs increased by 5.1% to SAR 150.9 million in 2022G mainly due to the increase in medical costs (+SAR 4.5 million) attributable to the increase in headcount under cost of revenue (+14), coupled with the renewal of the insurance contracts at a higher loss ratio following COVID-19.

Operating costs (SAL Solutions)

Operating costs (SAL Solutions) related to the Company's newly launched business line "Logistic Solutions" and comprised service contracts with key vendors.

Operating costs (SAL Solutions) increased by 432.9% from SAR 24.9 million in 2021G to SAR 132.7 million in 2022G mainly due to the ramp-up of the new business line launched in November 2021G.

Contractual labour cost

Contractual labour cost mainly related to the services outsourced from external parties to support the operations.

Contractual labour cost increased by 10.8% from SAR 94.1 million in 2020G to SAR 104.3 million in 2021G as a result of the hiring of additional resources following the launch of RUH's new terminal after its completion in end of 2020G. This was partially offset by the change in the billing arrangement from being charged based on the number of deployed resources to volume of cargo being handled.

Contractual labour costs decreased by 11.4% to SAR 92.4 million in 2022G mainly due to the full-year impact of applying the new productivity model in Riyadh station.

Depreciation on right-of-use assets

Depreciation on right of use increased from SAR 59.9 million in 2020G to SAR 62.8 million in 2021G and 2022G, related to the depreciation of the capitalised right-of-use assets, (Riyadh, Jeddah and Dammam leases) under IFRS16.

Rental expenses

Rental expenses mainly related to accruals booked for Jeddah old building, ground equipment rentals and rent expenses for MED and other domestic stations.

Rental expenses increased by 8.5% from SAR 37.8 million in 2020G to SAR 41.0 million in 2021G in line with the pick-up in operations post COVID-19 which required the Company to rent additional equipment to serve the larger number of volumes handled.

Rental expenses increased by 24.5% to SAR 51.0 million in 2022G mainly attributable to an additional accrual of SAR 7.7 million for Jeddah old building rental expense to compensate for the Company's historical under-accrual.

Depreciation expenses

Depreciation expenses related to operational assets like equipment, ramps, tools, and others that directly attribute to operations.

Depreciation expenses increased by 51.6% from SAR 23.9 million in 2020G to SAR 36.2 million in 2021G due to the capitalization of the new Riyadh terminal which was completed towards the end of 2020G.

Depreciation expenses increased by 33.5% to SAR 48.4 million in 2022G mainly related to the opening of the Jeddah new terminal in September 2022G and other additions during the same year.

IT services

IT services increased from nil in 2020G to SAR 14.7 million in 2021G due to the classification of the balance in 2020G under cost of revenue – others, which amounted to SAR 21.7 million in 2020G.

IT services increased to SAR 21.8 million in 2022G mainly due to higher allocation of IT services to the stations.

Aircraft handling and other charges

Aircraft handling and other charges related to the ramp handling services the Company provides to its airline customers through SGS based on a contractual agreement, typically charged to airlines based on SGS invoice plus a markup.

Aircraft handling and other charges increased by 13.3% from SAR 15.3 million in 2020G to SAR 17.3 million in 2021G on the back of ramp handling charges in line with the general increasing trend of the business operations, post COVID-19.

Aircraft handling and other charges remained relatively stable and amounted to SAR 17.8 million in 2022G.

Amortization of intangible assets

Amortization of intangible assets related to software, amounted to SAR 2.1 million in 2020G, SAR 2.5 million in 2021G and SAR 2.8 million in 2022G.

Other operating costs

Other operating costs included repair and maintenance, ground equipment's fuel and other operational costs of the Company.

Other operating costs increased by 22.0% from SAR 23.7 million in 2020G to SAR 28.9 million in 2021G following the reclassification of SAR 19.2 million related to the change in mapping in 2021G. This was also impacted by the reclassification of IT services amounting to SAR 14.7 million in 2021G under cost of revenue.

Other operating costs increased by 76.7% to SAR 51.0 million in 2022G mainly driven by higher repair and maintenance costs (+SAR 14.6 million) in relation to Jeddah and Riyadh new terminals coupled with the booking of a membership fee of SAR 2.7 million for passenger ("PAX") handling license from GACA which Management fully expensed instead of capitalizing and amortizing over a period of 10 years.

6.5.4 General and administration expenses

Table (6.5): General and administration expenses for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Employee costs	64,224	72,518	71,630	12.9%	(1.2%)	5.6%
Impairment loss on trade receivables	3,500	9,155	16,522	161.6%	80.5%	117.3%
Professional and technical consultancies	7,801	14,579	9,083	86.9%	(37.7%)	7.9%
IT services	28,267	9,837	5,012	(65.2%)	(49.0%)	(57.9%)
Depreciation on right-of-use assets	4,743	1,922	2,639	(59.5%)	37.3%	(25.4%)
Bank charges	1,553	2,116	2,221	36.3%	5.0%	19.6%
Depreciation expense	7,383	4,708	2,175	(36.2%)	(53.8%)	(45.7%)
Rental expenses	1,418	374	296	(73.6%)	(20.9%)	(54.3%)
Others	16,183	21,502	37,833	32.9%	76.0%	52.9%
Total	**135,072**	**136,711**	**147,411**	**1.2%**	**7.8%**	**4.5%**
KPIs					**var.**	
Average number of employees	223	199	170	(24)	(29)	(53)
Average monthly salary per employee (SAR)	24,000	30,368	35,113	6,368	4,745	11,113
As % of revenue					**ppt.**	
Employee costs	7.6%	7.5%	5.9%	(0.0)	(1.7)	(1.7)
Impairment loss on trade receivables	0.4%	1.0%	1.4%	0.5	0.4	0.9
Professional and technical consultancies	0.9%	1.5%	0.7%	0.6	(0.8)	(0.2)
IT services	3.3%	1.0%	0.4%	(2.3)	(0.6)	(2.9)
Depreciation on right-of-use assets	0.6%	0.2%	0.2%	(0.4)	0.0	(0.3)
Bank charges	0.2%	0.2%	0.2%	0.0	(0.0)	(0.0)
Depreciation expense	0.9%	0.5%	0.2%	(0.4)	(0.3)	(0.7)
Rental expenses	0.2%	0.0%	0.0%	(0.1)	(0.0)	(0.1)
Others	1.9%	2.2%	3.1%	0.3	0.9	1.2
Total	**15.9%**	**14.2%**	**12.1%**	**(1.7)**	**(2.2)**	**(3.9)**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G and Management information

General and administration expenses mainly included employee costs (48.6% of total general and administration expenses in 2022G), others (25.7%), impairment loss of trade receivables (11.2%) and professional and technical consultancies (6.2%).

Employee costs

Employee costs comprised mainly of salaries and wages (c.55% of employee costs in 2022G), allowances and bonuses (c.34%) amongst others.

Employee costs grew by 12.9% from SAR 64.2 million in 2020G to SAR 72.5 million in 2021G mainly from the reclassification of SAR 21.0 million which aligns the 2020G expenses to the adjusted mapping in 2021G. This was partially offset by the drop in bonuses (-SAR 7.3 million) since the Company did not meet its target earning for the year coupled with the change in the basis of calculation whereby bonus in 2021G was calculated based on the performance of SAL only as compared SAL's and SACC's combined performance in 2020G.

Employee costs remained relatively stable and amounted to SAR 71.6 million in 2022G despite the drop in headcount by 29 employees, mainly due to higher average monthly salary per employee (+SAR 4.7 thousand) as a result of the annual salary increment and Management's focus on reducing junior positions and hiring more experienced employees.

Impairment loss on trade receivables

Impairment loss on trade receivables pertained to ECLs on accounts receivables. The calculation of these is based on the ECL model in line with the requirements of IFRS9. The balance increased by 161.6% from SAR 3.5 million in 2020G to SAR 9.2 million in 2021G in line with the increase in receivable balances aged more than one year which would increase the probability of default.

Impairment loss on trade receivables increased by 80.5% to SAR 16.5 million as a result of:

- i- The increase in receivables balance aged over one year mainly from logistic solutions, coupled with the change in the macroeconomic factors and the higher flow rates;
- ii- An additional general provision of SAR 6.3 million booked at year end by the auditors in line with their assessment;
- iii- A specific provision of SAR 3.7 million for a disputed balance with a logistic solutions customer; and
- iv- An additional provision for related parties' receivable balances which started in 2022G.

Professional and technical consultancies

Professional and technical consultancies included services employed in areas of strategy formulation and implementation, organizational transformation, business process management, governance, risk and compliance and business continuity. These services were required to keep the Company up-to-date with best practices across different business domains.

Professional and technical consultancies increased by 86.9% from SAR 7.8 million in 2020G to SAR 14.6 million in 2021G due to an increase in consultancy fees related to feasibility studies and employee surveys.

Professional and technical consultancies decreased by 37.7% to SAR 9.1 million in 2022G due to less hiring of consultants.

IT services

IT services mainly related to licenses and normal IT operations.

IT services expenses decreased by 65.2% from SAR 28.3 million in 2020G to SAR 9.8 million in 2021G mainly due to the updated expense mapping in 2021G, offset by post COVID-19 normalization wherein IT service charges increased in line with the increase in business activity.

IT services expenses further decreased by 49.0% to SAR 5.0 million in 2022G mainly due to historically bearing the expense of a module used exclusively by SACC. In 2022G, the Company only bore the expense of the modules used by SAL

Depreciation on right-of-use assets

Depreciation on right-of-use assets related to the depreciation of the capitalised right-of-use assets (parking lots and offices) under IFRS16, decreased by 59.5% from SAR 4.7 million in 2020G to SAR 1.9 million in 2021G due to a difference in classification between 2020G and 2021G.

Depreciation on right-of-use assets increased by 37.3% to SAR 2.6 million in 2022G was mainly attributable to the capitalization of 3 new offices.

Bank charges

Bank charges pertained to SADAD fees, and transfers and POS fees. Bank charges amounted to SAR 1.6 million in 2020G, and averaged SAR 2.2 million in 2021G and 2022G.

Depreciation expense

Depreciation expense decreased by 36.2% from SAR 7.4 million in 2020G to SAR 4.7 million and SAR 2.2 million in 2021G and 2022G, respectively, as certain assets reached their full life.

Rental expenses

Rental expenses dropped by 73.6% from SAR 1.4 million in 2020G to SAR 374 thousand and SAR 296 thousand in 2021G and 2022G, respectively, mainly due to the termination of certain contracts post spin-off.

Other expenses

Other expenses mainly included other provisions, directors' fees and training fees and provision for credit notes, amongst others.

Other expenses increased by 32.9% from SAR 16.2 million in 2020G to SAR 21.5 million in 2021G mainly due to internal training expenses (+SAR 2.2 million) following the resumption of trainings post COVID-19, higher other provision (+SAR 1.5 million) in connection with zakat, and directors' fees (+SAR 1.4 million).

Other expenses increased by 76.0% to SAR 37.8 million in 2022G mainly due to:

- i- Higher other provision expense of SAR 18.8 million (+SAR 12.0 million in 2021G - 2022G) related to the zakat provision which GAZT has not confirmed the exemption for yet; and
- ii- Recording a provision for credit notes amounting to SAR 2.5 million in 2022G in relation to disputed charges and services with certain customers.

6.5.5 Selling and distribution expenses

Table (6.6): Selling and distribution expenses for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Employee costs	6,271	19,007	15,940	203.1%	(16.1%)	59.4%
Amortization of intangible assets	-	1,555	64	n.a.	(95.9%)	n.a
Depreciation expense	180	20	20	(88.9%)	(0.0%)	(66.7%)
Others	8,306	7,288	14,227	(12.3%)	95.2%	30.9%
Total	**14,757**	**27,870**	**30,251**	**88.9%**	**8.5%**	**43.2%**
KPIs					**var.**	
Average number of employees	27	42	39	15	(3)	12
Average monthly salary per employee (SAR)	19,355	37,712	34,060	18,357	(3,652)	14,705
As a % of total revenue					**ppt.**	
Employee costs	0.7%	2.0%	1.3%	1.2	(0.7)	0.6
Amortization of intangible assets	0.0%	0.2%	0.0%	0.2	(0.2)	0.0
Depreciation expense	0.0%	0.0%	0.0%	(0.0)	(0.0)	(0.0)
Others	1.0%	0.8%	1.2%	(0.2)	0.4	0.2
Total	**1.7%**	**2.9%**	**2.5%**	**1.2**	**(0.4)**	**0.7**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G and Management information

Selling and distribution expenses included employee' costs (52.7% of total selling and distribution expenses in 2022G), others (47.0%), amortization of intangible assets (0.2%) and depreciation expense (0.1%).

Employee costs

Employee costs increased by 203.1% from SAR 6.3 million in 2020G to SAR 19.0 million in 2021G mainly driven by:

- The reclassification of SAR 7.4 million due to the change in the expense mapping between 2020G and 2021G,
- The hiring of junior staff with lower salaries (+15 new hires) in addition to an annual salary increment implemented in 2021G of 3-4%, and
- Recording a provision for cargo claims made by airlines for damaged and lost shipments amounting to SAR1.7m which were originally borne by SACC and are currently being recorded under SAL post the spin-off of the Company from SACC.

Employee costs decreased by 16.1% to SAR 15.9 million in 2022G mainly as a result of reclassifying provision for cargo claims in 2022G under "General and administration expenses".

Amortization of intangible assets

Amortization of intangible assets pertained to SAL's website and video launching software which was capitalized in 2021G.

The balance amounted to SAR 1.6 million in 2021G and was fully amortized in 2022G (SAR 64 thousand).

Depreciation expense

Depreciation expense amounted to SAR 180 thousand in 2020G and SAR 20 thousand in 2021G and 2022G.

Others

Others included sales and marketing expenses in relation to media advertising, database advertising, business promotion, digital marketing, internal events, and IT services, amongst others.

Other expenses declined by 12.3% from SAR 8.3 million in 2020G to SAR 7.3 million in 2021G mainly from sales and marketing expenses due to the shift from outdoor advertising to giveaways and gifts as part of the new marketing strategy.

Others increased by 95.2% to SAR 14.2 million in 2022G mainly driven by higher sales and marketing expenses from:

i- Sponsoring a football club for a 3-year period (+SAR 2.8 million);

ii- Media advertising in line with Management's overall rebranding strategy and focus on advertising Jeddah new terminal; and

iii- Business promotion due to sponsoring one of the major events held in KSA.

6.5.6 Finance income

Table (6.7): Finance income for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Finance income on Murabaha deposits	360	3,534	18,882	881.7%	434.3%	624.2%
Total	**360**	**3,534**	**18,882**	**881.7%**	**434.3%**	**624.2%**
As a % of total revenue					**ppt.**	
Finance income on Murabaha deposits	0.0%	0.4%	1.5%	0.4	1.1	1.5

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Finance income on Murabaha deposits related to commission earned on the Company's investment in short term Murabaha deposits with local banks.

Finance income amounted to SAR 360 thousand in 2020G, increased from SAR 3.5 million in 2021G to SAR 18.9 million in 2022G mainly driven by the increase in SIBOR rates and improvement in investment strategy.

6.5.7 Finance costs

Table (6.8): Finance costs for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Finance charges on lease liabilities	71,827	70,437	69,753	(1.9%)	(1.0%)	(1.5%)
Exchange loss	16	-	128	(100.0%)	n.a	182.8%
Interest on long term loan	-	-	5,039	n.a	n.a	n.a
Total	**71,843**	**70,437**	**74,920**	**(2.0%)**	**6.4%**	**2.1%**
As a % of total revenue					**ppt.**	
Finance charges on lease liabilities	8.5%	7.3%	5.7%	(1.2)	(1.6)	(2.8)
Exchange loss	0.0%	0.0%	0.0%	(0.0)	0.0	0.0
Interest on long term loan	0.0%	0.0%	0.4%	-	0.4	0.4
Total	**8.5%**	**7.3%**	**6.1%**	**(1.2)**	**(1.2)**	**(2.4)**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Finance costs comprised finance charges on lease liabilities, interest on long term loan and exchange loss.

Finance costs decreased by 2.0% from SAR 71.8 million in 2020G to SAR 70.4 million in 2021G mainly due to lower finance charges on lease liabilities.

Finance costs increased by 6.4% to SAR 74.9 million in 2022G mainly due to recording interest on long term loan from SABB of SAR 5.0 million which was recorded under expenses instead of being capitalised as it was previously as the assets that were being constructed became operational.

6.5.8 Zakat

Table (6.9): Zakat for the financial years ended 31 December 2020G, 2021G, and 2022G

SAR in 000s	2020G	2021G	2022G
Equity at the beginning	500	707,541	806,900
Loan from SACC	250,000	-	-
Reduction of loans to restrict up to fixed assets	322,241	-	-
Opening provisions and other adjustments	38,814	43,824	579,672
Book value of property and equipment	(572,241)	(674,809)	(719,665)
Zakat base	**39,314**	**76,556**	**666,907**
Less: 70% exempt	(27,520)	(53,589)	(466,835)
Subtotal – zakat base elements	**11,794**	**22,967**	**200,072**
Adjusted profit for the year	76,303	92,336	116,437
Zakat base	**88,097**	**115,303**	**316,509**
Zakat for the year	**2,277**	**2,962**	**8,064**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Zakat increased from SAR 2.3 million in 2020G to SAR 3.0 million in 2021G and SAR 8.1 million in 2022G as a result of higher zakat base.

The Company has submitted its Zakat returns for 2020G, 2021G and 2022G based on 70% Zakat exemption given it is expecting a favourable outcome on the ruling request. Zakat returns for 2022G would be filed on the same basis. The Zakat Customs and Tax Authority ("Authority") is currently reviewing the declarations filed and has not issued any queries or assessment.

6.5.9 Other income

Table (6.10): Other income for the financial years ended 31 December 2020G, 2021G, and 2022G

SAR in 000s	2020G	2021G	2022G	Variance 2020G-2021G	Variance 2021G-2022G	CAGR 2020G-2022G
Management and service fees charged to a related party	63,265	23,804	4,616	(62.4%)	(80.6%)	(73.0%)
Rent concessions	-	-	7,610	n.a	n.a	n.a
Others	439	221	981	(49.7%)	343.9%	49.5%
Total	**63,704**	**24,025**	**13,207**	**(62.3%)**	**(45.0%)**	**(54.5%)**
As a % of total revenue						
Management and service fees charged to a related party	7.5%	2.5%	0.4%	(5.0)	(2.1)	(7.1)
Rent concessions	0.0%	0.0%	0.6%	-	0.6	0.6
Others	0.1%	0.0%	0.1%	(0.0)	0.1	0.0
Total	**7.5%**	**2.5%**	**1.1%**	**(5.0)**	**(1.4)**	**(6.4)**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Other income comprised of rent concessions on Dammam contract (c.58% of total other income in 2022G), Management and service fees charged to a related party (SACC) (c.35%) and others (c.7%).

Management and service fees charged to a related party (SACC) over the FY20 – H1-21 period represented expenses related to Internal Audit, Risk Management and Compliance, Finance, HR, IT, Facility Management and Procurement (that are charged back by SAL to SACC based on a percentage of the budgeted figures).

In June 2021G, SAL and SACC revamped the historical shared services model by governing their relationship with a signed contract that defined the IT services provided by SAL to SACC and the applicable related charges.

In addition, SAL and SACC continued sharing the same CFO and CSSO (on a 50/50 basis) during H2-21 period, nevertheless, these shared services were not contractually bound and ceased with the appointment of a separate CFO in September 2021G and a separate CSSO in February 2022G.

Following the formalization of the relationship between SAL and SACC, Management and service fees charged to a related party dropped from SAR 63.3 million in 2020G to SAR 23.8 million in 2021G and SAR 4.6 million in 2022G.

Other income decreased from SAR 63.7 million in 2020G to SAR 24.0 million in 2021G and SAR 13.2 million in 2022G mainly as a result of the drop in Management and service fees charged to a related by SAR 39.5 million following the formalization of the shared service agreement between SAL and SACC.

Other income further decreased to SAR 13.2 million in 2022G due to the drop in Management and service fees charged to a related party, partially offset by the recognition of rent concession, i.e., lease relief with respect to COVID-19, on Dammam contract amounting to SAR 7.6 million.

6.6 Statement of financial position

Table (6.11): Statement of financial position as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Assets			
Non-current assets			
Property and equipment	555,264	659,378	705,366
Right-of-use asset	1,348,296	1,283,618	1,212,555
Intangible assets	16,977	15,431	14,299
Total non-current assets	**1,920,537**	**1,958,427**	**1,932,220**

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Current assets			
Construction work in progress	-	-	30,758
Trade receivables	116,699	185,160	233,410
Prepayments and other receivables	63,787	158,199	147,066
Due from related parties	110,261	-	-
Cash and cash equivalents	714,642	491,590	940,069
Short term Murabaha deposits	-	380,000	-
Total current assets	**1,005,389**	**1,214,949**	**1,351,303**
Total assets	**2,925,926**	**3,173,376**	**3,283,523**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital	500	800,000	800,000
Additional capital contribution	468,214	-	-
Statutory reserve	150	27,706	63,947
Retained earnings	338,677	155,390	226,561
Actuarial loss	(4,174)	(20,806)	(17,381)
Total shareholders' equity	**803,367**	**962,290**	**1,073,127**
Non-current liabilities			
Long-term loan	-	500,000	500,000
Employees' end of service benefits	50,318	72,582	77,976
Lease liabilities	1,364,728	1,321,541	1,287,944
Total non-current liabilities	**1,415,046**	**1,894,123**	**1,865,920**
Current liabilities			
Current portion of lease liabilities	13,227	107,606	63,719
Loan from a related party	384,786	-	-
Due to related parties	115,441	-	-
Trade payables	15,441	15,813	64,922
Accruals and other liabilities	176,341	191,502	208,397
Zakat payable	2,277	2,042	7,438
Total current liabilities	**707,513**	**316,963**	**344,476**
Total liabilities	**2,122,559**	**2,211,086**	**2,210,396**
Total shareholders' equity and liabilities	**2,925,926**	**3,173,376**	**3,283,523**
KPIs			
DSO – third parties (credit revenue) (in days) *	186	133	139
DSO – Logistic solutions (in days) **	n.a	278	213
DPO (in days)	41	30	70
ROA	8.1%	8.7%	11.0%
ROE	29.6%	28.6%	33.8%

* DSO – third parties (credit revenue) excluding logistics solutions was calculated based on gross trade receivables and on airline handling services revenue, charter and courier revenue given these are typically made on credit, while other revenue streams are collected in cash.

** DSO – Logistic solutions was calculated based on the gross trade receivables from third and related parties, and logistics solutions revenue.

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G except for the KPIs that are from Management information

Non-current assets

Total non-current assets increased by SAR 37.9 million from SAR 1.9 billion as at 31 December 2020G to SAR 2.0 billion as at 31 December 2021G, due to the increase in the net book value of property and equipment from SAR 555.3 million as at 31 December 2020G to SAR 659.4 million as at 31 December 2021G mainly from additions to capital work-in-progress for the terminal expansion in Jeddah. This was partially offset by the decrease in right-of use assets by SAR 64.7 million as at 31 December 2021G.

Total non-current assets decreased by SAR 26.2 million from SAR 2.0 billion as at 31 December 2021G to SAR billion 1.9 billion as at 31 December 2022G, due to the decrease in the net book value of right-of-use assets by SAR 71.1 million from SAR 1.3 billion as at 31 December 2021G to SAR 1.2 billion as at 31 December 2022G mainly from depreciation for the year (-SAR 65.5 million), coupled with the lease modification amounting to SAR 23.8 million related to 2 key changes in the contract terms of Jeddah terminal, partially offset by the addition of SAR 20.0 million related to 2 new offices and parking. This was partially offset by the increase in property and equipment by SAR 46.0 million as at 31 December 2022G mainly due to the completion of phase 1 of Jeddah terminal.

Current assets

Total current assets increased by SAR 209.6 million from SAR 1.0 billion as at 31 December 2020G to SAR 1.2 billion as at 31 December 2021G mainly from short term Murabaha deposits (with a maturity of more than 3 months) placed with local banks and amounting to SAR 380.0 million as at 31 December 2021G, partially offset by the decrease in cash and cash equivalents from SAR 714.6 million as at 31 December 2020G to SAR 491.6 million as at 31 December 2021G due to investing in Murabaha deposits coupled with the distribution of cash dividends amounting to SAR 100.0 million.

Total current assets increased by SAR 136.4 million from SAR 1.2 billion as at 31 December 2021G to SAR 1.4 billion as at 31 December 2022G mainly from the collective increase in cash and cash equivalents and short term Murabaha deposits by SAR68.5 million as at 31 December 2022G, coupled with the increase in trade receivables by SAR 48.3 million primarily stemming from the logistic solutions customers (+SAR 76.4 million) due to ramp-up of Logistics solutions services partially offset by the drop in receivables from airline customers, mainly SACC (-SAR 19.0 million) and a higher impairment loss on trade receivables (+SAR 16.5 million).

Shareholders' equity

Total shareholders' equity increased by SAR 158.9 million from SAR 803.4 million as at 31 December 2020G to SAR 962.3 million as at 31 December 2021G mainly due to higher profits for 2021G amounting to SAR 275.6 million as compared to 2020G. This was partially offset by the distribution of dividends amounting to SAR 100.0 million. The shareholders of the Company resolved on 21 March 2021G to increase the share capital by SAR 799.5 million through the capitalisation of additional capital contribution (SAR 468.2 million) and part of retained earnings (SAR 331.3 million).

Total shareholders' equity increased by SAR 110.8 million from SAR 962.3 million as at 31 December 2021G to SAR 1.1 billion as at 31 December 2022G mainly from the increase in retained earnings by SAR71.2 million due to higher profits which amounted to SAR 362.4 million in 2022G as compared to SAR 275.6 million in 2021G. This was offset by dividends distribution amounting to SAR 255.0 million. During 2022G, SAR 36.2 million was transferred from retained earnings to statutory reserve in line with the Company's Articles of Association and the Regulations which require companies in KSA to transfer 10% of net income for the year to statutory reserve until such reserve reaches 30% of its share capital.

Non-current liabilities

Total non-current liabilities increased by SAR 479.1 million from SAR 1.4 billion as at 31 December 2020G to SAR 1.9 billion as at 31 December 2021G, following the drawdown of a long-term loan (SAR 500.0 million) out of a loan facility amounting to SAR 600.0 million as at 31 December 2021G, offset by the decrease in lease liabilities by SAR 43.2 million over the same period.

Non-current liabilities remained relatively stable at SAR 1.9 billion as at 31 December 2021G and 31 December 2022G.

Current liabilities

Total current liabilities decreased by SAR 390.6 million from SAR 707.5 million as at 31 December 2020G to SAR 317.0 million as at 31 December 2021G, following the settlement of the loan from a related party amounting to SAR 384.8 million as at 31 December 2020G in addition to the settlement of the total outstanding balance due to related parties amounting to SAR 115.4 million as at 31 December 2020G. This was partially offset by the increase in the current portion of lease liabilities by SAR 94.4 million over the same period.

Total current liabilities increased by SAR 27.5 million from SAR 317.0 million as at 31 December 2021G to SAR 344.5 million as at 31 December 2022G mainly from the increase in:

- Trade payables by SAR 49.1 million mainly in connection with (i) outstanding rent invoices payable to GACA amounting to SAR 32.5 million, (ii) due to related parties (+SAR 5.8 million), and (iii) capex payables to the contractor executing the replacement and upgrade works at the existing Cooling Plant in Jeddah terminal, and
- Accruals and other liabilities by SAR 16.9 million primarily from advances received from JEDCO amounting to SAR 20.5 million.

This was offset by the decrease in the current portion of lease liabilities by SAR 43.9 million from SAR 107.6 million as at 31 December 2021G to SAR 63.7 million as at 31 December 2022G.

6.6.1 Non-current assets

Table (6.12): Non-current assets as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Property and equipment	555,264	659,378	705,366
Right-of-use assets	1,348,296	1,283,618	1,212,555
Intangible assets	16,977	15,431	14,299
Total non-current assets	**1,920,537**	**1,958,427**	**1,932,220**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

6.6.2 Property and equipment

Table (6.13): Property and equipment as at 31 December 2020G, 2021G and 2022G

SAR in 000s	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work-in-progress	Total
Cost						
Transferred from SACC	29,814	69,007	1,133	7,411	257,908	**365,273**
Additions during the period	2,873	393	1,063	-	217,206	**221,535**
Transfers from CWIP	163,747	16,901	-	42	(180,690)	**-**
Disposals	(100)	-	-	-	-	**(100)**
As at 31 December 2020G	**196,334**	**86,301**	**2,196**	**7,453**	**294,424**	**586,708**
Additions during the year	6,392	29,716	1,038	1,875	106,054	**145,075**
Transfers from CWIP	868	16,384	-	-	(17,252)	**-**
Disposals during the year	-	-	-	(3)	-	**(3)**
As at 31 December 2021G	**203,594**	**132,401**	**3,234**	**9,325**	**383,226**	**731,780**
Additions during the year	32,335	11,650	605	2,340	49,613	**96,543**
Transfers from CWIP	272,918	77,284	211	-	(350,413)	**-**
As at 31 December 2022G	**508,847**	**221,335**	**4,050**	**11,665**	**82,426**	**828,323**

SAR in 000s	Leasehold im-provements	Equipment	Furniture and fixtures	Computers	Capital work-in-progress	Total
Accumulated depreciation						
Charge for the period	(12,553)	(16,409)	(556)	(1,948)	-	**(31,466)**
Disposals	22	-	-	-	-	**22**
As at 31 December 2020G	**(12,531)**	**(16,409)**	**(556)**	**(1,948)**	**-**	**(31,444)**
Charge for the year	(18,245)	(20,062)	(558)	(2,093)	-	**(40,958)**
As at 31 December 2021G	**(30,776)**	**(36,471)**	**(1,114)**	**(4,041)**	**-**	**(72,402)**
Charge for the year	(21,476)	(26,311)	(728)	(2,040)	-	**(50,555)**
As at 31 December 2022G	**(52,252)**	**(62,782)**	**(1,842)**	**(6,081)**	**-**	**(122,957)**
Carrying amount (net book value)						
As at 31 December 2020G	**183,803**	**69,892**	**1,640**	**5,505**	**294,424**	**555,264**
As at 31 December 2021G	**172,818**	**95,930**	**2,120**	**5,284**	**383,226**	**659,378**
As at 31 December 2022G	**456,595**	**158,553**	**2,208**	**5,584**	**82,426**	**705,366**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Leasehold improvements

Leasehold improvements mainly related to civil works and constructions performed on leased buildings and offices.

The net book value of leasehold improvements decreased from SAR 183.8 million as at 31 December 2020G to SAR 172.8 million as at 31 December 2021G as a result of depreciation charge amounting to SAR 18.2 million, offset by the additions made during the year of SAR 6.4 million and transfers from capital work-in-progress of SAR 868 thousand.

The net book value of leasehold improvements increased to SAR 456.6 million as at 31 December 2022G as a result of (i) transfers from capital work-in-progress amounting to SAR 272.9 million following the completion of phase 1 of Jeddah terminal, and (ii) additions made during the year amounting to SAR 32.3 million, offset by depreciation charge of SAR 21.5 million.

Equipment

Equipment mainly related to vehicles and other various operational equipment.

The net book value of equipment increased from SAR 69.9 million as at 31 December 2020G to SAR 95.9 million as at 31 December 2021G mainly as a result of additions of motorized equipment of SAR 29.7 million for Riyadh's new terminal and transfers from CWIP of SAR 16.4 million, offset by depreciation charge amounting to SAR 20.1 million.

The net book value of equipment increased to SAR 158.6 million as at 31 December 2022G as a result of transfers from capital work-in-progress amounting to SAR 77.3 million, and additions made during the year amounting to SAR 11.7 million, offset by depreciation charge of SAR 26.3 million.

Furniture and fixtures

Furniture and fixtures mainly related to office tables, benches, and chairs among other fixtures.

The net book value of furniture and fixtures increased from SAR 1.6 million as at 31 December 2020G to SAR 2.1 million as at 31 December 2021G due to additions during the year amounting to SAR 1.0 million, offset by depreciation charge of SAR 558 thousand.

The net book value of furniture and fixtures increased to SAR 2.2 million as at 31 December 2022G due to additions during the year amounting to SAR 605 thousand and transfers from capital work-in-progress amounting to SAR 211 thousand, offset by depreciation charge of SAR 728 thousand.

Computers

Computers mainly related to laptops, and personal computers.

The net book value of computers decreased from SAR 5.5 million as at 31 December 2020G to SAR 5.3 million as at 31 December 2021G driven by depreciation charge for the year amounting to SAR 2.1 million, offset by additions of SAR 1.9 million over the same period.

The net book value of computers increased to SAR 5.6 million as at 31 December 2022G due to additions during the year amounting to SAR 2.3 million, offset by depreciation charge of SAR 2.0 million.

Capital work-in-progress

Capital work-in-progress represented capital expenditure incurred in connection with the development of the two new terminal projects in Jeddah and Riyadh. Capital work-in-progress is carried at cost until corresponding assets are ready for use. These assets are then transferred to the appropriate fixed asset category and depreciated in accordance with the Company's accounting policies.

The net book value of capital work-in-progress increased from SAR 294.4 million as at 31 December 2020G to SAR 383.2 million as at 31 December 2021G, mainly as a result of additions to Jeddah terminal expansion project amounting to SAR 106.1 million, offset by the transfers made during the year amounting to SAR 17.3 million.

The net book value of capital work-in-progress decreased to SAR 82.4 million as at 31 December 2022G, mainly as a result of the transfers made during the year amounting to SAR 350.4 million following the completion of phase 1 of Jeddah terminal, offset by the additions made over the same year amounting to SAR 49.6 million. The company has outstanding commitments for capital expenditures amounting to SAR 68 million as at 31 December 2022G and mainly related to the expansion works at Jeddah station.

6.6.3 Right-of-use assets

Table (6.14): Right-of-use asset as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Cost			
Balance as at the beginning of year	1,412,899	1,412,899	1,412,899
Additions during the year	-	-	20,046
Lease modification during the year	-	-	(23,812)
Lease termination during the year	-	-	(6,824)
Balance at the end of the year	**1,412,899**	**1,412,899**	**1,402,309**
Accumulated depreciation			
Balance at the beginning of the year	-	(64,603)	(129,281)
Depreciation for the year	(64,603)	(64,678)	(65,488)
Lease termination during the year	-	-	5,015
Balance at the end of the year	**(64,603)**	**(129,281)**	**(189,754)**
Carrying amount (net book value) at the end of the year / period	**1,348,296**	**1,283,618**	**1,212,555**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Right-of-use assets and lease liabilities have been recognised for the first time in the Company during 2020G in respect of the lease contracts transferred from SACC. The Company recognised right-of-use assets for its leases as per IFRS16 with a net book value of SAR 1.3 billion as at 31 December 2020G and 2021G. These mainly pertained to lands in Dammam, Riyadh and Jeddah, in addition to 3 parking lots from Zahran Business Center.

The net book value of right-of-use assets amounted to SAR 1.2 billion as at 31 December 2022G and comprised of:

i- Additions amounting (SAR 20.0 million) related to 2 new offices in Riyadh Walk and contract extension for parking in Zahran (a total of 300 parking lots),

ii- Lease termination amounting (-SAR 1.8 million) related to Zahran office contract which was terminated in October 2022G and replaced with a 3-year contract,

iii- Lease modification amounting (-SAR 23.8 million) related to changes in the contract terms of Jeddah terminal.

6.6.4 Intangible assets

Table (6.15): Intangible assets as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Cost			
Balance as at the beginning of the year	-	19,121	21,635
Transferred from Saudi Airlines Cargo Company	13,797	-	-
Additions during the year	5,324	2,514	1,729
Balance at the end of the year	**19,121**	**21,635**	**23,364**
Accumulated amortization			
Balance as at the beginning of the year	-	(2,144)	(6,204)
Amortization charge for the year	(2,144)	(4,060)	(2,861)
Balance at the end of the year	**(2,144)**	**(6,204)**	**(9,065)**
Carrying amount (net book value) at the end of the year	**16,977**	**15,431**	**14,299**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Intangible assets predominantly related to computer software and licenses and are recorded at cost less accumulated amortization.

The net book value of intangible assets decreased from SAR 17.0 million as at 31 December 2020G to SAR 15.4 million as at 31 December 2021G driven by the annual amortization charges of SAR 4.1 million, offset by additions of SAR 2.5 million during the same period.

The net book value of intangible assets decreased to SAR 14.3 million as at 31 December 2022G driven by the annual amortization charges of SAR 2.9 million, offset by additions of SAR 1.7 million during the same period.

6.6.5 Current assets

Table (6.16): Current assets as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Construction work in progress	-	-	30,758
Trade receivables	116,699	185,160	233,410
Prepayments and other receivables	63,787	158,199	147,066
Due from related parties	110,261	-	-
Cash and cash equivalents	714,642	491,590	940,069
Short term Murabaha deposits	-	380,000	-
Total current assets	**1,005,389**	**1,214,949**	**1,351,303**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

6.6.6 Construction work in progress

Table (6.17): Construction work in progress as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Construction work in progress	-	-	30,758

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Construction work in progress amounted to SAR 30.8 million as at 31 December 2022G and related to the construction of permanent utilities on leasehold land relating to Jeddah's new terminal facility on behalf of Jeddah Airports Company ("JEDCO"), the lessor. Upon completion of the project, the constructed asset will be invoiced and transferred to JEDCO at cost while the balance will be recoverable from lease liability payment, as stipulated in the agreement. The construction work is expected to be concluded in Q3-2023G.

6.6.7 Trade receivables

Table (6.18): Trade receivables as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Trade receivables – third parties	120,199	102,759	181,031
Trade receivables – related parties	-	95,056	81,556
Less: Impairment of trade receivables	(3,500)	(12,655)	(29,177)
Total	**116,699**	**185,160**	**233,410**
Receivables from related parties as a % of gross receivables *	47.8%	48.1%	31.1%
Impairment of trade receivables coverage % *	1.5%	6.4%	11.1%

* The balance due from related parties amounting to SAR 110.3 million as at 31 December 2020G was not recorded by the auditors under trade receivables but classified separately in the balance sheet.

For comparability purposes, the 2020G KPIs presented in the table above were calculated after accounting for the balance due from related parties as at 31 December 2020G. Should the 2020G KPIs be calculated excluding the related parties balance, the Company would have recorded (i) receivable from related parties as a % of gross receivables of 0.0% and (ii) impairment of trade receivables coverage % of 2.9%.

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G except for the KPIs that are from Management information

Table (6.19): Trade receivables by type of counterparty as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Logistics customers	-	17,345	81,151
Commercial customers	29,703	29,798	49,022
Airline customers	89,823	53,054	45,551
Other	673	2,562	5,307
Trade receivables – third parties	**120,199**	**102,759**	**181,031**
Airline customers	-	75,767	54,444
Commercial customers	-	19,256	14,527
Logistics customers	-	-	12,584
Other	-	33	-
Trade receivables - related parties	**-**	**95,056**	**81,556**
Gross trade receivables	**120,199**	**197,815**	**262,587**
DSO – third parties (credit revenue) (in days) *	186	133	139
DSO (Logistic solutions) (in days) **	n.a.	278	213

* DSO – third parties (credit revenue) excluding logistics solutions was calculated based on gross trade receivables and on airline handling services revenue, charter and courier revenue given these are typically made on credit, while other revenue streams are collected in cash.

** DSO – Logistic solutions was calculated based on the gross trade receivables from third and related parties, and logistics solutions revenue.

Source: Management information

Gross trade receivables amounted to SAR 262.6 million as at 31 December 2022G and consisted of:

- i- Receivables from third parties (68.9% of total gross trade receivables as at 31 December 2022G) which included logistics customers (c.45% of total third parties' receivables), (ii) commercial customers (c.27%) mainly couriers, freight-forwarders, brokers, Royal Family and governmental entities, (iii) airline customers (c.25%), and (iv) others (c.3%), and
- ii- Receivables from related parties (31.1%) which included airline and commercial customers (c.85% of total related parties' receivables) and Saudi Aerospace Engineering Industries ("SAEI"), a logistic solutions customer.

Gross trade receivables increased from SAR 120.2 million as at 31 December 2020G to SAR 197.8 million as at 31 December 2021G following the reclassification of the balance due from related parties amounting to SAR 95.1 million under trade receivables, which were presented historically separately and amounted to SAR 110.3 million as at 31 December 2020G. This was partially offset by the decrease in gross trade receivables from third parties by SAR 17.4 million mainly from airline customers (-SAR 36.8 million) as a result of the settlement made during the year and Management's strategy to improve monitoring and follow-up on collections in addition to the improvement in customers' liquidity following the ease-up of COVID-19 restrictions and the pick-up in business. The decrease from airline customers was partially offset by higher receivables from the increase in "Logistic customers" as at 31 December 2021G, mainly two freight-forwarding customers (+SAR 17.3 million).

Gross trade receivables increased from SAR 197.8 million as at 31 December 2021G to SAR 262.6 million as at 31 December 2022G mainly due to the increase in receivables from logistics customers by SAR 76.4 million in line with the ramping up of the service and growth in the number of customers, partially offset by a drop in airline customers, mainly SACC by SAR 19.0 million following collections from SACC (-SAR 21.4 million) during the year.

As per the contracts with airlines, the Company typically invoices the carrier on a monthly basis which offered 30 days credit terms. Due to collections made during 2021G and 2022G, DSO – third parties decreased from 186 days in 2020G to 133 in 2021G and slightly increased to 139 days in 2022G. However, despite the collections made, DSO remained above the contractual credit terms. This was attributable to the flexible/extended credit terms that airline customers benefited from.

As per the contracts with top logistics customers, the latter are offered 30 days credit terms to settle their invoices, whereas DSO recorded 278 days in 2021G and 213 days in 2022G. As at 31 December 2022G, the Company has filed lawsuits against 2 logistics customers for total unpaid fees of SAR 29.0 million, both of which were subsequently won by SAL.

Table (6.20): Aging of trade receivables and impairment of trade receivables by category as at 31 December 2022G

SAR in 000s	Exposure at default	Expected credit loss
Current (Not due)	197,389	(16,386)
91 – 180 days	15,363	(1,480)
181 – 270 days	3,665	(417)
271 - 360 days	26,015	(7,955)
Over one year	20,155	(2,940)
Total	**262,587**	**(29,177)**

Source: Audited financial statements for the year ended 31 December 2022G and Management information for impairment of trade receivables

Impairment of trade receivables is calculated based on the provision matrix model according to IFRS9 standard.

As at 31 December 2021G, c.18% of total trade receivable balance was outstanding for more than 6 months, out of which c.50% corresponded to logistics customers and c.36% to commercial customers.

Impairment of trade receivables increased from SAR 3.5 million as at 31 December 2020G to SAR 12.7 million as at 31 December 2021G in line with the increase trade receivable balances aged over one year.

Impairment of trade receivables further increased to SAR 29.2 million as at 31 December 2022G in line with the increase trade receivable balances aged over one year and the change in the Company's provisioning policy to provide for related party balances starting 2022G.

It should be noted that the Company's provisioning policy did not account for provisions against related parties' balances as at 31 December 2020G and 2021G. The Company revamped this policy in 2022G and started accounting for provision for expected credit losses for related party balances amounting to SAR 2.0 million and representing 2.4% of the total related parties' balance as at 31 December 2022G, of which SAR 1.8 million related to the ground handling services segment.

In addition, around 81% of the total trade receivables balance from related parties was current as at 31 December 2022G (not due for settlement). The balance of trade receivables from related parties that exceeded one year amounted to SAR 12.3 million as at 31 December 2022G, equivalent to 15.1% of the total balance, and the related expected credit loss related amounted to SAR 955 thousand. Please refer to the table below for further details:

Table (6.21): Aging of trade receivables - related parties and impairment of trade receivables - related parties by category as at 31 December 2022G

SAR in 000s	Exposure at default	Expected credit loss
Current (Not due)	66,206	(906)
91 – 180 days	886	(22)
181 – 360 days	2,123	(90)
Over one year	12,341	(955)
Total	**81,556**	**(1,972)**

Source: Management information

6.6.8 Prepayments and other receivables

Table (6.22): Prepayments and other receivables as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Value added tax (VAT) refundable	29,040	81,784	99,710
Advances to vendors	20,126	28,001	11,845
Prepayments	4,606	7,639	8,844
Due from related parties	-	5,481	-
Unamortized part of loan arrangement fees	9,802	-	-
Others	213	35,294	26,667
Total	**63,787**	**158,199**	**147,066**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Prepayments and other receivables consisted of value added tax (VAT) refundable, advances to vendors, prepayments and other prepayments.

Prepayments and other receivables increased from SAR 63.8 million as at 31 December 2020G to SAR 158.2 million as at 31 December 2021G mainly driven by (i) value added tax (VAT) refundable (+SAR 52.7 million) as the Company remains in a fundable position until the settlement of this balance by the Government, (ii) IPO cost recoverable which amounted to SAR 14.7 million and will be recovered from the shareholders post the IPO transaction, and (iii) advances to vendors (+SAR 7.9 million), coupled with recording accrued income for services provided during 2021G for a logistic solutions customer (+SAR 7.3 million).

Prepayments and other receivables decreased to SAR 147.1 million as at 31 December 2022G mainly driven by the drop in advances to vendors (-SAR 16.2 million) which pertained to a recovery of an advance paid on behalf of SACC to a vendor (-SAR 9.6 million), coupled with the drop in accrued income for logistics solutions (-SAR 7.3 million) and due from related parties (-SAR 5.5 million) upon resolving the disputed invoices with SACC. This was partially offset by the increase in value added tax (VAT) refundable (+SAR 17.9 million) over the same period.

Value added tax (VAT) refundable

Value added tax (VAT) refundable related to the funds due by the Government.

The balance increased from SAR 29.0 million as at 31 December 2020G to SAR 81.8 million as at 31 December 2021G as a result of the accumulation of payments from the Government, as the Company claims VAT returns on a group basis (i.e. Saudia Group) and awaits recovery until the Government settles these balances, coupled with the increase in VAT rates in the Kingdom of Saudi Arabia from 5% to 15%, effective 1 July 2020G.

The balance increased from to SAR 99.7 million as at 31 December 2022G in line with the growth in the Company's operations during 2022G, offset by a payment amounting to c. SAR 55.0 million received from tax authorities over the same period.

Advances to vendors

Advances to vendors mainly related to prepayments to local vendors for services yet to be rendered.

The balance increased from SAR 20.1 million as at 31 December 2020G to SAR 28.0 million as at 31 December 2021G mainly on the back of balances paid to a vendor on behalf of SACC and collected subsequently in 2022G.

The balance decreased to SAR 11.8 million as at 31 December 2022G mainly due to recovering from SACC the advance paid on its behalf to a vendor in 2021G.This was coupled with the decrease in advances to other vendors in line with the completion of their related projects.

Prepayments

Prepayments predominantly related to medical insurance amongst other prepayments.

The balance increased from SAR 4.6 million as at 31 December 2020G to SAR 7.6 million as at 31 December 2021G mainly related to IT licenses.

The balance increased from SAR 7.6 million as at 31 December 2021G to SAR 8.8 million as at 31 December 2022G as a result of recording a prepayment for a warehouse storage to accommodate for the events and exhibitions of one of the Company's logistics customers, handled by the Company's logistics solutions.

Due from related parties

Due from related parties balance amounted to SAR 5.5 million as at 31 December 2021G and pertained to disputed invoices with SACC related to EOSB and IT charges and which were later resolved in 2022G.

Unamortized part of loan arrangement fees

Unamortized part of loan arrangement fees related to loan arrangement fees in connection with the facility obtained by SACC prior to the spin-off which was transferred to SAL.

The balance decreased from SAR 9.8 million as at 31 December 2020G to nil as at 31 December 2021G and 31 December 2022G due to reclassifying this balance under "Others" which amounted to SAR 8.8 million and SAR 5.2 million, respectively in line with the amortization recorded over the years.

Others

Other prepayments balance increased from SAR 213 thousand as at 31 December 2020G to SAR 35.3 million as at 31 December 2021G and mainly pertained to:

- i- IPO cost recoverable amounting to SAR 14.7 million, primarily related to the Company's legal and financial advisors. These costs are expected to be recovered from the shareholders post the IPO transaction,
- ii- Unamortized part of loan arrangement fees amounting to SAR 8.8 million, and
- iii- Logistic solutions accrued income amounting to SAR 7.3 million and which was invoiced later in January 2022G.

The balance decreased to SAR 26.7 million as at 31 December 2022G mainly as a result of the subsequent billing of the logistics services provided during 2021G which amounted to SAR 7.3 million.

6.6.9 Related party balances

Table (6.23): Related party balances as at 31 December 2020G, 2021G and 2022G

SAR in 000s	Relationship	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Trade receivables				
Saudi Airlines Cargo Company	Affiliate	101,043	75,854	54,444
Saudi Aerospace Engineering Industries	Affiliate	5,166	12,861	25,841
Royal Fleet Services	Affiliate	1,515	3,538	979
Saudi Airlines Catering Company	Affiliate	228	430	214
Saudi Private Aviation	Affiliate	505	44	78
Saudi Ground Services	Affiliate	1,507	2,049	-
Saudi Arabian Airlines Corporation ("Saudia")	Shareholder	297	280	-
Total		**110,261**	**95,056**	**81,556**
Prepayment and other receivables				
Saudi Airlines Cargo Company	Affiliate	-	5,481	-
Accruals and other liabilities				
Saudi Ground Services Company	Affiliate	-	24,033	4,787
Saudi Airlines Cargo Company	Affiliate	-	7,292	4,213
Saudi Arabian Airlines Corporation ("Saudia")	Affiliate	-	-	658
Saudi Airlines Catering Company	Affiliate	-	-	349
Prince Sultan Aviation	Affiliate	-	-	331
Saudi Private Aviation	Affiliate	-	-	196
Total		**-**	**31,325**	**10,534**
Trade payable				
Saudi Airlines Cargo Company *	Affiliate	115,441	-	3,892
Saudi Ground Services Company	Affiliate	-	-	1,632
Saudi Airlines Catering Company	Affiliate	-	-	261
Saudi Arabian Airlines Corporation ("Saudia")	Shareholder	-	-	11
Saudi Private Aviation	Affiliate	-	-	6
Total		**115,441**	**-**	**5,802**
Loan from related party				
Saudi Airline Cargo Company	Affiliate	384,786	-	-

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

* The balance payable to SACC amounting SAR 115.4 million as at 31 December 2021G was classified separately by the auditor under due to related parties

Trade receivables

Trade receivables from related parties comprised mainly of receivables from Saudi Airlines Cargo Company and Saudi Aerospace Engineering Industries ("SAEI").

The balance decreased from SAR 110.3 million as at 31 December 2020G to SAR 95.1 million as at 31 December 2021G mainly on the back of SACC as a result of high collection during 2021G, improvement in the reconciliation process between SAL and SACC and the decision to minimize intercompany dependency.

The balance further decreased to SAR 81.6 million as at 31 December 2022G mainly driven by collections from SACC (-SAR 21.4 million), Royal Fleet Services (-SAR 2.6 million) and Saudi Ground Services (-SAR 2.0 million), offset by higher receivable from Saudi Aerospace Engineering Industries as the latter benefited from stock counts provided by SAL.

Prepayment and other receivables

Prepayment and other receivables to SACC amounted to SAR 5.5 million as at 31 December 2021G, in connection with disputed invoices related to end-of-service and IT charges which were subsequently resolved in 2022G.

Accruals and other liabilities

Accruals and other liabilities amounted to SAR 10.5 million as at 31 December 2022G and mainly pertained to accruals for Saudi Ground Services Company (SAR 4.8 million) for ramp handling services and SACC (SAR 4.2 million) for the operation of chartered flights.

The balance decreased from SAR 31.3 million as at 31 December 2021G to SAR 10.5 million as at 31 December 2022G due to receipt and settlement of invoices.

Trade payable

Trade payables (due to related party) balance amounted to SAR 115.4 million as at 31 December 2020G related to a rent settlement agreement between GACA and Saudia Group which was taken on behalf of SAL by SACC and was settled subsequently from the SAR 600 million loan facility obtained by SAL from SABB in February 2021G.

Trade payables balance amounted to SAR 5.8 million as at 31 December 2022G and was operating in nature.

Loan from related party

Loan from related party (SACC) which amounted to SAR 384.8 million as at 31 December 2020G was settled in full during 2021G through the SAR 600 million loan facility obtained by SAL from SABB bank. Please refer to section (6-1-26) "**Long Term Loan**" where details have been added.

6.6.10 Non-current liabilities

Table (6.24): Non-current liabilities as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Long-term loan	-	500,000	500,000
Employees' end of service benefits	50,318	72,582	77,976
Lease liabilities	1,364,728	1,321,541	1,287,944
Total non-current liabilities	**1,415,046**	**1,894,123**	**1,865,920**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

The Directors declare that the Company has no other indebtedness including bank overdrafts, liabilities under acceptance, acceptance credits or hire purchase commitments.

6.6.10.1 Long term loan

Table (6.25): Long term loan repayment schedule as at 31 December 2022G

SAR in 000s	Repayment	Remaining balance
As at 31 December 2022G	-	500,000
2023G	-	500,000
2024G	(35,000)	465,000
2025G	(35,000)	430,000
2026G	(50,000)	380,000
2027G	(50,000)	330,000
2028G	(60,000)	270,000
2029G	(70,000)	200,000
2030G	(200,000)	-

Source: Management information

During the year 2019G, the Saudi Airlines Cargo Company ("SACC") entered into an agreement with SABB Bank and Al Rajhi Bank to obtain a loan of SAR 1.2 billion (an amount of SAR 600 million from each bank) to finance the cargo terminal projects being built by the Ground Handling Division of SACC. As at 31 December 2020G, SACC had drawn SAR 250 million out of sanctioned amount of SAR 1.2 billion equally from the two banks. This loan carries markup at commercial rates (SIBOR plus an agreed margin) and was repayable in semi-annual instalments ending in December 2030. The loan is secured by mortgage over the cargo terminal projects. The loan agreement included certain covenants which included but were not limited to dividend payments and maintenance of certain financial ratios.

The Company entered into an agreement with SACC on 17 December 2020G (the "Agreement") supplemented by an addendum dated 18 January 2021G (effective from 1 January 2020G) to transfer the Ground Handling Business of SACC and its corresponding assets and liabilities to the Company. As mentioned above, a loan was obtained by SACC to finance the cargo terminal projects being built by the Ground Handling Division, and an agreement was reached between SACC and the Company for a corresponding loan of SAR 250 million as at 31 December 31 2020G as part of the net assets transferred under the Agreement. In addition, the unamortized balance of loan arrangement fee amounting to SAR 13.5 million appearing in the books of SACC was also transferred to the Company under the Agreement.

During the year ended 31 December 2020G, SACC had drawn down an additional amount of SAR 250 million equally from SABB and Al-Rajhi Bank, which was also given to the Company against the loan payable to SACC. Moreover, subsequent to the year end, the Board of Directors of SACC waived off the loan amounting to SAR 115.12 million with effect from 31 December 2020G vide their resolution dated 17 April 2021G. Accordingly, as at 31 December 2020G, the total loan payable to SACC amounted to SAR 384.78 million and carried markup at same rate as that being charged by the banks to SACC. During 2021G, the Company settled this balance through a long term loan obtained from SABB.

As at 31 December 2021G and 31 December 2022G, the long term loan amounted to SAR 500.0 million and related to the new restructured loan from SABB signed in February 2021G. The loan facility amounted to SAR 600.0 million obtained to finance the cargo terminal projects being built, and of which SAR 500.0 million was drawn out as at 31 December 2021G and 31 December 2022G. The loan was not secured by mortgages but had some covenants which included but were not limited to the dividend payments and maintenance of certain financial ratios.

This loan carried a markup at commercial rates (SIBOR plus a margin of 1.15%) and was repayable in 13 semi-annual instalments starting after a grace period of 2.5 years from the first withdrawal, from 30 March 2024G and ending on 30 March 2030G. The interest charged on this loan is being capitalized under capital work-in-progress and amounted to SAR 15.2 million in 2020G, SAR 9.7 million in 2021G and SAR 18.6 million in 2022G. No breach of covenants was recorded as at 31 December 2022G. The Company had one loan during the years 2021G and 2022G amounting to SAR 500 million. This loan is not secured by mortgage or personal guarantee.

Other than what is mentioned in this section, there were no other debt instruments issued and existing, approved but unissued and term loans, with a distinction between loans covered by a personal guarantee, or secured by mortgage (whether the issuer offered a mortgage to it or others) or not secured by mortgage.

6.6.10.2 Employees' end of service benefits

Table (6.26): Employees' end of service benefits as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
At the beginning of the year	-	50,318	72,582
Transfer from / (to) Group Company	38,814	(2,845)	590
Current service cost	7,402	9,280	11,707
Interest cost	1,146	1,475	2,087
Adjustment for actuarial loss due to changes in financial assumptions and experience	4,174	16,632	(3,425)
Benefits paid	(1,218)	(2,278)	(5,565)
Present value of Defined Benefit Obligation as at 31 December	**50,318**	**72,582**	**77,976**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

The Company grants end of service benefits to its employees taking into consideration the local labour law requirements in KSA. As at 31 December 2022G, the valuation of the end of service benefits was carried by an independent third party actuarial firm.

Employees' end of service benefits amounted to SAR 50.3 million as at 31 December 2020G using a discount rate of 3.0% and expected rate of salary increase of 2.0%, and increased to SAR 72.6 million as at 31 December 2021G with a discount rate of 3.0% and an expected rate of salary increase of 4.0%.

Employees' end of service benefits increased to SAR 78.0 million as at 31 December 2022G following the use of an expected rate of salary increase of 5.0%, slightly offset by a higher discount rate of 4.5%.

6.6.10.3 Lease liabilities

Table (6.27): Lease liabilities as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Balance as at the beginning of the year	1,407,846	1,377,955	1,429,147
Addition during the year	-	-	20,046
Lease terminating during the year	-	-	(1,809)
Lease modification during the year	-	-	(23,812)
Rent concessions during the year	-	-	(7,610)
Unwinding of lease liability (finance cost)	71,827	70,437	69,753
Repayment during the year	(101,718)	(19,245)	(134,052)
Balance at the end of the year	**1,377,955**	**1,429,147**	**1,351,663**
Less: Current portion	(13,227)	(107,606)	(63,719)
Non-current portion	**1,364,728**	**1,321,541**	**1,287,944**

Source: Special purpose audited financial statements for the year ended 31 December 2020G, and audited financial statements for the years ended 31 December 2021G and 2022G

Right-of-use assets and lease liabilities have been recognised for the first time in the Company during 2020G in respect of the lease contracts transferred from SACC. The Company recognised lease liabilities for its leases as per IFRS16 with a net book value of SAR 1.4 billion as at 31 December 2020G, 2021G and 2022G.

During 2022G, the Company applied the COVID-19 related practical expedient prescribed in the amendments of IFRS16 on its Dammam contract which resulted in the recognition of rent concession amounting to SAR 7.6 million recorded under "other income".

6.6.11 Current liabilities

Table (6.28): Current liabilities as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Current portion of lease liabilities	13,227	107,606	63,719
Loan from a related party	384,786	-	-
Due to related parties*	115,441	-	-
Trade payables*	15,441	15,813	64,922
Accruals and other liabilities	176,341	191,502	208,397
Zakat payable	2,277	2,042	7,438
Total current liabilities	**707,513**	**316,963**	**344,476**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

* The auditors reclassified the related party payable balances under "trade payables" as at 31 December 2021G and 2022G, whereas this balance was classified separately under "due to related parties" and amounted to SAR115.4m as at 31 December 2020G

6.6.11.1 Trade payables

Table (6.29): Trade payables as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Trade payable – third parties	15,441	15,813	59,120
Trade payable – related party	-	-	5,802
Total	**15,441**	**15,813**	**64,922**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

* The auditors reclassified the related party payable balances under "**trade payables**" as at 31 December 2021G and 2022G, whereas this balance was classified separately under "**due to related parties**" and amounted to SAR115.4m as at 31 December 2020G

Trade payables amounted to SAR 64.9 million as at 31 December 2022G, consisted of payables to (i) GACA for rental invoices, (ii) a local company contracted for the expansionary capex projects, (iii) a local company contracted to upgrade the existing cooling plant in Jeddah terminal, (iv) freight forwarding companies related to the Logistic solutions line of service, (v) other local and foreign vendors, and (vi) related parties.

Trade payables increased from SAR 15.4 million as at 31 December 2020G to SAR 15.8 million as at 31 December 2021G, mainly from the freight forwarding company which SAL started dealing with during 2021G with the launch of SAL Logistics Solutions, partially offset by the payments made to the local company contracted for the expansionary capex projects.

Trade payables increased to SAR 64.9 million as at 31 December 2022G, mainly in connection with (i) outstanding rent invoices payable to GACA (+SAR 32.5 million), (ii) due balances to related parties (+SAR 5.8 million), and (iii) capex payables to the contractor executing the replacement and upgrade works at the existing Cooling Plant in Jeddah terminal (+SAR 5.3 million).

6.6.11.2 Accruals and other liabilities

Table (6.30): Accruals and other liabilities as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Goods / services received not invoiced	36,548	53,718	61,264
Employee related accruals	50,195	41,513	34,206
Advance from customers	1,401	1,401	21,982
Accrued IT expenses	13,693	14,446	14,414
Accrued professional charges	-	-	12,068
Accrued logistics services	-	-	4,999
Accrued rent	33,253	27,728	3,222
Accrued marketing expenses	-	-	2,269
Accrued handling charges	10,556	2,733	878
Provision for discount	5,847	-	-
Accrued interest payable	3,434	-	-
Other accruals	21,414	49,963	53,095
Total	**176,341**	**191,502**	**208,397**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Accruals and other liabilities mainly related to goods / services received not invoices, employee related accruals, advance from customers, accrued IT expenses and accrued professional charges.

Accruals and other liabilities increased from SAR 176.3 million as at 31 December 2020G to SAR 191.5 million as at 31 December 2021G was primarily due to the increase in goods / services received not invoiced by SAR 17.2 million due to an improvement in the process of issuing purchase orders and recording invoices.

Accruals and other liabilities further increased to SAR 208.4 million as at 31 December 2022G mainly as a result of advances received from JEDCO amounting to SAR 20.5 million and related to constructing on behalf of the latter a facility at Jeddah terminal to be invoiced/transferred to JEDCO upon completion.

Goods / services received not invoiced

Goods / services received not invoiced represented a transitory account which included accruals for services and goods provided, whereby related invoices were yet to be received.

The balance increased from SAR 36.5 million as at 31 December 2020G to SAR 53.7 million as at 31 December 2021G due to an improvement in the process of issuing purchase orders and recording invoices.

The balance increased to SAR 61.3 million as at 31 December 2022G mainly due to the improved process of issuing purchase orders (POs) and recording invoices.

Employee related accruals

Employee related accrual comprised of provisions for bonus, provision for leave encashment, accruals related to GOSI and others.

The balance decreased from SAR 50.2 million as at 31 December 2020G to SAR 41.5 million as at 31 December 2021G, mainly due to the drop in provision for bonus as a result of the spin-off of SAL from SACC given that SAL used to distribute the bonus based on the performance of both companies and charge back the shared service cost to SACC. However, following the spin-off, the Company started distributing the bonus based on SAL's performance, with earnings lower than the combined profits for both companies. This was partially offset by a provision booked for Solutions invoice and which was billed in 2022G.

The balance decreased to SAR 34.2 million as at 31 December 2022G, mainly driven by the provision booked during 2021G related to Solutions projects (-SAR 7.8 million) and which was invoiced subsequently, coupled with the reversal of accruals for SV tickets (-SAR 6.9 million) following the change in employee ticket policy whereby the Company is no longer providing SV tickets. This was partially offset by the higher provision for bonus (+SAR 8.5 million) in line with the Company's overall performance.

Advance from customers

Advance from customers pertained to advances received from JEDCO and cash deposit from 3 customers instead of physical bank guarantees.

The balance remained stable at SAR 1.4 million as at 31 December 2020G and 31 December 2021G and related to cash deposit.

The balance increased subsequently to SAR 22.0 million as at 31 December 2022G mainly on the back of the advances received from JEDCO amounting to SAR 20.5 million in relation to constructing a facility at the Jeddah terminal to be invoiced / transferred to JEDCO upon completion.

Accrued IT expenses

Accrued IT expenses mainly related to licenses and support services accruals.

The balance increased from SAR 13.7 million as at 31 December 2020G to SAR 14.4 million as at 31 December 2021G and 31 December 2022G.

Accrued professional charges

Accrued professional charges amounted to nil as at 31 December 2020G and 31 December 2021G as the balance was classified under "other accruals" and amounted to SAR 872 thousand and SAR 680 thousand, respectively.

Accrued professional charges amounted to SAR 12.1 million as at 31 December 2022G and included accruals for professional services (SAR 5.8 million), mainly in connection with IPO related advisory services and audit fees, advisory fees (SAR 2.5 million) for a management consulting firm, legal fees (SAR 2.0 million), among others.

Accrued logistics services

Accrued logistics services amounted to SAR 5.0 million as at 31 December 2022G and comprised accruals for the service contracts with the vendors of the Company's Logistics solutions business.

Accrued rent

Accrued rent mainly related to other JEDCO contracts in connection with shaded areas used for transfers.

The balance decreased from SAR 33.3 million as at 31 December 2020G to SAR 27.7 million as at 31 December 2021G and mainly related to old building rent accrual of Jeddah station, as GACA has not invoiced the Company given that it was agreed that SAL will demolish the old building and build a new one. As per discussions with GACA and JEDCO, no invoices will be billed for 2020G as part of the settlement between Saudia and GACA.

The balance decreased to SAR 3.2 million as at 31 December 2022G as the Company started receiving invoices related to 2021G and 2022G.

Accrued marketing expenses

Accrued marketing expenses amounted to SAR 2.3 million as at 31 December 2022G and reflected Management's plan to rebrand the Company.

Accrued handling charges

Accrued handling charges related to cargo ramp handling accrued expenses.

The balance decreased from SAR 10.6 million as at 31 December 2020G to SAR 2.7 million as at 31 December 2021G due to settlement and improvement in SGS invoicing system.

The balance decreased to SAR 878 thousand as at 31 December 2022G due to the reversal of accruals for the invoices received.

Provision for discount

Provision for discount amounted to SAR 5.8 million as at 31 December 2020G and nil as at 31 December 2021G and 31 December 2022G, mainly related to a credit note issued for one of the Company's top airline customers in relation to ongoing negotiations to update the current contract.

Accrued interest payable

Accrued interest payable mainly related to the loan for the asset construction.

The balance decreased from SAR 3.4 million as at 31 December 2020G to nil as at 31 December 2021G as Management did not accrue for the interest payable balance amounting to SAR 2.5 million.

The Company reclassified the accrued interest payable balance amounting to SAR 6.4 million at 31 December 2022G under "other accruals".

Other accruals

Other accruals mainly comprised of (i) other provisions related to the zakat provision which GAZT has not confirmed the exemption yet, (ii) other accruals comprised of provision for credit notes, amongst others including accruals related to warehouse utility expenses and internal training programs, and (iii) others in relation to accrued interest expense on loan.

The balance increased from SAR 21.4 million as at 31 December 2020G to SAR 50.0 million as at 31 December 2021G mainly as a result of the increase in other accruals by SAR 21.6 million in line with the significant increase in IPO related accruals, coupled with the increase in the accruals related to the costs incurred in the Solutions business and for internal training programs.

The balance further increased to SAR 53.1 million as at 31 December 2022G mainly on the back of recording additional zakat provision (+SAR 17.0 million), partially offset by reclassifications made during the same period.

6.6.11.3 Zakat payable

Table (6.31): Zakat payable as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Balance at the beginning of the year	-	2,277	2,042
Charge for the year	2,277	2,962	8,064
Payment during the year	-	(3,197)	(2,668)
Balance at the end of the year	**2,277**	**2,042**	**7,438**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Zakat payable was provided in accordance with the regulations of the GAZT Tax in KSA.

The Company has filed its annual Zakat returns for the period ended 31 December 2020G, 2021G and 2022G. However, no queries or assessment have been raised by the Zakat Customs and Tax Authority ("Authority" or "ZATCA").

The balance amounted to SAR 2.3 million as at 31 December 2020G, SAR 2.0 million as at 31 December 2021G and increased to SAR 7.4 million as at 31 December 2022G due to the higher charge for the year which was based on the zakat base.

6.7 Statement of changes in shareholders' equity

Table (6.32): Statement of changes in shareholders' equity as at 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Share capital	500	800,000	800,000
Additional capital contribution	468,214	-	-
Retained earnings	338,677	155,390	226,561
Statutory reserve	150	27,706	63,947
Actuarial loss	(4,174)	(20,806)	(17,381)
Total shareholders' equity	**803,367**	**962,290**	**1,073,127**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Share capital

The Company's share capital increased from SAR 500 thousand as at 31 December 2020G to SAR 800.0 million as at 31 December 2021G and 31 December 2022G as a result of the shareholders' resolution on 21 March 2021G to increase the paid-up capital by SAR 799.5 million by converting the additional capital contribution (SAR 468.2 million) and retained earnings (SAR 331.3 million) into share capital.

Additional capital contribution

Additional capital contribution amounted to SAR 468.2 million as at 31 December 2020G whereby part of the amount related to the distribution of interim dividends by SACC amounting to SAR 353.0 million while the other part represented a waiver of the loan from SACC amounting to SAR 115.2 million.

Retained earnings

Retained earnings decreased from SAR 338.7 million as at 31 December 2020G to SAR 155.4 million as at 31 December 2021G following the Company's profit over the year and distributed dividends amounting to SAR 100.0 million.

Retained earnings amounted to SAR 226.6 million as at 31 December 2022G pertaining to accumulated profits of the Company as at 31 December 2022G, net off the dividends distributed (SAR 255.0 million) and the transfer to statutory reserve (SAR 36.2 million).

Statutory reserve

Statutory reserve increased from SAR 150 thousand as at 31 December 2020G to SAR 27.7 million as at 31 December 2021G and SAR 63.9 million as at 31 December 2022G, related to the transfer of 10% of the net income in 2021G and 2022G, respectively, in compliance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, as the Company should transfer 10% of its net income every year to statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

Actuarial loss

Actuarial loss increased from SAR 4.2 million as at 31 December 2020G to SAR 20.8 million as at 31 December 2021G and related to balances on defined liabilities based on a 3.0% discount rate and 4.0% expected rate of salary increase.

Actuarial loss decreased to SAR 17.4 million as at 31 December 2022G related to balances on defined benefits liabilities based on a 4.5% valuation discount in 2022G and 5.0% expected rate of salary increase.

6.8 Commitments and contingencies

The Company had outstanding commitments for capital expenditures amounting to SAR 192.7 million as at 31 December 2020G, SAR 143 million as at 31 December 2021G and SAR 68 million as at 31 December 2022G.

The Company's bankers have issued letters of guarantee amounting to nil as at 31 December 2020G, SAR 31.05 million as at 31 December 2021G and SAR 34.59 million as at 31 December 2022G.

There were no outstanding contingencies as at 31 December 2020G, 2021G and 2022G.

6.9 Statement of cash flows

Table (6.33): Statement of cash flows for the financial years ended 31 December 2020G, 2021G and 2022G

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Operating activities			
Profit before Zakat	**240,054**	**278,517**	**370,476**
Adjustments for:			
Depreciation on property and equipment	31,466	40,958	50,555
Depreciation of right-of-use assets	64,603	64,678	65,488
Rent concessions	-	-	(7,610)
Amortisation of intangible assets	2,144	4,060	2,861
Finance costs	71,827	70,437	74,920
Provision for employees' end of service benefits	8,548	10,755	13,794
Loss/(gain) on disposal of property and equipment	(54)	3	-
Impairment loss on trade receivables	3,500	9,155	16,522
	422,088	**478,563**	**587,006**
Changes in:			
Trade receivables	(120,199)	32,644	(64,182)
Prepayments and other current assets	(36,650)	(17,054)	11,133
Construction work in progress	-	-	(30,758)
Due from related parties	(110,261)	-	-
Trade payable	15,441	(115,542)	49,109
Accrued and other liabilities	154,945	(64,568)	16,895

SAR in 000s	As at 31 December 2020G	As at 31 December 2021G	As at 31 December 2022G
Due to related parties	115,441	-	-
Cash generated from operations	**440,805**	**314,043**	**569,203**
Employees' benefit paid	(1,218)	(2,278)	(5,565)
Finance costs paid	-	-	(5,167)
Zakat paid	-	(3,197)	(2,668)
Net cash from operating activities	**439,587**	**308,568**	**555,803**
Investing activities			
Additions to property and equipment	(221,535)	(145,075)	(96,543)
Additions to intangible assets	(5,324)	(2,514)	(1,729)
Proceed from disposal of property and equipment	132	-	-
Redemption / (investment) in short term Murabaha deposits	-	(380,000)	380,000
Net cash generated from / (used in) investing activities	**(226,727)**	**(527,589)**	**281,728**
Financing activities			
Proceeds from issuance of share capital	500	-	-
Cash received as advance against share capital	353,000	-	-
Loan (repaid to)/received from a related party	250,000	(384,786)	-
Proceeds from term loan	-	500,000	-
Interest paid on lease liability	-	(13,303)	(69,753)
Payment of lease liability	(101,718)	(5,942)	(64,299)
Dividend paid	-	(100,000)	(255,000)
Net cash (used in) / generated from financing activities	**501,782**	**(4,031)**	**(389,052)**
Net change in cash and cash equivalents during the year	**714,642**	**(223,052)**	**448,479**
Cash and cash equivalent at the beginning of the year	-	714,642	491,590
Cash equivalents at the end of the year	**714,642**	**491,590**	**940,069**
Supplemental non-cash information			
Gift of net assets of Ground Handling Business from Saudi Airline Cargo Company (SACC) to the Company	101,050	-	-
Loan waived by Saudi Airline Cargo Company (SACC)	115,214	-	-
Conversion of additional capital contribution and retained earnings to share capital	-	799,500	-
Transfer of Employees' end of service benefits from / (to) related parties	-	(2,845)	590

Source: Special purpose audited financial statements for the year ended 31 December 2020G and audited financial statements for the years ended 31 December 2021G and 2022G

Net cash generated from operating activities

Net cash generated from operating activities decreased from SAR 439.6 million in 2020G to SAR 308.6 million in 2021G mainly as a result of the repayments of the balance due to SACC (related party) amounting to SAR 115.4 million.

Net cash generated from operating activities increased to SAR 555.8 million in 2022G mainly due to lower settlements made to trade payables in 2022G as compared to 2021G, coupled with the increase in the Company's profit before zakat by SAR 92.0m million in line with the growth in revenue.

Net cash (used in) from investing activities

Net cash (used in) from investing activities decreased from -SAR 226.7 million in 2020G to -SAR 527.6 million in 2021G primarily driven by the investments in short term Murabaha deposits with a local bank (-SAR 380.0 million), partially offset by the decrease in the cash used to purchase property and equipment by SAR 145.1 million.

Net cash (used in) from investing activities increased from -SAR 527.6 million in 2021G to SAR 281.7 million in 2022G mainly following the redemption of the short term Murabaha investment of SAR 380.0 million in 2022G following the investment made in 2021G.

Net cash (used in) from financing activities

Net cash (used in) from financing activities decreased from SAR 501.8 million in 2020G to -SAR 4.0 million in 2021G mainly driven by:

- The repayment of the loan from SACC amounting to SAR 384.8 million by obtaining a loan from SABB amounting to SAR 500.0 million;
- The advance cash received against share capital in 2020G which amounted to SAR 353.0 million and was converted to share capital in 2021G; and
- The distribution of cash dividends amounting to SAR 100.0 million during 2021G.

This was partially offset by the cash inflow from the proceeds of the loan obtained from SABB amounting to SAR 500.0 million.

Net cash (used in) from financing activities decreased to -SAR 389.1 million in 2022G mainly due to the distribution of cash dividends amounting to SAR 255.0 million in 2022G and the settlement of lease liabilities payments, including interest, amounting to SAR 134.1 million.

6.10 Change in cost and expense mapping between 2020G and 2021G

The Company adopted IFRS as endorsed by SOCPA for the preparation of its financial statements over the historical period, and which have been audited by KPMG. The auditor has applied a different cost mapping between 2020G and 2021G, whereby the mapping of cost of revenue, general and administration expenses and selling and distribution expenses was based on GL accounts in 2020G and was adjusted to cost centers in 2021G and 2022G. This has resulted in an adjustment in the costs breakdowns between 2020G and 2021G and impacted the analysis to some extent with an overall impact of zero on the P&L.

For comparability purposes, Management provided an updated breakdown of 2020G period for cost of revenue, general and administration expenses and selling and distribution expenses based on cost centers, the result of which is presented in the table below on a total cost level:

SAR in 000s	2020G (Management information)	2020G Reclassifications	2020G (Audited)
Cost of revenue	444,102	5,121	449,223
General and administration expenses	132,869	2,203	135,072
Selling and distribution expenses	22,081	(7,324)	14,757
Total	**599,052**	**-**	**599,052**

Source: Special purpose audited financial statements for the year ended 31 December 2020G and Management Information


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7. Dividend Distribution Policy

Pursuant to the Companies Law, each Shareholder is entitled to the rights attached to the Shares, including in particular the right to receive a portion of the net dividends to be distributed. The Board of Directors recommends the distribution of any dividends prior to their approval by the Shareholders at a General Assembly meeting. The Company is under no obligation to declare dividends and any decision to do so will depend on, inter alia, the Company's past and expected earnings, cash flows, financing and capital requirements, general market and economic conditions and the Company's Zakat position, in addition to legal and regulatory considerations. Although the Company intends to distribute dividends to its Shareholders on annual basis, the Company does not guarantee the distribution of such dividends or the amounts to be distributed in any given year.

Dividend distributions shall be subject to the restrictions set out in the Company's Bylaws. Dividends shall be distributed in Saudi Arabian Riyals.

The Company's annual net profits shall be distributed after deduction of all general expenses and other costs as follows:

- 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve reaches 30% of the Company's paid-up capital.
- The Ordinary General Assembly may, upon the request of the Board, set aside a certain percentage of net profits to form an additional reserve to be allocated for one or more specific purposes.
- The General Assembly may decide to form reserves to the extent that such serves the Company's interests or ensures the distribution of fixed profits as much as possible to the Shareholders. The General Assembly may also deduct amounts from the Company's net profits to set up social institutions for the benefit of the Company's employees or to support any such existing institutions.
- An amount of at least five percent (5%) of the paid up Share capital shall be distributed to the Shareholders out of the remaining balance of the net profits.
- Dividends may be distributed on an annual or interim basis, subject to the applicable statutory restrictions. The Company shall comply with any relevant guidelines or instructions regarding the distribution of dividends issued or to be issued by the CMA at any time.

Table (7.1): The table below summarizes the dividends declared and distributed by the Company since the start of 2020G: Dividends Declared and Distributed during the Financial Years Ended 31 December 2020G, 2021G, and 2022G

SAR'000	31 December 2020G	31 December 2021G	31 December 2022G	31 March 2023G
Dividends declared for the period****	N/A	180,000*	305,000**	70,000***
Dividends distributed for the period	N/A	100,000	255,000	130,000
Net income for the period for which dividends were distributed	237,777	275,555	362,412	104,346
Dividend payout ratio for the period for which dividends were distributed	N/A	65.32%	84.16%	67.08%

Source: The Company's special purpose audited financial statements for the financial year ended 31 December 2020G, the audited financial statements for the financial years ended 31 December 2021G and 2022G and the audited financial statements for the period ended 31 March 2023G.

* The declared dividends for 2021G include the dividends announced during 2021G (SAR 100 million) and part of the profits declared during 2022G (SAR 80 million), as those amounts announced in 2022G are related to the profits in connection with 2021G.

** The declared dividends for 2022G include the dividends announced during 2022G (SAR 175 million) and part of the profits declared during 2023G (SAR 130 million), as those amounts announced in 2023G are related to the profits in connection with 2022G.

*** The declared dividends (amounting to SAR 70 million for the first quarter of 2023G) were distributed in May 2023G. All declared dividends have been paid and there are no dividends payable to the existing Shareholders.

**** Dividends declared for the period may include dividends declared in the specified period or in a subsequent period.

The Board of Directors resolved to distribute interim dividends on all cash shares in the Company's capital to the shareholders according to the share of each Shareholder in the Company's capital for each of the following periods: Interim dividends of SAR 100 million until the end of the third quarter of the financial year 2021G on 10/11/2021G, interim dividends of SAR 80 million for the fourth quarter of the financial year 2021G and interim dividends of SAR 50 million for the first quarter of the financial year 2022G on 10/04/2022G, interim dividends of SAR 65 million for the second quarter of the financial year 2022G on 24/07/2022G, interim dividends of SAR 60 million for the third quarter of the financial year 2022G on 31/10/2022G, interim dividends of SAR 130 million for the fourth quarter of the financial year 2022G on 22/01/2023G and interim dividends of SAR 70 million for the first quarter of the financial year 2023G on 16/04/2023G.

The Offer Shares are not entitled to any dividends declared prior to the date of this Prospectus. The first entitlement of the Offer Shares to dividends declared by the Company shall be from the date of this Prospectus and for subsequent financial years. As at the date of this Prospectus, the Directors confirm that there are no declared or outstanding dividends for the said periods except as set out above.

8. Use of Offering Proceeds

The total Offering proceeds are estimated at forty-eight million and nine hundred thousand (SAR 48,900,000) Saudi Arabian Riyals, of which approximately SAR [•] (exclusive of VAT) will be used to settle all expenses related to the Offering, including the fees paid to the Saudi Exchange Company and the Securities Depositary Center Company (Edaa) and other expenses in connection with listing the Shares, the fees of the Financial Advisor, Coordinator, Lead Manager, Underwriter, Legal Advisors, Accountants, Receiving Agents, Market Consultant and other Advisors, as well as translation, marketing, printing, and distribution fees and other costs and expenses related to the Offering. It is worth noting that the expenses that will be paid by the Company are approximately two million and one hundred thousand (SAR 2,100,000) Saudi Arabian Riyals, which include fees payable to the Saudi Exchange (Tadawul) and the Securities Depository Center Company (Edaa) and other expenses in connection with listing the Shares on the Saudi Exchange (Tadawul).

The Net Offering Proceeds of approximately SAR [•] will be distributed to the Selling Shareholders pro-rata, based on the number of Offer Shares to be sold by each of them in the Offering. The Company will not receive any part of the Net Offering Proceeds. The Selling Shareholders will bear all fees, expenses and costs related to the Offering.

9. Capitalization and Indebtedness of the Company

Prior to the Offering, the Selling Shareholders own the entire Share capital of the Company. Following the completion of the Offering, the Selling Shareholders will own 70% of the Company's Share capital.

The table below sets out the capitalization of the Company as derived from the audited financial statements for the financial years ended 31 December 2020G, 2021G and 2022G. The following table should be read in conjunction with the relevant financial statements and the notes thereto set out in Section 19 ("**Financial Statements and Auditor's Report**") of this Prospectus.

Table (9.1): Capitalization and Indebtedness of the Company

(SAR '000)	FY 2020G	FY 2021G	FY 2022G
Current portion of lease liabilities	13,227	107,606	63,719
Non-current portion of lease liabilities	1,364,728	1,321,541	1,287,944
Total lease liabilities	**1,377,955**	**1,429,147**	**1,351,663**
Total loans	**384,786**	**500,000**	**500,000**
Total loans and lease liabilities	**1,762,741**	**1,929,147**	**1,851,663**
Share capital	500	800,000	800,000
Additional capital contributions	468,214	-	-
Statutory reserve	150	27,706	63,947
Retained earnings (net of accumulated losses)	338,677	155,390	226,561
Actuarial losses	(4,174)	(20,806)	(17,381)
Total equity	**803,367**	**962,290**	**1,073,127**
Total capitalization (total loans and lease liabilities + total shareholders' equity)	**2,566,108**	**2,891,437**	**2,924,790**
Total loans/Total capitalization	68.7%	66.7%	63.3%

The financial information included in the above table for the financial years ended 31 December 2020G, 2021G and 2022G has been derived from the Company's audited financial statements for the financial years ended 31 December 2020G, 2021G and 2022G, which were prepared in accordance with the International Financial Reporting Standards (IFRS).

The Directors declare that:

- None of the Company's Shares are under option.
- The Company's balances and cash flows are sufficient to meet its expected cash, working capital and capex requirements for at least twelve (12) months following the date of this Prospectus.

10. Statements by Experts

All of the Advisors, whose names are listed on pages (vi to vii), have given and, as at the date of this Prospectus, have not withdrawn, their written consent to the reference to their names, addresses and logos and to the publication of their statements/ reports (as applicable) in this Prospectus. Neither they nor any of their employees forming part of the team serving the Company or their relatives have any shareholding or interest of any kind in the Company or any of its subsidiaries as at the date of this Prospectus which may impair their independence.

11. Declarations

As at the date of this Prospectus, the Directors declare that:

1- There has not been any interruption in the business of the Issuer or any of the Issuer's subsidiaries (if applicable) which may have or has had a significant effect on the financial position in the last 12 months.

2- No commissions, discounts, brokerages or other non-cash compensation have been granted within the three years immediately preceding the application for registration and offer of securities that are the subject of this Prospectus in connection with the issue or offer of any securities by the Issuer or any of the Issuer's subsidiaries (if applicable).

3- There has not been any material adverse change in the financial or trading position of the Issuer or its subsidiaries (if applicable) in the three financial years preceding the application for registration and offer of securities that are subject to this Prospectus and during the period from the end of the period covered in the external auditors' report up to and including the date of approval of this Prospectus.

4- Except as disclosed in Section 5.9 ("**Interests of Directors, Senior Executives and the Secretary in the Shares and Debt Instruments of the Company**") of this Prospectus, neither the Directors nor any of their relatives have any Shares or interest of any kind in the Issuer or any of its subsidiaries, if any.

5- The Issuer - individually or jointly with its subsidiaries (if any) – has a working capital sufficient for a period of at least 12 months immediately following the date of publication of the Prospectus.

6- Except as disclosed in Section 5.8 ("**Conflicts of Interest)**", neither the Directors nor the Senior Executives are engaged in any activities similar to or competitive with the activities of the Company, and they undertake to comply with the requirements of the Companies Law and the CGRs.

7- None of the Directors, Senior Executives or the Secretary have been declared bankrupt or been subject to bankruptcy proceedings during the five (5) years preceding the date of this Prospectus.

8- To the best of their knowledge and belief, no company in which any of the Directors, Senior Executives or Secretary were appointed to an administrative or supervisory position has been declared insolvent during the five (5) years preceding the date of this Prospectus.

9- Except as disclosed in Section 5.10.1 ("**Interests in Contracts and Agreements concluded with the Company**"), none of the Directors, Senior Executives, the Secretary, or any of their relatives have any interest in any existing written or oral contracts, arrangements, or agreements under consideration or to be concluded with the Company up to the date of this Prospectus.

10- The Directors will not participate in voting on resolutions related to business and contracts in which they have a direct or indirect interest.

11- As at the date of this Prospectus, there are no employee share schemes involving employees in the Company's share capital, nor are there any other similar arrangements in place.

12- The Company does not have any securities (contractual or otherwise) or any assets that are subject to fluctuation which would adversely and materially affect its financial position.

13- Except as disclosed in Section 2 ("**Risk Factors**") of this Prospectus, and to the best of their knowledge and belief, the Company is not aware of any information regarding any governmental, economic, financial, monetary or political policies or any other factors that have or may have a direct or indirect material impact on its operations.

14- Except as disclosed in Section 2 ("**Risk Factors**") of this Prospectus, the Company is not aware of any seasonal factors or economic cycles related to its activity that may have a material impact on the Company's business or financial position.

15- All contracts and agreements that the Company believes to be significant or material or which may reasonably affect investors' decisions to invest in the Offer Shares have been disclosed, and there are no other material contracts or agreements which have not been disclosed.

16- As at the date of this Prospectus, there are no material Related Party contracts or transactions that have a material impact on the Company's business, nor does the Company intend to conclude any new agreements with Related Parties, except as stated in Section 12.6 ("**Summary of Material Agreements with Related Parties**") of this Prospectus.

17- The Company has developed procedures, controls and systems to enable the Company to meet the requirements of the relevant laws, regulations and instructions, including the Companies Law, the Capital Market Law and its Implementing Regulations, the OSCOs and the Listing Rules.

18- As at the date of this Prospectus, the beneficial, direct and indirect legal ownership of the Company's Shares is held by the persons whose names are listed in Section 12.3 ("**Shareholding Structure**") of this Prospectus.

19- All increases to the Company's capital are in conformance with the laws and regulations applicable in KSA.

20- Except as disclosed in Section 2 ("**Risk Factors**"), and to the best of their knowledge and belief, there are no other material risks that may affect a prospective investor's decision to invest in the Offer Shares.

21- Except as disclosed in Section 2 ("**Risk Factors**") and Section 12.4 ("**Government Approvals, Licenses and Certificates**"), the Company has obtained all the necessary licenses and approvals to carry out its activities.

22- Except as disclosed in Section 2.1.25 ("**Risks related to the Company's current debt arrangements**") and Section 12.7 ("**Credit Facilities and Loans**"), the Board of Directors declares that there are no mortgages, rights or encumbrances on the assets of the Company as at the date of this Prospectus.

23- None of the Company's Shares are under option.

24- The Company is capable of preparing the necessary reports in a timely manner according to the Implementing Regulations issued by the CMA.

25- As at the date of this Prospectus, there has been no violation of the contractual terms and conditions under the agreements with entities that have granted loans, facilities and financing, and the Company is in compliance with all such terms and conditions.

26- The Company and its subsidiaries do not have any structured debt instruments as at the date of this Prospectus.

27- The statistical information used in Section ("**Market Overview**") which has been obtained from external sources represents the most recent information available from its respective source.

28- The Company's insurance policies provide insurance coverage with sufficient limits for the Company to undertake its business. The Company renews insurance policies and contracts periodically to ensure that there is insurance coverage on an ongoing basis.

29- All terms and conditions that may affect investors' decisions to invest in the Offer Shares have been disclosed.

30- Except as disclosed in Section 12.10 ("**Litigation**"), the Company is not a party to any existing disputes, claims, lawsuits or investigation procedures that could have a material impact on the Company's operations or its financial position.

31- As at the date of this Prospectus, the Company does not have a policy on research and development and the Company does not produce any products.

32- The Company is committed to all terms and conditions under the agreements concluded with lenders for all loans, facilities and financing.

33- As at the date of this Prospectus, there is no breach of the contractual terms and conditions under the agreements with lenders for any loans, facilities and financing, and the Company is committed to all such terms and conditions.

34- All terms and conditions that may affect the decisions of Subscribers to the Company's Shares have been disclosed.

35- This Prospectus includes all the information required to be included in accordance with the OSCOs and there are no other facts that may affect the application for the registration and offering of securities that have not been included in this Prospectus.

36- The Company is currently working on finding a replacement for the position of Chief Strategy & Corporate Communication Officer, which is vacant as at the date of this Prospectus. The Company seeks to appoint a replacement to the aforementioned vacant position within approximately three months from the date of this Prospectus.

37- Except as described in Section 2.2.13 ("**Risks Related to Compliance by the Company with Saudization and other Labor Law Requirements**"), all employees of the Company are under its sponsorship.

In addition to the above, the Directors confirm that:

1- The information and data included in this Prospectus which has been obtained from third parties, including the information derived from the Market Study prepared by the Market Consultant, is reliable, and there is no reason for the Company to believe that such information or data is materially inaccurate.
2- All documents required pursuant to the CML and the OSCOs have been submitted or will be submitted to the CMA.
3- The Company has laid down appropriate internal control systems, including a written policy to regulate conflicts of interest and address any possible conflicts of interest, which includes misuse of Company assets and misconduct resulting from dealings with related persons. In addition, the Company has verified the integrity of its financial and operational systems and the application of appropriate risk management controls, as required by Part 5 of the CGRs. The Directors also review the Company's internal control procedures on an annual basis.
4- They have applied procedures, controls and systems that will allow the Company to meet the requirements of the relevant laws, regulations and instructions, including the Companies Law, the Capital Market Law and its Implementing Regulations, the OSCOs and the Listing Rules.
5- The accounting, internal control and information technology systems are adequate and appropriate.
6- The Directors are not permitted to have any direct or indirect interest in the business or contracts of the Company except with authorization from the General Assembly.
7- Neither the members of the Board of Directors nor the CEO have the right to vote on a contract or proposal in which they have an interest.
8- The Directors shall notify the Board of Directors of any direct or indirect personal interest they have in the transactions and contracts entered into by the Company, and this will be recorded in the Board of Directors' meeting minutes.
9- All transactions with Related Parties described in Section 12.6 ("**Summary of Material Agreements with Related Parties**"), including the determination of the financial consideration for contracts, have been conducted in a regular and legal manner and on appropriate and fair commercial bases, similar to those undertaken with other third parties. Moreover, all business and contracts with Related Parties shall be approved by the Board of Directors and, if required by law, the Company's General Assembly. Directors may not vote on any resolution related to the business and contracts of the Company in which they hold a direct or indirect interest, whether at the level of the Board of Directors or the General Assembly, in accordance with Article 71 of the Companies Law and Chapter 6 of Part 3 of the CGRs.
10- The Directors and CEO do not have the right to vote on resolutions relating to their fees and remuneration.
11- The Directors and Senior Executives are not permitted to borrow from the Company, nor is the Company permitted to guarantee any loan obtained by any of the Directors.
12- All necessary approvals have been obtained for the Company's Shares to be offered on the Exchange and for it to be a public joint-stock company.
13- Except as disclosed in this Prospectus, there has been no material change in the nature of the Company's business that may have, individually or collectively, a material impact on the Company's business, financial position, results of operations or future prospects. Except as disclosed in this Prospectus, the Company does not intend to make any material changes as at the date of this Prospectus.
14- Except as disclosed in the Section 12.6 ("**Summary of Material Agreements with Related Parties**"), there are no conflicts of interest related to the members of the Board of Directors regarding contracts or transactions concluded with the Company.
15- The Directors undertake to:
    a- Record all of the resolutions and deliberations of the Board in the form of written meeting minutes signed by the Directors;
    b- Disclose the details of any Related Party transactions in accordance with the Companies Law and the CGRs;
    c- As at the date of this Prospectus, none of the Board members participate in any activities similar to or competing with those of the Company. The Board members undertake to abide by this statutory requirement in the future as per Article 72 of the Companies Law and Chapter 6 of Part 3 of the CGRs.

These declarations have been made by the Directors, in addition to any other declarations included in this Prospectus.


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12. Legal Information

12.1 Declarations Related to Legal Information

The Directors declare that:

- The Offering does not constitute a breach of the relevant laws and regulations in Saudi Arabia.
- The Offering does not constitute a breach of any contract/agreement entered into by the Issuer.
- All material legal issues concerning the Issuer have been disclosed in the Prospectus.
- The Issuer and its subsidiaries, if any, are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Issuer or its subsidiaries or their financial position.
- The Directors are not subject to any claims, litigious cases or any other type of legal proceedings that could individually or collectively have a material effect on the business of the Issuer or its subsidiaries, if any, or their financial position.

12.2 The Company

SAL Saudi Logistics Services Company is a Saudi joint-stock company with Commercial Registration No. 4030367493, dated 17/02/1441H (corresponding to 16 October 2019G), pursuant to Ministerial Resolution No. 275, dated 17/08/1442H (corresponding to 31 March 2021G), approving the announcement of the Company's conversion into a closed joint-stock company. In accordance with its Commercial Registration, the Company's Head Office is located in Alsalama District, Prince Sultan Street, Jeddah, P.O. Box 2661, Postal Code 23525. The Company's current share capital is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), fully paid and divided into eighty million (80,000,000) ordinary Shares with a nominal value of ten Saudi Arabian Riyals (SAR 10) per Share. In accordance with its Commercial Registration, the Company's principal activities include ground transportation of goods, general warehousing of a variety of goods, ground management and supervision services at airports, ground service providers, loading and unloading of air cargo aircraft, approved air cargo agencies, air cargo handling of goods and mail, and logistics services. The Company operates in accordance with applicable law and with the required licenses issued by the competent authorities, if any. (For further details, please refer to "**Overview of SAL Saudi Logistics Services Company**" of this Prospectus).

Initially, the Company's operations were a part of Saudia's operations since its establishment in 1945G, which have existed for over 70 years. Saudia has established a number of subsidiaries by privatizing some of its strategic business units, including the Air Cargo and Ground Handling Division pursuant to Supreme Economic Council Resolution No. 1/27, dated 14/02/1427H (corresponding to 14 March 2006G). The privatization process was completed in 2008G through the incorporation of SACC in accordance with Royal Decree No. M/70, dated 15/08/1428H, corresponding to 28/08/2007G. Tarabot has acquired 30% of SACC's share capital, and the shareholders of SACC established a separate entity, namely the Company, to operate cargo ground handling services, and so it can be independent from SACC as a necessary preparatory step for the Company to offer its Shares to the public.

For further details on the Company and its operations, please refer to Section 4 ("**The Company**") of this Prospectus.

12.3 Ownership Structure

The following table shows the ownership structure of the Company pre and post-Offering:

Table (12.1): The Company's Direct Ownership Structure Pre- and Post-Offering

Shareholder Name	Pre-Offering			Post-Offering		
	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)	No. of Shares	Nominal Value (SAR)	Direct Ownership (%)
Saudi Arabian Airlines Corporation ("Saudia")	56,000,000	560,000,000	70%	39,200,000	392,000,000	49%
Tarabot Air Cargo Services Limited	24,000,000	240,000,000	30%	16,800,000	168,000,000	21%
Public	-	-	-	24,000,000	240,000,000	30%
Total	**80,000,000**	**800,000,000**	**100%**	**80,000,000**	**800,000,000**	**100%**

Source: The Company

As at the date of this Prospectus, there are no subsidiaries of the Company.

12.4 Government Approvals, Licenses and Certifications

The Company (including its branches) have obtained several regulatory and operational licenses and certificates from the competent authorities, and licenses and certificates that require renewal or updates are periodically renewed in a timely manner. The Directors acknowledge that the Company has obtained all necessary licenses and approvals for the Company to conduct its business at its main branches, namely Jeddah, Riyadh, Dammam and Medina (the "**Key Locations**"). However, the Company has not obtained the licenses required for its operations at the domestic airports in KSA. The table below sets out the commercial registration certificates obtained by the Company for all its branches:

Table (12.2): Details of the Commercial Registration Certificates of the Company

No.	Location	Entity Type	Commercial Registration	Registration Date	Expiration Date
1.	Jeddah	Joint-stock company	4030367493	17/02/1441H (corresponding to 16/10/2019G)	17/02/1446H (corresponding to 21/08/2024G)
2.	Riyadh	Branch	1010607713	24/03/1441H (corresponding to 21/11/2019G)	24/03/1446H (corresponding to 27/09/2024G)
3.	Dammam	Branch	2050130835	24/03/1441H (corresponding to 21/11/2019G)	24/03/1446H (corresponding to 27/09/2024G)
4.	Medina	Branch	4650215858	24/03/1441H (corresponding to 21/11/2019G)	24/03/1446H (corresponding to 27/09/2024G)
5.	Abha	Branch	5850132986	05/02/1443H (corresponding to 12/09/2021G)	05/02/1446H (corresponding to 11/08/2024G)
6.	Qaisumah	Branch	2512100942	06/02/1443H (corresponding to 13/09/2021G)	06/02/1446H (corresponding to 12/08/2024G)
7.	Arar	Branch	3450178231	06/02/1443H (corresponding to 13/09/2021G)	06/02/1446H (corresponding to 12/08/2024G)
8.	Bisha	Branch	5851877774	05/02/1443H (corresponding to 12/09/2021G)	05/02/1446H (corresponding to 11/08/2024G)
9.	Najran	Branch	5950124524	05/02/1443H (corresponding to 12/09/2021G)	05/02/1446H (corresponding to 11/08/2024G)
10.	Buraidah	Branch	1131315681	06/02/1443H (corresponding to 13/09/2021G)	06/02/1446H (corresponding to 12/08/2024G)
11.	Jizan	Branch	5900129855	05/02/1443H (corresponding to 12/09/2021G)	05/02/1446H (corresponding to 11/08/2024G)
12.	Hail	Branch	3350155544	06/02/1443H (corresponding to 13/09/2021G)	06/02/1446H (corresponding to 12/08/2024G)
13.	Sharorah	Branch	5951129034	05/02/1443H (corresponding to 12/09/2021G)	05/02/1446H (corresponding to 11/08/2024G)
14.	Taif	Branch	4032252408	06/02/1443H (corresponding to 13/09/2021G)	06/02/1446H (corresponding to 12/08/2024G)
15.	Tabuk	Branch	3550140013	06/02/1443H (corresponding to 13/09/2021G)	06/02/1446H (corresponding to 12/08/2024G)
16.	Qurayat	Branch	3452148133	06/02/1443H (corresponding to 13/09/2021G)	06/02/1446H (corresponding to 12/08/2024G)
17.	Sakaka	Branch	3400122047	06/02/1443H (corresponding to 13/09/2021G)	06/02/1446H (corresponding to 12/08/2024G)
18.	Baha	Branch	5800109670	23/07/1444H (corresponding to 14/02/2023G)	23/07/1445H (corresponding to 04/02/2024G)
19.	Wajh*	Branch	3552102272	13/09/1444H (corresponding to 04/04/2023G)	13/09/1445H (corresponding to 23/03/2024G)
20.	Al Ahsa*	Branch	2031111679	12/09/1444H (corresponding to 03/04/2023G)	12/09/1445H (corresponding to 22/03/2024G)
21.	Al Ula*	Branch	4651104016	13/09/1444H (corresponding to 04/04/2023G)	13/09/1445H (corresponding to 23/03/2024G)
22.	Dawadmi*	Branch	1116627628	12/09/1444H (corresponding to 03/04/2023G)	12/09/1445H (corresponding to 22/03/2024G)
23.	Rabigh*	Branch	4602115044	13/09/1444H (corresponding to 04/04/2023G)	13/09/1445H (corresponding to 23/03/2024G)
24.	Rafha*	Branch	3453106254	01/08/1444H (corresponding to 21/02/2023G)	01/08/1445H (corresponding to 11/02/2024G)
25.	Turaif*	Branch	3451102634	13/09/1444H (corresponding to 04/04/2023G)	13/09/1445H (corresponding to 23/03/2024G)
26.	Wadi Al Dawaser*	Branch	1185105013	13/09/1444H (corresponding to 04/04/2023G)	13/09/1445H (corresponding to 23/03/2024G)
27.	Yanbu*	Branch	4700119152	12/09/1444H (corresponding to 03/04/2023G)	12/09/1445H (corresponding to 22/03/2024G)

Source: The Company

* Note: This branch does not conduct operational activities as at the date of this Prospectus. However, the Company has obtained such Commercial Registrations in these areas in preparation for the commencement of its expansion works in connection with passenger handling.

The following table shows the current licenses and certificates obtained by the Company:

Table (12.3): Details of Current Licenses and Certificates of the Company

No.	Company	Issuing Authority	License/Certificate Number	Purpose	Issue Date	Expiration Date
1-	The Company - Jeddah Branch	GACA	GH-010-A	Ground Service Provider Certificate	28/07/1443H (corresponding to 01/03/2022G)	18/08/1445H (corresponding to 28/02/2024G)
2-	The Company - Jeddah Branch	GACA	300/2/1/24/10/12	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
3-	The Company - Jeddah Branch	GACA	1/10/2/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
4-	The Company - Riyadh Branch	GACA	GH-010-B	Ground Service Provider Certificate	12/05/1443H (corresponding to 16/12/2021G)	02/06/1445H (corresponding to 15/12/2023G)
5-	The Company - Riyadh Branch	GACA	300/2/1/1/10/2	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
6-	The Company - Riyadh Branch	GACA	2/10/1/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
7-	The Company - Dammam Branch	GACA	GH-010-D	Ground Service Provider Certificate	22/12/1443H (corresponding to 21/07/2022G)	14/01/1446H (corresponding to 20/07/2024G)
8-	The Company - Dammam Branch	GACA	300/2/1/4/10/4	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
9-	The Company - Dammam Branch	GACA	4/10/4/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
10-	The Company - Medina Branch	GACA	GH-010-C	Ground Service Provider Certificate	22/12/1443H (corresponding to 21/07/2022G)	14/01/1446H (corresponding to 20/07/2024G)
11-	The Company - Medina Branch	GACA	300/2/1/3/10/3	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
12-	The Company - Medina Branch	GACA	3/10/3/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
13-	The Company - Abha Branch	GACA	300/2/1/23/10/11	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
14-	The Company - Abha Branch	GACA	11/10/23/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
15-	The Company - Buraidah Branch	GACA	300/2/1/5/10/13	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
16-	The Company - Buraidah Branch	GACA	13/10/5/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
17-	The Company - Hail Branch	GACA	300/2/1/16/10/9	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)

No.	Company	Issuing Authority	License/Certificate Number	Purpose	Issue Date	Expiration Date
18-	The Company - Hail Branch	GACA	9/10/16/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
19-	The Company - Taif Branch	GACA	300/2/1/11/10/15	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
20-	The Company - Taif Branch	GACA	15/10/11/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
21-	The Company - Najran Branch	GACA	300/2/1/25/10/16	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
22-	The Company - Najran Branch	GACA	16/10/25/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
23-	The Company - Bisha Branch	GACA	300/2/1/26/10/7	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
24-	The Company - Bisha Branch	GACA	7/10/26/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
25-	The Company - Arar Branch	GACA	300/2/1/20/10/8	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
26-	The Company - Arar Branch	GACA	8/10/20/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
27-	The Company - Al-Jouf Branch (Sakaka)	GACA	300/2/1/18/10/10	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
28-	The Company - Al-Jouf Branch (Sakaka)	GACA	10/10/18/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
29-	The Company - Sharorah Branch	GACA	300/2/1/27/10/6	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
30-	The Company - Sharorah Branch	GACA	6/10/27/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
31-	The Company - Qaisumah Branch	GACA	300/2/1/7/10/5	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
32-	The Company - Qaisumah Branch	GACA	5/10/7/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
33-	The Company - Qurayat Branch	GACA	300/2/1/19/10/14	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
34-	The Company - Qurayat Branch	GACA	14/10/19/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
35-	The Company - Tabuk Branch	GACA	300/2/1/17/10/17	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)

No.	Company	Issuing Authority	License/Certificate Number	Purpose	Issue Date	Expiration Date
36-	The Company - Tabuk Branch	GACA	17/10/17/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
37-	The Company - Jizan Branch	GACA	300/2/1/24/10/12	Ground Service Provider Economic License	19/05/1444H (corresponding to 13/12/2022G)	18/05/1454H (corresponding to 25/08/2032G)
38-	The Company - Jizan Branch	GACA	12/10/24/1/5/300	Air Cargo Aircraft Loading and Unloading Economic License	11/03/1443H (corresponding to 17/10/2021G)	10/03/1445H (corresponding to 25/09/2023G)
39-	The Company	ZATCA	4030367493	Company's compliance with Zakat requirements for the period ended 31/12/2022G	18/09/1444H (corresponding to 09/04/2023G)	21/10/1445H (corresponding to 30/04/2024G)
40-	Saudi Arabian Airlines General Corporation - Saudia (includes the Company as part of the Group)	ZATCA	3104780458	Certificate of Registration as a Tax Group in VAT	11/05/1441H (corresponding to 06/01/2020G)	N/A
41-	The Company	GOSI	53861337	GOSI Certificate	21/09/1444H (corresponding to 12/04/2023G)	21/10/1444H (corresponding to 11/05/2023G)
42-	The Company	MHRSD	87386824-247272	Saudization Certificate	01/11/1444H (corresponding to 21/05/2023G)	03/02/1445H (corresponding to 19/08/2023G)
43-	The Company	MOMRAH - Jeddah Municipality	42065206549	Commercial License (Balady)	05/07/1443H (corresponding to 06/02/2022G)	05/07/1445H (corresponding to 15/01/2024G)
44-	The Company - Jeddah	General Directorate of Civil Defence	44-000676172-3	Civil Defence License	29/06/1444H (corresponding to 22/01/2023G)	29/06/1445H (corresponding to 11/01/2024G)
45-	The Company	MOMRAH - Riyadh Region Municipality	440511189973	Commercial License (Balady)	N/A	16/06/1445H (corresponding to 29/12/2023G)
46-	The Company - Riyadh	General Directorate of Civil Defence	44-001084734-1	Civil Defence License	16/06/1444H (corresponding to 09/01/2023G)	16/06/1445H (corresponding to 29/12/2023G)
47-	The Company	ZATCA	4268	Customs Clearance License	18/02/1444H (corresponding to 14/09/2022G)	18/02/1447H (corresponding to 12/08/2025G)
48-	The Company	Transport General Authority	00000465/41	Logistic Services License	07/08/1443H (corresponding to 10/03/2022G)	07/08/1446H (corresponding to 06/02/2025G)
49-	The Company - KAIA, Jeddah	World Health Organization	SA22/00000054	Good Distribution Practices (GDP) Certificate	24/02/1444H (corresponding to 20/09/2022G)	28/03/1447H (corresponding to 20/09/2025G)
50-	The Company – KKIA, Riyadh	World Health Organization	SA22/00000054.02	Good Distribution Practices (GDP) Certificate	24/02/1444H (corresponding to 20/09/2022G)	28/03/1447H (corresponding to 20/09/2025G)
51-	The Company – KFIA, Dammam	World Health Organization	SA22/00000054.03	Good Distribution Practices (GDP) Certificate	24/02/1444H (corresponding to 20/09/2022G)	28/03/1447H (corresponding to 20/09/2025G)

Source: The Company

12.5 Summary of Material Agreements

The Company has entered into a number of material agreements and contracts with multiple parties in respect of its business, which include agreements and contracts with Related Parties. This section summarizes the agreements and contracts that the Company considers material or significant or that may affect a decision to invest in the Offer Shares. There are no other material agreements within the context of the Company's business that were not disclosed in Section 12.5 ("**Summary of Material Agreements**"), Section 12.6 ("**Summary of Material Agreements with Related Parties**") and Section 12.7 ("**Credit Facilities and Loans**"), and the Company has not violated any of the key terms and conditions provided under such agreements. The summary of agreements and contracts referred to below does not include all terms and conditions and it cannot be considered a substitute for the terms and conditions of such agreements, as it includes material terms and conditions in relation to the Company's business or that may affect an investor's decision to subscribe to the Offer Shares.

12.5.1 Customer Agreements with Airlines

Typically, the Company enters into agreements with airlines for the provision of ground services. As at the date of this Prospectus, the Company has agreements with fifty-eight (58) airline customers. The total revenues of the Company generated from such agreements amounted to SAR 442,698,000, or approximately 36% of the Company's total revenue for the financial year ended 31 December 2022G.

SACC, Emirates Airlines, and Qatar Airways (the "**Key Customers**") were the top three customers of the Company in terms of revenue in 2022G. For the financial year ended 31 December 2022G, the revenue from such customers totaled SAR 317,085,000 (or 26% of the Company's total revenue). It should be noted that the standard agreement for ground services approved by IATA, which generally governs how services are provided, including regulatory and legal requirements, standards for service provision, and operational specifics, forms the basis for all customer agreements the Company enters into to offer air cargo ground handling.

The standard air cargo ground handling agreement is composed of three parts: the main agreement which contains all the fixed provisions that apply to all agreements (the "**Main Agreement**"); Appendix A, which details the ground services to be provided; and Appendix B, which sets out the terms and conditions agreed upon by the parties. Under this form, the Company and its customers agree on the term of the agreement, the scope of the services to be provided, the limits of liability, compensation, operational needs, handling fees and other terms that regulate the relationship. The terms of this agreement range from two to seven years, while some of them are open-ended and automatically renewable.

The services offered by the Company under this agreement include administrative functions, ramp handling and cargo control services and cargo and cold storage services, as well as support and security-related services. In accordance with customer agreements, the Company receives a fee for delivery of ground services (the fee varies depending on the agreement concluded with each customer).

Additionally, we draw attention to the fact that the Company's customer agreements are based on both the 2013G version and the 2018G version. A new version for 2023G has been approved by IATA. These versions contain a number of editorial revisions as well as some substantial adjustments that pertain to operational practices, improvement of standards, training, payment-related breaches, compensation claims and compliance in general.

The following are some of the key provisions of the Main Agreement to which all customer agreements are subject:

When providing the services, the Company shall protect the confidential information of the second party (the airlines) and shall abide by any applicable data protection laws.

The Company shall indemnify the carrier airline for any loss or material damage to its aircraft resulting from the Company's negligence, provided that the Company's liability is limited to an amount that does not exceed the level of tolerance under the carrier airlines' structure risk policy, which shall not exceed USD 1,500,000 (or SAR 5,625,000), with the exception of any accident-related losses or damages that total less than USD 3,000 (or SAR 11,250), for which there will be no compensation.

When providing services and/or supplying goods under this Agreement, the Company shall indemnify the carrier airline for any direct loss or damage to shipments carried or to be carried by the carrier airlines (excluding mail) that results from negligence on the part of or on behalf of the Company. The Company's liability, as set forth in Article 22.3 of the Montreal Convention 1999 or any amendment thereto then in effect, shall be limited to the time of loss, damage or actual compensation paid by the carrier airlines, whichever is less. The Company's total liability shall not exceed USD 1,000,000 (or SAR 3,750,000), with the exception that any loss or damage for any claim under USD 500 (or SAR 1,875) shall not be covered.

The following are some of the terms and conditions of the agreements concluded with the Key Customers:

Table (12.4): Ground Service Agreement with SACC

Ground Service Agreement with SACC	
Background	The Company entered into an agreement with SACC on 06 July 2020G. Pursuant to the Agreement, the Company is required provide ground services to SACC at all its terminals operated by the Company in KSA.
Term	The term of the agreement commenced on 1 January 2020G, and the agreement was amended on 27 May 2021G so that the term would be seven (7) years, starting from 1 June 2021G and ending on 31 May 2028G (the "**First Period**"). The Agreement shall automatically renew for the same term and under the same conditions, unless either party gives the other a written notice to terminate the Agreement within a period of no less than six (6) months prior to the end of the First Period, or if either party terminates the Agreement for the reasons outlined below.
Termination	• The Company may terminate the Agreement in its entirety or in part in the event that SACC fails to pay the fee for the services. • SACC may terminate the Agreement only in the event that there is a material and continuous breach of the services agreed upon by the Company for a reasonable period of time, if the Company fails to remedy such breach during the notice period agreed upon under the Agreement, with the Company's failure to do so having to be proven in accordance with a number of criteria set out in the Agreement and after a meeting is held between the two parties according to the terms of the Agreement.
Liability and Indemnity	• The limits of liability outlined in the Main Agreement (described above) shall apply. For certain types of aircraft, the maximum liability is USD 1,500,000 (or SAR 5,625,000) per incident. • If customs or other Government authorities impose fines or penalties on SACC as a result of the Company's conduct or negligence, the Company shall indemnify SACC for the same. • The Company shall be liable for any damages to the cargo loading unit, if it is established that the damage was caused by the Company.
Value and Payment Method	There is no set value; services are paid for on demand and in accordance with the prices laid out in the Agreement. The total amount received by the Company under this Agreement in the financial year ended 31 December 2022G was SAR 264,000,000. All services set out in the Agreement are subject to the following fees: • All fees are calculated based on the total weight listed in the shipment list. • Prices will be set and will remain unchanged for the first five years, commencing as of 1 June 2021G, following which the two parties will consult and conduct a comprehensive assessment of the market conditions.
Applicable Law and Settlement of Disputes	This Agreement shall be governed by the laws applicable in KSA. Any disagreements or disputes that arise from the implementation and application of the provisions of this Agreement shall be settled through negotiation between the two parties. If a settlement cannot be reached within the notice period specified in the Agreement, the disagreement or dispute shall be referred to the competent court in Jeddah, KSA.
Assignment and Subcontracting	• The Company may assign any of the agreed services to subcontracting companies. However, the Company shall notify SACC of any subcontracting and shall be liable to SACC for all work performed by such subcontracting party as if the Company had performed the services itself. • Additionally, the Company shall be responsible for ensuring that the subcontractor complies with all statutory and regulatory requirements for the provision of subcontracted services.

Table (12.5): Ground Service Agreement with Emirates Airlines

Ground Service Agreement with Emirates Airlines[12]	
Background	In 2013G, SACC entered into an agreement with Emirates Airlines, which was assigned from SACC to the Company on 1 January 2020G pursuant to an Assignment Agreement between SACC, the Company and Emirates Airlines. As a result, the Company assumes all responsibilities and obligations under the Agreement from the effective date of the Assignment Agreement, as if the Company had been a party to the Agreement from the date of its signing. Pursuant to this Agreement, the Company is required to offer a variety of ramp handling services for flights operated by Emirates Airlines at the following airports in the Kingdom: Riyadh, Jeddah, Medina and Dammam.
Term	Pursuant to an amendment agreement, the term of the Agreement was amended and shall remain effective until 30 June 2026G.
Termination	Either party may, at any time, terminate the Agreement by providing the other party with a written notice within a period of no less than 60 days.
Applicable Law and Settlement of Disputes	This agreement shall be governed by the applicable laws and regulations in KSA. Any disagreements or disputes arising from the implementation and application of the provisions of this Agreement shall be settled through negotiation between the two parties. If a settlement cannot be reached within the notice period specified in the Agreement, the disagreement or dispute shall be referred to the competent court in Jeddah, KSA.
Assignment and Subcontracting	The Company may assign any of the agreed services to subcontractors, and the Company shall notify the regional client of any subcontracting, in which it shall be liable to Emirates Airlines for all works performed by such subcontractor as if the Company had performed the services itself.

Table (12.6): Ground Service Agreement with Qatar Airways

Ground Service Agreement with Qatar Airways	
Background	In April 2021G, the Company entered into an agreement with Qatar Airways pursuant to which it offers a variety of a cargo handling services for flights operated by Qatar Airways at the following airports in the Kingdom: Riyadh, Jeddah, Medina, Dammam and domestic airports in KSA. Some services are performed by a third party for an additional fee (such as crew transfer between the aircraft and airport terminals).
Term	The term of the Agreement is five (5) years, commencing from 14 January 2021G to 13 January 2026G, unless either party provides the other with a written notice of no less than sixty (60) days to terminate the Agreement.
Termination	• The Company may terminate the Agreement in the event Qatar Airways fails to pay the service fees. • Qatar Airways may terminate the Agreement if the Company breaches its contractual obligations and fails to remedy such breach within sixty (60) days of receiving a written notice of the breach from Qatar Airways. • Either party may, at any time, terminate the Agreement by giving the other party a 90-day prior written notice.
Liability and Indemnity	The limits of liability outlined in the Main Agreement above shall apply.
Value and Payment Method	There is no set value; services are paid for on demand and in accordance with the prices laid out in the Agreement. The total amount received by the Company under this Agreement in the financial year ended 31 December 2022G was SAR 30,914,000. All services set out in the Agreement are subject to the following fees: • All fees are calculated based on the total weight listed in the shipment list. • In the event of any significant modifications to the necessary handling procedure, Qatar Airways' flight schedule, the mode of air transport, the frequency, or other changes, either party may request price adjustments.
Applicable Law and Settlement of Disputes	This agreement shall be governed by the applicable laws and regulations in KSA. Any disagreements or disputes that may arise from the implementation and application of the provisions of this Agreement shall be settled through negotiation between the two parties. If a settlement cannot be reached within the notice period specified in the Agreement, the disagreement or dispute shall be referred to the competent court in Jeddah, KSA.
Assignment and Subcontracting	The Company may assign any of the agreed services to subcontractors and it shall notify Qatar Airways of any subcontracting, in which it shall be liable to Qatar Airways for all works performed by such subcontractor as if the Company had performed the services itself.

12 Details of certain provisions of the Agreement have not been disclosed, as the other party considers such information to be sensitive commercial information.

12.5.2 Consultancy Contracts and Construction Contracts

The Company has entered into various consultancy and construction contracts with third parties for the provision of consulting, contracting and development services related to cargo terminals and handling and cargo systems. Below is a brief summary of the main terms of such contracts:

Table (12.7): Consultancy Services Contract for the New Cargo Terminal and Cargo Handling Systems at KAIA in Jeddah

Consulting Services Contract for the New Cargo Terminal and Cargo Handling Systems at KAIA in Jeddah	
Contract Conclusion Date	3 July 2018G
Employer:	The Company (on 27 April 2020G, an agreement was entered into between each of SACC, the Company, and AECOM Arabia Limited Company in order to transfer this contract from SACC to the Company. The Company assumes all responsibilities and obligations under the contract from the date of the Transfer Agreement as if the Company were a party to the contract from the date of signing).
Contractor/ Consultant:	AECOM Arabia Limited Company.
Value:	Twenty-four million, seven hundred and three thousand, nine hundred and ninety-seven Saudi Arabian Riyals (SAR 24,703,997), inclusive of VAT.
Work Commencement Date:	3 July 2018G
Work Completion Date:	48 months from the work commencement date (subject to the below extensions). It should be noted that the nature of the contracting agreements concluded by the Company does not include an expiry date, but instead the period is related to the execution of the agreed works. Accordingly, the Agreement remains valid between the two parties until it is terminated according to the terms of termination described in the summary
Contract Extensions/ Amendments:	According to the latest renewal of the Contract, which took place pursuant to an addendum that was signed on 26/04/2021G, the Contract was extended until 31October 2023G. It was also agreed that the value of the Contract would be increased from SAR 24,703,997 to SAR 34,777,248.81 (exclusive of VAT). On 16 July 2022G, the transitional period of the Contract was extended exclusively until 30 September 2022G, without the imposition of any financial obligations on the Company. In October 2020G, the Contract was amended to include additional services including support engineering services, project management and supervision of finishing works in the New Cargo Terminal at KAIA in Jeddah. The value of the added services was three million, six hundred and five thousand, seven hundred and twelve Saudi Arabian Riyals (SAR 3,605,712), exclusive of VAT.
Conditions for the Imposition of Fines/ Delay Penalties:	N/A
Performance Bond Terms:	N/A
Applicable Law:	The laws of KSA.
Termination and Work Suspension:	1- At any time, the Employer may terminate the Contract with immediate effect or discontinue the performance of the services by providing the Consultant with a written notice. In such case, the Consultant shall make prompt arrangements to discontinue the provision of services and save costs. 2- The Employer may terminate the Contact by providing the Consultant with a 14-day written notice if the Consultant breaches its obligations to the Employer without valid reason and fails to remedy the breach within twenty-one (21) days of being notified of the same by the Employer. 3- The Consultant may terminate the Contract if the Employer discontinues work for more than consecutive 182 days without giving the Consultant notice to resume work. 4- The Consultant may discontinue the work and suspend performance of all or part of the services by providing the Employer with a 14-day notice if the Consultant does not receive payment for the invoiced amounts under the Contract within 30 days of the due date for payment.

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Consulting Services Contract for the New Cargo Terminal and Cargo Handling Systems at KAIA in Jeddah	
Other Key Terms:	1- In order to transfer the entire Contract to any third party, the Employer shall obtain the consent of the Consultant. 2- All items provided by the Employer to the Consultant or which the Employer paid for use by the Consultant shall remain the property of the Employer. The Consultant shall hand over such items to the Employer upon the latter's request or upon termination of the Contract. 3- The Employer may reject any part of the work or invoices submitted by the Consultant which the Employer deems do not comply with the terms of the Contract. 4- The Consultant shall indemnify the Employer and its personnel for all liabilities, losses, damages and costs arising out of any intentional or unlawful act or default or any breach of the Contract. The Consultant's liability period shall commence from the date the Contract is signed until the date a certificate for performance of all work under the Contract for Development of the New Cargo Terminal at KAIA in Jeddah is issued (for further details, please see Table 12.9 ("**Contract for Development of the New Cargo Terminal at KAIA in Jeddah**") of this Prospectus), or until the issuance of a certificate for performance of all work under the Contract for Establishment of the Material Handling System for the Cargo Terminal Project at KAIA in Jeddah (for further details, please see Table 12.8 ("**Contract for Establishment of the Material Handling System for the Cargo Terminal Project at KAIA in Jeddah**") below), whichever is later. 5- The Consultant's liability shall be capped at five million US dollars (USD 5,000,000) (or SAR 18,750,000). 6- Disputes shall initially be referred to the representatives of the parties to be discussed and resolved amicably, failing which such dispute shall be resolved by arbitration in Jeddah under the ICC Arbitration Rules.

Table (12.8): Construction Contract – Contract for Establishment of the Cargo Handling System for the Cargo Terminal Project at KAIA in Jeddah

Construction Contract – Contract for Establishment of the Cargo Handling System for the Cargo Terminal Project at KAIA | Jeddah	
Contract Conclusion Date	25 November 2018G.
Employer:	The Company (the contract was transferred to the Company pursuant to the Assignment Notice issued by SACC to the Contractor on 25/11/2019G and the Contractor's acknowledgement of receipt on 02/12/2019G).
Contractor/ Consultant:	SD Middle East LLC
Value:	SAR 109,050,000 (exclusive of VAT)
Work Commencement Date:	The date specified by the Employer and notified to the Contractor (i.e., 25/11/2018G)
Work Completion Date:	Section I: A maximum of 736 days from the work commencement date (i.e., 25/11/2018G), whereby all works in connection with Section I must be completed. Section II: A maximum of 1,570 days from the work commencement date (i.e., 25/11/2018G). It should be noted that the works for Section II are still underway and the Company is currently working on amending the scope of the Agreement with respect to the Section II by agreement with the Contractor. It should be noted that the nature of the contracting agreements concluded by the Company does not include an expiry date, but instead the period is related to the execution of the agreed works. Accordingly, the Agreement remains valid between the two parties until the implementation of Section II is completed or terminated according to the terms of termination described in the summary.
Contract Extensions/ Amendments:	Pursuant to the terms of the Contract, the Contractor may request an extension of the deadline for completion of the works if delivery of the works will be delayed (subject to the Contractor's reasonable efforts to avoid such delay) in certain circumstances, including the existence of unforeseen events relating to the availability of personnel or goods as a result of epidemics or governmental measures.
Conditions for the Imposition of Fines/ Delay Penalties:	If the Contractor delays delivery of the work past the completion date, it will be liable to a fine of 0.1% of the agreed Contract value for each day that the Contractor is delays delivery of the work, up to a maximum of 15% of the agreed Contract value.
Performance Bond Terms:	For each section of the work, the Contractor shall provide a performance bond equal to 15% of the agreed Contract value.
Applicable Law:	The laws of KSA

Construction Contract – Contract for Establishment of the Cargo Handling System for the Cargo Terminal Project at KAIA | Jeddah	
Termination and Work Suspension:	• The Employer may suspend the works in full or in part. During the suspension period, the Contractor shall safeguard and maintain the works. If the suspension lasts longer than 270 days and the Employer does not agree to proceed with the works after being notified within twenty-eight (28) days of the same, the Contractor may remove the part of the works related to the suspension from the scope of its work if the suspension relates to certain parts of the works only, or it may terminate the Contract if the suspension relates to the entire works. • If the Employer does not pay the Contractor's dues within twenty-one (21) days from notification of non-payment by the latter, the Contractor shall have the right to discontinue the works. • The Employer may terminate the Contract in a number of circumstances through a 14-day written notice, including if the Contractor breaches the terms of the performance bond set out in the Contract or fails to respond to a notice to remedy any breach of the Contract; if the Contractor subcontracts the entire works or transfers the Contract without the Employer's written consent; or if the Contractor becomes bankrupt or undergoes a similar proceeding. • The Contractor may terminate the contract through a 28-day written notice if it does not receive the amount due within the timeframes specified in the Contract, or if the work suspension lasts for a prolonged period as set forth above and such prolonged suspension affects the entire works.
Other Key Terms:	1- AECOM Arabia Limited Company has been appointed as the Supervising Engineer for the Contract. 2- For a period of two years following the date the work receipt certificate is issued, the Contractor shall be responsible for and shall guarantee the works. Throughout the guarantee period, the Contractor shall repair and remedy all defects. The Contractor shall perform such remedial work at its own expense, unless the defect is not due to the Contractor being in breach of the Contract, the design works, the materials used in the works, the quality of craftsmanship, etc. 3- The Engineer may, in the interest of the Employer, reject any part of the work or any portion of the submitted work of the Contractor that does not adhere to the terms of the Contract or contains errors, and the Contractor shall remedy such works. 4- In order to transfer the Contract to any third party, the Employer shall obtain the consent of the Contractor. 5- The Contractor shall indemnify the Employer and its personnel for all liabilities, losses, damages and costs pertaining to the following: • Physical damages, illnesses and death caused by the design, implementation, completion and remedy of the works, unless this is attributable to the Employer or its personnel. • Property-related losses and damages that result from the design, implementation, completion and remedy of the works, or are in any way attributable to the actions of the Contractor or its employees, or to a breach or default by the Contractor. 6- With the exception of certain circumstances, the Contractor's liability shall be capped at an amount equal to 130% of the Contract value. 7- Disputes shall initially be referred to the representatives of the parties to be discussed and resolved amicably, failing which such dispute shall be resolved by arbitration in Jeddah under the ICC Arbitration Rules.

Table (12.9): Construction Contract: Contract for Development of the New Cargo Terminal at KAIA in Jeddah

Construction Contract: Contract for Development of the New Cargo Terminal at KAIA in Jeddah	
Contract Conclusion Date	25 November 2018G
Employer:	SACC (the contract was transferred from SACC to the Company on 25/11/2019G).
Contractor/ Consultant:	Al Bawani Co. LTD
Value:	SAR 354,526,236 (inclusive of VAT)
Work Commencement Date:	The date on which the Employer issued the work commencement notice (i.e. 25/11/2018G).
Work Completion Date:	Section I (North Terminal): Section I related work was completed on 31 May 2021G. Section II (South Terminal): 546 days from the date on which the Employer issues the Notice to Proceed (NTP) for Section II (i.e., on 03/03/2022G). The Agreement expires on 31/08/2023G. It should be noted that the nature of the contracting agreements concluded by the Company does not include an expiry date, but instead the period is related to the execution of the agreed works. Accordingly, the Agreement remains valid between the two parties until it is terminated according to the terms of termination described in the summary.

Construction Contract: Contract for Development of the New Cargo Terminal at KAIA in Jeddah	
Contract Extensions:	Pursuant to the terms of the Contract, the Contractor may request an extension of the deadline for completion of the works if delivery of the works will be delayed (subject to the Contractor's reasonable efforts to avoid such delay) in certain circumstances, including the existence of unforeseen events relating to the availability of personnel or goods as a result of epidemics or governmental measures.
Conditions for the Imposition of Fines/ Delay Penalties:	If the Contractor delays delivery of the works past the completion date, it will be liable to a fine of 0.05% of the agreed Contract value for the relevant Section for each day or part of the day that the Contractor delays delivery of the works, up to a maximum of 10% of the agreed Contract value.
Performance Bond Terms:	For each section of the works, the Contractor shall provide a performance bond equal to 10% of the agreed Contract value. The Employer has the right to withhold 10% of the value of the relevant invoice, to be released to the Contractor in part upon issuance of the work handover certificate and in full upon issuance of the work completion certificate.
Applicable Law:	The laws of KSA
Termination and Work Suspension:	• The Engineer may suspend the works in full or in part. During the suspension period, the Contractor shall safeguard and maintain the works. If the suspension lasts longer than 84 days and the Engineer does not agree to proceed with the works after being notified within 56 days of the same, the Contractor may remove the part of the works related to the suspension from the scope of its work if the suspension relates to certain parts of the works only, or it may terminate the Contract if the suspension relates to the entire works. • If the Employer does not pay the Contractor's dues within forty-five (45) days from notification of non-payment by the latter, the Contractor shall have the right to discontinue the works. • The Employer may terminate the Contract in a number of circumstances through a 14-day written notice, including if the Contractor breaches the terms of the performance bond set out in the Contract or fails to respond to a notice to remedy any breach of the Contract; if the Contractor subcontracts the entire works or transfers the Contract without the Employer's written consent; or if the Contractor becomes bankrupt or undergoes a similar proceeding. • The Contractor may terminate the Contract through a 28-day written notice if the Engineer fails, within fifty-six (56) days of receipt of the invoice and supporting documents, to issue the relevant payment certificate, or if the Employer fails to issue the work commencement notice within the specified timeframes, or if the Employer becomes bankrupt or insolvent, or enters into liquidation or other similar proceeding.
Other Key Terms:	1- AECOM Arabia Limited Company has been appointed as the Supervising Engineer for the Contract. 2- The implementation and design of the works shall be the Contractor's responsibility. The Contractor shall guarantee the work for 365 days following the date the work receipt certificate is issued. Additionally, the Contractor must complete any required work that was not finished on the date of work handover to the Employer (and that was indicated as unfinished on that date) according to the schedule that the Engineer deems appropriate. Throughout the guarantee period, the Contractor shall repair and remedy all defects. The Contractor shall perform such remedial work at its own expense, unless the defect is not due to the Contractor being in breach of the Contract, the design works, the materials used in the works, the quality of craftsmanship, etc. 3- The Contractor shall receive an advance payment of 10% of the total Contract value for each Section against the advance payment guarantee. 4- The Engineer may, in the interest of the Employer, reject any part of the work or any portion of the submitted work of the Contractor that does not adhere to the terms of the Contract or contains errors, and the Contractor shall remedy such works. 5- The Contractor shall indemnify the Employer and its personnel for all liabilities, losses, damages and costs pertaining to the following: • Physical damages, illnesses and death caused by the design, implementation, completion and remedy of the works, unless this is attributable to the Employer or its personnel. • Property-related losses and damages that result from the design, implementation, completion and remedy of the works, or are in any way attributable to the actions of the Contractor or its employees, or to a breach or default by the Contractor. 6- With the exception of certain circumstances, the Consultant's liability shall be capped at an amount equal to 130% of the Contract value. 7- The Employer may transfer the Contract to a third party without the consent of the Contractor. 8- Disputes shall initially be referred to the representatives of the parties to be discussed and resolved amicably, failing which such dispute shall be resolved by arbitration in Jeddah under the ICC Arbitration Rules.

12.5.3 Air Cargo Facilities Leases at Key Locations

The Company has entered into a number of leases with GACA and airport companies to rent a number of air cargo facilities and sites at Key Locations. Such leases were entered into in accordance with the Civil Aviation Tariff Law and its Implementing Regulations. In general, the Civil Aviation Tariff Law and its Implementing Regulations stipulate general provisions with regard to the lease of sites at airports, including adjustment of the leased area and the annual rent, extension of leases and increase of the rental amount upon renewal of the lease.

The following is a summary of the Company's leases at Key Locations:

12.5.3.1 Lease with Riyadh Airports Company - KKIA

The Lease Agreement was initially entered into between GACA, represented by Riyadh Airports Company, and SACC on 18/01/2017G. The Lease was later transferred from SACC to the Company under an assignment agreement concluded between Riyadh Airports Company, the Company and SACC on 01/01/2020G.

Pursuant to the Lease Agreement, the Company rented (1) an area of 40,500m2 at the AM2 cargo facility (86.40m2 was added thereafter) and (2) land with a total area of 42,500 m2for the purpose of investing such land and building the air cargo facility thereon. The Lease term for the leased sites mentioned in (1) and (2) above is twenty-five (25) years, commencing on 01/02/2017G and ending on 30 April 2042G (due to a three-month extension to the Lease term that was granted during 2020G as a result of the COVID-19 pandemic, thus the Lease term shall end on 30 April 2042G instead of 31 January 2042G). As at the date of this Prospectus, the area of the leased facilities at KKIA is 83,086 m 2.

The annual rental amount of the leased cargo facilities shall be in accordance with the air cargo facility rates and areas specified in the Implementing Regulations of the Civil Aviation Tariff Law. Pursuant to the Lease Agreement, the Company is obligated to pay a lump sum of SAR 125 per ton, according to the capacity of the AM2 cargo facility, and an inflation rate of 6% is to be added every five years. The Lease specifies the minimum lease amount for the lease term in the event that the percentage of ground sales falls below the amounts specified in the Lease Agreement. In addition, the annual rent for the land shall be the higher of 6% of the total annual revenue for the provision of cargo handling services at the refrigerated and outbound cargo center that are not handled or counted towards the cargo handled in the AM2 cargo terminal or the minimum annual guarantee payments specified under the Lease Agreement. The Lease Agreement specifies the minimum lease amount for the Lease term in the event that the percentage of ground sales falls below the amounts specified in the Lease. In the event that the Company delays payment of the Lease amount past the due date, it shall pay a delay fine of 10% of the total annual rent due for each month of delay or part thereof.

Pursuant to the Lease Agreement, the Company is obligated to provide a bank guarantee of a value equivalent to twenty percent (20%) of the annual rent (average total guaranteed minimum for the two sites) valid for a renewable period of five years, provided that the renewal and/or release of such guarantee shall be the exclusive right of Riyadh Airports Company until the end of the Lease validity period plus 90 days following its expiry date to cover the costs of rehabilitating the facility after the Company has vacated it and/or collection of any financial dues incurred by the Company in favor of the airport. In compliance with the same, the Company provided an irrevocable bank guarantee in favor of the Riyadh Airports Company, with a value of SAR 11,470,400 million, valid until 10/01/2023G. Riyadh Airports Company has the right to confiscate the provided bank guarantee if, after granting the Company a period of thirty (30) days to pay its dues, it fails to make payment thereof. In the event of a default, if the Company has not paid its dues, the airport administration has the right to seize all of the Company's property, including, for example, equipment, cars, machinery, furnishings, etc., in order to fulfil the financial dues owed to it.

Riyadh Airports Company reserves the right to recover part of the leased areas only if it deems the same necessary for airport operations or for public interest. The Company may claim compensation for the value of its investments in the recovered part and the impact of such recovery on the entire project. Compensation shall be agreed upon between the two parties, taking into account the depreciation of the supplied equipment and fittings and the executed works. Pursuant to the Lease Agreement, ownership of all new constructions, installations and fixed assets will be transferred to Riyadh Airports Company upon expiration of the Lease Agreement.

Under Appendix E of the Lease Agreement, the Company is committed to signing a service level agreement with Riyadh Airports Company. Accordingly, a service level agreement was executed between SACC and Riyadh Airports Company on 24/05/2018G for a period of (3) years, renewable by agreement. This Agreement stipulates the levels of service required from the Company in relation, inter alia, to: (1) personnel and their training, (2) Saudization levels, (3) cargo equipment and supplies and (4) cargo operations. As at the date of this Prospectus, the Service Level Agreement has not been waived by SACC to the Company.

Riyadh Airports Company may, without bearing any responsibility, terminate the Lease after providing the Company with a written notice of at least ninety (90) days, provided that such termination shall be upon the two parties' acknowledgement of the Company's breach of the terms and conditions of the Lease Agreement, after Riyadh Airports Company has notified the Company of the details of the breach in writing and has granted it a period of no less than 90 days to remedy such breach. In the event of termination of the lease due to such breach, Riyadh Airports Company shall have the right to seize the leased sites equivalent to the value of the sums due from the Company until those sums are paid. After granting the Company a sufficient period to pay its financial dues, it has the right to sell the seized items to regain its financial dues from the value thereof.

The Company may not sublease the leased sites or any part thereof, nor may it assign its right therein or transfer such right to any other person, nor may it relinquish its possession or occupation of the leased sites or any part thereof without obtaining prior written consent from the airport administration.

The Lease Agreement is governed by the laws of KSA, and any dispute arising therefrom shall be referred to the competent judicial authorities.

12.5.3.2 Lease with Jeddah Airports Company - KAIA

The Lease Agreement was initially entered into between GACA and SACC on 10/06/1438H (corresponding to 09/03/2017G). The Lease was later transferred from SACC to the Company pursuant to an assignment agreement concluded between GACA and the Company on 01/01/2020G. The Lease Agreement was then transferred from GACA to Jeddah Airports Company on 01/01/2022G.

As at the date of this Prospectus, the leased area is 131,120 m2, representing undeveloped land on which the Company is building the air cargo facility, which is expected to be completed in 2023G. The Lease term is twenty-five (25) Gregorian years, commencing on 01/04/2017G and ending on 11/11/2042G. Such date was amended under Appendix 3 for the Lease to become effective as of 12/11/2018G and expire as of 11/11/2043G (with a grace period starting from 12/11/2018G for three years until 11/11/2021G). Pursuant to the Lease Agreement, ownership of all new constructions, installations and fixed assets will be transferred to Jeddah Airports Company upon expiration of the Lease.

The annual rental amount of the leased premises shall be in accordance with the air cargo facility rates and areas specified in the Implementing Regulations of the Civil Aviation Tariff Law. The price per square meter of land from the fourth to the eighth year shall be SAR 21.81, and an inflation rate of (6%) is to be added every five (5) years to the price per square meter from the ninth year onwards. In addition, the Lease stipulates an income-sharing ratio for Jeddah Airports Company as part of the land lease fees whenever the Company's total annual revenue exceeds the guaranteed minimum annual rent, based the cargo handled as follows: 2% for the period from 4 to 8 years, 2.5% for the period from 9 to 13 years, 3.5% for the period from 14 to 18 years, 4.5% for the period from 19 to 23 years, and 5% for the period from 24 years and over. In the event that the Company delays payment of the Lease amount past the due date, it shall pay a delay fine of 10% of the total annual rent due for each month of delay or part thereof.

Pursuant to the Lease Agreement, the Company is obligated to provide a bank guarantee in favor of Jeddah Airports Company at a value equivalent to twenty percent (20%) of the average annual rent, valid for a renewable period of five years, provided that the renewal and/or release of such guarantee shall be the exclusive right of the GACA to cover the costs of rehabilitating the facility after the Company has vacated it and/or collection of any financial dues incurred by the Company in favor of the airport. The Company is also obligated to provide a bank guarantee of fifty percent (50%) of the value of the average annual rent, valid for a renewable period of five years, provided that the renewal and/or release of such guarantee shall be the exclusive right of the GACA, in order to ensure that the Company pays half of the annual rent on the due date. In compliance with the same, the Company has provided two irrevocable bank guarantees in favor of Jeddah Airports Company, with a value of SAR 6,442,369 million and SAR 2,576,948 million, valid until 10/01/2023G. The airport administration has the right to confiscate the provided bank guarantee if, after granting the Company a period of thirty (30) days to pay its dues, it fails to make payment thereof. In the event of a default, if the Company has not paid its dues, the airport administration has the right to seize all of the Company's property, including, for example, equipment, cars, machinery, furnishings, etc., in order to fulfil the financial dues owed to it.

The airport administration reserves the right to recover part of the leased areas only if it deems the same necessary for airport operations or for public interest. The Company may claim compensation for the value of its investments in the recovered part and the impact of this recovery on the entire project. Compensation shall be agreed upon in writing between the two parties, taking into account the market price of the facility at the time of the agreement.

Jeddah Airports Company may, without bearing any responsibility, terminate the Lease Agreement after providing the Company with a written notice of at least ninety (90) days, provided that such termination shall be upon the two parties' acknowledgement of the Company's breach of the terms and conditions of the Lease, after the airport administration has notified the Company of the details of the breach in writing and has granted it a period of no less than 90 days to remedy such breach. In the event of termination of the lease due to such breach, the airport administration shall have the right to seize the leased sites equivalent to the value of the sums due from the Company until those sums are paid. After granting the Company a sufficient period to pay its financial dues, it has the right to sell the seized items to regain its financial dues from the value thereof.

The Company may not sublease the leased sites or any part thereof, nor may it assign its right therein or transfer such right to any other person, nor may it relinquish its possession or occupation of the leased sites or any part thereof without obtaining prior written consent from the airport administration.

The Lease shall be governed by the laws of KSA, and any dispute arising therefrom shall be referred to the competent judicial authorities.

12.5.3.3 Lease with Tibah Airports Operations Company - PMIA

The Lease Agreement was initially entered into between Tibah Airports Operations Company and SACC on 01/04/2015G. The lease was later transferred from SACC to the Company under an assignment agreement concluded between Tibah Airports Operations Company, the Company and SACC on 01/01/2020G.

Pursuant to the Lease, the Company rented air cargo buildings at PMIA with a total area of 1,902 m2. The Lease term is one Gregorian year commencing on 01/04/2015G and ending on 01/04/2016G. The Lease is automatically renewable for a similar period unless one of the parties thereto notifies the other in writing of its desire not to renew the Lease within a period of no less than 60 days from the expiration of the Lease. The annual rent for the leased area is SAR 2,285,520 and is subject to a yearly review by Tibah Airports Operations Company. If the Company fails to pay any amount due under the Lease, it shall pay a delay fine of ten percent (10%) of the annual rent per year. Due to the construction works at PMIA, Tibah Airports Operations Company may modify or change the area leased to the Company.

Pursuant to the Lease Agreement, the Company is obligated to provide a bank guarantee letter from a bank in a form acceptable to Tibah Airports Operations Company, or to deposit a cash amount equal to 50% of the annual rent.

Tibah Airports Operations Company has the right to terminate the Lease Agreement by providing the Company with a written notice in cases of breach specified in the Lease Agreement, which include, inter alia, the Company's failure to pay the annual rent and the continuation of the breach for a period of 20 days, and in the event the Company breaches any of its obligations under the Lease and does not rectify the same within a period of 30 days from receiving notice from Tibah Airports Operations Company. The Lease stipulates the adoption and linkage of the Lease to the Concession Agreement concluded between GACA and Tibah Airports Operations Company. If the Concession Agreement is terminated for any reason before the expiration of the Tibah Airports Operations Company operating period for PMIA, the Lease Agreement will be terminated automatically and SAL will not be entitled to file any claims against Tibah Airports Operations Company, including, inter alia, claims for loss and damages. Pursuant to the Lease Agreement, GACA has the right, at its sole discretion and without any obligation, to request the Lease be transferred from Tibah Airports Operations Company to GACA upon termination or expiration of the Concession Agreement.

The Company may not sublease, mortgage or sell the leased sites or any part thereof, nor may it transfer its rights therein to any other person without obtaining prior written consent from Tibah Airports Operations Company.

The Company also entered into a Service Level Agreement with Tibah Airports Operations Company, the term of which is the same as the Lease term signed between the Company and Tibah Airports Operations Company. The Agreement stipulates the levels of service required from the Company in relation, inter alia, to: (1) personnel and their training, (2) cargo equipment and supplies and (3) cargo operations.

The Lease Agreement is governed by the laws of KSA, and any dispute arising therefrom shall be referred to the competent judicial authorities.

12.5.3.4 Lease with Jeddah Airports Company - KAIA

The lease Agreement was initially entered into between GACA and SACC on 29/02/1435H (corresponding to 01/01/2014G). The Lease was later transferred from SACC to the Company on 21/12/2020G. The Lease was then transferred from GACA to Jeddah Airports Company on 09/12/2021G.

As at the date of this Prospectus, the leased area is 10,000 m2. The original Lease term was 3 years. The Lease has been renewed multiple times since and is due to expire on 18 July 2023G. The Lease is automatically renewable on an annual basis unless one of the parties thereto notifies the other in writing 30 days prior to the expiry of its term of its desire not to extend the Lease. Ownership of all new constructions, installations and fixed assets will be transferred to Jeddah Airports Company upon expiration of the Lease.

The annual rental value is SAR 990,000. In the event that the Company delays payment of the Lease amount past the due date, it shall pay a delay fine not exceeding 30% of the total annual rent.

Jeddah Airports Company may terminate the Lease if the Company fails to pay rental dues within 120 days of their due date. In addition, Jeddah Airports Company has the right to terminate the Lease in the event that the Company fails to implement or fulfil the provisions of the Lease and does not rectify such failure, if the same is rectifiable, within 30 days of the date of the notice submitted by Jeddah Airports Company to the Company. The airport administration shall have the right to seize the leased sites equivalent to the value of the sums due from the Company until those sums are paid. After giving the Company a period to pay its financial dues, it has the right to sell the seized items to regain its financial dues from the value thereof.

Pursuant to the Lease Agreement, the Company provided an irrevocable bank guarantee in favor of Jeddah Airports Company, with a value of SAR 769,196 thousand, valid until 01/06/2025G.

The Company may not sublease the leased sites or any part thereof, nor may it assign its right therein or transfer such right to any other person, nor may it relinquish its possession or occupation of the leased sites or any part thereof without obtaining prior written consent from the airport administration.

The Lease Agreement is governed by the laws of KSA, and any dispute arising therefrom shall be referred to the competent judicial authorities.

12.5.4 Other Material Agreements

Table (12.10): Service Agreement with Saudi Tabreed District Cooling Company

Services agreement with Saudi Tabreed District Cooling Company ("Saudi Tabreed")	
Background	The Company entered into an agreement with Saudi Tabreed where it is required to provide services to upgrade the chilled water system at the Company's new cargo terminal at KAIA.
Term	14 months commencing from 1 November 2020G. The agreement was extended until 15 August 2023G pursuant to an amendment addendum.
Termination	• In the event that the Company wishes to terminate the agreement, it must pay 100% of the costs for all completed and accepted works. • If Saudi Tabreed fails to perform any obligation under the agreement, the Company may request rectification of the failure through a written notice of no less than fifteen (15) days. If such failure is not rectified within ninety (90) days, the Company shall have the right to terminate the agreement immediately thereupon.
Key Obligations	• The Company shall grant Saudi Tabreed access to (and use of) the site (i.e., the place where the services are to be provided) for as long as is necessary for Saudi Tabreed to carry out the works in accordance with the timeframe specified in the agreement. The Company shall also provide Saudi Tabreed with all information, documents and drawings required by it to perform the scope of its work under this agreement. • Saudi Tabreed undertakes to proceed with work regularly in order to complete each project phase on or prior to the completion date.
Liability and Indemnity	Saudi Tabreed ensures that the works: • have been constructed and installed with all the skills and care expected of a professional and qualified contractor with experience in the construction, operation and maintenance of cooling plants and auxiliary equipment of the same nature and difficulty as the work provided under this agreement. • shall be conducted in a safe and environmentally responsible manner and Saudi Tabreed shall comply with the Company's safety, health and security requirements as may be notified from time to time. • Saudi Tabreed shall comply with the requirements set out in the work schedule appended to agreement.
Value	SAR 51,260,200 (exclusive of VAT)
Applicable Law and Settlement of Disputes	This agreement shall be governed by the laws and regulations applicable in KSA. Any disagreements or disputes that may arise from the implementation and application of the provisions of this agreement shall be settled through negotiation between the two parties. If a settlement cannot be reached within the notice period specified in the agreement, the disagreement or dispute shall be referred to the competent court in Jeddah, KSA.

Table (12.11): Contract to Provide Support Services and Specialised Labor at PMIA and KAIA with Saleh Hossain Salem Al Salamah Company

Contract to Provide Support Services and Specialised Labor at PMIA and KAIA with Saleh Hossain Salem Al Salamah Company ("the Second Party")	
Background	SACC and Saleh Hossain Salem Al Salamah Company entered into a contract for the provision of support services and specialized labor at the cargo terminal at PMIA and the cargo terminal at KAIA on 16/12/1439H (corresponding to 28/08/2018G), whereby Saleh Hossain Salem Al Salamah Company undertakes ground handling work for international and domestic flights and provides specialized support services. The contract was transferred to the Company according to a notice sent by SACC to Saleh Hossain Salem Al Salamah Company on 25/11/2019G notifying it of the transfer thereof.
Contract Term	One year, commencing from 01/09/2018G and ending on 31/08/2019G in connection with the cargo terminal at PMIA, and commencing from 01/11/2018G and ending on 31/10/2019G in connection with the cargo terminal at KAIA. An amendment addendum was signed on 19/03/2023G, given that the contract in respect of the cargo terminals at PMIA and KAIA is due to expire on 30/10/2023G. The term is non-renewable unless the two parties wish to further renew it by entering into an addendum contract.
Termination	The Company has the right to terminate the contract at any time without giving any reason, provided that the Second Party is notified through a prior written notice of ninety (90) days. The Company also has the right to terminate the Contract directly with a prior written notice of five (5) days in certain cases, including the following: • If the Second Party delays in starting or completing the work, underperforms or ceases work entirely or partially. • If the Second Party quits, renounces, abandons or subcontracts the work without prior written permission from the Company. • If the Second Party breaches one of the Contact terms or refrains from executing its contractual obligations and does not remedy the same within five (5) days from being notified in writing to perform such obligations. The Second Party has the right to terminate the Contract at any time without giving any reason, provided that the Company is notified through a prior written notice of one hundred and eighty (180) days.
Liability and Indemnity	The contract contains obligations for compensation on the part of the Second Party in favor of the Company, as is customary in such arrangements.
Value	The value of the contract throughout its term is based on the Company's benefit from the services provided by the Second Party and the price per ton previously specified in the quotation. The total costs incurred by the Company in the financial year ended 31 December 2022G under this Agreement amounted to SAR 60,700,000.
Assignment and Subcontracting	The Second Party may not assign any part of the contract or any profit or interest arising out of or resulting therefrom to any third party without obtaining the prior written consent of the Company. The Second Party may not subcontract the implementation of part of the works or services without obtaining the prior written consent of the Company.
Applicable Law and Settlement of Disputes	This contract shall be governed by the laws and regulations applicable in KSA. Any disagreements or contractual disputes that may arise from the implementation and application of the provisions of this contract shall be settled through direct negotiation between the two parties. If a settlement cannot be reached, the disagreement or dispute shall be referred to the competent court in Jeddah, KSA for all degrees of litigation.

Table (12.12): Contract for Security Services at the Air Cargo Terminal of Several Airports with Bila Hudood Security & Safety Group

Contract for Security Services at the Air Cargo Terminal of Several Airports with Bila Hudood Security & Safety Group	
Background	The Company entered into a security services contract with Bila Hudood Security & Safety Group ("**Bila Hudood**") on 25/08/1437H (corresponding to 01/08/2022G), whereby Bila Hudood provides security guard services at KKIA in Riyadh, KFIA in Dammam, KAIA in Jeddah and PMIA in Medina, as well as the regional airports in (1) Hail, (2) Tabuk, (3) Jizan, (4) Qassim, (5) Taif, (6) Abha and (7) Al-Jouf.
Contract Term	Three Gregorian years, commencing from 01/06/2022G until 31/05/2025G. The contract is renewable pursuant to an appendix to the agreement to be signed by both parties which shall indicate the renewal period.
Termination	• Both parties have the right to terminate the contract in case the other party fails to implement all or some of the terms of the Agreement, provided that the other party is notified of the same two months prior to the date of termination. • The Company has the right to terminate this contract directly in the event that Bila Hudood breaches any of the terms of the contract. The Company also has the right to deduct from the dues of Bila Hudood in the event it breaches any of its contractual obligations. • The Company has the right to terminate the contract at any time without giving reason, provided that it serves Bila Hudood with a written notice of no less than 60 days. • In the event that one of the parties wishes to terminate the contract in accordance with the above, it shall liquidate the rights of the other party and hand over all of its dues on the day specified for the termination of the Agreement.

Contract for Security Services at the Air Cargo Terminal of Several Airports with Bila Hudood Security & Safety Group	
Liability and Indemnity	• The contract contains obligations for compensation on the part of Bila Hudood in favor of the Company, as is customary in such arrangements. • Bila Hudood is obligated to provide a bank guarantee equivalent to 20% of the total monthly value of the contract in a form acceptable to the Company that shall remain valid for the entire duration of the contract and any subsequent renewal thereof, plus 90 days from the contract expiration date. Bila Hudood shall also provide a certificate of public liability insurance coverage.
Value	SAR 7,980 per security guard.
Applicable Law and Settlement of Disputes	The contract is governed by the laws and regulations applicable in KSA. In the event any disagreement or dispute regarding the interpretation or implementation of any of the clauses is not resolved amicably within ninety days from the date of the start of the dispute, it shall be referred to the competent courts in the city of Jeddah to adjudicate thereon.

Table (12.13): Support Services Contract with Almajal ServiceMaster Company

Support Services Contract with Almajal ServiceMaster Company ("the Second Party")	
Background	SACC and Almajal ServiceMaster Company entered into a contract for the provision of support services and specialized labor on 23/06/1440H (corresponding to 28/02/2019G), whereby the Second Party is obligated to provide support services, labor and employees at the cargo sites of SACC in all air cargo departments, sites and terminals of SACC in Riyadh, Jeddah, Dammam, and Medina. This includes the provision of SACC with workers, employees and all necessary work requirements. The contract was transferred to the Company according to a notice sent by SACC to Almajal ServiceMaster Company on 25/11/2019G notifying it of the transfer thereof.
Contract Term	One year, commencing from the date of signature on 01/03/2019G. The contract is automatically renewable for a similar period unless either party informs the other of its intention not to renew by way of a written notice sixty (60) days prior to the expiry date of the contract. The contract is still valid as at the date of this Prospectus.
Termination	The Company has the right to terminate the contract directly through prior written notice in any of the following cases: • If the Second Party delays in starting or completing the work, underperforms or ceases work entirely or partially. • If the Second Party quits, renounces, abandons or subcontracts the work without prior written permission from the Company. • If the second party breaches one of the contract terms or refrains from executing its contractual obligations and does not remedy the same within fifteen (15) days from being notified in writing to perform such obligations.
Liability and Indemnity	• The contract contains obligations for compensation on the part of the Second Party in favor of the Company, as is customary in such arrangements. • The partial liability of the Second Party for each independent incident shall be 25% of the full Contract value to pay any compensation for any damages related to any direct loss or damage suffered by the First Party or any third party as a direct result of a breach of this contract or a wrongful act or negligence on the part of the Second Party or its representatives in connection with the services provided hereunder. The Second Party's total liability for all accidents, damages and claims shall not exceed the full value of the Contract.
Value	The value of the contract is calculated according to the job category, at the hourly rate according to each employee category. The total costs incurred by the Company in the financial year ended 31 December 2022G under this Contract amounted to SAR 11,800,000.
Assignment and Subcontracting	The Second Party may not assign any part of the contract or any profit or interest arising out of or resulting therefrom to any third party without obtaining the prior written consent of the Company. The Second Party may not subcontract the implementation of part of the works or services without obtaining the prior written consent of the Company.
Applicable Law and Settlement of Disputes	This contract shall be governed by the laws and regulations applicable in KSA. Any disagreements or contractual disputes that may arise from the implementation and application of the provisions of this Contract shall be settled through direct negotiation between the two parties. If a settlement cannot be reached, the disagreement or dispute shall be referred to the competent court in KSA.

Table (12.14): Production Cargo Services Contract with Almajal ServiceMaster Company

Production Cargo Services Contract with Almajal ServiceMaster Company ("the Second Party")	
Background	The Company entered into a contract with Almajal Service Master Company for the provision of support services in Dammam on 17/05/2020G, whereby Almajal shall provide cargo support services.
Contract Term	One year, commencing from 01/06/2020G and ending on 31/05/2021G. The contract was extended by way of an amendment addendum until 01/06/2024G and is renewable by way of an amendment addendum signed by both parties.
Termination	Either party has the right to terminate the contract at any time without giving any reason, provided that the other party is notified through a prior written notice of ninety (90) days. Either party has also the right to terminate the Contract by way of a prior written notice of sixty (60) days in any of the following cases: • If the other party breaches one of the contract terms or refrains from implementing its contractual obligations and does not remedy the same within ten (10) days from being notified in writing to perform such obligations. • If the other party becomes bankrupt, requests to be declared bankrupt, is proved insolvent, is subject of an order to place it under receivership, or is judicially liquidated or dissolved.
Liability and Indemnity	• The contract contains obligations for compensation on the part of the Second Party in favor of the Company, as is customary in such arrangements. • Limitation of liability applies to the Second Party, amounting to one hundred thousand Saudi Arabian Riyals (SAR 100,000) for each act or acts of the same nature, provided that the annual limit of liability does not exceed five hundred thousand Saudi Arabian Riyals (SAR 500,000).
Value	The value of the contract is calculated according to the minimum production services in monthly tons, noting that the minimum regular monthly volume is 8,000 tons, according to the unit price per ton specified in the agreement. The total costs incurred by the Company in the financial year ended 31 December 2022G under this contract amounted to SAR 11,400,000.
Assignment and Subcontracting	The Second Party may not assign the contract in whole or in part to any of its subsidiaries without obtaining the prior written consent of the Company. The Second Party may not subcontract the implementation of part of the works or services without obtaining the prior written consent of the Company.
Applicable Law and Settlement of Disputes	The contract is governed by the laws and regulations applicable in KSA. Any disagreements or contractual disputes that may arise from the implementation and application of the provisions of this contract shall be settled by the competent court in Jeddah, KSA.

Table (12.15): Contract for the Provision of Support Services with Saleh Hossain Salem Al Salamah Company

Contract for the Provision of Support Services with Saleh Hossain Salem Al Salamah Company ("the Second Party")	
Background	The Company and Saleh Hossain Salem Al Salamah Company entered into a contract for the provision of support services on 22/04/1442H (corresponding to 07/12/2020G), whereby Saleh Hossain Salem Al Salamah Company provides cargo, unloading and operation services along with all necessary requirements in this regard in Riyadh.
Contract Term	Three (3) Gregorian years, commencing from 01/04/2021G and ending on 31/03/2024G. The contract is not automatically renewable without the written approval of the Company.
Termination	The Company has the right to terminate the contract at any time without giving any reason, provided that the Second Party is notified through a prior written notice of ninety (90) days. The Company also has the right to terminate the contract at any time by way of a prior written notice of fourteen (14) days in any of the following cases: • If the Second Party delays in starting or completing the work, underperforms or ceases work entirely or partially. • If the Second Party quits, renounces, abandons or subcontracts the work without prior written permission from the Company. • If the Second Party breaches one of the contact terms or refrains from executing its contractual obligations and does not remedy the same within five (5) days from being notified in writing to perform such obligations. The Second Party has the right to terminate the contract at any time without giving any reason, provided that the Company is notified through a prior written notice of one hundred and eighty (180) days.
Liability and Indemnity	The contract contains obligations for compensation on the part of the Second Party in favor of the Company, as is customary in such arrangements.
Value	The value of the contract throughout its term is based on the Company's benefit from the services provided by the Second Party and the specified price per ton. The total costs incurred by the Company in the financial year ended 31 December 2022G under this contract amounted to SAR 24,000.

Contract for the Provision of Support Services with Saleh Hossain Salem Al Salamah Company ("the Second Party")	
Assignment and Subcontracting	The Second Party may not assign any part of the contract or any profit or interest arising out of or resulting therefrom to any third party without obtaining the prior written consent of the Company, nor may it assign more than 50% of the Contract works. The Second Party may not subcontract the implementation of part of the works or services without obtaining the prior written consent of the Company.
Applicable Law and Settlement of Disputes	This contract is governed by the laws and regulations applicable in KSA. Any disagreements or contractual disputes that may arise from the implementation and application of the provisions of this contract shall be settled through direct negotiation between the two parties. If a settlement cannot be reached, the disagreement or dispute shall be referred to the competent court in Jeddah, KSA.

Table (12.16): Contract for the Provision of Air Cargo Services for Domestic Terminals with Saleh Hossain Salem Al Salamah Company

Contract for the Provision of Air Cargo Services for Domestic Terminals with Saleh Hossain Salem Al Salamah Company (the "Second Party")	
Background	The Company and Saleh Hossain Salem Al Salamah Company entered into a Contract for the provision of air cargo services on 12/06/2020G, whereby Saleh Hossain Salem Al Salamah Company supplies the necessary manpower to provide cargo, unloading and operation services along with all necessary requirements for the performance thereof. The Contract was amended pursuant to an amendment addendum dated 07 December 2020G and 13 December 2020G.
Contract Term	Three Gregorian years, commencing from 12/06/2020G and ending on 11/06/2023G. The contract is automatically for one year only, unless either party informs the other of its intention not to renew by way of a written notice ninety (90) days prior to the expiry date of the contract.
Termination	The Company has the right to terminate the contract at any time without giving any reason, provided that the Second Party is notified through a prior written notice of ninety (90) days. The Company also has the right to terminate the Contract with immediate effect, provided it adheres to its obligation to pay any financial dues to the Second Party for the notice period of ninety (90) days.
Liability and Indemnity	The Company disclaims any liability in case of the Second Party's violation of any applicable directives or regulations without prejudice to the Company's right to claim compensation from the Second Party for any material or in-kind damages arising as a result of such violation by the Second Party.
Value	The value of the contract throughout its term is based on the Company's benefit from the services provided by the Second Party. The total costs incurred by the Company in the financial year ended 31 December 2022G under this Contract amounted to SAR 3,500,000.
Assignment and Subcontracting	The Second Party may not assign the contract to third parties in whole or in part. The second party may not subcontract without obtaining the prior written consent of the Company.
Applicable Law and Settlement of Disputes	This contract shall be governed by the laws and regulations applicable in KSA. Any disagreements or contractual disputes that may arise from the implementation and application of the provisions of this contract shall be settled through direct negotiation between the two parties within fifteen (15) days from the date of notification of the dispute. If a settlement cannot be reached, the disagreement or dispute shall be referred to the competent court in KSA, and the decision issued thereby shall be decisive, final and binding on both parties.

Table (12.17): Agreement with SD Middle East LLC for Operation and Maintenance of the Handling System[13]

Agreement with SD Middle East LLC for the Operation and Maintenance of the Handling System	
Background	The Company has entered into an agreement with SD Middle East LLC ("SD"), pursuant to which SD provides certain operation and maintenance services to the Company for the handling system at the cargo terminal at KAIA.
Term	The agreement term is 24 months, commencing from 1 January 2021G until 31 December 2022G. The Agreement was extended until 31/12/2024G.
Termination	• The Company has the right to terminate the agreement at any time by providing SD with a prior written notice of no less than sixty (60) days. The Company shall pay all amounts and dues to SD before the date of termination in addition to the dues related to the required subcontract works/services prior to the termination notice which may not be cancelled. The Company shall also pay all termination fees in respect of administrative costs reasonably incurred by SD prior to the termination date. • The Company shall have the right to terminate the agreement with immediate effect by giving notice to SD if the latter is in material breach and does not remedy such breach within thirty (30) days after receiving notice of breach from the Company, or if SD expresses its intention not to proceed with fulfilling its contractual obligations under the Agreement.
Value	SAR 12,988,067.63.

13 The Company is currently preparing an amendment addendum to extend the term of the Agreement.

Agreement with SD Middle East LLC for the Operation and Maintenance of the Handling System	
Liability and Indemnity	• SD shall be liable for any material loss or damage it causes to the handling system and/or any other equipment or property of the Company. • SD shall not be liable for any failure to fulfil its obligations under the agreement to the extent it has reasonable justification and if it has advised the Company that it cannot reasonably remedy a structural defect and/or if SD has reasonable justification for requesting additional resources in order to remedy the defect, provided that the defect is not caused by misconduct or negligence on its part. • The agreement contains obligations for compensation on the part of SD in favor of the Company, as is customary in such arrangements. • The limit of SD's liability to the Company for any damage or loss under this Agreement in any circumstance shall be 100% of the annual value of each event and 100% of the annual value in total.
Applicable Law and Settlement of Disputes:	This agreement shall be governed by the laws and regulations applicable in KSA. Any disagreements or disputes shall be settled in accordance with the escalation procedures under Article 10 of the Agreement. If a settlement cannot be reached, the disagreement or dispute shall be referred and finally settled by arbitration under the DIFC-LCIA Rules having its seat in DIFC in accordance with Clause 34 of the Agreement which has been incorporated into this Agreement by reference.
Assignment and Subcontracting	Neither party shall have the right to waive, assign or transfer the agreement or any part thereof or any of its obligations to a third party without the prior written consent of the other party.

Table (12.18): Service Agreement with the Ministry of Culture

Service Agreement with the Ministry of Culture[14]	
Background	The Company has entered into a service agreement with the Ministry of Culture (the "**Ministry**"), under which the Company provides logistical services to the Ministry, including storage of public assets and artwork, land cargo and the provision of containers for sea and air cargo, including customs clearance and handling services (the "**Agreement**").
Term	24 months, commencing from 31 August 2022G until 30/08/2024G.
Termination	• The Ministry shall terminate the Agreement in the following cases: 1- If it appears that the Company has, by itself or through a third party, directly or indirectly, bribed an employee of the Ministry or the relevant Government agencies, or if it obtained the Agreement through bribery, fraud or manipulation, or committed any of the foregoing during the implementation of the Agreement. 2- If the Company becomes bankrupt, files for bankruptcy, or is subject to liquidation. 3- If the Company waives the Agreement without the approval of the Ministry. • The Ministry may terminate the Agreement in the following cases: 1- If the Company is late in commencing the works, slows down in the implementation thereof, or breaches any of the terms of the Agreement and does not remedy such acts within fifteen (15) days from the date of being notified in writing of the same. 2- If the Company subcontracts to implement the Agreement without the approval of the Ministry. • The Ministry may terminate the Agreement without giving any reasons, in which case it shall notify the Company of the same.
Liability and Indemnity	• The Company guarantees that it shall be fully responsible for the services and for any damage that occurs as a result of its violation of the provisions of the Agreement or the applicable regulations and directives. • The Company guarantees that it shall be liable to the Ministry for damages, claims, lawsuits, costs and expenses incurred by the Ministry as a result of poor performance in implementation of the Agreement, any negligence or misconduct by the Company, any breach of the Company's obligations under the agreement, or any breach of the laws and regulations applicable in KSA. • The Company shall be liable to the Ministry or any third party that sustains any damages, whatever the extent thereof, caused by an error, default, or failure on the part of the Company to implement its obligations under the Agreement.
Value	SAR 15,000,000, provided that this amount is not binding on the Ministry, but rather the Ministry shall be bound by what is actually implemented.
Applicable Law and Settlement of Disputes	The Agreement is subject to the laws in force in KSA and the resolutions and exceptions issued by the Government agency with regard to such laws and the Agreement shall be interpreted, implemented, and the claims arising therefrom shall be adjudicated, accordingly. The administrative courts in Riyadh, KSA, shall be competent to adjudicate in cases where the Agreement did not include a provision to resort to arbitration in the event of a dispute between the two parties.

14 Some of the provisions of the Agreement have not been disclosed, as the other party considers such information to be sensitive commercial information.

Service Agreement with the Ministry of Culture[14]	
Assignment and Subcontracting	• The Company may not assign any of the services to subcontractors without obtaining the prior approval of the Ministry in accordance with the conditions and qualifications required by the Government agencies. • The Company may not assign the Agreement or part thereof to another contractor for any reason whatsoever without obtaining the prior approval of the Ministry, provided that any other contractor shall fulfil the conditions and requirements required by the Government agencies.

Table (12.19): Commercial Contract to Operate the Service of Express Parcel Companies at Hangar Arabasco in KAIA with Jeddah Airports Company

Commercial Contract to Operate the Service of Express Parcel Companies at Hangar Arabasco in KAIA with Jeddah Airports Company	
Background	The Company entered into an agreement with GACA, under which the Company leases, manages and operates the services of express parcel companies at Hangar Arabasco in KAIA (the "**Agreement**"). The Contract was transferred from GACA to Jeddah Airports Company on 01/01/2022G.
Term	7 years, commencing from 1 January 2022G until 31 December 2028G.
Termination	• Jeddah Airports Company has the right to terminate the Agreement in the event that the Company does not comply with any of its terms or conditions or does not provide an outstanding service in accordance with the best practices and the requirements of the Service Level Agreement, after the lapse of at least fifteen (15) days from the date the Company is notified of the same in writing and/or electronically. • Jeddah Airports Company has the right to terminate the Agreement for the sake of public interest at any time after the lapse of sixty (60) days from the date the Company is notified in writing. • Either party has the right to terminate the Agreement in the event of a force majeure event that renders the continued implementation thereof or benefit therefrom impossible.
Value	SAR 14,000,000 or a 15% share in the Company's total annual sales resulting from the implementation of the Agreement, whichever is higher. The Company is obligated to pay the share of sales on an annual basis, commencing from the date of implementation of the Agreement, provided that the final settlement of the total share of annual sales for each contractual financial year takes place after submission of a copy of the final accounts for such financial year, as certified by a certified public accountancy firm, from the date of the agreement until the expiration or termination thereof.
Obligations	The Company shall maintain the leased site, carry out the necessary maintenance and operate for twenty-four (24) hours per day, seven (7) days a week. The Company will be responsible for ensuring that the investment site is properly maintained at all times.
Liability and Indemnity	The Company shall be liable for compensating and protecting Jeddah Airports Company, its contractors and employees for all damages or claims that may arise due to any default or negligence proven by a court judgment to have been caused by it or by its employees, contractors or affiliates.
Applicable Law and Settlement of Disputes	The Agreement is subject to the relevant provisions, regulations and directives in force in KSA and any amendments thereto. All disputes related to the implementation of the provisions of the Agreement that are not resolved amicably shall be referred to the competent courts in KSA for adjudication, and the ruling thereof shall be final and binding on both parties.
Assignment and Subcontracting	The Company may not assign the agreement, transfer it to third parties, sub-lease or mortgage the entire site or any part thereof except after obtaining the prior written approval of Jeddah Airports Company or its representatives.

12.5.4.1 Non-binding Memorandum of Understanding with Menzies Aviation

The Company entered into a non-binding memorandum of understanding with Menzies Aviation on 01/04/1444H (corresponding to 26/10/2022G) to consider the conclusion of a partnership between the two parties for the provision of optimal ground services for low-cost airlines at the airports in KSA and the best high-quality, professional services. Under such partnership, Menzies Aviation shall provide all studies to the Company regarding how to transfer of best global practices to improve the level of passenger services, manage baggage and raise the efficiency of operating services, in addition to providing all passenger requirements from issuance of boarding passes to take-off, in a smooth and unique way that contributes to achieving the goals of KSA's Vision 2030, which aims to improve the services provided at airports in KSA and develop them to be among the most advanced and leading airports globally.

12.5.4.2 Non-binding Memorandum of Understanding with Sela Company

The Company entered into a non-binding memorandum of understanding with Sela Company on 27/09/1444H (corresponding to 18/04/2023G) to study the conclusion of a partnership between the two parties, according to which SAL will be the logistical partner for the development of warehousing and logistics hub at the Riyadh exhibitions and conferences center on a land area of about 1.3 million square meters, and Sela Company will provide the company with the proposed site for the logistics area to be developed and managed. In addition, the company will conduct a feasibility study, a market study, and a master plan to present it as a proposal to Sela Company during the term of the memorandum of understanding. In the event that the parties proceed to sign the final contract, the term of the contract between the parties regarding the project will be (25) years as a minimum and will be subject to the partnership provisions that will be agreed upon in the contract at the time.

12.6 Summary of Material Agreements with Related Parties

The Company has entered into a number of agreements with Related Parties in connection with its business. The Company relies on such agreements to ensure the conduct of its business. Such agreements include an agreement for the provision of ground services to SACC, as summarized in Section 12.5.1 ("**Customer Agreements with Airlines**") and Table 12.4 ("**Ground Service Agreement with SACC**") above, among other agreements. Revenue from Related Party transactions accounted for 23% of the Company's total revenues for the financial year ended 31 December 2022G.

The total value of transactions with Related Parties amounted to SAR 1,085.03 million for the financial year ended 31 December 2020G, SAR 293.63 million for the financial year ended 31 December 2021G, and SAR 360.43 million for the financial year ended 31 December 2022G. Revenue from transactions with Related Parties amounted to SAR 181.13 million for the financial year ended 31 December 2020G (equivalent to 21% of the Company's total revenue for such period), SAR 264.29 million for the financial year ended 31 December 2021G (equivalent to 27% of the Company's total revenue for such period), and SAR 286.35 million for the financial year ended 31 December 2022G (equivalent to 23% of the Company's total revenue for such period). Costs from Related Party transactions amounted to SAR 715 thousand for the financial year ended 31 December 2020G (equivalent to 0.084% of the Company's total revenue for such period), SAR 5.48 million for the financial year ended 31 December 2021G (equivalent to 0.6% of the Company's total revenue for such period), and SAR 69.47 million for the financial year ended 31 December 2022G (equivalent to 5.7% of the Company's total revenue for such period), according to the consolidated financial statements prepared in accordance with the IFRS-KSA and other standards and publications approved by SOCPA.

The Directors confirm that none of the agreements with Related Parties described in this Section include any preferential conditions and that such agreements have been executed in a legal and regular manner and on an arm's length basis. Except as disclosed in this section of the Prospectus, the Directors confirm that the Company is not bound by any transactions, agreements or other material business relationships with any Related Party.

In addition, the Directors declare their compliance with Articles 27 and 71 of the Companies Law and the directives set out in Chapter 6 of the CGRs issued by the CMA in relation to contracts and agreements concluded with Related Parties in which any Director has an interest. For more information regarding such contracts and agreements, please see Section 5.10.1 ("**Interests in Contracts and Agreements concluded with the Company**") of this Prospectus. The General Assembly has approved all transactions and contracts in which any Director has an interest.

The following is a list of material agreements and transactions concluded with Related Parties summarized in this section.

The Company entered into an agreement with SACC, which is a Related Party, for the provision of ground services to SACC at all terminals operated by the Company in KSA.

Please refer to Section 12.5.1 ("**Customer Agreements with Airlines**") and Table 12.4 ("**Ground Service Agreement with SACC**") of this Prospectus for a summary of the Agreement with SACC which is considered one of the Company's main customers.

12.6.1 Agreement for Transfer of Assets related to Cargo Ground Handling

On 17/12/2019G, SACC and the Company entered into an agreement for the transfer of assets related to cargo ground handling, following the Shareholders' incorporation of the Company in October 2019G, with the aim of transferring personnel, contracts and assets related to ground handling from SACC to the Company. The relevant assets were transferred at book value, without any fees, as agreed upon by the two parties. The term of the agreement is open-ended.

The agreement specifies the fixed assets and personnel to be transferred to the Company. Otherwise, the agreement does not expressly state the contracts that will be transferred from SACC to the Company. It was agreed by the parties that the contracts shall be transferred by agreement between them, taking into consideration any earlier consents from the parties to the contracts to be transferred. The transfer of assets was completed on 01/01/2020G.

The agreement shall be governed by the laws of KSA, and any dispute arising therefrom shall be referred to the competent judicial authorities.

The agreement was amended by virtue of an amendment addendum dated 10 January 2022G, which specifies the assets, responsibilities and contracts that were transferred from SACC to the Company.

12.6.2 Service Agreement with SACC

Table (12.20): Project and Facility Management Service Agreement with SACC

Project and Facility Management Service Agreement with SACC	
Background	The Company entered into a project and facility management service agreement with SACC (the "**Customer**").
Term	The agreement commenced from 01/07/2021G for a period of three (3) years until 30/06/2024G. The agreement may be renewed only by way of an amendment addendum signed by both parties.
Termination	• Either party may, at any time with or without reasons, terminate the agreement by providing the other party with a 90-day written notice prior to termination. • Either party may terminate the agreement with immediate effect If a force majeure event continues for more than six (6) months, unless the parties agree to extend the suspension for a further period following lapse of the six (6) months. • The Company may terminate the agreement with immediate effect if the Customer fails to make timely payments.
Value	The value of the agreement is determined by its actual cost. The total amount received by the Company under this agreement in the financial year ended 31 December 2022G was SAR 1,762,229.66.
Applicable Law and Settlement of Disputes	The agreement shall be governed by the laws and regulations applicable in KSA. Any disagreements or disputes shall be settled by the competent court in Jeddah, KSA.
Assignment and Subcontracting	The Customer may not assign the agreement or any of the rights without the prior written consent of the Company, which may not be unreasonably withheld thereby.

12.6.3 Service Agreement with SACC for the Provision of IT Services

Table (12.21): Service Agreement with SACC for the Provision of IT Services

Service Agreement with SACC for the Provision of IT Services	
Background	The Company entered into a service agreement with SACC pursuant to which, the Company provides IT services to SACC.
Term	Three years, commencing from 1 June 2021G and ending on 31 May 2024G. The agreement may only be renewed with the parties' consent for renewal through an amendment addendum signed by both parties.
Termination	Either party may, at any time, with or without reason, terminate the agreement by providing the other party with a written notice of no less than 90 days prior to termination.
Value	Not specified in terms of number, but rather based on demand and use. The total value of this agreement for the financial year ended 31 December 2022G was SAR 4,616,000.
Applicable Law and Settlement of Disputes	This agreement shall be governed by the laws and regulations applicable in KSA. Any disagreements or disputes that may result from the implementation and application of the provisions of this agreement shall be settled through negotiation between the two parties. If a settlement cannot be reached within the notice period specified in the agreement, the disagreement or dispute shall be referred to the competent court in Jeddah, KSA.
Assignment and Subcontracting	SACC may not transfer the agreement or any of its rights without the prior written consent of the Company.

12.6.4 Service Agreement with SGS

Table (12.22): Service Agreement with SGS

Service Agreement with SGS	
Background	As a result of the COVID-19 pandemic, the Company entered into a service agreement with SGS. Pursuant to this agreement, SGS shall provide ramp handling equipment to the Company for all cargo flights on PAXCargo passenger aircraft.
Term	The agreement commenced as of 10 May 2020G, and shall remain in effect unless either party provides the other with a written notice of no less than sixty (60) days to terminate the Agreement.
Termination	Either party may, at any time with or without reason, terminate this agreement by providing the other party with a 60-day written notice prior to termination.
Liability	**SGS Obligations:** • SGS will ensure that serviceable and durable equipment is provided in order to guarantee smooth, uninterrupted operations. • On the day of flight confirmation, SGS will provide around-the-clock contact details of the person in charge of operations. **Company Obligations:** • The Company will handle the offloaded cargo using its equipment and resources. • In connection with (export) cargo loading, the Company shall be responsible for keeping all exported cargo ready at the ramp until SGS is able to load the cargo onto PAXCargo aircraft.
Liability and Indemnity	• While the liability limit referred to in the liability and indemnity paragraph of the Main Agreement above applies (for further details, please see Section 12.5.1 ("**Customer Agreements with Airlines**") of this Prospectus), the maximum liability per incident is USD 1,000,000 (or SAR 3,750,000) for certain aircraft and USD 750,000 (or SAR 2,812,500) for other aircraft. • The parties have agreed that indemnity would only be granted if the fault is due to the default of ground support equipment, the operator and/or SGS personnel. • The limit of liability outlined in the Main Agreement above shall not apply. If the fault is due to negligence of the ground support equipment, the operator and/or Company personnel. The Company shall be liable for any fault that is attributable to the negligence of the ground support equipment, the operator and/or Company personnel.
Value	No specific value, but rather based on demand for the services at the prices specified in the agreement.
Payment Mechanism	The Company's finance department verifies all invoices which are paid to SGS.
Applicable Law and Settlement of Disputes	This agreement shall be governed by the laws and regulations applicable in KSA. Any disagreements or disputes shall be settled by the competent court in Jeddah, KSA.
Assignment and Subcontracting	There are no assignment or subcontracting provisions.

12.6.5 Ground Service Agreement with SGS

Table (12.23): Ground Service Agreement with SGS

Ground Service Agreement with SGS	
Background	The Company has entered into a ground service agreement with SGS, pursuant to which the Company provides a variety of cargo handling services for flights operated by SGS at Jeddah Airport in KSA. For further details regarding the Main Agreement of the Ground Service Agreement, please see Section 12.5.1 ("**Customer Agreements with Airlines**") of this Prospectus.
Term	The agreement commences from 1 April 2022G until 31 March 2023G and shall remain in effect unless either party provides the other with a written notice of no less than sixty (60) days to terminate the agreement.
Termination	• The Company may terminate the agreement in its entirety or in part in the event SGS fails to pay the fee for the services. • SGS may terminate the agreement if the Company breaches its contractual obligations and fails to remedy such breach within sixty (60) days after receiving a written notice of the breach from SGS.
Liability and Indemnity	The limit of liability outlined in the Main Agreement above shall apply.
Value	The total amount received by the Company under this Agreement in the financial year ended 31 December 2022G was SAR 1,833,393,00.

Ground Service Agreement with SGS	
Applicable Law and Settlement of Disputes	This agreement shall be governed by the laws and regulations applicable in KSA. Any disagreements or disputes that may arise from the implementation and application of the provisions of this agreement shall be settled through negotiation between the two parties. If a settlement cannot be reached within the notice period specified in the Agreement, the disagreement or dispute shall be referred to the competent court in Jeddah, KSA.
Assignment and Subcontracting	The Company may assign any of the agreed services to subcontracting companies. However, the Company shall notify SGS of any subcontracting and shall be liable to SGS for all work performed by such subcontracting party as if the Company had performed the services itself.

12.6.6 Service Agreement with Saudia Aerospace Engineering Industries (SAEI)

Table (12.24): Service Agreement with Saudia Aerospace Engineering Industries (SAEI)

Service Agreement with Saudia Aerospace Engineering Industries (SAEI)	
Background	The Company entered into a service agreement with Saudia Aerospace Engineering Industries (SAEI) (the "**Customer**"). Pursuant to this Agreement, the Company shall provide logistics services with respect to inventory services in Jeddah, Riyadh, Dammam and Medina, as requested by the Customer (the "**Agreement**").
Term	The Agreement shall commence from 12/06/2022G, and shall remain in effect for one (1) year until 11/06/2023G. Project preparation will take place during the first three (3) months, while implementation will occur during the following six (6) months.
Termination	Either party may terminate the Agreement if the other party is in material breach of any of the terms of the agreement, such as through negligence or the Company's failure to fulfil its obligations under the Agreement, where it fails to reasonably remedy the breach within sixty (60) days after receiving notice of breach from SAEI.
Key Obligations	• The Agreement includes a number of obligations on the Company, including, inter alia, the following: a- The Company shall identify and verify all quantities of materials available in the inventory (including consumables, chemicals and leather). b- The Company shall classify and correct sections related to missing important documents, such as certificates and service marks, as per GACA standards. c- The Company shall use barcode technology to enable the customer to process all warehouse operation transactions in a coordinated and automated manner. • The parties shall comply with the regulations of the Saudi National Cybersecurity Authority.
Value	The total value of the Agreement is SAR 8,750,000 (exclusive of VAT)
Applicable Law and Settlement of Disputes	This agreement shall be governed by the laws and regulations applicable in KSA. Any disagreements or disputes shall be settled by the competent court in Jeddah, KSA.
Assignment and Subcontracting	• Neither the Agreement nor any of the rights or obligations thereunder may be assigned or transferred by either party without the prior written consent of the other party. If either party accepts such assignment or transfer, the assigning or transferring party will still be liable for the actions of the assignees to the extent specified in the Agreement. • In order to fulfil the terms of the Agreement in whole or in part, the Company may hire any other contractor, subject to the Customer's written consent, which may not be unreasonably withheld or delayed. The Company will remain liable for the actions of the subcontractor to the extent specified in the Agreement.

12.6.7 Service Level Agreement with Saudia Aerospace Engineering Industries (SAEI)

Table (12.25): Service Level Agreement with Saudia Aerospace Engineering Industries (SAEI) [15]

Service Level Agreement with Saudia Aerospace Engineering Industries (SAEI)	
Background	The Company entered into a service level agreement with Saudia Aerospace Engineering In-dustries (SAEI) (the "**Customer**"). Pursuant to this Agreement, the Company shall provide logistics and inventory services in Jeddah, Riyadh, Dammam and Medina (the "**Agreement**").
Term	The Agreement shall commence thirty days after the date the last party signs (i.e. from 20/08/2023G) and shall remain in effect for a period of (3) years until 20/08/2026G, which may be renewed for a period of (2) years with a written agreement thirty (30) days prior to the expiry of the Agreement.
Termination	Either party may terminate the Agreement if the other party is in breach of any of the terms of the agreement and continues to violate it for a period of thirty (30) days after receiving a writ-ten notice of breach, The client may also terminate the agreement by a written notice indicat-ing his desire to terminate, which shall be submitted to the company for a period of not less than one hundred and eighty (180) days.

15 It should be noted that this agreement does not require the approval of the Company's general assembly given that there are no Directors who have an interest in relation to this agreement.

Key Obligations	• In the event that the company does not comply with the commitments according to the required standards and during the agreed period, the customer has the right to deduct an estimated amount for any damages resulting from the company's negligence or delay, not exceeding (10%) of the value of the monthly bill as follows: - Withholding (25,000) Saudi riyals for each hour of delay while providing urgent services. - Withholding (10,000) Saudi riyals for every hour of delay while performing rou-tine services. • The agreement includes regular clauses obligating the company to compensate the cus-tomer in the event of incurring losses, damages or costs in connection with the provi-sion of services or as a result of the company's negligence.
Value	The total value of the Agreement is SAR 45,900,000 (exclusive of VAT)
Applicable Law and Settlement of Disputes	This agreement shall be governed by the laws and regulations applicable in KSA. Any dis-pute arising out of or in connection with the interpretation or performance of the agreement shall be settled by negotiation between the two parties, and in the event that this is not pos-sible within thirty days, each party may present this dispute to His Excellency the General Manager of the Saudi Arabian Airlines Corporation, and in the event that a settlement is not reached within sixty days, it shall be referred to the competent court in Jeddah, KSA.
Assignment and Subcontracting	• Neither the Agreement nor any of the rights or obligations thereunder may be assigned or transferred by either party without the prior written consent of the other party. • •n order to fulfil the terms of the Agreement in whole or in part, the Company may hire any other contractor, subject to the Customer's written consent, and the Company will remain liable for the actions of the subcontractor to the extent specified in the Agree-ment.

12.6.8 Service Agreement with SGS

Table (12.26): Service Agreement with SGS

Service Agreement with SGS	
Background	The Company entered into a service agreement with SGS, pursuant to which SGS shall offer ramp and cargo aircraft preparation services, including cargo aircraft cleaning and water services (the "**Agreement**").
Term	Three (3) years, commencing from 1 January 2022G until 31 December 2024G, unless either party expresses its intention to renew thirty (30) days before the expiry of the Agreement.
Termination	• Either party may, at its discretion at any time, terminate this Agreement by providing the other party with a written notice of no less than sixty (60) days prior to termination. • Either party may terminate the Agreement by providing a prior written notice of no less than thirty (30) days in the event that the other party fails to remedy a breach proven to have been committed thereby within thirty (30) days after receiving a written notice of remedy.
Value	The value of the Agreement is based on the demand for services at the prices specified in the Agreement. The total amount received by the Company under this Agreement in the financial year ended 31 December 2022G was SAR 16,132,217.39.
Applicable Law and Settlement of Disputes	This agreement shall be governed by the laws and regulations applicable in KSA. Any disagreements or disputes shall be settled by the competent court in Jeddah, KSA.
Assignment and Subcontracting	The Company may not assign any of the agreed services to subcontracting companies. The Company shall obtain SGS's written consent for any subcontracting and shall be liable to SGS for all work performed by such subcontracting party as if the Company had performed the services itself.

12.7 Credit Facilities and Loans

Table (12.27): Loan Agreement No. 4049 with Saudi Industrial Development Fund ("Loan Agreement No. 4049"):

Loan Agreement No. 4049	
Date of Agreement	18/05/2023G
Borrower	SAL Saudi Logistic Services Company ("**SAL**")
Facility Type/Purpose/ Amount	Financing to provide air cargo solutions in KAIA
Term	Approximately 6 years and 11 months.
Key Obligations	The Company has provided declarations, undertakings, guarantees that are ordinary for these type of arrangements, including an undertaking to provide audited financial statements and internal financial statements for the Jeddah terminal project, as well as an undertaking to not conduct any change in control in the legal entity of SAL or its Shareholders without the prior written consent of the Saudi Industrial Development Fund.
Loan Value	SAR 234,200,000.
Value of Pledged Assets	SAR 191,828,514.
Payment Date	Final repayment date of the loan is 15/10/1451H.
Guarantee Documents	Pledge of all the project's movables, including machinery, equipment, and all its fixtures and accessories.

Table (12.28): Loan Agreement No. 4110 with Saudi Industrial Development Fund ("Loan Agreement No. 4110"):

Loan Agreement No. 4110	
Date of Agreement	17/05/2023G
Borrower	SAL Saudi Logistic Services Company ("**SAL**")
Facility Type/Purpose/ Amount	Financing to provide air cargo solutions in KKIA
Term	Approximately 6 years and 11 months.
Key Obligations	The Company has provided declarations, undertakings, guarantees that are ordinary for these type of arrangements, including an undertaking to provide audited financial statements and internal financial statements for the Riyadh terminal project, as well as an undertaking to not conduct any change in control in the legal entity of SAL or its Shareholders without the prior written consent of the Saudi Industrial Development Fund.
Loan Value	SAR 195,800,000.
Value of Pledged Assets	SAR 188,047,718.
Payment Date	Final repayment date of the loan is 15/10/1451H.
Guarantee Documents	Pledge of all the project's movables, including machinery, equipment, and all its fixtures and accessories.

Table (12.29): SABB Facility Offer Letter

SABB Facility Offer Letter	
Agreement Date	26/09/1443H (corresponding to 27/04/2022G)
Facility Type/Purpose/ Amount	• SAL Saudi Logistics Services Company (the "**Company**") entered into a facility offer letter with The Saudi British Bank ("**SABB**") on 27/04/2022G (the "**SABB Facility Offer Letter**"), in accordance with the General Terms and Conditions Agreement concluded on 27/04/2022G (the "**General Terms Agreement**"). The letter specifies the following limitations for the various facilities provided by SABB to the Company: Term financing facility: SAR 600,000,000 • Letter of guarantee facility (bid bond/performance bond/advance payment bond): • SAR 50,000,000 • Letter of guarantee facility/miscellaneous bond: SAR 50,000,000 • Hedging facility: SAR 100,000,000 The purpose of the term financing facility is to finance the warehousing facilities expansion project and to settle the amount due in respect of the joint facility provided to SACC.
Existing Obligations	Pursuant to the SABB Facility Offer Letter, the Company undertakes that: • Annual profits earned will be distributed only with SABB's consent. • For each relevant period, there shall be a minimum debt service coverage ratio of 1.25:1. • For each relevant period (as defined below), the ratio of the Company's debt to tangible net worth shall not exceed 1:3. • It shall report on the work progress 30 days after the end of each quarter. "**Relevant Period**" means any consecutive six-month period in a financial year in addition to each financial year of the Company. "**Tangible Net Worth**" means the total amounts paid or accounted for in the credit balance as paid with respect to issued share capital and retained earnings, less intangible assets (non-financial fixed assets). Additionally, the General Terms Agreement includes undertakings that SABB must grant its prior written consent before any change in ownership, control or shareholding. Under the Agreement, the Company also undertakes not to make any changes to its constitutional documents or shareholding. SABB may cancel the facilities and demand full repayment of all existing facilities with immediate effect if the Company is in default of any of its undertakings under this Agreement. Under the SABB Facility Offer Letter, a cross-default threshold of 1% of the Company's net assets is specified in accordance with the Company's most recent audited financial statements. As a result, if the Company defaults on an amount greater than 1%, SABB shall have the right to consider the Company in default with regard to any existing facility, and to demand that the Company fully repays all existing facilities with immediate effect.
Term	Mineral-based Tawarruq/Murabaha facility: each Murabaha transaction shall have a term of no less than 180 days and no more than 9 years (including the grace/availability period) as at the date of the Customer's purchase from the Bank. Hedging: Maximum period (9 years).
Guarantees	A promissory note of SAR 750,000,000 in favor of SABB.
Related Documents	a- The General Terms Agreement concluded between the Company and SABB on 27/04/2022G. b- The general terms and conditions document for the price fluctuation hedging product, concluded on 18/02/2021G. c- The agency agreement between the Company and SABB concluded on 18/02/2021G. d- The Customer's undertaking under the bargaining contract concluded between the Company and SABB on 18/02/2021G. e- SABB's undertaking under the bargaining contract concluded between the Company and SABB on 18/02/2021G. f- A letter of guarantee between the Ministry of Defence and SABB concluded on 09/03/2022G. g- A letter of guarantee between H.E. Governor of ZATCA and SABB concluded on 07/09/2022G. h- A bank guarantee between HSBC and the Company concluded on 01/12/2022G.

12.8 Insurance

The Company has insurance coverage protecting it against various risks it may be subject to through the Company's insurance policies (in relation to management and employees) in addition to those policies held by Saudia since the Company is part of Saudia's group. The following table sets out the key details of the Company's main insurance policies:

Table (12.30): Details of the Company's Key Insurance Policies

Policy No.	Type of Insurance Coverage	Insurer	Effective Duration	Maximum Insurance Coverage
Insurance policies issued in Saudia's name from which the Company benefits				
5/900500 (all airports)	General liability (bodily injury, property damage, aircraft damage and passenger injuries)	Tawuniya	One year, from 16/11/2022G until 15/11/2023G	USD 200,000,000
2/FA/2900851/0/0	Property All Risk Insurance	Gulf Insurance Group	One year, from 01/01/2023G until 31/12/2023G	SAR 692,569,352
2/FA/2900846/0/0	Political Violence Insurance	Gulf Insurance Group	One year, from 01/01/2023G until 31/12/2023G	USD 100,000,000 (equivalent to approximately SAR 375,000,000) - per occurrence and in aggregate
2/PL/2092177/0/0	Commercial General Liability	Gulf Insurance Group	One year, from 01/01/2023G until 31/12/2023G	USD 50,000,000 (equivalent to approximately SAR 187,500,000) – per occurrence and in aggregate
2/WC/2090979/0/0	Workers' Compensation and Employers' Liability Insurance	Gulf Insurance Group	One year, from 01/01/2023G until 31/12/2023G	• Workers' Compensation: Full coverage in accordance with the Companies Law. • Employers' Liability: SAR 3,750,000 per occurrence and SAR 37,500,000 in aggregate
Insurance policies issued in the name of the Company				
EO-22-500-000425-2	Management Liability	Walaa Cooperative Insurance Co.	One year, from 01/12/2022G until 30/11/2023G	USD 5,000,000
N/A	Employee Medical Insurance	Bupa Arabia for Cooperative Insurance Company	One year, from 24/02/2023G until 23/02/2024G	Maximum of SAR 1,000,000 per member
N/A	Life and Disability Insurance	Gulf Insurance Group	One year, from 01/01/2023G	SAR 373,896,443 total insurance coverage (up to three years' worth of basic pay for each employee in the event of death and up to SAR 15,000 for medical expenditure for each employee in the event of disability)

12.9 Intellectual Property

The company has registered several trademarks with the Saudi Authority for Intellectual Property in KSA and other competent authorities in various countries. The Company relies on these trademarks in order to operate effectively and promote its competitive position in the market. Therefore, if the Company fails to protect such trademarks or is forced to take legal action to protect them, this could have a material and adverse effect on the Company's ability to use its trademarks, which could have an impact on the Company's businesses and results of operations. For further details, please see Section 2.1.14 ("**Risks related to maintaining the reputation of the "SAL**" brand") of this Prospectus.

The following table sets out the key particulars of the trademarks registered in the name of the Company: The Company currently uses such trademarks.

Table (12.31): Trademarks

Logo	Country of Registration	Trademark Category	Trademark Logo	Protection Expiry Date
SAL	Kingdom of Saudi Arabia	39	1441009504	27/03/1451H (corresponding to 08/08/2029G)
SAL SAUDI LOGISTICS SERVICES السعودية للخدمات اللوجستية	Sultanate of Oman	39	142742	21/01/2031G
	Sultanate of Oman	35	142743	21/01/2031G
	Sultanate of Oman	16	142744	21/01/2031G
	State of Kuwait	39	KW1625966	25/01/2031G
	State of Kuwait	35	KW1625956	25/01/2031G
	State of Kuwait	16	KW1625959	25/01/2031G
	UK	16, 35 and 39	UK00003582558	21/01/2031G
	UAE	16	345435	22/02/2031G
	UAE	35	345437	22/02/2031G
	UAE	39	345438	22/02/2031G
	Kingdom of Bahrain	16	131040	20/01/2031G
	Kingdom of Bahrain	35	131041	20/01/2031G
	Kingdom of Bahrain	39	131042	20/01/2031G
	EU	16	018382417	25/01/2031G
	EU	35	018382417	25/01/2031G
	EU	39	018382417	25/01/2031G
	Singapore	16	40202102252R	27/01/2031G
	Singapore	35	40202102252R	27/01/2031G
	Singapore	39	40202102252R	27/01/2031G
	Lebanon	16	201195	11/04/2036G
	Lebanon	35	201195	11/04/2036G
	Lebanon	39	201195	11/04/2036G
	Turkey	16, 35 and 39	202112719	26/01/2031G
	Tunisia	16, 35 and 39	TN/E/2021/00020	20/01/2031G
	Egypt	16	433800	25/01/2031G
	Egypt	35	433801	25/01/2031G
	Egypt	39	433802	Published[16]
	Malaysia	16	TM20210021 82	22/01/2031G
	Malaysia	35	TM20210021 83	22/01/2031G
	Malaysia	39	TM20210021 84	22/01/2031G
	Morocco	16, 35 and 39	223515	26/01/2031G

16 The application for the registration of the trademark has been made and it is still undergoing the registration procedures with the relevant authority. The table will be updated once the registration certificate is issued.

Logo	Country of Registration	Trademark Category	Trademark Logo	Protection Expiry Date
	Indonesia	16	IDM00094352 6	21/01/2031G
	Indonesia	35	IDM00094351 7	21/01/2031G
	Indonesia	39	Under examination[17]	N/A
	Philippines	16, 35 and 39	4-2021-501521	04/06/2031G
	Bangladesh	16	Under examination	N/A
	Bangladesh	35	Published	N/A
	Bangladesh	39	Published	N/A
	Kenya	16, 35 and 39	N/A	19/02/2031G
	Republic of Kenya	16, 35 and 39	N/A	19/02/2031G
	China	16, 35 and 39	The trademark has been filed[18]	N/A
	Ethiopia	16, 35 and 39	Under examination[19]	N/A
	India	16, 35 and 39		
	USA	16, 35 and 39		
	Sri Lanka	16, 35 and 39		
SAL SAUDI LOGISTICS SERVICES	Jordan	16	176247	21/01/2031G
	Jordan	35	176248	21/01/2031G
	Jordan	39	176249	21/01/2031G

12.10 Litigation

The Directors declare that there are no ongoing or impending lawsuits, claims, complaints or investigation proceedings that may, individually or collectively, have a material impact on the business or financial position of the Company. It should be noted that the Company, as of 2 April 2023G, filed one non-material lawsuit which emerged within the ordinary course of the Company's business, whereby the total value is estimated to be SAR 566,394. This is in addition to two outstanding non-material lawsuits filed against the Company with a combined estimated value of SAR 2,511,899, which are covered under the insurance policy held by Saudia in connection with cargo damage and loss,.

12.11 Zakat Status of the Company

The Company is subject to the regulations of ZATCA in KSA. The Company has submitted its Zakat returns as of the date of incorporation until the end of 2022G. However, the Company has not obtained the final Zakat and tax assessments for all of these years, as its Zakat and tax returns for such years are still under review by ZATCA.

Saudia requested the Company to file an application to ZATCA seeking a 70% exemption from Zakat obligations, with such percentage accounting for Saudia's shareholding in the Company, since Saudia is exempt from Zakat due to it being a state-owned company. ZATCA has not responded to the Company's application for exemption as at the date of this Prospectus. For further details regarding the risks related Zakat and tax, please see Section 2.2.14 ("**Risks related to Zakat and tax claims**") of this Prospectus.

Provisions for Zakat and tax are made based on the accrual principle. Such provision is calculated and charged based on the Zakat or tax base (which is calculated according to the regulations of ZATCA). Adjustments, if any, are made to the Zakat provision upon obtaining the final assessments from ZATCA.

17 The application for the registration of the trademark has been made and it is still undergoing the registration procedures with the relevant authority. The table will be updated once the registration certificate is issued.

18 The application for the registration of the trademark has been made and it is still undergoing the registration procedures with the relevant authority. The table will be updated once the registration certificate is issued.

19 The application for the registration of the brand has been made and it is still undergoing the registration procedures with the relevant authority. The table will be updated once the registration certificate is issued.

The following table sets out the provisions for Zakat and tax as of 31 December 2020G, 2021G and 2022G.

Table (12.32): Provisions for Zakat and Tax as of 31 December 2020G, 2021G and 2022G

The Company	2020G (SAR)	2021G (SAR)	2022G (SAR)
Zakat and tax provisions	2,277,000	2,962,000	8,064,000
Total	**2,277,000**	**2,962,000**	**8,064,000**

Source: The Company

12.12 Summary of Bylaws

12.12.1 Company Name

The name of the Company is "SAL Saudi Logistics Services Company" (a closed joint-stock company).

12.12.2 Objectives of the Company

The Company undertakes and performs the following objects:

1- Transport and warehousing;
2- Other transport support activities;
3- Customs clearance activities;
4- Warehousing;
5- Other cargo handling operation activities;
6- Cargo handling;
7- Loading and unloading;
8- Loading and unloading of passenger luggage;
9- Marine cargo providers (marine cargo brokers);
10- Cargo brokers;
11- Other transport support activities;
12- Transport and cargo agency activities;
13- Air cargo agency activities;
14- Aircraft brokerage services;
15- Loading and unloading of cargo boxes;
16- Land transport;
17- Operation of warehousing facilities for all types of cargo;
18- Ground management and supervision services at airports;
19- General warehousing of a variety of goods;
20- Warehousing in ports and customs or free zones;
21- Warehousing of chilled and frozen goods (cold stores);
22- Chilled food warehouses;
23- Fuel and chemical warehouses;
24- Manufacturing industries;
25- Construction;
26- Wholesale and retail trade and repair of motor vehicles and motorcycles;
27- Accommodation and food service activities;
28- Information and communication;
29- Real estate activities;
30- Administrative and support service activities.

The Company operates in accordance with the applicable laws and with the necessary licenses issued by the competent authorities, if any.

12.12.3 Participation and Ownership in Companies

The Company may establish or participate in establishment of limited liability or closed joint-stock companies with a capital of no less than SAR 5 million. It may own shares and stakes in other existing companies or merge therewith. It also has the right to participate with others in the establishment of joint-stock or limited liability companies after satisfying the requirements of the regulations and directives in this regard. The Company may also dispose of such shares or stocks, provided that this does not include any brokerage.

12.12.4 Head Office of the Company

The Head Office of the Company is located in Jeddah. The Company may open branches, offices or agencies inside or outside KSA with the approval of competent authorities.

12.12.5 Company Term

The term of the Company shall be ninety-nine (99) Gregorian years, commencing as of the date on which the Company is registered in the commercial register. The Company's term may always be extended by a resolution of the Extraordinary General Assembly at least one year prior to the expiry of the Company's term.

12.12.6 Share Capital

The Company's share capital is set at eight hundred million Saudi Arabian Riyals (SAR 800,000,000), divided into eighty million (80,000,000) Shares with a nominal equal value of ten Saudi Arabian Riyals (SAR 10) per Share, all of which are ordinary cash Shares.

12.12.7 Subscription to the Shares

The Shareholders have subscribed to the full number of the Company's Shares amounting to eighty million (80,000,000) Shares, having a cash value of eight hundred million Saudi Arabian Riyals (SAR 800,000,000). The Shareholders acknowledge that five hundred thousand Saudi Arabian Riyals (SAR 500,000) of the capital have already been paid, and the increase of seven hundred and ninety-nine million, five hundred thousand Saudi Arabian Riyals (SAR 799,500,000) has been covered in accordance with the capital increase deposit certificate issued by SABB on 13/06/1442H (corresponding to 26 January 2021G) through a deposit of three hundred and thirty-one million and two hundred and eighty six thousand Saudi Arabian Riyals (SAR 331,286,000) on 15/05/1442H (corresponding 30 December 2020G), in addition to a total of four hundred and sixty-eight million, two hundred and fourteen thousand Saudi Arabian Riyals (SAR 468,214,000) based on the report of the Auditor, KPMG Professional Services, dated 21/06/1442H (corresponding to 3 February 2021G).

12.12.8 Preferred Shares

The Company's Extraordinary General Assembly may, based on rules established by the competent authorities, issue or decide to purchase preferentialpreferred shares; convert ordinary shares into preferentialpreferred shares; or convert preferentialpreferred shares into ordinary shares. PreferentialPreferred shares are not entitled to voting rights in General Assemblies of Shareholders. Such shares entitle their holders to receive a greater percentage of Company's net profits, after setting aside statutory reserves, than those received by holders of ordinary shares.

12.12.9 Sale of Unpaid Shares

Each Shareholder undertakes to pay the value of the Shares on the dates set for such payment. Should a Shareholder fail to pay at the due time, the Board may, after notification of the Shareholder via registered mail, sell the Shares at public auction in accordance with controls set by the competent authority. The Company shall collect the amounts due thereto from the proceeds of the sale and shall refund the remaining amount to the Shareholder. If the proceeds of the sale fall short of the amounts due, the Company shall have a claim on the entire assets of the Shareholder for the unpaid balance. However, a defaulting Shareholder may, up to the date of sale, pay the amount owed thereby plus the expenses incurred by the Company in this regard. The Company shall cancel the Shares sold in accordance with this Article and issue the purchaser new Shares bearing the serial numbers of the cancelled Shares, making an annotation to this effect in the Share Register specifying the name of new holder.

12.12.10 Issuance of Shares

The Shares shall be nominal Shares and may not be issued at less than their nominal value. However, they may be issued at a value higher than the said nominal value; in which case, the difference in value shall be added as a separate item under Shareholders' equity, and may not be distributed as dividends to Shareholders. Shares are indivisible vis-à-vis the Company. If a Share is jointly owned by several persons, such persons must select one of them to exercise the rights attached to such Share on their behalf. Such persons shall be jointly liable for the obligations arising from ownership of the Share.

12.12.11 Share Trading

1- Shares subscribed to by the Shareholders may only be traded after the publication of financial statements for two (2) financial years, each covering a period of at least 12 months from the date of issuance of the conversion resolution, or with the approval of the CMA. The share certificates shall contain information regarding the nature of the shares, the date on which the Company was converted and the duration of the lock-up period.

2- However, during the lock-up period and subject to the legal provisions for sale of rights, Shares may be transferred from one Shareholder to another, or from the heirs of a deceased Shareholder to a third party or, in the event of seizure of the funds of an insolvent or bankrupt Shareholder, provided that the other Shareholders are given priority to own such Shares.

3- The provisions of this Article shall also apply to such Shares that are subscribed for by Shareholders in case of a capital increase prior to the expiry of Lock-up Period.

4- The Company may purchase or pledge its Shares in accordance with controls imposed by the competent authority. However, the Shares purchased by the Company shall not entitle it to votes in Shareholder assemblies.

5- The CMA may increase or decrease the lock-up period provided for in Paragraph 1 of this Article if the Company submits an application for listing of its Shares on the Exchange.

12.12.12 Shareholder Register

1- The Company's Shares shall be traded by registration thereof in the Shareholders register prepared or contracted to be prepared by the Company, which shall include the names of the Shareholders, their nationalities, places of residence, occupations, the numbers of the Shares and the amount paid of the value of such Shares, and the Share shall be marked in such entry. Insofar as the Company or third parties are concerned, the transfer of Shares shall only be effective from the date of the entry thereof in the said register.

2- Following listing, the Company's Shares shall be traded in accordance with the regulations of the CMA.

12.12.13 Capital Increase

1- The Extraordinary General Assembly may decide to increase the capital of the Company, provided that the capital has been paid up in full. This provision is not required when the unpaid portion of capital relates to shares issued in exchange for the conversion of financing or debt instruments into shares, and the prescribed period for such conversion has not expired.

2- The Extraordinary General Assembly may, in all cases, allocate the shares issued upon the capital increase, or part thereof, to employees of the Company and its subsidiaries or some of them, or any of the same. Shareholders may not exercise their pre-emptive rights when the Company issues shares allocated to employees.

3- Shareholders owning shares at the time of the Extraordinary General Assembly's adoption of a resolution approving a capital increase, shall have pre-emptive rights to subscribe for the new shares, in exchange for cash contributions. Shareholders shall be notified of their pre-emptive rights, the capital increase resolution, the terms of the Offering, its duration and start and end dates by publication in a daily newspaper or by registered mail, in accordance with guidelines established by the competent authorities.

4- The Extraordinary General Assembly may suspend the pre-emptive rights of Shareholders to subscribe to the capital increase in exchange for cash shares, or give priority to non-shareholders in the cases it deems appropriate for the benefit of the Company.

5- Shareholders have the right to sell or waive their pre-emption rights during the period from the time of the issuance of the General Assembly resolution approving the capital increase until the last day of subscription to the new shares associated with such rights, in accordance with the regulations set out by the competent authority.

6- Subject to Paragraph 4 above, the new shares shall be distributed among the pre-emption rights holders who have requested subscription, in proportion to their pre-emption rights out of the total pre-emption rights resulting from the capital increase, provided that the new Shares allocated to them do not exceed the number of new Shares applied for by them. The remainder of the new shares shall be distributed among the pre-emption rights holders who applied for more than their proportionate share, in proportion to their pre-emption rights out of the total pre-emption rights resulting from the capital increase, provided that the new Shares allocated to them do not exceed the number of new shares applied for by them. The remaining shares will be offered to third parties, unless the Extraordinary General Assembly decides or the Capital Market Law provides otherwise.

12.12.14 Capital Reduction

The Extraordinary General Assembly may decide to reduce the capital if it exceeds the Company's needs or if it incurs losses. In the latter case only, the capital may be reduced below the limit stipulated in Article 54 of the Companies Law. Such resolution shall be issued only after reading a special report prepared by the Auditor on the reasons for such reduction, the obligations to be fulfilled by the Company and the effect of the reduction on such obligations.

If the capital reduction is the result of the capital being in excess of the Company's need, the creditors shall be invited to express their objections to the reduction within 45 days from date the reduction resolution is published in a daily newspaper in the city where the Company's Head Office is located. Should any creditor object and present to the Company documents evidencing such debt within the time limit set above, then the Company shall pay such debt if already due, or present an adequate guarantee of payment if the debt is due on a later date.

12.12.15 Management of the Company

The Company shall be managed by a Board of Directors consisting of nine (9) Directors elected by the Ordinary General Assembly of Shareholders for a term not exceeding three years. As an exception, the Conversion Assembly shall appoint the first Board of Directors for a term of five years.

12.12.16 Expiry of Board Membership

Membership of the Board shall expire upon the expiry of its term or if a member becomes unfit for membership in accordance with any laws or directives in force in KSA. The Ordinary General Assembly may, at any time, dismiss all or any of the Directors without prejudice to the right of the dismissed Director to hold the Company liable if the dismissal is made without acceptable justification or at an improper time. A Director may also tender his resignation, provided that such resignation occurs at an appropriate time, otherwise, the said Director shall be held liable for any damage affecting the Company as a result of his resignation.

12.12.17 Board Vacancy

If the position of a Director becomes vacant, the Board may appoint someone of sufficient experience and competency to the vacant position temporarily, provided that, if the Company is listed on the Exchange, the Ministry of Commerce (the "MoC") and the CMA is notified of such appointment within five (5) business days from the date of appointment. Such appointment shall be presented to the Ordinary General Assembly at its first meeting, and newly appointed Director shall complete the term of his predecessor. If the number of Directors falls below the minimum quorum stipulated by the Companies Law or the Company's Bylaws, the remaining Directors shall call the Ordinary General Assembly to convene within sixty days to elect the required number of Directors.

12.12.18 Powers of the Board

Without prejudice to the powers granted to the General Assembly, the Board shall be vested with full powers to manage the Company, direct its affairs, supervise its business and funds inside and outside KSA, as well as draw up policies and guidelines in order to achieve its objectives. This includes, inter alia:

- engaging in tenders and auctions; bidding for contracts, including, but not limited to, documents pertaining to sales, leases, rentals, representations, declarations and mortgages, et cetera; conducting transactions on behalf of the Company; collection and making of payments; receiving rights with third parties; and making acknowledgements;

- participating in the establishment of companies; opening Company branches; signing all types of contracts, deeds and documents, including, but not limited to, the constitutional documents of the companies which are established by the Company or in which the Company holds Shares and all amendments to the constitutional documents of the companies in which the Company holds Shares and the appendices thereto, as well as all resolutions of shareholders in such companies relating to capital increases; purchasing and assigning Shares; notarizing contracts and signing with the Department of Companies at the Ministry of Commerce and with notaries public; amending, revising, making additions to, cancelling, extracting, renewing and receiving commercial registration certificates; changing company names; and providing financial support, except for loans to subsidiaries;
- signing contracts and deeds before notaries public and government entities, as well as loan agreements, guarantees and securities; waiving debts due to the Company; and issuing official powers of attorney in the name of the Company;
- selling and purchasing real estate, land, shares, stocks and other movable and fixed assets; disposing of the Company's assets and property; and pledging fixed and movable assets to guarantee loans obtained by the Company and the subsidiaries in accordance with the following conditions:
  - the Board must specify in its resolution the justification for such action;
  - the sale price must be roughly comparable to the equivalent value thereof;
  - the payment of the price for such transaction to not occur except in certain circumstances and with sufficient guarantees; and
  - such action shall not cause the Company to discontinue some of its activities or incur further liabilities.
- transferring titles and accepting the transfer thereof; receiving payment in any manner deemed appropriate thereby; receiving; delivering; leasing; collecting; and making payments;
- opening and managing bank accounts; withdrawing from and depositing with banks; obtaining loans from banks; signing all papers, documents, cheques and banking transactions; and investing the Company's funds in local and international markets within or outside KSA;
- appointing and dismissing lawyers, employees and auditors; requesting visas; recruiting manpower from abroad, signing employment contracts therewith and determining the salaries thereof; requesting issuance of residence permits; and transferring and waiving sponsorships;
- concluding loans with Government funds and institutions, regardless of their duration; entering into commercial loans and obtaining loans and other credit facilities from Government institutions, commercial banks, financial institutions and credit companies; issuing letters of guarantee in favor of any party if it believes doing so is in the best interest of the Company; issuing promissory notes and tradable instruments; and executing all types of agreements and banking transactions with terms not exceeding that of the Company;
- approving the Company's internal, financial, administrative and technical regulations and employee policies and procedures; authorizing the Company's executives to sign on the Company's behalf in accordance with the regulations and controls set by the Board; endorsing and implementing the Company's business plans; and approving the Company's annual budget; and
- discharging the Company's debtors from their obligations, provided that the minutes of the Board meeting and the reasons given for its resolution shall observe the following:
  - the discharge must be after the lapse of at least one year from the establishment of the debt;.
  - the discharge must be for a specified maximum annual amount for each debtor; and
  - discharge of debtors is an exclusive right of the Board and must not be delegated.
- The Board of Directors also has the right to conciliate, waive, conclude, commit and contract on behalf of the Company. The Board of Directors shall have the authority to carry out all acts necessary to achieve the Company's objectives.
- The Board may, within the scope of its competence, authorize one or more of the Directors or third parties to carry out specific assignment(s) or perform certain actions. The Board may delegate any of its powers and authorities to anyone it deems fit and may cancel such delegation in whole or in part.
- The Company's Board of Directors shall have the authority to establish subcommittees as may be necessary for the Company's business and needs. The Board may also grant such committees any competency it deems appropriate, and shall coordinate between such committees in order for them to decide promptly on the issues presented for the Board to effectively carry out its duties.
- The Board of Directors may, within the scope of its competencies, delegate one or more of the Directors or others to carry out specific assignment(s).

Under the Company's Bylaws, neither the Directors nor the CEO have the right to vote on a contract or a proposal in which they have an interest.

12.12.19 Remuneration of Directors

The General Assembly shall determine the remuneration of Directors. Remuneration and compensation of a Director shall be subject to the limits stipulated under the Companies Law and its regulations. In addition, the Board's report to the Ordinary General Assembly shall contain a comprehensive statement of all remuneration, expense allowances and other benefits received by Directors during the financial year. Such report shall also include a statement of the amounts received by the Directors in their capacities as employees or executives of the Company and amounts received for any technical, administrative or advisory works. The report shall also include a statement of the number of meetings of the Board and the number of meetings attended by each Director from the date of the last General Assembly meeting. In accordance with Article 72 of the Companies Law, the Company's Bylaws do not grant Directors or Senior Executives the right to borrow from the Company.

Moreover, under the Company's Bylaws, neither the Directors nor the CEO have the right to vote on resolutions related to their remuneration.

12.12.20 Powers of the Chairman, Vice Chairman, Managing Director and Secretary

The Board of Directors shall appoint a Chairman and Vice Chairman from among its members. The Board of Directors may also appoint a Managing Director or CEO from among its members. A Director may not concurrently assume the position of Chairman and any other executive position in the Company. The Chairman shall represent the Company in its relationships with third parties and before courts, government entities, notaries, dispute settlement committees of all kinds, arbitration tribunals, chambers of commerce and industry, private entities, companies and institutions of all kinds, the Committee for the Resolution of Securities Disputes, the Appeal Committee for Securities Disputes, the Committee for the Resolution of Commercial Papers Disputes, civil rights authorities and police departments; issue powers of attorney; appoint and dismiss agents and attorneys; plead; defend; litigate; conciliate; make statements; have recourse to arbitration; and accept and object to judgments on behalf of the Company. The Chairman may also delegate third parties. The Vice Chairman shall replace the Chairman in his absence.

1- The Chairman shall have the following authorities:
   - a- invite Board meetings and presiding over such meetings; and
   - b- sign on behalf the Company and representing it in its relations with third parties and Government entities.
   - c- The Chairman or his authorized representative may also sign all agreements, contracts and deeds, including, but not limited to, the constitutional documents of the companies in which the Company holds shares along with all amendments thereto, including resolutions relating to the appointment and removal of directors, assignment of shares, capital increases and decreases and the purchase and sale of stocks and shares; pay and receive the price, liquidate such companies and cancel the commercial registrations thereof.
   - d- The Chairman or his authorized representative may also lease any property belonging to the Company and receive the rent thereof; rent any property on behalf of the Company; make rental payments; create, sign, endorse and receive commercial papers; and perform all banking transactions necessary for the Company's business, including opening and closing banking accounts; withdrawing from and/or depositing into the same; requesting and signing facilities of all types and loans of any amount from commercial banks; signing all guarantees; requesting and issuing all warranties and opening credits on behalf of the Company; signing the treasury operations and products; signing facilities contracts and papers on the behalf of the Company and its subsidiaries; signing and cashing cheques; signing Islamic Murabaha (cost-plus financing) agreements and investment contracts; opening and closing investment portfolios to trade and deal in the Shares of joint stock companies and all company securities and offerings.
   - e- The Board may delegate one or more of the Directors or third parties to carry out specific assignment(s) related to the Company's business.
2- At its discretion, the Board may determine special remuneration to be granted to the Chairman, the Managing Director and CEO.

3- The Board shall appoint a Secretary from among its members or others, whose duties, competencies, and remuneration shall be determined in accordance with the resolution pertaining to his appointment and/or the Company's Corporate Governance Manual. The Secretary's duties and competencies shall include:

   a- documenting Board meetings and preparing the minutes thereof, which shall include the discussions and deliberations that took place in such meetings, the location, date and start and end times of the meeting and a record of the Board's resolutions and voting results. Such minutes shall be maintained in a special and organized register which shall list the names of the Directors present and the reservations expressed by them, if any, and such minutes shall be signed by the Directors present;

   b- maintaining the reports submitted to the Board and the reports prepared thereby;

   c- providing the Directors with the Board's agenda, working papers, documents, information and any additional documentation or information requested by any of the Directors in relation to the topics included in the meeting agenda;

   d- ensuring that the Directors comply with the procedures approved by the Board;

   e- notifying Directors of the dates of Board meetings with sufficient advance notice;

   f- presenting the draft meeting minutes to the Directors for their views thereon before signature thereof;

   g- ensuring that Directors have full and prompt access to a copy of the minutes of Board meetings, and the information and documents related to the Company;

   h- coordinating between the Directors;

   i- organizing a register of disclosures of the Board and Executive Management as per the Company's Corporate Governance Manual; and

   j- providing assistance and advice to the Directors.

4- The term of office of the Chairman, the Vice Chairman, the CEO and the Secretary, if they are Directors, shall not exceed their respective terms of membership as Directors. They may be re-elected and the Board may at any time dismiss any of them without prejudice to their right to compensation if the dismissal occurred due to an illegitimate reason or at an inappropriate time.

5- The Board shall form a Nomination and Remuneration Committee consisting of no less than three (3) members and no more than five (5) members. The Board resolution shall determine the Committee's duties, responsibilities, meetings and the remuneration of its members.

6- The Board may form other committees as required by the Company, whether from amongst the Directors or otherwise, by virtue of an independent resolution that includes the members of such committee, their duties, responsibilities and remuneration.

The Chairman may, based on a written resolution, delegate some of his powers to other Directors or third parties to perform all or some the functions set out above.

12.12.21 The Chairman, Vice Chairman and Secretary

The Board of Directors shall appoint from among its members a Chairman and Vice Chairman. The Board of Directors may also appoint a Managing Director and/or CEO from among its members. A Director may not concurrently assume the position of Chairman and any other executive position in the Company. The Chairman shall represent the Company in its relationships with third parties and before courts, government entities, notaries, dispute settlement committees of all kinds, arbitration tribunals, chambers of commerce and industry, private entities, companies and institutions of all kinds, et cetera, and he may delegate third parties. The Vice Chairman shall replace the Chairman in his absence.

The Board shall appoint a Secretary from among its members or others, whose duties, competencies and remuneration shall be determined in accordance with the resolution pertaining to his appointment and/or the Company's adopted corporate governance manual.

12.12.22 Board Meetings

The Board of Directors shall convene at least four times a year, upon an invitation from the Chairman, which may be served physically, mail, fax or email. The Chairman shall invite the Board to convene at the request of two of its members.

Directors may participate in Board meetings through video or any other means of communication provided that each Director is able hear other Directors participating in the meeting. Each Director shall confirm his attendance in the meeting and if a Director fails to do so, he will not be authorized to speak or vote at such meeting.

12.12.23 Quorum for Board Meeting

A Board meeting shall be valid only if attended by at least half of the Directors, provided that the number of attendees is no less than three (3) Directors in their own capacity. A Director may delegate another Director to attend a Board meeting in accordance with the following controls:

- A Director may not represent more than one Director in the same meeting.
- The delegation shall be made in writing and shall be for a specific meeting.
- A Director acting as a proxy may not vote on resolutions on which his principal is prohibited from voting.

If the quorum is not met for a meeting duly called for, such meeting must be adjourned for seven days. The adjourned meeting shall be held at the time and location specified for the adjourned meeting, or at such other time and location as the Chairman and Directors may agree.

Board decisions are issued by a majority of the votes of the members present or represented in the meeting. In the event of a tie, the Chairman shall have the casting vote.

The Board may issue resolutions by presenting them separately to the Directors, unless a Director requests, in writing, a Board meeting to deliberate on such resolutions. Such resolutions shall be adopted with the approval of the majority of the Directors, and shall be presented to the Board in its first subsequent meeting.

12.12.24 Board Deliberations

Deliberations and resolutions of the Board shall be recorded in minutes signed by the Chairman, the present Directors and the Secretary. Such minutes shall be recorded in a special register signed by the Chairman and the Secretary.

12.12.25 Attendance of Assemblies

Subscribers, regardless of the number of Shares held thereby, shall have the right to attend the Conversion Assembly. Each Shareholder shall have the right to attend General Assembly meetings and they may delegate another person to attend General Assemblies on their behalf, provided that such person is not a Director or Company employee.

12.12.26 Powers of the Ordinary General Assembly

Except for matters reserved for the Extraordinary General Assembly, the Ordinary General Assembly shall be competent to deal with all Company matters. The Ordinary General Assembly shall be convened at least once a year, within six months following the end of the Company's financial year. Additional Ordinary General Assembly meetings may be convened as necessary.

12.12.27 Powers of the Extraordinary General Assembly

The Extraordinary General Assembly shall have the power to amend the Bylaws, except for the provisions prohibited by law. The Extraordinary General Assembly may issue resolutions on matters falling within the competence of the Ordinary General Assembly under the same conditions and manner prescribed for the Ordinary Assembly.

12.12.28 Convening of Assemblies

Shareholders' General or Special Assemblies shall be convened at the invitation of the Board. The Board shall call for an Ordinary General Assembly meeting if requested by the Auditor, the Audit Committee or Shareholders representing at least 5% percent of the Company's Shares. The Auditor may call the Assembly to convene if the Board does not call for an assembly within thirty days from the date of the Auditor's request.

The invitation for the General Assembly and the agenda must be published in a daily newspaper to be distributed in the area where the Company's Head Office is located, at least twenty-one (21) days prior to the date set for such meeting. Nevertheless, such invitation may be sent on the designated date to all Shareholders through registered mail. A copy of both the invitation and the agenda shall be sent to the MoC, and to the CMA if the Company is listed on the Exchange, within the period specified for publication.

12.12.29 Quorum of Ordinary General Assembly Meetings

Meetings of the Ordinary General Assembly shall not be valid unless attended by Shareholders representing at least half of the capital. If the required quorum for an Ordinary General Assembly meeting is not met, a second meeting shall be convened one hour after the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of a second meeting. The invitation shall be sent in the manner prescribed in the Company's Bylaws. In all cases, the quorum for the second meeting shall be deemed valid regardless of the number of Shareholders represented therein.

12.12.30 Quorum of Extraordinary General Assembly Meetings

Meetings of the Extraordinary General Assembly shall not be valid unless attended by Shareholders representing 50% of the Company's capital. If the required quorum for an Extraordinary General Assembly meeting is not met, a second meeting shall be convened one hour after the end of the first meeting, provided that the invitation for the first meeting mentioned the possibility of a second meeting. In all cases, the second meeting shall be deemed valid if attended by Shareholders representing at least 25% of the Company's capital. If the required quorum is not met in the second meeting, there shall be an invitation for a third meeting in accordance with the Company's Bylaws, and the third meeting shall be deemed valid irrespective of the number of Shares represented therein upon the approval of the competent authority.

12.12.31 Voting in Assemblies

Each shareholder has a vote for each Share in General Assemblies. Cumulative voting shall be used in electing the Board of Directors, whereby each Shareholder shall have voting rights equivalent to the number of Shares he/she owns. Such Shareholder may exercise all of his/her votes in favor of one nominee or divide his/her votes among several nominees for Board membership. Duplicate votes are not permitted.

12.12.32 Assembly Resolutions

Resolutions of the Ordinary General Assembly shall be issued by an absolute majority of the Shares represented in the meeting. Resolutions of the Extraordinary General Assembly shall be adopted by a majority vote of at least two-thirds of the Shares represented in the meeting. However, if the resolution to be adopted relates to increase or reduction of the capital, extension of the Company's term, dissolution of the Company prior to the expiry of the term specified under the Bylaws or the merger of the Company with another company, then such resolution shall be valid only if adopted by a majority vote of three-quarters of the Shares represented at the meeting.

12.12.33 Chairmanship of Assembly Meetings and Preparation of Minutes of Meetings

General Assemblies of Shareholders shall be presided over by the Chairman, or, in the event of the Chairman's absence, the Vice Chairman. Minutes shall be maintained for each Assembly meeting, stating the names of Shareholders present or represented therein, the number of Shares held by each Shareholder, the number of votes attached to such Shares, the resolutions adopted therein, the number of consenting and dissenting votes, and a comprehensive summary of the deliberations that took place in the meeting. Minutes shall be recorded on a regular basis after each meeting in a special register signed by the chairman of the Assembly and its secretary and vote collector.

12.12.34 Audit Committee

Pursuant to a resolution of the Ordinary General Assembly, an audit committee shall be formed consisting of no less than three and no more than five members who are non-executive Directors, whether Shareholders or others. Such resolution shall specify the duties and responsibilities of the Committee and the remuneration of its members.

Meetings of the Audit Committee shall be duly convened only if are attended by a majority of its members. Audit Committee resolutions shall be adopted by a majority of the votes of the members present. In the event of a tie, the Chairman shall have the casting vote.

The Audit Committee shall be competent to monitor the Company's business, and shall have the right to access the Company's records and documents and request clarifications from the Board or Senior Executives. The Audit Committee may request the Board to call the Company's General Assembly to convene if its work is hindered by the Board or if the Company suffers material losses or damages.

The Audit Committee shall review the Company's financial statements and the reports and notes submitted by the Auditor and provide its opinions on the same, if any. In addition, it shall prepare a report setting out its opinion as to the adequacy and efficiency of the Company's internal control systems along with other matters falling within its competency. The Board of Directors shall make sufficient copies of this report available at the Company's headquarters at least 21 days prior to the date of the General Assembly meeting for any Shareholder who wishes to have a copy thereof, and such report shall be read during the meeting.

12.12.35 Appointment of the Auditor

The Company shall have one or more auditors authorized to practice in KSA, appointed annually by the Ordinary General Assembly, which shall determine its remuneration and the duration of its work. The Assembly may dismiss such auditor at any time without prejudice to its right to compensation if such change occurred due to an illegitimate reason or at an inappropriate time.

The Auditor has the right at any time to access to the Company's books, records and any other documents and may also request the information and clarifications it deems necessary to verify the Company's assets, liabilities and other matters that fall within the scope of its work. The Chairman of the Board shall enable the Auditor to perform its duties. If the Auditor encounters difficulties in this regard, it shall document the same in a report to be submitted to the Board. If the Board does not facilitate the work of the Auditor, the Auditor must request the Board to call for a meeting of the Ordinary General Assembly to consider such matter.

12.12.36 Financial Year

The Company's financial year starts from the first of January and ends at the end of December of each year, with the first financial year beginning from the date of its registration in the Commercial Register as a joint-stock company until 31/12/2021G.

12.12.37 Distribution of Dividends

The Company's annual net profits shall be distributed as follows:

- 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when such statutory reserve reaches 30% of the Company's paid-up capital.
- The Ordinary General Assembly may, upon the request of the Board, set aside a certain percentage of net profits to form an additional reserve to be allocated for one or more specific purposes.
- The General Assembly may decide to form reserves to the extent that such serves the Company's interests or ensures the distribution of fixed profits as much as possible to the Shareholders. The General Assembly may also deduct amounts from the Company's net profits to set up social institutions for the benefit of the Company's employees or to support any such existing institutions.
- An amount of at least five percent 5% of the paid up Share capital shall be distributed to the Shareholders out of the remaining balance of the net profits.
- Distribution of dividends may be on an annual or interim basis, subject to the applicable statutory restrictions. The Company shall comply with any relevant guidelines or instructions regarding the distribution of dividends issued by or to be issued by the CMA at any time.

12.12.38 Entitlement to Dividends

Shareholders are entitled to their share in the dividends in accordance with the General Assembly resolution issued in this regard. Such resolution shall indicate the maturity date and the distribution date. Shareholders registered in the shareholder register at the end of the maturity date shall be entitled to dividends.

12.12.39 Distribution of Dividends for Preference Shares

If no dividends were distributed for a given financial year, dividends may not be distributed for the following years, unless the percentage established in accordance with the provisions of Article 114 of the Companies Law has been paid to the owners of the preferred shares for such year.

If the Company fails to pay the determined percentage of profits in accordance with the provisions of Article 114 of the Companies Law for three consecutive years, a special assembly of holders of preferred shares shall be held in accordance with the provisions of Article 89 of the Companies Law to decide either to have the owners of the preferred shares attend meetings of the General Assembly and participate in voting, or to appoint representatives on their behalf to the Board in proportion to the value of their Shares in the Company's Share capital, until the Company is able to pay all of the profits allocated to the owners of the preferred shares for the previous years.

12.12.40 Company Losses

Subject to any resolutions or directives in this regard, if at any time during the financial year, the losses of the Company total half of its paid-up capital, then any Company official or the auditor, upon becoming aware thereof, must inform the Chairman, who shall immediately inform the Board, which, within sixty (60) days of being informed thereof, shall call for an Extraordinary General Assembly meeting to be convened within one hundred and eighty (180) days of being informed of such losses. Such meeting shall be held to consider whether to increase or reduce the Company's capital, in accordance with the provisions of the Companies Law, to the extent the losses fall below half of the paid-up capital, or dissolve the Company prior to the expiry of its term, as defined in the Companies Law.

Subject to any resolutions or directives in this regard, the Company shall be deemed dissolved by force of the Companies Law if the Assembly does not convene within the period specified in Paragraph 1 of this Article, or if it convenes, but fails to reach a resolution on the matter, or if it resolves to increase the capital in accordance with the conditions set forth in this Article, but the capital increase is not fully subscribed for within ninety days from the date on which the Assembly issued the capital increase resolution.

12.12.41 Liability Claims

Each Shareholder shall have the right to file a liability claim against the Company's Board members if a mistake caused thereby caused them to suffer damages. Such liability action may only be filed by the Shareholder if the Company's right to file such action still exists. Shareholders must notify the Company of their intention to file such claim.

12.12.42 Dissolution and Winding up of the Company

Upon expiration of the Company, it shall enter a liquidation stage during which it shall retain its legal personality to the extent necessary for the liquidation. The Extraordinary General Assembly shall issue a resolution for the voluntary liquidation of the Company, which must include the appointment of a liquidator and specify its powers, fees, any restrictions on its powers and the period required for liquidation. The period of a voluntary liquidation shall not exceed five years and may not be further extended without a judicial order. The authority of the Board shall cease upon the dissolution of the Company; however, the Board shall remain responsible for the management of the Company and shall be deemed as liquidators towards third parties until a liquidator is appointed. Shareholders' Assemblies shall continue throughout the duration of the liquidation process, but their role shall be limited to exercising their competencies as far as they do not conflict with those of the liquidator.

12.13 Description of the Shares

12.13.1 Company's Share Capital

As at the date of this Prospectus, the Company's share capital is eight hundred million Saudi Arabian Riyals (SAR 800,000,000), divided into eight million (80,000,000) Shares with a nominal equal value of ten Saudi Arabian Riyals (SAR 10) per Share, all of which are fully paid ordinary cash Shares.

12.13.2 Shares

The Shares are ordinary Shares and may not be issued at less than their nominal value. However, Shares may be issued at a premium to their nominal value; in which case the difference in value shall be added as a separate item under the shareholders' equity and may not be distributed as dividends to Shareholders. Shares are indivisible vis-à-vis the Company. If a share is jointly owned by several persons, such persons must elect one of them to represent them in exercising the rights attached to such share. Such persons shall be jointly liable for the obligations arising from ownership of the Share.

12.13.3 Redemption Rights and Repurchase of Shares

Pursuant to Article 114 of the Companies Law, the Company may purchase its Shares in accordance with the rules set by the competent authority, provided that the Shares purchased by the Company shall not be entitled to votes in the Shareholders' Assemblies.

12.13.4 Rights of Ordinary Shareholders

Pursuant to Article 107 of the Companies Law, each Shareholder acquires all rights attached to the Company's Shares, including the right to receive a portion of the declared dividends, obtain a share of the Company's assets upon liquidation, attend General Assembly meetings, participate in deliberations and voting on resolutions, dispose of their Shares, request access to the Company's books and documents, monitor Board actions, file a liability suit against Directors, and challenge the validity of resolutions of General Assembly meetings, in accordance with the conditions and restrictions set out in the Companies Law and the Company's Bylaws.

Each shareholder has the right to discuss the matters listed in the agenda of the General Assembly and to ask the Directors and the Auditor questions regarding such matters. The Board or the Auditor shall answer the Shareholders' questions to the extent that such answer does not harm the Company's interests. If a Shareholder feels that the answer to their question is unsatisfactory, they may appeal to the General Assembly, whose decision shall be final in this respect.

12.13.5 Entitlement to Dividends

Shareholders shall be entitled to their share of the dividends in accordance with the General Assembly resolution issued in this regard. Such resolution shall indicate the maturity date and the distribution date. Shareholders registered in the shareholder register at the end of the maturity date shall be entitled to dividends. The Board of Directors shall implement the resolution of the General Assembly regarding the distribution of dividends to Shareholders.

12.13.6 Distribution of Dividends

The Company's annual net profits shall be distributed as follows:

1- 10% of the net profits shall be set aside to form a statutory reserve. Such setting aside may be discontinued by the Ordinary General Assembly when the statutory reserve reaches 30% of the Company's paid-up capital.

2- The Ordinary General Assembly may, upon the proposal of the Board, set aside a certain percentage of net profits to form an additional reserve to be allocated for one or more specific purposes.

3- The General Assembly may decide to form reserves to the extent that such serves the Company's interests or ensures the distribution of fixed profits as much as possible to the Shareholders. The General Assembly may also deduct amounts from the Company's net profits to set up social institutions for the benefit of the Company's employees or to support any such existing institutions.

4- An amount of at least fifty percent (50%) of the Company's paid up Share capital shall be distributed to the Shareholders out of the remaining balance of the net profits.

5- Subject to the applicable statutory restrictions, distribution of dividends may be on an annual or interim basis. The Company shall comply with any relevant guidelines or instructions issued by or to be issued by the CMA at any time.

12.13.7 Entitlement to Surplus Assets upon Liquidation or Dissolution

Pursuant to Article 107 of the Companies Law, Shares shall have equal rights to net profits and liquidation surplus, unless the Company's Bylaws stipulate otherwise.

12.13.8 Voting Rights

Each Shareholder shall have one vote for each Share at the General Assemblies. A Shareholder may authorize another person who is not a Director or an employee of the Company to attend General Assembly meetings on its behalf. Cumulative voting must be applied in Board elections.

12.13.9 Amendment of Shareholder Rights

Shareholders' rights related to receiving a portion of the dividends set for distribution, obtaining a share of the Company's assets upon liquidation, attending General Assembly meetings, participating in deliberations and voting on resolutions, disposing of their Shares, requesting access to the Company's books and documents, monitoring Board actions, filing a liability suit against Directors, and challenging the validity of resolutions of General Assembly meetings (subject to the conditions and restrictions set out in the Companies Law and the Company's Bylaws) are derived from the Companies Law and therefore cannot be changed.

The Company's Bylaws must be amended in order to change the voting mechanism and quorum of the General Assembly. However, the Company's Bylaws may only be amended by a resolution of the Extraordinary General Assembly.

12.13.10 Transfer

Any transfer of Shares shall be recorded in the share register maintained by the Company. Following the Offering, any transfer of Shares shall be subject to the CMA's rules and regulations applicable to companies listed on Tadawul. Substantial Shareholders shall be subject to the Lock-up Period specified in Section ("**Offering Summary**") of this Prospectus, during which they may not dispose of their Shares.


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13. Underwriting

The Company, the Selling Shareholders and the Underwriter (HSBC Saudi Arabia) entered into an underwriting agreement on [•]H (corresponding to [•]G) (the "**Underwriting Agreement**"), pursuant to which the Underwriter has agreed, subject to certain conditions contained in the Underwriting Agreement, to fully underwrite the Offering of twenty-four million (24,000,000) Shares. The name and address of the Underwriter are set out below:

13.1 Underwriter

Table (13.1): Underwriter

HSBC Saudi Arabia
7267 Olaya Road, Al Murooj District Riyadh 2255-12283 Kingdom of Saudi Arabia Tel.: +966 920005920 Fax: +966 11 2992385 Website: www.hsbcsaudi.com Email: SALIPO@hsbcsa.com

The key terms contained in the Underwriting Agreement are as follows:

13.2 Summary of the Underwriting Agreement

Pursuant to the terms and conditions of the Underwriting Agreement:

a- The Selling Shareholders undertake to the Underwriter to perform the following actions on the first business day following the allocation of the Offer Shares upon closing of the Offering:

1- Sell and allocate the Offer Shares to the Individual Subscribers or Participating Parties whose subscription applications have been accepted by the Receiving Agents.

2- Sell and allocate the Offer Shares which were not purchased by Individual Subscribers or Participating Parties, if any, to the Underwriter.

b- The Underwriter undertakes to the Company and the Selling Shareholders to purchase any Offer Shares that are not subscribed for by Individual Subscribers or Participating Parties, as follows:

Table (13.2): Shares to be Underwritten

Underwriter	Number of Offer Shares to be Underwritten	Percentage of Offer Shares to be Underwritten
HSBC Saudi Arabia	24,000,000	100%

The Company and the Selling Shareholders undertake to comply with all the provisions of the Underwriting Agreement.

13.3 Underwriting Costs

On behalf of the Company, the Selling Shareholders shall pay the underwriting fees to the Underwriter, pro rata to the number of Offer Shares sold, based on the total value of the Offering and the expenses and costs thereof.

14. Expenses

The Selling Shareholders shall bear all expenses and costs associated with the Offering, which are estimated at approximately SAR 48,900,000 (exclusive of VAT), including the fees paid to the Saudi Exchange and the Securities Depositary Center Company (Edaa) and other expenses in connection with listing the Shares, the fees of each of the Financial Advisor, Underwriter, Lead Manager, Bookrunner, Legal Advisors to the Company, Auditor, Receiving Agents, Market Consultant and other advisors, in addition to marketing, printing and distribution expenses and other related expenses. The expenses will be deducted from the Offering Proceeds and the Company shall not bear any Offering-related expenses. It is worth noting that the expenses that will be paid by the Company are approximately SAR 2,100,000, which include fees payable to the Saudi Exchange (Tadawul) and the Securities Depository Center Company (Edaa) and other expenses in connection with listing the Shares on the Saudi Exchange (Tadawul).

15. Company's Post-Listing Undertakings

After Listing, the Company undertakes to:

- Complete Form 8 (related to compliance with the CGRs) and provide the relevant justifications if it fails to comply with any of the requirements of the CGRs.
- Notify the CMA of the date on which the first General Assembly will be held following Listing so that a representative thereof may attend.
- Comply with all the mandatory provisions of the CGRs immediately following Listing.
- Comply with the provisions of the OSCOs and the Listing Rules in relation to the Company's continuing obligations immediately after Listing.
- Submit business and contracts in which a Director has a direct or indirect interest to the General Assembly for authorization (in accordance with the Companies Law and the CGRs), provided that the interested Director refrains from voting on the relevant resolution issued in this regard, whether in the Board or the General Assembly.

Accordingly, upon Listing, the Directors undertake to:

- Record all resolutions and deliberations in the form of written meeting minutes signed by the Board Chairman and Secretary.
- Disclose the details of any Related Party transactions in accordance with the Companies Law and the CGRs.

16. Waivers

The Company has not applied to the CMA for any waivers from any regulatory requirements.

17. Subscription Terms and Conditions

The Company has submitted an application to the CMA for the registration and offer of the Shares, and an application to the Exchange to list the Shares in accordance with the OSCOs and the Listing Rules.

All Subscribers must carefully read the subscription terms and conditions before completing the Subscription Application Form. Submission of the Subscription Application Form to the Lead Manager, Bookrunner or Receiving Agents is deemed a declaration of acceptance and approval of the subscription terms and conditions.

17.1 Subscription to the Offer Shares

The Offering comprises of twenty four million (24,000,000) ordinary Shares, with a fully paid nominal value of ten Saudi Arabian Riyals (SAR 10) per Share, at an Offer Price of SAR [•] per Share. The Offer Shares represent thirty percent (30%) of the Company's Share capital. The total value of the Offering is SAR [•], noting that the Offering to Individual Subscribers and the subsequent listing of the Shares is contingent on the successful subscription by Participating Parties for all Offer Shares. The Offering shall be cancelled if the Offering is not fully subscribed for during such period. The CMA may suspend this Offering after approval of the Prospectus and prior to the registration and admission of the Shares to listing on the Exchange in the event of a material change that would have a material and adverse effect on the Company's operations.

The Offering is restricted to the following two tranches of investors:

Tranche (A) Participating Parties

This tranche comprises the parties entitled to participate in the book building process under the Book Building Instructions. Participating Parties will initially be allocated twenty-four million (24,000,000) Shares, representing one hundred percent (100%) of the total Offer Shares. If there is sufficient demand by Individual Subscribers, the Bookrunners shall have the right to reduce the number of Offer Shares initially allocated to Participating Parties to a minimum of twenty-one million, six hundred thousand (21,600,000) ordinary Shares, representing ninety percent (90%) of the total Offer Shares. The mechanism for the allocation of the Offer Shares shall be determined as the Financial Advisor deems appropriate, in coordination with the Company and the Selling Shareholders, using the discretionary allocation mechanism. If there is sufficient demand by public funds, (•) ordinary shares will initially be allocated thereto, representing (•) of the total number of Offer Shares. In the event there is sufficient demand by Individual Subscribers to subscribe to the Offer Shares, the Lead Manager shall have the right to reduce the number of Shares allocated to public funds to a minimum of (•) ordinary Shares, representing (•) of the total number of Offer Shares upon completion of subscription by Individual Subscribers.

Tranche (B) Individual Subscribers

This tranche comprises Saudi natural persons, including any Saudi female divorcee or widow with minor children from a marriage to a non-Saudi individual, who may subscribe for her own benefit or in the names of her minor children, on the condition that she proves that she is a divorcee or widow and the mother of her minor children, any non-Saudi natural person who is resident in the Kingdom, or GCC nationals, in each case who have a bank account and are eligible to open an investment account with one of the Receiving Agents. Subscription by a person in the name of his divorcee shall be deemed invalid, and if a transaction of this nature is proven to have occurred, the law shall be enforced against the applicant. If a duplicate subscription is made, the second subscription will be considered void and only the first subscription will be accepted. Individual Subscribers will be allocated a maximum of two million, four hundred thousand (2,400,000) Shares, representing ten percent (10%) of the Offer Shares. If the Individual Subscribers do not subscribe for all the Shares allocated thereto, the Financial Advisor and Lead Manager may reduce the number of Shares allocated to them in proportion to the number of Shares to which they subscribed.

17.2 Book Building for Participating Parties

- The number and percentage of Offer Shares to be allocated to Participating Parties shall be determined by the Financial Advisor, in coordination with the Company and Selling Shareholders, using the discretionary allocation mechanism. It is possible that certain Participating Entities will not be allocated any Shares as deemed appropriate by the Company and the Financial Advisor.
- Participating Parties registered in KSA must submit Bid Forms to participate in the book-building process. Participating Parties not registered in KSA must submit Bid Forms to participate in the book-building process through the Bookrunners by phone or e-mail. Participating Parties may amend or cancel their requests at any time during the Book-Building Period, provided that the said requests are amended by submitting an amended application form or an appended bid form (as applicable) before determination of the Offer Price, which will take place before the Offering Period begins. The number of Offer Shares subscribed for by each of the Participating Parties must not be less than (50,000) Shares or more than (3,999,999) Shares. Public investment funds shall not exceed the maximum limit specified for each participating public fund as determined in accordance with the Book-Building Instructions. The number of requested Shares must be subject to allocation. The Bookrunner will notify the Participating Parties of the Offer Price and the number of Offer Shares initially allocated thereto. Subscriptions by Participating Parties within and outside KSA must commence during the Offering Period, which also includes Individual Investors, through submission of Participating Parties' Subscription Application Forms, in accordance with the subscription terms and conditions as detailed in the Subscription Application Forms.
- Following completion of the book building process for Participating Parties, the Financial Advisor shall announce the percentage of coverage by Participating Parties.
- The Financial Advisor shall determine the Offer Price based on the forces of supply and demand, provided that the price does not exceed the price specified in the Underwriting Agreement.

17.3 Offering Period and Conditions for Individual Subscribers

Receiving Agents offering such service will commence receiving Individual Subscribers' Subscription Application Forms as of Wednesday 26/03/1445H (corresponding to 11/10/2023G) and ends at 11:59 PM Friday 28/03/1445H (corresponding to 13/10/2023G). If the information provided in the Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Form shall be considered void. Individual Subscribers shall be required to specify the number of Offer Shares applied for in the Subscription Application Form, where the total subscription amount shall be the number of Offer Shares applied for multiplied by the Offer Price of [•] Saudi Arabian Riyals (SAR•) per Share.

Subscription by an Individual Subscriber for less than ten (10) Shares or fractional Shares shall not be accepted and any subscription for Shares in excess of such number shall be made in multiples thereof. The maximum number of Shares that can be applied for by each Individual Subscriber is 250,000 Offer Shares.

Individual Subscribers' Subscription Application Forms will be available during the Individual Subscribers' Offering Period on the websites of Receiving Agents offering such service. These forms shall be completed in accordance with the instructions mentioned below. Individual Subscribers may also subscribe through the internet, smart device applications, telephone banking or ATMs of any of the Receiving Agents that provide all or some of these services to their customers, provided that:

- The Individual Subscriber has a bank account at a Receiving Agent which offers such services.
- No changes have been made to the Subscriber's personal information or data since their subscription in a recent offering.

The Individual Subscribers' Subscription Application Form that is signed and submitted by an Individual Subscriber to the Receiving Agents represents a binding agreement between the Selling Shareholders and the Individual Subscriber submitting it.

Individual Subscribers may obtain a copy of this Prospectus through the website of the Company (www.sal.sa). The Prospectus is also available on the websites of the CMA and the Financial Advisor. The details of the Receiving Agents are set out below:

Table (17.1): Receiving Agents

Receiving Agents
Riyad Bank Eastern Ring Road - Al Shuhada District P.O. Box 22622 Riyadh 11614 Kingdom of Saudi Arabia Tel.: +966 (11) 401 3030 Fax: +966 (11) 403 0016 Website: www.riyadbank.com Email: customercare@riyadbank.com
Saudi Awwal Bank (SAB) Prince Abdul Aziz Bin Mossaad Bin Jalawi Street – Al Muruj District P.O. Box 9084 Riyadh 11413 Kingdom of Saudi Arabia Tel.: +966 (11) 4408440 Fax: +966 (11) 276 3414 Website: https://www.sab.com/ar/ Email: sab@sab.com
Saudi National Bank King Fahd Road - Al-Aqiq District - King Abdullah Financial District P.O. Box 3208 Unit No.: 778 Kingdom of Saudi Arabia Tel.: +966 (92) 0001000 Fax: +966 (11) 4060052 Website: www.alahli.com Email: contactus@alahli.com
Al Rajhi Bank King Fahd Road - Al Muruj District - Al-Rajhi Bank Tower Riyadh 11411 Kingdom of Saudi Arabia Tel.: +966 11 828 2515 Fax: +966 11 279 8190 Website: www.alrajhibank.com.sa Email: contactcenter1@alrajhibank.com.sa
Arab National Bank (ANB) King Faisal Street P.O. Box 56921, Riyadh 11564 Kingdom of Saudi Arabia Tel.: +966 11 402 9000 Fax: +966 11 402 7747 Website: www.anb.com.sa Email: info@anb.com.sa

The Receiving Agents offering such service will commence receiving Individual Subscribers' Subscription Application Forms, beginning from Wednesday 26/03/1445H (corresponding to 11/10/2023G) and ends at 11:59 PM Friday 28/03/1445H (corresponding to 13/10/2023G), for a period of three (3) days. In the event that the information provided in Individual Subscribers' Subscription Application Form is incomplete or inaccurate, or not stamped by the Receiving Agent, the Subscription Application Forms will be considered void. Individual Subscribers do not have the right to claim any compensation for the damages incurred due to such cancellation.

Subscriptions by Individual Subscribers for less than 10 Offer Shares will not be accepted. Subscriptions must be made in increments of such minimum number, while the maximum number of Offer Shares that can be applied for is 250,000 Offer Shares.

Each Individual Subscriber agrees to subscribe for and purchase the number of Offer Shares specified in Individual Subscribers' Subscription Application Form for an amount equal to the number of Offer Shares applied for multiplied by the Offer Price of SAR [•] per Share.

Individual Subscribers' Subscription Application Forms shall be submitted during the Offering Period for Individual Subscribers and accompanied, where applicable, with the following documents (the Receiving Agents shall verify all copies against the originals and return the originals to the Individual Subscriber):

- Original and copy of the ID card or resident ID (for Individual Subscribers, including citizens of GCC countries and foreign residents).
- Original and copy of the family register (when subscribing on behalf of family members).
- Original and copy of a power of attorney (when subscribing on behalf of others).
- Original and copy of a certificate of guardianship (when subscribing on behalf of orphans).
- Original and copy of the divorce certificate (when subscribing for the children of a divorced Saudi woman).
- Original and copy of the death certificate (when subscribing for the children of a widowed Saudi woman).
- Original and copy of the birth certificate (when subscribing for the children of a divorced or widowed Saudi woman).

In the event that an application is submitted on behalf of an Individual Subscriber (parents and children only), the name of the person signing on behalf of the Subscriber should be stated in the Subscription Application Form, accompanied by a valid original and copy of the power of attorney. The power of attorney must be issued by a notary public or a licensed notarization body for Individual Subscribers residing in KSA and must be legalized through a Saudi embassy or consulate in the relevant country for Saudi Individual Subscribers residing outside KSA. The relevant official at the Receiving Agent shall compare the copies with the original and return the original to the Subscriber.

It shall suffice to fill out one Subscription Application Form for the main Individual Subscriber applying for himself/herself and family members appearing on his/her family register if the family members are applying for the same number of Offer Shares as the main Individual Subscriber. In such case:

- All Offer Shares allocated to the main Individual Subscriber and dependent Subscribers shall be registered in the main Individual Subscriber's name.
- The main Individual Subscriber shall receive any refund of unallocated amounts which they paid themselves or on behalf of dependent Subscribers.
- The main Individual Subscriber shall receive all dividends distributed for the Offer Shares allocated to themselves and dependent Subscribers (in the event the Shares are not sold or transferred).

A separate subscription application shall be used if:

- The Subscriber wishes to register the Offer Shares to be allocated in a name other than the name of the main Individual Subscriber.
- The amount of Shares the main Subscriber intends to apply for differs from that of the dependent Individual Subscribers.
- If a wife intends to subscribe in her name and for the allocated Offer Shares to be registered to her account (she must complete a separate Subscription Application for herself to the one completed by the main Subscriber), any Subscription Application Form submitted by her husband on her behalf shall be cancelled and the wife's separate Subscription Application shall be processed by the Receiving Agent.

A divorced Saudi woman or widow who has minor children from a marriage to a non-Saudi husband may subscribe on behalf of those children, provided that she submits proof of her motherhood. A subscription for Offer Shares made by a person in the name of his divorced wife shall be deemed invalid and the applicant shall be subject to the sanctions prescribed by law. If a main Individual Subscriber subscribes for Shares for himself and other family members registered in his family register, and a family member submits a separate Subscription Form, such family member's portion of the original application, and only his or her portion, will be cancelled.

During the Offering Period, only a valid residence permit (Iqama) will be an acceptable form of identification for non-Saudi dependents. Passports or birth certificates will not be accepted. Non-Saudi dependents can only be included as dependents with their mother and cannot subscribe as main Subscribers. The maximum age for non-Saudi dependents to be included with their mother is eighteen (18) years. Any documents issued by a foreign government must be legalized through a Saudi embassy or consulate in such country.

Each Individual Subscriber shall agree to subscribe for and purchase the Shares specified in their Subscription Application Form, for an amount equal to the number of Shares applied for multiplied by the Offer Price of SAR [•] per Share. Each Subscriber shall be deemed to have acquired the number of Offer Shares allocated to them upon:

- Delivery by the Individual Subscriber of the Individual Subscribers' Subscription Application Form to any Receiving Agent.
- Payment in full by the Individual Subscriber to the Receiving Agent of the total value of the Shares subscribed for.

The total value of the Offer Shares subscribed for shall be paid in full by the Individual Subscriber through the Individual Subscriber's account held with the Receiving Agent to whom the Subscription Application Form is being submitted.

For the sake of clarity, the holders of the Offer Shares are qualified to receive any dividends that the Company declares from the date of this Prospectus and for subsequent financial years.

If a submitted Subscription Application Form is not in compliance with the subscription terms and conditions, the Company shall have the right to reject such application in full or in part. The applicant shall accept any number of Offer Shares allocated thereto unless the allocated Shares exceed the number of Shares applied for by the applicant.

17.4 Allocation and Refunds

The Lead Manager shall open and manage an escrow account for the purpose of depositing and holding the subscription amounts collected from the Participating Parties and the Receiving Agents on behalf of Individual Subscribers. Subscription monies shall be transferred to the Selling Shareholders only when the Listing becomes effective, after the deduction of certain fees and expenses. Details of this escrow account shall be specified in the Subscription Application Forms. Moreover, each Receiving Agent shall deposit the amounts collected from the Individual Subscribers into the escrow account, which shall be specified in the Individual Subscribers' Subscription Application Form.

The Lead Manager or the Receiving Agents (as the case may be) shall notify Subscribers of the final number of Offer Shares to be allocated to each of them, together with the amounts to be refunded.

Excess subscription monies, if any, will be refunded to the Subscribers in whole without any deductions or fees and will be deposited in the Subscribers' accounts specified in the Subscription Application Forms.

Announcement of the final allocation will be made no later than Tuesday 02/04/1445H (corresponding to 17/10/2023G) and refund of excess subscription monies will be made no later than Tuesday 09/04/1445H (corresponding to 24/10/2023G). (for further details, please see the "**Key Dates and Subscription Procedures**" section. Subscribers should communicate with the Lead Manager or the Receiving Agent who provided the Subscription Application Form (as the case may be) for further details.

17.4.1 Allocation of Offer Shares to Participating Parties

Allocation of Offer Shares shall be determined by the Financial Advisor, in consultation with the Company and the Selling Shareholders, by using the discretionary allocation mechanism. After the allocation of Offer Shares to Individual Subscribers is completed, the Company and the Financial Advisor may, at their discretion, not allocate Shares to some of the Participating Entities, provided that the number of Offer Shares initially allocated to Participating Parties shall not be less than twenty-four million (24,000,000) Offer Shares, representing 100% of the Offer Shares, and the final allocation for Participating Parties shall not be less than twenty one million, six hundred thousand (21,600,000) Offer Shares, representing 90% of the Offer Shares. If there is sufficient demand by public funds, (•) ordinary shares will initially be allocated thereto, representing (•) of the total number of Offer Shares. In the event there is sufficient demand by Individual Subscribers to subscribe to the Offer Shares, the Lead Manager shall have the right to reduce the number of Shares allocated to public funds to a minimum of (•) ordinary Shares, representing (•) of the total number of Offer Shares upon completion of subscription by Individual Subscribers.

Transfer of the Offer Shares shall only be deemed valid after payment of their value by the Participating Parties, as of the date of registration in the Shareholders' register and the commencement of share trading, in accordance with the regulations and instructions governing the trading of Saudi Shares applied in this regard. If, for any reason, the Company's Shares are not traded or are de-listed prior to trading, for any reason, the subscription monies paid by the Participating Parties shall be refunded and ownership of the Shares shall be returned to the Selling Shareholders.

17.4.2 Allocation of Offer Shares to Individual Subscribers

The number and percentage of Offer Shares to be allocated Individual Subscribers shall be determined by the Financial Advisor and Lead Manager, in coordination with the Company and the Selling Shareholders. Individual Subscribers will be allocated a maximum of two million, four hundred thousand (2,400,000) Ordinary Shares, representing 10% of the Offer Shares, noting that the minimum allocation per Individual Subscriber is ten (10) Offer Shares and the maximum allocation per Individual Subscriber is 250,000 Offer Shares. The balance of the Offer Shares, if any, will be allocated pro-rata, based on the number of Offer Shares applied for by each Subscriber to the total number of Shares subscribed for. In the event that the number of Individual Subscribers exceeds two hundred and forty thousand (240,000) Individual Subscribers, the Company shall not guarantee the minimum allocation. In this case, the allocation shall be determined at the discretion of the Company, the Financial Advisor and the Selling Shareholders. Excess subscription monies, if any, shall be refunded to Individual Subscribers without any charge or commission being withheld by the Receiving Agents.

17.5 Circumstances Where Listing May Be Suspended or Cancelled

17.5.1 Power to Suspend or Cancel Listing

- The CMA may suspend trading of the Shares or cancel the listing at any time it deems fit in any of the following circumstances:
  - If the CMA deems this necessary to protect investors or maintain an orderly market.
  - If the Company fails, in a manner which the CMA considers material, to comply with the Capital Market Law, its Implementing Regulations or the Exchange Rules.
  - If the Company fails to pay any fees due to the CMA or the Exchange or any penalties due to the CMA on time.
  - If the CMA deems that the Company, its business, the level of its operations or its assets are no longer suitable to warrant the continued listing of its Shares on the Exchange.
  - When a reverse acquisition is declared that does not contain sufficient information regarding the proposed transaction. In the event that the Issuer has provided sufficient information regarding the target and the CMA is convinced, after the Issuer's announcement, that sufficient public information will be available on the proposed reverse takeover, the CMA may decide not to suspend trading at this stage.
  - When information about the proposed reverse takeover is leaked and the Issuer cannot accurately assess its financial position and the Exchange cannot be informed accordingly.
  - When a request to initiate financial reorganization of the Issuer is registered with the court in accordance with the Bankruptcy Law if its accumulated losses reach 50% or more of its capital.
  - When an application to initiate a liquidation proceeding or administrative liquidation of the Issuer is registered with the court in accordance with the Bankruptcy Law.

  - When a court issues a final ruling to terminate a financial reorganization proceeding and commence a liquidation proceeding or administrative liquidation of the Issuer in accordance with the Bankruptcy Law.
  - When a court issues a final ruling to commence a liquidation proceeding or administrative liquidation of the Issuer before the court in accordance with the Bankruptcy Law.
- The Exchange shall suspend the trading of the Issuer's securities in any of the following cases:
  - If the Issuer does not comply with the deadlines for the disclosure of its periodic financial information in accordance with the OSCOs, until the disclosure thereof.
  - If the Auditor's report on the financial statements of the Issuer contains an adverse opinion or a disclaimer of opinion, until the adverse opinion or disclaimer is removed.
  - If the liquidity requirements of Chapters 2 and 8 of the Listing Rules are not met after Listing by the time limit set by the Exchange for the Issuer to rectify its conditions, unless the CMA agrees otherwise.
  - If the Issuer's Extraordinary General Assembly issues a resolution to reduce its capital, for the two trading days following the issue date of the resolution.

17.5.2 Optional Cancellation of Listing

- An issuer whose securities have been listed on the Exchange may not cancel the listing of its securities without the prior approval of the CMA. To obtain the CMA approval, the Issuer must submit a cancellation application to the CMA, along with a simultaneous notice to the Exchange. The application must include the following information:
  - a- The specific reasons for the cancellation request.
  - b- A copy of the disclosure described in Paragraph (d) below.
  - c- A copy of the relevant documentation and a copy of each related document sent to the Shareholders if the cancellation is to take place as a result of an acquisition or other action taken by the Issuer.
  - d- The names and contact information of the financial advisor and legal advisor appointed according to the relevant implementing regulations.
- The CMA may, at its own discretion, approve or reject the cancellation request.
- The Issuer shall obtain the approval of the Extraordinary General Assembly for the cancellation of the listing after obtaining the CMA's approval.
- Where cancellation is made at the Issuer's request, the Issuer shall disclose the same to the public as soon as possible. The disclosure shall include the reason for the cancellation, the nature of the event resulting in the cancellation and how it affects the Issuer's activities.

17.5.3 Temporary Suspension of Trading

- An issuer may request a temporary suspension of the trading of its securities from the Exchange upon the occurrence of an event during trading hours which requires immediate disclosure under the Capital Market Law or its Implementing Regulations, where the Issuer cannot maintain the confidentiality of this information until the end of the trading period. The Exchange shall suspend trading of the securities of that Issuer as soon as it receives the request.
- When trading is temporarily suspended at the Issuer's request, the Issuer shall disclose to the public, as soon as possible, the reason for the suspension, the anticipated period thereof, the nature of the event resulting in the suspension and how it affects the Issuer's activities.
- The CMA may impose a temporary trading suspension without a request from the Issuer when the CMA has information or there are circumstances that affect the Issuer's activities which the CMA deems likely to interrupt the operation of the Exchange or jeopardize the protection of investors. An Issuer whose securities are subject to temporary suspension of trading must continue to adhere to the Capital Market Law, its Implementing Regulations and the Exchange Rules.
- The Exchange may propose that the CMA exercise its authority under Paragraph (c) above if it finds that there is information or circumstances that may affect the Company's activities and that are likely to affect the operation of the Exchange or the protection of investors.
- The temporary suspension shall be lifted at the end of the period specified in the disclosure referred to in Paragraph (b) above unless the CMA or the Exchange deems otherwise.

17.5.4 Lifting of Suspension

A suspension of trading may be lifted subject to the following considerations:

- Adequately addressing the conditions that led to the suspension and lack of a need for to continue the suspension to protect investors.
- Lifting of the suspension is likely to have no impact on the normal activity of the Exchange.
- The Issuer's compliance with any other conditions that the CMA may require.
- In the event that the suspension is due to the Company's accumulated losses reaching 50% or more of its capital as per the Bankruptcy Law, then the suspension shall be lifted upon the issuance of a final court judgment initiating financial reorganization of the Issuer under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority.
- In the event that the suspension is due to a liquidation proceeding or administrative liquidation proceeding of the Issuer before the court under the Bankruptcy Law, the suspension shall be lifted upon the issuance of a final court judgment dismissing the initiation of a liquidation proceeding or administrative liquidation proceeding under the Bankruptcy Law, unless it was suspended from its activities by the relevant competent authority.

In the event that the listing suspension continues for six months with no appropriate procedure made by the Issuer to correct such suspension, the CMA may cancel the Issuer's listing.

17.5.5 Re-listing of Cancelled Securities

If the Company wishes to re-list its Shares which have been cancelled, it must submit a new application for registration and admission to listing in order in accordance with the Listing Rules and fulfil the requirements stipulated in the OSCOs.

17.6 Resolutions and Approvals for the Offering and Listing of the Shares

The resolutions and approvals for the Offering of the Offer Shares are as follows:

- The resolution of the Company's General Assembly approving the Offering, dated 05/09/1444H (corresponding to 27/03/2023G).
- The resolution of the Company's Board of Directors approving the Offering, dated 18/09/1444H (corresponding to 09/04/2023G).
- The announcement of the CMA approving the application for the registration and Offering of the securities, dated 03/12/1444H (corresponding to 21/06/2023G).
- The conditional approval of the Saudi Exchange to list the Shares, dated 17/11/1444H (corresponding to 06/06/2023G).

17.7 Lock-up Period

The Substantial Shareholders are subject to a lock-up period of six months starting from the commencement of trading of the Shares on the Saudi Stock Exchange. During this period, the Substantial Shareholders may not dispose of their Shares. Following the end of the Lock-up Period, the Substantial Shareholders may dispose of such Shares without the prior approval of the CMA.

17.8 Declarations by Subscribers

By completing and submitting the Subscription Application Form, each Subscriber:

- agrees to subscribe for the number of Offer Shares specified in the Subscription Application Form;
- declares that they have read this Prospectus and understood all of its content;
- accepts the Company's Bylaws and all Offering instructions and terms mentioned in this Prospectus and the Subscription Application Form, and subscribes to the Offer Shares accordingly;
- declares that they have not previously subscribed for any of the Company's Shares and that the Company has the right to reject any or all duplicate applications;
- accepts the number of Offer Shares allocated thereto (up to the maximum amount subscribed for) as per the Subscription Application Form; and
- undertakes not to cancel or amend the Subscription Application Form after submitting it to the Lead Manager or the Receiving Agent. For further details regarding the allocation and refund of excess subscription monies, please see Section 17.4 ("**Allocation and Refunds**") of this Prospectus.

17.9 Share Register and Dealing Arrangements

The Exchange maintains a register of Shareholders that contains their names, nationalities, residence addresses, occupations, the Shares they own and the amounts paid for such Shares.

17.10 Saudi Exchange

In 1990G, full electronic trading of Shares in KSA was introduced. The Tadawul system was established in 2001G as the successor to the Electronic Securities Information System. Share trading occurs on the "Tadawul" system through a fully integrated trading system covering the entire trading process, from execution of the trade transaction through settlement thereof. Trading occurs each business day between 10:00 am and 3:00 pm from Sunday to Thursday, during which time orders are executed. However, outside such hours, orders may be entered, amended, or cancelled from 9:30 am to 10:00 am. These times change during the month of Ramadan as announced on the official website of Tadawul. Transactions take place through the automatic matching of orders. Each valid order is accepted and generated according to the price level. In general, market orders (orders placed at best price) are executed first, followed by limit orders (orders place at a price limit), provided that, if several orders are generated at the same price, they are executed according to the time of entry. The Tadawul system distributes a comprehensive range of information through various channels, most notably the Tadawul website and Tadawul Information Link, which supplies trading data in real time to information providers such as Reuters. Exchange transactions are settled on a T+2 basis, meaning that share ownership transfer takes place within two working days after the transaction is executed.

Listed companies are required to disclose all material decisions and information to investors through Tadawul. Tadawul is responsible for monitoring the market as it is the operator of the mechanism through which the market operates in order to ensure fair and smooth trading in Shares.

17.11 Share Trading

It is expected that trading of the Shares will commence after the final allocation of such Shares and Tadawul's announcement of the start date for trading of the Shares. Following Listing, Saudi natural persons, non-Saudi natural persons residing in KSA and holding valid residence permits and citizens of GCC states, as well as companies, banks, and investment funds, will be permitted to trade in the Offer Shares once they are traded on the Exchange. Moreover, QFIs will be permitted to trade the Company's Shares in accordance with the Rules for Foreign Investment in Securities. Moreover, foreign investors, non-Saudi nationals who are not residents of KSA and institutions registered outside KSA will also have the right to invest indirectly to acquire economic benefits in the Shares by entering into Swap Agreements with Capital Market Institutions licensed by CMA, and by purchasing the Shares listed on the Exchange and trading in them for the benefit of non-GCC foreign investors. Under the Swap Agreements, Capital Market Institutions are the legal owners of the Shares.

Furthermore, the Offer Shares may only be traded after allocated Offer Shares have been credited to Subscribers' accounts with Tadawul and the Company has been registered and its Shares listed on the Exchange. Subscribers entering into any pre-trading activities will be acting at their own risk. The Company and Selling Shareholders shall have no legal responsibility in connection with pre-trading activities.

17.12 Miscellaneous Provisions

The Subscription Application Form and all related terms, conditions and covenants hereof shall be binding upon and inure to the benefit of the parties to the subscription and their respective successors, permitted assigns, executors, administrators and heirs. Neither the Subscription Application Form nor any of the rights, interests or obligations arising pursuant thereto may be assigned or delegated by any of the parties to the subscription without the prior written consent of the other party.

These instructions, conditions and the receipt of any Subscription Application Forms or related contracts are governed, construed, and enforced in accordance with the laws of KSA.

This Prospectus has been issued in both Arabic and English. In the event of a discrepancy between the English and the Arabic texts, the Arabic text of this Prospectus shall prevail.

It is expressly prohibited to distribute this Prospectus or sell the Offer Shares in any country other than KSA, with the exception of foreign Participating Parties subject to the applicable laws and instructions. The Company, the Selling Shareholders, the Financial Advisor, the Lead Manager and the Underwriter request the recipients of the Prospectus to familiarize themselves with and adhere to any regulatory restrictions related to the Offering and the sale of the Offer Shares.

18. Documents Available for Inspection

The following documents will be available for inspection at the Company's Head Office on Prince Sultan Street, Jeddah, between 9:00 a.m. and 5:00 p.m. from Tuesday 27/02/1445H (corresponding to 12/09/2023G) until Sunday 30/03/1445H (corresponding to 15/10/2023G) provided that such period is not less than 20 days prior to the end of the Offering Period:

- The Company's Bylaws, together with any amendments thereto and other constitutional documents.
- The Company's commercial registration certificate.
- A copy of CMA's announcement approving the Offering.
- The Company's Board of Directors' resolution approving the registration of the Company's Shares and the Offering thereof for public subscription, dated 18/09/1444H (corresponding to 09/04/2023G).
- The General Assembly resolution approving the registration of the Company's Shares and the Offering thereof for public subscription, dated 05/09/1444H (corresponding to 27/03/2023G).
- A document explaining the mechanism used in determining the price range for the Book Building Process or a valuation report.
- The Company's audited financial statements for the period from 16 October 2019G to 31 December 2020G and the special purpose audited financial statements for the financial year ended 31 December 2020G and for the financial years ended 31 December 2021G and 2022G. All reports, letters and other documents, estimates of value and statements prepared by any expert or any part thereof that is included or referred to in this Prospectus.
- The condensed interim reviewed financial statements of the Company for the period ended 30 June 2023 prepared in accordance with International Accounting Standards (IAS)-34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These condensed interim reviewed financial statements have been audited by KPMG Professional Services pursuant to its reports annexed to the Prospectus.
- Letters of consent from each of:
  - The Financial Advisor, Lead Manager, Bookrunner and Underwriter (HSBC Saudi Arabia) for the inclusion of their names, logos and statements in this Prospectus.
  - KPMG Professional Services for the inclusion of its name and logo in this Prospectus as the Company's Auditor of the consolidated financial statements for the financial year ended 31 December 2022G, which were prepared in accordance with the generally accepted accounting principles in KSA.
  - The Financial Due Diligence Advisor, PricewaterhouseCoopers, for the inclusion of its name, logo and statements, if any, in this Prospectus.
  - The Market Consultant, ALG, for the inclusion of its name, logo and statements in this Prospectus.
  - The Legal Advisor, Abuhimed Alsheikh Alhagbani Clifford Chance Law Firm (AS&H), for the inclusion of its name and logo in this Prospectus.
- The contracts and agreements disclosed in Section 5.10.1 ("**Interests in Contracts and Agreements concluded with the Company**") of this Prospectus.
- The Underwriting Agreement.
- Market Study prepared by the Market Study Consultant.
- A document summarizing forecasts and forward-looking statements in relation to the expected future financial performance of the Company.
- Tadawul's approval of the Listing as dated 17/11/1444H (corresponding to 06/06/2023G).

19. Financial Statements and Auditor's Report

This section contains the Company's audited The financial statements for the period from 16 October 2019G to 31 December 2020G, the special purpose audited financial statements for the financial year ended 31 December 2020G, the audited financial statements for the financial years ended 31 December 2021G and 2022G and the accompanying notes, which were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by IASB as endorsed in KSA and other standards issued by SOCPA, as well as other accounting standards applicable in KSA. This section also contains the condensed interim reviewed financial statements of the Company for the period ended 30 June 2023 have been prepared in accordance with International Accounting Standards (IAS)-34 "Interim Financial Reporting" as endorsed in Kingdom of Saudi Arabia and other standards and pronouncements that are issued by Saudi Organization for Chartered and Professional Accountants ("SOCPA"). These condensed interim reviewed financial statements have been audited by KPMG Professional Services pursuant to its reports annexed to the Prospectus.

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

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

The Board of Directors SAL Saudi Logistics Services Company (Previously SAL Cargo Company Limited) 4th Floor, Zahran Business Centre Prince Sultan Street Jeddah, Kingdom of Saudi Arabia Date: 19/11/1444H Corresponding to: 08/06/2023G **SAL Saudi Logistics Services Company**	أعضاء مجلس الإدارة شركة سال السعودية للخدمات اللوجستية (شركة سال للشحن المحدودة سابقاً) الطابق الرابع، مركز زهران للأعمال طريق الأمير سطان جدة، المملكة العربية السعودية التاريخ: 1444/11/19هـ الموافق: 2023/06/08م **شركة سال السعودية للخدمات اللوجستية**
Dear Sir, **Consent letter in connection with the use of our auditors' report on the special purpose financial statements for the year ended 31 December 2020G, and its inclusion in the Prospectus** We refer to:	السادة الأعزاء، **خطاب الموافقة المتعلق بإستخدام تقرير مراجعينا على القوائم المالية المراجعة المعدة لغرض خاص للسنة المالية المنتهية في 31 ديسمبر 2020م وتضمينه في نشرة الاصدار** إشارة إلى:
1. The rules issued by the Board of the Capital Market Authority (the "**CMA**") pursuant to its resolution number 3-123-2017 dated 09/04/1439H. (corresponding to 27/12/2017G) and amended by its resolution number 8-5-2023 dated 25/06/1444H (corresponding to 18/01/2023G) (the "**OSCO Rules**") and;	1. القواعد الصادرة عن مجلس هيئة السوق المالية ("**الهيئة**") بموجب قراره رقم 3-123-2017 بتاريخ 1439/4/9هـ الموافق 2017/12/27م المعدل بالقرار رقم 8-5-2023 بتاريخ 1444/6/25 هـ الموافق 2023/1/18م ("**قواعد طرح الأوراق المالية والالتزامات المستمرة**")؛ و
2. The prospectus prepared by SAL Saudi Logistics Services Company (the "**Issuer**") in relation to the proposed initial public offering of it shares (the "**IPO**") by the Issuer pursuant to the Listing Rules (the "**Prospectus**").	2. نشرة الإصدار المعدة من قبل شركة سال السعودية للخدمات اللوجستية ("**المصدر**") فيما يتعلق بالأسهم المقترح طرحها طرحاً أولياً من قبل المصدر ("**الطرح**") وفقاً لقواعد التسجيل والإدراج ("**نشرة الإصدار**").
3. Our auditors' report on the special purpose financial statements for the year ended 31 December 2020G, which states that these financial statements are intended only for the use of the management of the Issuer for submission to the CMA as part of a proposed initial public offering application for the Issuer and that the report is prepared solely for this purpose and should not be distributed to or used by parties other than the Issuer's management and the Capital Market Authority.	3. تقرير مراجعينا على القوائم المالية المراجعة المعدة لغرض خاص للسنة المالية المنتهية في 31 ديسمبر 2020م والذي ينص على أن تلك القوائم المالية معدة فقط لاستخدام إدارة المصدر لتقديمها إلى هيئة السوق المالية كجزء من طلب طرح عام أولي مقترح للمصدر. وإن التقرير معد فقط لهذا الغرض ولا ينبغي توزيعه على أو استخدامه من أطراف أخرى بخلاف إدارة المصدر وهيئة السوق المالية.

We, KPMG Professional Services, acting in the capacity of the auditor to the Issuer, hereby confirm that we consent to the use of our name , logo and auditors' report on the special purpose financial statements for the year ended 31 December 2020G, and its inclusion in the Prospectus. We also confirm that KPMG Professional Services does not own any shares or interest of any kind in the Company or any of its subsidiaries.	نفيدكم نحن كي بي إم جي للاستشارات المهنية فيما يتعلق بدورنا كمحاسب قانوني للمصدر، نؤكد موافقتنا على استخدام اسمنا وشعارنا وتقرير مراجعينا على القوائم المالية المراجعة المعدة لغرض خاص للسنة المالية المنتهية في 31 ديسمبر 2020م وتضمينه في نشرة الإصدار. كما نفيد أن شركة كي بي ام جي للاستشارات المهنية لا تملك أي أسهم أو مصلحة مهما كان نوعها في الشركة أو أي شركات تابعة لها.

Kind regards,

وتفضلوا بقبول فائق الاحترام،

For and on behalf of **KPMG Professional Services**

بالنيابة عن كي بي إم جي للاستشارات المهنية

Ebrahim Oboud Baeshen
Office Managing Partner, Jeddah
License No. 382

إبراهيم عبود باعشن
الشريك المدير، جدة
رقم الترخيص 382

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SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2020
with
INDEPENDENT AUDITOR'S REPORT

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS
For the year ended 31 December 2020

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KPMG Professional Services
Zahran Business Center
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Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

كي بي إم جي للاستشارات المهنية
مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جـدة 21534
المملكة العربية السعودية
المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

Independent Auditor's Report

To the shareholders of SAL Cargo Company Limited

Opinion

We have audited the financial statements of SAL Cargo Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cashflows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the (financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Restriction on Use and Distribution

We draw attention to:

- Note 1 to the financial statements, which describes that these financial statements are prepared solely for the use of management for submission to Capital Market Authority (CMA) as part of application for proposed Initial Public Offering (IPO) of the Company. Our report is intended solely for this purpose and should not be used by or distributed to parties other than management and CMA.

- Note 1 & 2.1 of the financial statements, which describes that the Company came into existence with effect from 17 Safar 1441 H (corresponding to 16 October 2019). As a result, the comparative information presented is not comparable.

Our opinion is not modified in respect of these matters.

Other Matter

The Company has prepared a separate set of statutory financial statements for the period from 16 October 2019 to 31 December 2020 in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the SOCPA on which we issued a separate auditor's report to the shareholders of the Company, dated 3 May 2021 (corresponding to 21 Ramadan 1442H)

KPMG

Independent Auditor's Report

To the shareholders of SAL Cargo Company Limited (continued)

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Independent Auditor's Report

To the shareholders of SAL Cargo Company Limited (continued)

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

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 of SAL Cargo Company ("the Company").

KPMG Professional Services

Ebrahim Oboud Baeshen
License No: 382

Jeddah, 14 July 2021
Corresponding to 4 Dhul Hijjah 1442H

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	2020	2019
ASSETS			
Non-current assets			
Property and equipment	5	**555,264**	--
Right-of-use asset	6	**1,348,296**	--
Intangible assets	7	**16,977**	--
Total non-current assets		**1,920,537**	--
Current assets			
Trade receivables	8	**116,699**	--
Prepayments and other receivables	9	**63,787**	--
Due from related parties	10	**110,261**	--
Cash and cash equivalents	11	**714,642**	500
Total current assets		**1,005,389**	500
Total assets		**2,925,926**	500
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	12	**500**	500
Additional capital contribution	13	**468,214**	--
Statutory reserve	14	**150**	--
Retained earnings		**338,677**	--
Actuarial loss		**(4,174)**	--
Total shareholders' equity		**803,367**	500
Non-current liabilities			
Lease obligations, non-current portion	6	**1,364,728**	--
Employees' end of service benefits	15	**50,318**	--
Total non-current liabilities		**1,415,046**	--
Current liabilities			
Current portion of lease obligations	6	**13,227**	--
Loan from a related party	16	**384,786**	--
Due to related parties	10	**115,441**	--
Trade payables, accruals and other liabilities	17	**191,782**	--
Zakat payable	23	**2,277**	--
Total current liabilities		**707,513**	--
Total liabilities		**2,122,559**	--
Total shareholders' equity and liabilities		**2,925,926**	500

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**For the year ended 31 December 2020**	For the period from 16 October 2019 till 31 December 2019
Revenue		**846,885**	--
Cost of revenue	18	**(449,223)**	--
Gross profit		**397,662**	--
Other income	19	**64,064**	--
Selling and distribution expenses	20	**(14,757)**	--
General and administration expenses	21	**(133,519)**	--
Operating profit		**313,450**	--
Finance costs	22	**(73,396)**	--
Profit before Zakat		**240,054**	--
Zakat	23	**(2,277)**	--
Profit for the year		**237,777**	--
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement loss on defined benefit obligation	15	**(4,174)**	--
Total comprehensive income for the year		**233,603**	--

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Share capital	Additional capital contribution	Statutory reserve	Retained earnings	Actuarial losses	Total
Share capital issued	500	--	--	--	--	**500**
As at 31 December 2019	500	--	--	--	--	**500**
Transactions with owners of the Company:						
Advance against issuance of shares (note 13)	--	353,000	--	--	--	**353,000**
Gift of net assets of Ground Handling Business from Saudi Airline Cargo Company (SACC) to the Company (note 1)	--	--	--	101,050	--	**101,050**
Loan waived by Saudi Airline Cargo Company (SACC) (note 13)	--	115,214	--	--	--	**115,214**
	--	468,214	--	101,050	--	**569,264**
Total comprehensive income for the year:						
Profit for the year	--	--	--	237,777	--	**237,777**
Other comprehensive income for the year	--	--	--		(4,174)	**(4,174)**
	--	--	--	237,777	(4,174)	**233,603**
Other transactions:						
Transfer to statutory reserve (note 14)	--	--	150	(150)	--	--
Total shareholders' equity as at 31 December 2020	**500**	**468,214**	**150**	**338,677**	**(4,174)**	**803,367**

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**For the year ended 31 December 2020**	For the period from 16 October 2019 till 31 December 2019
OPERATING ACTIVITIES			
Profit before Zakat		**240,054**	--
Adjustments for:			
Depreciation on property and equipment	5	**31,466**	--
Depreciation of right-of-use assets	6	**64,603**	--
Amortisation of intangible assets	7	**2,144**	--
Finance charges on lease liabilities		**71,827**	--
Provision for employees' end of service benefits	15	**8,548**	--
Gain on disposal of property and equipment		**(54)**	--
Impairment loss on trade receivables	8	**3,500**	--
		422,088	--
Changes in:			
Trade receivables		**(120,199)**	--
Prepayments and other current assets		**(36,650)**	--
Due from related parties		**(110,261)**	--
Trade payable		**15,441**	--
Accrued expenses and other current liabilities		**154,945**	--
Due to related parties		**115,441**	--
Cash generated from operations		**440,805**	--
Employees' benefit paid	15	**(1,218)**	--
Net cash generated from operating activities		**439,587**	--
INVESTING ACTIVITIES			
Additions to property and equipment	5	**(221,535)**	--
Additions to intangible assets	7	**(5,324)**	--
Proceed from disposal of property and equipment		**132**	--
Net cash used in investing activities		**(226,727)**	--
FINANCING ACTIVITIES			
Proceeds from issuance of share capital	12	**--**	500
Cash received as advance against share capital	13	**353,000**	--
Loan from a related party	16	**250,000**	--
Payment of lease liability		**(101,718)**	--
Net cash generated from financing activities		**501,282**	500
Net change in cash equivalents generated during the year / period		**714,142**	500
Cash and cash equivalent at the beginning of the year / period		**500**	--
Cash equivalents at the end of the year / period		**714,642**	500

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY

SAL Cargo Company Limited (A Limited Liability Company) (the "Company") is a Limited Liability Company registered in Kingdom of Saudi Arabia under Commercial Registration number 4030367493 dated 17 Safar 1441 H corresponding to 16 October 2019. The Company is a subsidiary of Saudi Arabian Airlines Corporation.

Subsequent to the year end, on 7 Sha'ban 1442H (corresponding to 21 March 2021), the shareholders of the Company resolved to convert the Company from 'Limited Liability Company' to 'Closed Joint Stock Company' with a paid-up capital of SR 800 million. Further, the name of the Company has subsequently been changed to SAL Saudi Logistics Services Company. The legal formalities in this regard were completed on 11 Sha'ban, 1442H (corresponding to 24 March 2021) with the similar commercial registration number.

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

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

The main objectives of the Company is to provide ground handling of cargo and other support services at airport terminals across the Kingdom of Saudi Arabia.

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

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY (continued)

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

The first financial period of the Company was from 16 October 2019 to 31 December 2020. These financial statements for the year ended 31 December 2020 have been prepared solely for the use of management for submission to Capital Market Authority (CMA) as part of application for proposed Initial Public Offering (IPO) of the Company.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except for employees' end of service benefits liabilities, which have been measured at present value of defined benefit obligations using unit credit method of actuarial valuation.

2.3 Functional and presentation currency

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

2.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect application of accounting policies, reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures including disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

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

Determining the lease term of contracts with renewal and termination options – Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Company based its assumptions and estimates on parameters available at the date of preparing the financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses (ECL) of trade receivables
The Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in note 8.

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management believes that residual may not result in significant change to depreciation charge and carrying amount of the assets. Accordingly, the residual value is assumed to be zero. Management also believes that the straight-line depreciation reflects the pattern of consumption of economic benefits. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives and residual values differ from previous estimates.

Useful life of intangible assets
The management determines the estimated useful life of intangible asset with finite useful life for calculating amortization. This estimate is determined after considering expected usage of the assets or any technical obsolescence. Management believes that the straight-line amortization reflects the pattern of consumption of economic benefits. The management reviews the useful life of intangible asset annually and future amortization charge is adjusted where management believes the useful life differs from previous estimate.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is based on a discounted cash flows (DCF) model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Employee end of service benefit liabilities
The present value of defined benefit obligations regarding employee's end of service benefit plan is determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates and employee turnover rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate / government bonds extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for country. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rate for the country as well as seniority, promotion, demand, and supply in the employment market. Further detail about the employee end of service benefits are provided in note 15.

Determination of discount rate for present value calculations
Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of these financial statements in accordance with IFRS are as follows:

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non- current. A liability is current when:

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

The Company classifies all other liabilities as non-current.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fair value measurement (continued)

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

c) Revenue

The Company recognizes revenue when or as a performance obligation is satisfied. (e.g. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer). The Company applies following five-step model as given in IFRS to determine when to recognize revenue and at what amount:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Company expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties, amounts collected on behalf of others and is recorded net of trade discounts and volume rebates.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue (continued)

The Company assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

Rendering of services
The company is engaged in providing ramp handling and cargo handling services to cargo aircrafts. These revenues are recognised when services are rendered.

d) Finance income and finance cost

Finance income is recognized on an accrual basis using the effective yield basis.
Finance cost mainly includes interest accrued on lease liabilities, bank charges and exchange losses.

e) Expenses

Cost of revenue
Service costs and direct operating expenses are classified as cost of revenue. This include all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to employee costs, rent expense, depreciation expense, aircraft handling and other operating costs.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, distribution and related expenses.

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

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

f) Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Withholding tax

The Company withhold taxes on transactions with non-resident parties in accordance with GAZT regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld

h) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non- monetary items measure at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items that are measure at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

i) Dividends

The Company recognises a liability to pay a dividend when distribution is authorised and no longer at the discretion of the Company. As per the articles of association of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

Non-cash distributions, if any, is measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss and other comprehensive income.

j) Contingencies

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write off the cost of property and equipment less their estimated residual values using straight-line method over the estimated useful lives, which are as follows:

Lease hold improvements	5- 20 years
Equipment	3-7 years
Furniture and fixtures	5-7 years
Computer	3-5 years

An item of property and equipment ("the asset") and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and depreciation methods for property and equipment are reviewed on annual basis at the end of each fiscal year and adjustments are made whenever necessary.

Capital working in progress
Capital work in progress (CWIP) is measured at cost less impairment losses, if any, and not depreciated until such time the assets are available for use and transferred to the respective category under property, and equipment. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use, if the recognition criteria are met.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and the related expenditure is reflected in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Intangible assets (continued)

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The software are amortized on straight line basis. The estimated useful life of software is ten years. The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

m) Financial instruments

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

i) Financial assets

Initial recognition and measurement
Trade receivables are initially recognized when they are originated. All other financial assets are initially recognized when company becomes party to contractual provisions of the instruments. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL).

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue from contracts with customers.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts and other receivables.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through statement of profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts and other receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets
The Company assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment of goods, are recognized in the statement of profit or loss in expense category consistent with the function of the impaired asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at the date of preparing each statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

o) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset Right-of-use assets are subject to impairment. Refer to the accounting policies under section Impairment of non-financial assets.

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in- substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Rent concessions
In response to the COVID-19 corona virus pandemic, in May 2020 the International Accounting Standards Board (the Board) issued amendments to IFRS 16 Leases to provide practical relief to lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concession are lease modification and instead are permitted to account for them as they were not lease modifications. Rent concessions are eligible for practical expedient if they occur as a direct consequent of the COVID-19 Pandemic and if all of the following criteria are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as or less than, the consideration for the lease immediately preceding the change:
- Any reduction in lease payments affects only payments originally due on or before June 2021; and
- There is no substantive change to the other terms and conditions of the lease.

The amendment is effective for annual periods beginning on or after 1 June 2020 and early adoption is permitted. The company has early adopted and applied the practical expedient consistently to eligible rent concessions.

p) Government grant

Government Grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expense are recognized, unless the condition for receiving the grant are met after the related expenses have been recognized. In this case the grant is recognized when it becomes receivable.

q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short- term bank deposits with original maturity of three months or less , if any, which are available to the Company without any restrictions and which are subject to an insignificant risk of changes in value.

r) Business combination – common control transaction

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. In applying book value accounting, any adjustment required to account for any difference between the consideration paid and the capital /net assets of the acquiree is reflected in retained earnings

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred in the statement of profit or loss and other comprehensive income.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t) Employee benefits liabilities

This represents end-of-service ("employee benefits") under defined unfunded benefit plan. End-of-service benefits, as required by Saudi Arabia Labour Law, are required to be provided based on the employees' length of service.

The Company's net obligations in respect of employee benefits ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with independent actuarial valuations carried out every year. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in statement of profit or loss and other comprehensive income in the year in which they arise.

u) Transactions with shareholders

Contributions by shareholders in their capacity as shareholders are recognised as capital contribution including waiver of a loan granted by a shareholder or by a fellow subsidiary where the waiver is instigated by the common parent.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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4. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

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

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

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IAS 39, IFRS 4, 7, 9 and 16	Interest rate benchmark reform – phase 2	1 January 2021
IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020. Amendments to IFRS 1, IFRS 9, illustrative examples accompanying IFRS 16 and IAS 41	1 January 2022
IAS 16	Property, plant and equipment: proceeds before intended use	1 January 2022
IFRS 3	Reference to the conceptual framework	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2023
IAS 1 and IFRS practice statement 2	Disclosure of Accounting Policies Amendment / material accounting policies	1 January 2023
IAS 8	Definition of accounting estimates – Amendment	
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations and amendments with effective date of January 1, 2021 will not have any material impact on the Company's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's financial statements on adoption.

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

Following amendments to IFRS and International Accounting Standards were effective from 1 January 2020, but they did not have a material effect on the Company's financial statements:

Amendments / interpretation	***Description***
Conceptual framework	Amendments to references to conceptual framework
Amendments to IAS 1 & 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IFRS 7, IAS 39	Interest Rate Benchmark Reform

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5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work- in-progress	Total
Cost:						
Transferred from SACC (note 1)	29,814	69,007	1,133	7,411	257,908	**365,273**
Additions during the year	2,873	393	1,063	--	217,206	**221,535**
Transfers from CWIP	163,747	16,901	--	42	(180,690)	**--**
Disposals	(100)	--	--	--	--	**(100)**
As at 31 December 2020	196,334	86,301	2,196	7,453	294,424	**586,708**
Accumulated Depreciation:						
Charge for the year	(12,553)	(16,409)	(556)	(1,948)	--	**(31,466)**
Relating to disposals	22	--	--	--	--	**22**
As at 31 December 2020	(12,531)	(16,409)	(556)	(1,948)	--	**(31,444)**
Net book value:						
As at 31 December 2020	**183,803**	**69,892**	**1,640**	**5,505**	**294,424**	**555,264**
As at 31 December 2019	--	--	--	--	--	--

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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5. PROPERTY AND EQUIPMENT (continued)

a) Capital work in progress mainly represents cost incurred incidental to projects in progress for Cargo Terminal at Riyadh Airport

b) During the year, borrowing cost amounting to SR 15.2 has been capitalized in CWIP.

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

	2020	2019
Cost of revenue (note 18)	**23,903**	--
Selling and distribution expenses (note 20)	**180**	--
General and administration expenses (note 21)	**7,383**	--
	31,466	--

6. RIGHT-OF-USE ASSET & LEASE LIABILITIES

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

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

	2020	2019
Right-of-use recognized upon transfer of Ground Handling Business from SACC	**1,412,899**	--
Amortization for the year	**(64,603)**	--
Carrying amount as at 31 December 2020	**1,348,296**	--

ii) The depreciation for the year is allocated as follows

	2020	2019
Cost of revenue	**59,860**	--
General and administrative expense	**4,744**	--
Carrying amount as at 31 December 2020	**64,604**	--

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6. RIGHT-OF-USE ASSET & LEASE LIABILITIES

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

	2020	2019
Lease liability recognized upon transfer of Ground Handling Business from SACC (note 1)	**1,407,846**	--
Unwinding of lease liability (finance cost) (note 22)	**71,827**	--
Repayment of lease liability	**(101,718)**	--
Lease liability as at 31 December	**1,377,955**	--
Less: Current portion	**(13,227)**	--
Non-current portion	**1,364,728**	--

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

7. INTANGIBLES

	2020	2019
Cost:		
Transferred from SACC (note 1)	**13,797**	--
Additions during the year	**5,324**	--
As at 31 December 2020	**19,121**	--
Accumulated amortization:		
Charge for the year	**(2,144)**	--
As at 31 December 2020	**(2,144)**	--
Net book values	**16,977**	--

8. TRADE RECEIVABLES

	2020	2019
Trade receivables	**120,199**	--
Less: Allowance for impairment (ECL) of trade receivables	**(3,500)**	--
	116,699	--

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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8. TRADE RECEIVABLES (continued)

As at 31 December 2020, the aging of trade receivables and corresponding allowance for ECL for respective age buckets is as follows:

	Current	0-180 Days	181-270 days	Above 270 days	Total
31 December 2020					
Exposure at default	57,942	34,658	14,655	12,944	120,199
Expected credit loss	(132)	(319)	(151)	(2,898)	(3,500)
	57,810	34,399	14,504	10,046	116,699

9. PREPAYMENTS AND OTHER RECEIVABLES

	2020	2019
Value added tax (VAT) refundable	29,040	--
Advances to vendors	21,534	--
Unamortized part of loan arrangement fees (note 16)	8,394	--
Prepayments	4,606	--
Others	213	--
	63,787	--

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associates and affiliated companies and key management personnel of the Company. Terms and conditions of these transactions are approved by the Company's management.

All outstanding balances with these related parties are priced on mutually agreed terms and are to be settled in cash.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In addition to disclosures made in notes 1.1, 5, 7, 13, 16, and 19.2, significant related party transactions for the period and balance arising there from are described as under:

Transaction with	Relationship	Nature of transaction	Amount of transaction during the period 2020	2019	Closing balance 2020	2019
a) Trade receivables						
Saudi Arabian Airlines Corporation ("Saudia")	Shareholder	Revenue	**361**	--	**297**	--
		Passenger belly space rental and freighter lease cost	**706**	--		
		Aircraft handling and other expenses	**9**	--		
Saudi Airlines Cargo Company	Affiliate	Revenue	**168,946**	--	**101,043**	--
		Transfer of net assets	**101,050**	--		
		Shared service cost	**71,481**	--		
Saudi Aerospace Engineering Industries	Affiliate	Revenue	**5,166**	--	**5,166**	--
Royal Fleet Services	Affiliate	Revenue	**1,515**	--	**1,515**	--
Saudi Private Aviation	Affiliate	Revenue	**3,219**	--	**505**	--
Saudi Catering Company	Affiliate	Revenue	**418**	--	**228**	--
Saudi Ground Services	Affiliate	Revenue	**1,507**	--	**1,507**	--
Saudi Airlines Real Estate Development	Affiliate	Aircraft handling and other expenses	**97**	--	--	--
Prince Sultan Aviation Academy	Affiliate	Aircraft handling and other expenses	**52**	--	--	--
					110,261	--
b) Due to related parties						
Saudi Airline Cargo Company	Affiliate	Shared service cost	**227**	--		
		Liability taken up on behalf of the Company	**115,214**	--	**115,441**	--
		Loan to the Company (note 16)	**500,000**	--		
		Loan waived (note 13)	**(115,214)**	--	**384,786**	--

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For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Key management personnel compensation

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

	2020	2019
Short term employee benefits	**15,936**	--

Board of Directors, audit and executive committees' compensation charged during the year amounting to SR 3.5 million.

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

11. CASH AND CASH EQUIVALENTS

This represent cash held by the Company in its current account maintained with various banks

12. SHARE CAPITAL

At 31 December 2020 and 31 December 2019, the share capital of the Company was SR 500,000 divided into 50,000 shares of SR 10 each, which are fully paid and owned as follows:

	Percentage holding	**Amount in SR'000**
Saudi Arabian Airlines Corporation ("Saudia")	**70%**	**350**
Tarabot Air Cargo Services Company Limited	**30%**	**150**
Total	**100%**	**500**

13. ADDITIONAL CAPITAL CONTRIBUTION

	31 December 2020	31 December 2019
Contribution in cash (note 13.1)	**353,000**	--
Waiver of loan (note 13.2)	**115,214**	--
Total	**468,214**	--

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

13. ADDITIONAL CAPITAL CONTRIBUTION (continued)

13.2 This represents waiver of loan of SR 115.21 million from SACC to the Company with effect from 31 December 2020 based on the resolution passed by the Board of Directors of SACC dated 17 April 2021.

14. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

15. EMPLOYEES' BENEFIT

i) The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labour Law. The movement is as follows:

	2020	2019
At the beginning of the year		
Transfer from SACC (note 1)	**38,814**	--
Current service cost	**7,402**	--
Interest cost	**1,146**	--
Adjustment for actuarial loss) due to changes in;		
- Financial assumptions and experience	**4,174**	--
	51,536	--
Benefits paid	**(1,218)**	--
Present value of Defined Benefit obligation as at 31 December 2020	**50,318**	--

ii) As at 31 December 2020 the valuation of EOSB liabilities was carried by an independent firm of actuaries. The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	2020	2019
Discount rate	**3.00%**	--
Expected rate of salary increase	**2.00%**	--
Mortality rate	**Age based rates, avg is 0.17% p.a.**	--
Employee turnover/ withdrawal rate	**0.56%**	--

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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15. EMPLOYEES' BENEFIT (continued)

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

	2020	2019
Current service cost	**7,402**	--
Interest cost	**1,146**	--
	8,548	--

The quantitative sensitivity analysis for principal assumptions is as follows:

	Changes in assumptions	31 December 2020	
		Increase	Decrease
Discount rate	1%	45,642	55,863
Future salary growth	1%	56,137	45,333
Withdrawal	10%	50,099	50,527

The weighted average duration of the defined benefit obligation relating to EOSB is 10.16 years.

16. LOAN FROM A RELATED PARTY

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

The Company and SACC entered into an agreement dated 17 December 2020 ("the Agreement") supplemented by addendum dated 18 January 2021 (effective from 1 January 2020) to transfer Ground Handling Business of SACC and its corresponding assets and liabilities to the Company (note 1). As above loan was obtained by SACC to finance the cargo terminal projects being built by Ground Handling Division, a corresponding loan from SACC to the Company of SR 250 million as at 31 December 2020 was agreed between SACC and the Company as part of net asset transferred under the Agreement. In addition, unamortized balance of loan arrangement fee of SR 13.525 million appearing in the books of SACC was also transferred to the Company under the Agreement. During the year ended 31 December 2020, SACC draw down a further amount of SR 250 million which was also given to the Company against the loan payable to SACC. Moreover, subsequent to the year end, the shareholders of SACC waived off loan of SR 115.21 million with effect from 31 December 2020 vide their resolution dated 17 April 2021. Accordingly, as at 31 December 2020 total loan payable to SACC amounts to SR 384.78 million and carries markup at same rate as that being charged by banks to SACC. The Company is in process of obtaining loans from commercial banks / reassignment of existing facilities of SACC in Company's name and expect to settle this loan from SACC before 31 December 2021. Accordingly, this amount is classified as a current liability in these financial statements.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
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17. TRADE PAYABLES, ACCRUALS AND OTHER LIABILITIES

	2020	2019
Trade payables	**15,441**	--
Employee related accruals	**50,195**	--
Accrued rent payable	**33,253**	--
Goods / services received; invoice not received	**36,548**	--
Accrued handling charges payable	**10,556**	--
Accrued IT expenses payable	**13,693**	--
Advance from customers	**1,401**	--
Provision for discount	**5,847**	--
Accrued interest payable	**3,434**	--
Others	**21,414**	--
	191,782	--

18. COST OF REVENUE

	For the year ended 31 December 2020	For the period from 16 October 2019 till 31 December 2019
Employees costs	**192,424**	--
Contractual labour cost	**94,143**	--
Depreciation on right-of-use assets (note 6)	**59,860**	--
Rental expenses	**37,793**	--
Depreciation expenses (note 5)	**23,903**	--
Amortization expense	**2,144**	--
Aircraft handling and other charges	**15,286**	--
Other operating expenses	**23,670**	--
	449,223	--

19. OTHER INCOME

	For the year ended 31 December 2020	For the period from 16 October 2019 till 31 December 2019
Management and service fees charged to SACC (note 19.1)	**63,265**	--
Others	**799**	--
	64,064	--

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

19. OTHER INCOME (continued)

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

20. SELLING AND DISTRIBUTION EXPENSES

	For the year ended 31 December 2020	For the period from 16 October 2019 till 31 December 2019
Employees costs	**6,271**	--
Depreciation	**180**	--
Other operating expenses	**8,306**	--
	14,757	--

21. GENERAL AND ADMINISTRATION EXPENSES

	For the year ended 31 December 2020	For the period from 16 October 2019 till 31 December 2019
Employees costs	**64,224**	--
IT Services	**28,266**	--
Professional and technical consultancies	**7,801**	--
Depreciation (note 5)	**7,383**	--
Depreciation on right-of-use assets	**4,744**	--
Impairment loss on trade receivables	**3,500**	--
Rental expenses	**1,418**	--
Other operating expenses	**16,183**	--
	133,519	--

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

22. FINANCE COSTS

	For the year ended 31 December 2020	For the period from 16 October 2019 till 31 December 2019
Finance charges on lease liabilities	**71,827**	--
Bank charges	**1,553**	--
Exchange loss	**16**	--
	73,396	--

23. ZAKAT

The provision is based on the following:

	2020	2019
Equity at the beginning	**500**	--
Loan from SAAC	**250,000**	--
Reduction of loans to restrict up to fixed assets	**322,241**	--
Opening provisions and other adjustments	**38,814**	--
Book value of property and equipment	**(572,241)**	--
Zakat base	**39,314**	--
Less: 70% Exempt	**(27,520)**	--
Subtotal- zakat base elements	**11,794**	--
Adjusted net profit for the year	**76,303**	--
Zakat Base	**88,097**	--
Zakat for the year	**2,277**	--

Status of assessments
Since this is the first period of operations, the Company will file its first Zakat return for the period from 16 October 2019 till 31 December 2020.

24. COMMITMENTS AND CONTINGENCIES

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

SAL CARGO COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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25. FINANCIAL RISK MANAGEMENT

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

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies and evaluates financial risks in close cooperation with the Company's operating units. The most important types of risk are market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets, and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables, other receivables, due from related parties, loan from related party due to related parties, trade payables, accrued expenses and other financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk, (ii) currency risk and (iii) other price risk, such as equity price risk and commodity risk. The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities

SAL CARGO COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

25. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk

Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from loan from a related party (note 16 which is at floating rate of interest and is subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

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

	2020	2019
Variable rate instruments		
Financial liabilities		
Loan from a related party	**384,786**	--

Sensitivity analysis for variable rate instruments
Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the year by SR 3.85 million.

Currency risk

Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's deposits with foreign banks. The Company is not exposed to any significant currency risk as the Company did not undertake any significant transactions during the year in any foreign currency.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored.

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

	2020	2019
Financial assets		
Trade receivables	**120,199**	--
Staff advances	**214**	--
Due from related parties	**110,261**	--
Bank balance	**714,642**	500
Total	**945,316**	500

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

25. FINANCIAL RISK MANAGEMENT (continued)

Trade and other receivables are carried net of provision for expected credit losses amounting to SR 117 million.

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

The Company renders its services to a large number of customers. The five largest customers account 42% of outstanding trade receivables as at 31 December 2020. The Company is exposed to credit risk due to sales and trade receivables balances with 5 customers. Further, trade receivables from governmental entities comprise 2 % of total outstanding trade receivables.

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

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

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise and through management of the Company's operations and credit facility agreements to meet any future liabilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

SAL CARGO COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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25. FINANCIAL RISK MANAGEMENT (continued)

		Contractual cash flows					
31 December 2020	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total**
Non derivative financial liabilities							
Trade payables	15,441	15,441	--	--	--		15,441
Accrued and other liabilities	176,341	176,341	--	--	--		176,341
Lease liabilities	1,377,955	48,647	48,647	199,311	199,311	1,806,528	2,302,444
Due to related parties	500,227	227	500,000	--	--	--	500,227
	2,069,964	240,656	548,647	199,311	199,311	1,806,528	2,994,453

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

26. CAPITAL RISK MANAGEMENT

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

27. FAIR VALUE OF ASSETS AND LIABILITIES

The Company's financial assets consist of cash and bank balances, trade receivables, due from related parties, deposits and other receivables. Its financial liabilities consist of trade payables, lease liabilities, due to related parties, loan from a related party and accruals and other liabilities. As the accompanying financial statements are prepared on historical cost basis, the fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.

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

SAL CARGO COMPANY LIMITED
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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28. IMPACT OF COVID-19

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the year ended 31 December 2020.

During the year ended 31 December 2020, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like effects on supply chain, impact of decreased flight operations, additional cost in supply chain, margin squeeze, and demand. Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2020. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments and impacts, if any, will be reported in the future financial statements.

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by Board of Directors of the Company on 23 June 2021, corresponding to 13 Dhul Qadah 1442H.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS
For the period from 16 October 2019 till 31 December 2020
with
INDEPENDENT AUDITOR'S REPORT

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

FINANCIAL STATEMENTS
For the period from 16 October 2019 till 31 December 2020

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Kingdom of Saudi Arabia
Headquarter in Riyadh

Commercial Registration No 4030290792

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المركز الرئيسي الرياض

سجل تجاري رقم 4030290792

Independent Auditor's Report

To the Shareholders of SAL Cargo Company Limited

Opinion

We have audited the financial statements of SAL Cargo Company Limited ("the Company"), which comprise the statement of financial position as at 31 December 2020, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the period from 16 October 2019 to 31 December 2020, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for period from 16 October 2019 till 31 December 2020 in accordance with International Financial Reporting Standards ("IFRS") that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncement issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with Governance, the Audit Committee, is responsible for overseeing the Company's financial reporting process.

KPMG

Independent Auditor's Report

To the Shareholders of SAL Cargo Company Limited (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of **SAL Cargo Company Limited**.

For KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

كي بي إم جي للإستشارات المهنية
Lic No. 46
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J : 1
KPMG
ترخيص رقم ٤٦
س.ت ٤٠٣٠٢٩٠٧٩٢
KPMG Professional Services

Jeddah, 3 May 2021
Corresponding to 21 Ramadan 1442H

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	31 December 2020
ASSETS		
Non-current assets		
Property and equipment	5	**555,264**
Right-of-use asset	6	**1,348,296**
Intangible assets	7	**16,977**
Total non-current assets		**1,920,537**
Current assets		
Trade receivables	8	**116,699**
Prepayments and other receivables	9	**63,787**
Due from related parties	10	**110,261**
Cash and cash equivalents	11	**714,642**
Total current assets		**1,005,389**
Total assets		**2,925,926**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Share capital	12	**500**
Additional capital contribution	13	**468,214**
Statutory reserve	14	**150**
Retained earnings		**338,677**
Actuarial loss		**(4,174)**
Total shareholders' equity		**803,367**
Non-current liabilities		
Lease obligations, non-current portion	6	**1,364,728**
Employees' end of service benefits	15	**50,318**
Total non-current liabilities		**1,415,046**
Current liabilities		
Current portion of lease obligations	6	**13,227**
Loan from a related party	16	**384,786**
Due to related parties	10	**115,441**
Trade payables, accruals and other liabilities	17	**191,782**
Zakat payable	23	**2,277**
Total current liabilities		**707,513**
Total liabilities		**2,122,559**
Total shareholders' equity and liabilities		**2,925,926**

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	For the period from 16 October 2019 till 31 December 2020
Revenue		**846,885**
Cost of revenue	18	**(449,223)**
Gross Profit		**397,662**
Other income	19	**64,064**
Selling and distribution expenses	20	**(14,757)**
General and administration expenses	21	**(133,519)**
Operating profit		**313,450**
Finance costs	22	**(73,396)**
Profit before Zakat		**240,054**
Zakat	23	**(2,277)**
Profit for the period		**237,777**
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurement loss on defined benefit obligation	15	**(4,174)**
Total comprehensive income for the period		**233,603**

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

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

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

STATEMENT OF CASH FLOWS
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	For the period from 16 October 2019 till 31 December 2020
OPERATING ACTIVITIES		
Profit before Zakat		**240,054**
Adjustments for:		
Depreciation on property and equipment	5	**31,466**
Depreciation of right-of-use assets	6	**64,603**
Amortisation of intangible assets	7	**2,144**
Finance charges on lease liabilities		**71,827**
Provision for employees' end of service benefits	15	**8,548**
Gain on disposal of property and equipment		**(54)**
Impairment loss on trade receivables	8	**3,500**
		422,088
Changes in:		
Trade receivables		**(120,199)**
Prepayments and other current assets		**(36,650)**
Due from related parties		**(110,261)**
Trade payable		**15,441**
Accrued expenses and other current liabilities		**154,945**
Due to related parties		**115,441**
Cash generated from operations		**440,805**
Employees' benefit paid	15	**(1,218)**
Net cash generated from operating activities		**439,587**
INVESTING ACTIVITIES		
Additions to property and equipment	5	**(221,535)**
Additions to intangible assets	7	**(5,324)**
Proceed from disposal of property and equipment		**132**
Net cash used in investing activities		**(226,727)**
FINANCING ACTIVITIES		
Proceeds from issuance of share capital	12	**500**
Cash received as advance against share capital	13	**353,000**
Loan from a related party	16	**250,000**
Payment of lease liability		**(101,718)**
Net cash generated from financing activities		**501,782**
Net change in cash equivalents generated during the period and cash and cash equivalents as at 31 December 2020		**714,642**

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY

SAL Cargo Company Limited (A Limited Liability Company) (the "Company") is a Limited Liability Company registered in Kingdom of Saudi Arabia under Commercial Registration number 4030367493 dated 17 Safar 1441 H corresponding to 16 October 2019. The Company is a subsidiary of Saudi Arabian Airlines Corporation.

Subsequent to the year end, on 7 Sha'ban 1442H (corresponding to 21 March 2021), the shareholders of the Company resolved to convert the Company from 'Limited Liability Company' to 'Closed Joint Stock Company' with a paid-up capital of SR 800 million. Further, the name of the Company has subsequently been changed to Saudi SAL Company for Logistics Services. The legal formalities in this regard were completed on 11 Sha'ban, 1442H (corresponding to 24 March 2021) with the similar commercial registration number.

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

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

The main objectives of the Company is to provide ground handling of cargo and other support services at airport terminals across the Kingdom of Saudi Arabia.

These are the first set of financial statements of the Company in accordance with the Articles of Association of the Company and cover the period from 16 October 2019 till 31 December 2020. Accordingly, no comparative information is presented in these financial statements.

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

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY (continued)

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except for employees' end of service benefits liabilities, which have been measured at present value of defined benefit obligations using unit credit method of actuarial valuation.

2.3 Functional and presentation currency

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

2.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect application of accounting policies, reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures including disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

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

Determining the lease term of contracts with renewal and termination options – Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Company based its assumptions and estimates on parameters available at the date of preparing the financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses (ECL) of trade receivables
The Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in note 8.

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management believes that residual may not result in significant change to depreciation charge and carrying amount of the assets. Accordingly, the residual value is assumed to be zero. Management also believes that the straight-line depreciation reflects the pattern of consumption of economic benefits. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives and residual values differ from previous estimates.

Useful life of intangible assets
The management determines the estimated useful life of intangible asset with finite useful life for calculating amortization. This estimate is determined after considering expected usage of the assets or any technical obsolescence. Management believes that the straight-line amortization reflects the pattern of consumption of economic benefits. The management reviews the useful life of intangible asset annually and future amortization charge is adjusted where management believes the useful life differs from previous estimate.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is based on a discounted cash flows (DCF) model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Employee end of service benefit liabilities
The present value of defined benefit obligations regarding employee's end of service benefit plan is determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates and employee turnover rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate / government bonds extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for country. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rate for the country as well as seniority, promotion, demand, and supply in the employment market. Further detail about the employee end of service benefits are provided in note 15.

Determination of discount rate for present value calculations
Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted for the preparation of these financial statements in accordance with IFRS are as follows:

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non- current. A liability is current when:

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

The Company classifies all other liabilities as non-current.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fair value measurement (continued)

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

c) Revenue

The Company recognizes revenue when or as a performance obligation is satisfied. (e.g. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer). The Company applies following five-step model as given in IFRS to determine when to recognize revenue and at what amount:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Company expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties, amounts collected on behalf of others and is recorded net of trade discounts and volume rebates.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue (continued)

The Company assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

Rendering of services
The company is engaged in providing ramp handling and cargo handling services to cargo aircrafts. These revenues are recognised when services are rendered.

d) Finance income and finance cost

Finance income is recognized on an accrual basis using the effective yield basis.
Finance cost mainly includes interest accrued on lease liabilities, bank charges and exchange losses.

e) Expenses

Cost of revenue
Service costs and direct operating expenses are classified as cost of revenue. This include all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to employee costs, rent expense, depreciation expense, aircraft handling and other operating costs.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, distribution and related expenses.

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

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

f) Zakat

The Company is subject to Zakat in accordance with the regulations of the General Authority of Zakat and Income Tax ("GAZT"). Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (GAZT) in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Withholding tax

The Company withhold taxes on transactions with non-resident parties in accordance with GAZT regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld

h) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non- monetary items measure at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items that are measure at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

i) Dividends

The Company recognises a liability to pay a dividend when distribution is authorised and no longer at the discretion of the Company. As per the articles of association of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

Non-cash distributions, if any, is measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss and other comprehensive income.

j) Contingencies

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write off the cost of property and equipment less their estimated residual values using straight-line method over the estimated useful lives, which are as follows:

Lease hold improvements	5- 20 years
Equipment	3-7 years
Furniture and fixtures	5-7 years
Computer	3-5 years

An item of property and equipment ("the asset") and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and depreciation methods for property and equipment are reviewed on annual basis at the end of each fiscal year and adjustments are made whenever necessary.

Capital working in progress
Capital work in progress (CWIP) is measured at cost less impairment losses, if any, and not depreciated until such time the assets are available for use and transferred to the respective category under property, and equipment. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use, if the recognition criteria are met.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and the related expenditure is reflected in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Intangible assets (continued)

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The software are amortized on straight line basis. The estimated useful life of software is ten years. The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

m) Financial instruments

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

i) Financial assets

Initial recognition and measurement
Trade receivables are initially recognized when they are originated. All other financial assets are initially recognized when company becomes party to contractual provisions of the instruments. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL).

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue from contracts with customers.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts and other receivables.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through statement of profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts and other receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets
The Company assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment of goods, are recognized in the statement of profit or loss in expense category consistent with the function of the impaired asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at the date of preparing each statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

o) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset Right-of-use assets are subject to impairment. Refer to the accounting policies under section Impairment of non-financial assets.

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in- substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Rent concessions
In response to the COVID-19 corona virus pandemic, in May 2020 the International Accounting Standards Board (the Board) issued amendments to IFRS 16 Leases to provide practical relief to lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concession are lease modification and instead are permitted to account for them as they were not lease modifications. Rent concessions are eligible for practical expedient if they occur as a direct consequent of the COVID-19 Pandemic and if all of the following criteria are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as or less than, the consideration for the lease immediately preceding the change:
- Any reduction in lease payments affects only payments originally due on or before June 2021; and
- There is no substantive change to the other terms and conditions of the lease.

The amendment is effective for annual periods beginning on or after 1 June 2020 and early adoption is permitted. The company has early adopted and applied the practical expedient consistently to eligible rent concessions.

p) Government grant

Government Grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expense are recognized, unless the condition for receiving the grant are met after the related expenses have been recognized. In this case the grant is recognized when it becomes receivable.

q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short- term bank deposits with original maturity of three months or less , if any, which are available to the Company without any restrictions and which are subject to an insignificant risk of changes in value.

r) Business combination – common control transaction

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. In applying book value accounting, any adjustment required to account for any difference between the consideration paid and the capital /net assets of the acquiree is reflected in retained earnings

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred in the statement of profit or loss and other comprehensive income.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t) Employee benefits liabilities

This represents end-of-service ("employee benefits") under defined unfunded benefit plan. End-of-service benefits, as required by Saudi Arabia Labour Law, are required to be provided based on the employees' length of service.

The Company's net obligations in respect of employee benefits ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with independent actuarial valuations carried out every year. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in statement of profit or loss and other comprehensive income in the year in which they arise.

u) Transactions with shareholders

Contributions by shareholders in their capacity as shareholders are recognised as capital contribution including waiver of a loan granted by a shareholder or by a fellow subsidiary where the waiver is instigated by the common parent.

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4. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

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

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

Standard / Interpretation	Description	Effective from periods beginning on or after the following date
IAS 39, IFRS 4, 7, 9 and 16	Interest rate benchmark reform – phase 2	January 1, 2021
IAS 37	Onerous contracts – cost of fulfilling a contract	January 1, 2022
IFRS Standards	Annual improvements to IFRS standards 2018 – 2020	January 1, 2022
IAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
IFRS 3	Reference to the conceptual framework	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	January 1, 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption / effective date deferred indefinitely

The standards, interpretations and amendments with effective date of January 1, 2021 will not have any material impact on the Company's financial statements, whereas for other above-mentioned standards, interpretations and amendments, the Company is currently assessing the implications on the Company's financial statements on adoption.

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

Following amendments to IFRS and International Accounting Standards were effective from 1 January 2020, but they did not have a material effect on the Company's financial statements:

Amendments / interpretation	*Description*
Conceptual framework	Amendments to references to conceptual framework
Amendments to IAS 1 & 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IFRS 7, IAS 39	Interest Rate Benchmark Reform

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5. PROPERTY AND EQUIPMENT

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

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5. PROPERTY AND EQUIPMENT (continued)

a) Capital work in progress mainly represents cost incurred incidental to projects in progress for Cargo Terminal at Riyadh Airport

b) During the period, borrowing cost amounting to SR 15.2 has been capitalized in CWIP.

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

	31 December 2020
Cost of revenue (note 18)	**23,903**
Selling and distribution expenses (note 20)	**180**
General and administration expenses (note 21)	**7,383**
	31,466

6. RIGHT-OF-USE ASSET & LEASE LIABILITIES

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

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

	31 December 2020
Right-of-use recognized upon transfer of Ground Handling Business from SACC (note 1)	**1,412,899**
Amortization for the period	**(64,603)**
Carrying amount as at 31 December 2020	**1,348,296**

ii) The depreciation for the period is allocated as follows

	31 December 2020
Cost of revenue	**59,860**
General and administrative expense	**4,744**
Carrying amount as at 31 December 2020	**64,604**

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6. RIGHT-OF-USE ASSET & LEASE LIABILITIES

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

	31 December 2020
Lease liability recognized upon transfer of Ground Handling Business from SACC (note 1)	**1,407,846**
Unwinding of lease liability (finance cost) (note 22)	**71,827**
Repayment of lease liability	**(101,718)**
Lease liability as at 31 December	**1,377,955**
Less: Current portion	**(13,227)**
Non-current portion	**1,364,728**

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

7. INTANGIBLES

	31 December 2020
Cost:	
Transferred from SACC (note 1)	**13,797**
Additions during the year	**5,324**
As at 31 December 2020	**19,121**
Accumulated amortization:	
Charge for the year	**(2,144)**
As at 31 December 2020	**(2,144)**
Net book values	**16,977**

8. TRADE RECEIVABLES

	31 December 2020
Trade receivables	**120,199**
Less: Allowance for impairment (ECL) of trade receivables	**(3,500)**
	116,699

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8. TRADE RECEIVABLES (continued)

As at 31 December 2020, the aging of trade receivables and corresponding allowance for ECL for respective age buckets is as follows:

	Current	0-180 Days	181-270 days	Above 270 days	Total
31 December 2020					
Exposure at default	**57,942**	**34,658**	**14,655**	**12,944**	**120,199**
Expected credit loss	**(132)**	**(319)**	**(151)**	**(2,898)**	**(3,500)**
	57,810	**34,399**	**14,504**	**10,046**	**116,699**

9. PREPAYMENTS AND OTHER RECEIVABLES

	31 December 2020
Value added tax (VAT) refundable	**29,040**
Advances to vendors	**21,534**
Unamortized part of loan arrangement fees (note 16)	**8,394**
Prepayments	**4,606**
Others	**213**
	63,787

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associates and affiliated companies and key management personnel of the Company. Terms and conditions of these transactions are approved by the Company's management.

All outstanding balances with these related parties are priced on mutually agreed terms and are to be settled in cash.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

In addition to disclosures made in notes 1.1, 5, 7, 13, 16, and 19.2, significant related party transactions for the period and balance arising there from are described as under:

Transaction with	Relationship	Nature of transaction	Amount of transaction during the period	Closing balance
a) Trade receivables				
Saudi Arabian Airlines Corporation ("Saudia")	Shareholder	Revenue	**361**	**297**
		Passenger belly space rental and freighter lease cost	**706**	
		Aircraft handling and other expenses	**9**	
Saudi Airlines Cargo Company	Affiliate	Revenue	**168,946**	**101,043**
		Transfer of net assets	**101,050**	
		Shared service cost	**71,481**	
Saudi Aerospace Engineering Industries	Affiliate	Revenue	**5,166**	**5,166**
Royal Fleet Services	Affiliate	Revenue	**1,515**	**1,515**
Saudi Private Aviation	Affiliate	Revenue	**3,219**	**505**
Saudi Catering Company	Affiliate	Revenue	**418**	**228**
Saudi Ground Services	Affiliate	Revenue	**1,507**	**1,507**
Saudi Airlines Real Estate Development	Affiliate	Aircraft handling and other expenses	**97**	**--**
Prince Sultan Aviation Academy	Affiliate	Aircraft handling and other expenses	**52**	**--**
				110,261
b) Due to related parties				
Saudi Airline Cargo Company	Affiliate	Shared service cost	**227**	
		Liability taken up on behalf of the Company	**115,214**	**115,441**
		Loan to the Company (note 16)	**500,000**	
		Loan waived (note 13)	**(115,214)**	**384,786**

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Key management personnel compensation

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

	31 December 2020
Short term employee benefits	15,936

Board of Directors, audit and executive committees' compensation charged during the year amounting to SR 3.5 million.

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

11. CASH AND CASH EQUIVALENTS

This represent cash held by the Company in its current account maintained with various banks

12. SHARE CAPITAL

At 31 December 2020, share capital of the Company was SR 500,000 divided into 50,000 shares of SR 10 each, which are fully paid and owned as follows:

	Percentage holding	Amount in SR'000
Saudi Arabian Airlines Corporation ("Saudia")	70%	350
Tarabot Air Cargo Services Company Limited	30%	150
Total	100%	500

13. ADDITIONAL CAPITAL CONTRIBUTION

	31 December 2020
Contribution in cash (note 13.1)	353,000
Waiver of loan (note 13.2)	115,214
Total	468,214

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

13. ADDITIONAL CAPITAL CONTRIBUTION (continued)

13.2 This represents waiver of loan of SR 115.21 million from SACC to the Company with effect from 31 December 2020 based on the resolution passed by the Board of Directors of SACC dated 17 April 2021.

14. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

15. EMPLOYEES' BENEFIT

i) The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labour Law. The movement is as follows:

	31 December 2020
At the beginning of the year	
Transfer from SACC (note 1)	**38,814**
Current service cost	**7,402**
Interest cost	**1,146**
Adjustment for actuarial loss) due to changes in;	
- Financial assumptions and experience	**4,174**
	51,536
Benefits paid	**(1,218)**
Present value of Defined Benefit obligation as at 31 December 2020	**50,318**

ii) As at 31 December 2020 the valuation of EOSB liabilities was carried by an independent firm of actuaries. The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	31 December 2020
Discount rate	3.00%
Expected rate of salary increase	2.00%
Mortality rate	Age based rates, avg is 0.17% p.a.
Employee turnover/ withdrawal rate	0.56%

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

15. EMPLOYEES' BENEFIT (continued)

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

	For the period from 16 October 2020 to 31 December 2020
Current service cost	**7,402**
Interest cost	**1,146**
	8,548

The quantitative sensitivity analysis for principal assumptions is as follows:

	Changes in assumptions	31 December 2020	
		Increase	Decrease
Discount rate	**1%**	**45,642**	**55,863**
Future salary growth	**1%**	**56,137**	**45,333**
Withdrawal	**10%**	**50,099**	**50,527**

The weighted average duration of the defined benefit obligation relating to EOSB is 10.16 years.

16. LOAN FROM A RELATED PARTY

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

The Company and SACC entered into an agreement dated 17 December 2020 ("the Agreement") supplemented by addendum dated 18 January 2021 (effective from 1 January 2020) to transfer Ground Handling Business of SACC and its corresponding assets and liabilities to the Company (note 1). As above loan was obtained by SACC to finance the cargo terminal projects being built by Ground Handling Division, a corresponding loan from SACC to the Company of SR 250 million as at 31 December 2020 was agreed between SACC and the Company as part of net asset transferred under the Agreement. In addition, unamortized balance of loan arrangement fee of SR 13.525 million appearing in the books of SACC was also transferred to the Company under the Agreement. During the year ended 31 December 2020, SACC draw down a further amount of SR 250 million which was also given to the Company against the loan payable to SACC. Moreover, subsequent to the year end, the Board of Directors of SACC waived off loan of SR 115.21 million with effect from 31 December 2020 vide their resolution dated 17 April 2021. Accordingly, as at 31 December 2020 total loan payable to SACC amounts to SR 384.78 million and carries markup at same rate as that being charged by banks to SACC. The Company is in process of obtaining loans from commercial banks / reassignment of existing facilities of SACC in Company's name and expect to settle this loan from SACC before 31 December 2021. Accordingly, this amount is classified as a current liability in these financial statements.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

17. TRADE PAYABLES, ACCRUALS AND OTHER LIABILITIES

	31 December 2020
Trade payables	15,441
Employee related accruals	50,195
Accrued rent payable	33,253
Goods / services received; invoice not received	36,548
Accrued handling charges payable	10,556
Accrued IT expenses payable	13,693
Advance from customers	1,401
Provision for discount	5,847
Accrued interest payable	3,434
Others	21,414
	191,782

18. COST OF REVENUE

	For the period from 16 October 2019 till 31 December 2020
Employees costs	192,424
Contractual labour cost	94,143
Depreciation on right-of-use assets (note 6)	59,860
Rental expenses	37,793
Depreciation expenses (note 5)	23,903
Amortization expense	2,144
Aircraft handling and other charges	15,286
Other operating expenses	23,670
	449,223

19. OTHER INCOME

	For the period from 16 October 2019 till 31 December 2020
Management and service fees charged to SACC (note 19.1)	63,265
Others	799
	64,064

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

19. OTHER INCOME (continued)

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

20. SELLING AND DISTRIBUTION EXPENSES

	For the period from 16 October 2019 till 31 December 2020
Employees costs	6,271
Depreciation	180
Other operating expenses	8,306
	14,757

21. GENERAL AND ADMINISTRATION EXPENSES

	For the period from 16 October 2019 till 31 December 2020
Employees costs	64,224
IT Services	28,266
Professional and technical consultancies	7,801
Depreciation (note 5)	7,383
Depreciation on right-of-use assets	4,744
Impairment loss on trade receivables	3,500
Rental expenses	1,418
Other operating expenses	16,183
	133,519

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

22. FINANCE COSTS

	For the period from 16 October 2019 till 31 December 2020
Finance charges on lease liabilities	**71,827**
Bank charges	**1,553**
Exchange loss	**16**
	73,396

23. ZAKAT

The provision is based on the following:

	31 December 2020
Equity at the beginning	**500**
Loan from SAAC	**250,000**
Reduction of loans to restrict up to fixed assets	**322,241**
Opening provisions and other adjustments	**38,814**
Book value of property and equipment	**(572,241)**
Zakat base	**39,314**
Less: 70% Exempt	**(27,520)**
Subtotal- zakat base elements	**11,794**
Adjusted net profit for the year	**76,303**
Zakat Base	**88,097**
Zakat for the period	**2,277**

Status of assessments
Since this is the first period of operations, the Company will file its first Zakat return for the period from 16 October 2019 till 31 December 2020.

24. COMMITMENTS AND CONTINGENCIES

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

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

25. FINANCIAL RISK MANAGEMENT

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

Risk management framework

Risk management is carried out by senior management under policies approved by the Board of Directors. Senior management identifies and evaluates financial risks in close cooperation with the Company's operating units. The most important types of risk are market risk, credit risk and liquidity risk. The Board of Directors has overall responsibility for establishment and oversight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets, and any changes and compliance issues are reported to the Board of Directors through the audit committee.

Risk management systems are reviewed regularly by the executive management team to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

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

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables, other receivables, due from related parties, loan from related party due to related parties, trade payables, accrued expenses and other financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk, (ii) currency risk and (iii) other price risk, such as equity price risk and commodity risk. The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

25. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk
Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from loan from a related party (note 16 which is at floating rate of interest and is subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

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

	31 December 2020
Variable rate instruments	
Financial liabilities	
Loan from a related party	**384,786**

Sensitivity analysis for variable rate instruments
Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the period by SR 3.85 million.

Currency risk
Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Company's deposits with foreign banks. The Company is not exposed to any significant currency risk as the Company did not undertake any significant transactions during the year in any foreign currency.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored.

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

	31 December 2020
Financial assets	
Trade receivables	**120,199**
Staff advances	**214**
Due from related parties	**110,261**
Bank balance	**714,642**
Total	**945,316**

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

25. FINANCIAL RISK MANAGEMENT (continued)

Trade and other receivables are carried net of provision for expected credit losses amounting to SR 117 million.

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

The Company renders its services to a large number of customers. The five largest customers account 42% of outstanding trade receivables as at 31 December 2020. The Company is exposed to credit risk due to sales and trade receivables balances with 5 customers. Further, trade receivables from governmental entities comprise 2 % of total outstanding trade receivables.

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

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

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise and through management of the Company's operations and credit facility agreements to meet any future liabilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

25. FINANCIAL RISK MANAGEMENT (continued)

		Contractual cash flows					
31 December 2019	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total**
Non derivative financial liabilities							
Trade payables	**15,441**	**15,441**	**--**	**--**	**--**		**15,441**
Accrued and other liabilities	**176,341**	**176,341**	**--**	**--**	**--**		**176,341**
Lease liabilities	**1,377,955**	**48,647**	**48,647**	**199,311**	**199,311**	**1,806,528**	**2,302,444**
Due to related parties	**500,227**	**227**	**500,000**	**--**	**--**	**--**	**500,227**
	2,069,964	**240,656**	**548,647**	**199,311**	**199,311**	**1,806,528**	**2,994,453**

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

26. CAPITAL RISK MANAGEMENT

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

27. FAIR VALUE OF ASSETS AND LIABILITIES

The Company's financial assets consist of cash and bank balances, trade receivables, deposits and other receivables. Its financial liabilities consist of trade payables and other liabilities.
The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.
The Company's management determines the policies and procedures for both recurring fair value measurement and for non- recurring measurement.

28. IMPACT OF COVID-19

The outbreak of novel coronavirus ("COVID-19") since early 2020 and its spread across mainland China and then globally caused disruptions to businesses and economic activities including the KSA. The World Health Organisation qualified COVID-19 as a pandemic, with governments issuing strict regulations and guidance for its populations and companies. It necessitated the Company to re-assess its judgments and the key sources of estimation applied to the annual financial statements for the period ended 31 December 2020.

SAL CARGO COMPANY LIMITED
(A Limited Liability Company)

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the period from 16 October 2019 till 31 December 2020
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

28. IMPACT OF COVID-19 (continued)

During the period ended 31 December 2020, management has assessed the overall impact on the Company's operations and business aspects, and considered factors like effects on supply chain, impact of decreased flight operations, additional cost in supply chain, margin squeeze, and demand. Based on this assessment, no significant adjustments were required in the financial statements for the year ended 31 December 2020. However, in view of the ongoing uncertainty, any future change in the assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and/or liabilities in future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments and impacts, if any, will be reported in the future financial statements.

29. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by the shareholders on 28 April 2021, corresponding to 16 Ramadan 1442H.

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

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

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

FINANCIAL STATEMENTS
For the year ended 31 December 2021

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

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز الزهران للأعمال
شارع الأمير سلطان
ص.ب 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the shareholders of SAL Saudi Logistics Services Company

Opinion

We have audited the financial statements of SAL Saudi Logistics Services Company ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, are responsible for overseeing the Company's financial reporting process.

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Independent Auditor's Report

To the shareholders of SAL Saudi Logistics Services Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with those charged with the governance regarding. Among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of SAL Saudi Logistics Services Company.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No: 382

Jeddah, April 26, 2022
Corresponding to Ramadan 25, 1443H

Lic No. 46
C.R. 4030290792
J : 1
KPMG
KPMG Professional Services

2

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

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

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

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

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

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

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

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

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

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

	Share capital	Additional capital contribution	Statutory reserve	Retained earnings	Actuarial losses	Total
As at 31 December 2020	500	468,214	150	338,677	(4,174)	803,367
Transactions with owners of the Company:						
Conversion to share capital (Note 1)	799,500	(468,214)	--	(331,286)	--	--
Dividends (Note 19)	--	--	--	(100,000)	--	**(100,000)**
	799,500	(468,214)	--	(431,286)	--	**(100,000)**
Total comprehensive income for the year:						
Profit for the year	--	--	--	275,555	--	**275,555**
Other comprehensive income for the year	--	--	--		(16,632)	**(16,632)**
Total comprehensive income for the year	--	--	--	275,555	(16,632)	**258,923**
Other transactions:						
Transfer to statutory reserve (note 14)	--	--	27,556	(27,556)	--	--
Total shareholders' equity as at 31 December 2021	**800,000**	**--**	**27,706**	**155,390**	**(20,806)**	**962,290**

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

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

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

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

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

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

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

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

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

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

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

SUPLEMENTAL NON-CASH INFORMATION

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

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

SAL SAUDI LOGISTICS SERVICES COMPANY
(A Closed Joint Stock Company)
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY

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

During the year ended 31 December 2021, on 7 Sha'ban 1442H (corresponding to 21 March 2021), the shareholders of the Company resolved to convert the Company from 'Limited Liability Company' to 'Closed Joint Stock Company' with a paid-up capital of SR 800 million by converting additional capital contribution and retained earnings amounting to SR 468.2 million and SR 331.3 million respectively into share capital. Further, the name of the Company has been changed from SAL Cargo Company Limited to SAL Saudi Logistics Services Company. The legal formalities in for increase in share capital were completed on 17 Sha'ban, 1442H (corresponding to 30 March 2021) with the similar commercial registration number.

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

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

The main objectives of the Company is to provide ground handling of cargo and other support services at airport terminals across the Kingdom of Saudi Arabia.

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

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY (continued)

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

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

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

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except for employees' end of service benefits liabilities, which have been measured at present value of defined benefit obligations using unit credit method of actuarial valuation.

2.3 Functional and presentation currency

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

2.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect application of accounting policies, reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures including disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

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

Determining the lease term of contracts with renewal and termination options – Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Company based its assumptions and estimates on parameters available at the date of preparing the financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses (ECL) of trade receivables
The Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in note 8.

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management believes that residual may not result in significant change to depreciation charge and carrying amount of the assets. Management also believes that the straight-line depreciation reflects the pattern of consumption of economic benefits. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives and residual values differ from previous estimates.

Useful life of intangible assets
The management determines the estimated useful life of intangible asset with finite useful life for calculating amortization. This estimate is determined after considering expected usage of the assets or any technical obsolescence. Management believes that the straight-line amortization reflects the pattern of consumption of economic benefits. The management reviews the useful life of intangible asset annually and future amortization charge is adjusted where management believes the useful life differs from previous estimate.

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is based on a discounted cash flows (DCF) model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Employee end of service benefit liabilities
The present value of defined benefit obligations regarding employee's end of service benefit plan is determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates and employee turnover rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate / government bonds extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for country. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rate for the country as well as seniority, promotion, demand, and supply in the employment market. Further detail about the employee end of service benefits are provided in note 15.

Determination of discount rate for present value calculations
Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these financial statements.

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non- current. A liability is current when:

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

The Company classifies all other liabilities as non-current.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fair value measurement (continued)

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

c) Revenue

The Company recognizes revenue when or as a performance obligation is satisfied. (e.g. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer). The Company applies following five-step model as given in IFRS to determine when to recognize revenue and at what amount:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Company expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties, amounts collected on behalf of others and is recorded net of trade discounts and volume rebates.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue (continued)

The Company assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

Rendering of services
The company is engaged in providing ramp handling and cargo handling services. These revenues are recognised when services are rendered. All revenues of the Company are recognized at point of time when the service is provided. All services of the Company are delivered within kingdom of Saudi Arabia.

d) Finance income and finance cost

Finance income is recognized on an accrual basis using the effective yield basis.
Finance cost mainly includes interest accrued on lease liabilities, bank charges and exchange losses.

e) Expenses

Cost of revenue
Service costs and direct operating expenses are classified as cost of revenue. This include all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to employee costs, rent expense, depreciation expense, aircraft handling and other operating costs.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, distribution and related expenses.

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

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

f) Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Withholding tax

The Company withhold taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld

h) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non- monetary items measure at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items that are measure at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

i) Dividends

The Company recognises a liability to pay a dividend when distribution is authorised and no longer at the discretion of the Company. As per the articles of association of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

Non-cash distributions, if any, is measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss and other comprehensive income.

j) Contingencies

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

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For the year ended 31 December 2021
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write off the cost of property and equipment less their estimated residual values using straight-line method over the estimated useful lives, which are as follows:

Lease hold improvements	5- 20 years
Equipment	3-7 years
Furniture and fixtures	5-7 years
Computer	3-5 years

An item of property and equipment ("the asset") and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and depreciation methods for property and equipment are reviewed on annual basis at the end of each fiscal year and adjustments are made whenever necessary.

Capital working in progress
Capital work in progress (CWIP) is measured at cost less impairment losses, if any, and not depreciated until such time the assets are available for use and transferred to the respective category under property, and equipment. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use, if the recognition criteria are met.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and the related expenditure is reflected in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Intangible assets (continued)

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The software are amortized on straight line basis. The estimated useful life of software is two to ten years. The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

m) Financial instruments

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

i) *Financial assets*

Initial recognition and measurement
Trade receivables are initially recognized when they are originated. All other financial assets are initially recognized when company becomes party to contractual provisions of the instruments. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL).

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue from contracts with customers.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts and other receivables.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through statement of profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts and other receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 451 days past due.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets
The Company assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment of goods, are recognized in the statement of profit or loss in expense category consistent with the function of the impaired asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at the date of preparing each statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

o) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset Right-of-use assets are subject to impairment. Refer to the accounting policies under section Impairment of non-financial assets.

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in- substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Rent concessions
In response to the COVID-19 corona virus pandemic, in May 2020 the International Accounting Standards Board (the Board) issued amendments to IFRS 16 Leases to provide practical relief to lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concession are lease modification and instead are permitted to account for them as they were not lease modifications. Rent concessions are eligible for practical expedient if they occur as a direct consequent of the COVID-19 Pandemic and if all of the following criteria are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as or less than, the consideration for the lease immediately preceding the change:
- Any reduction in lease payments affects only payments originally due on or before June 2021; and
- There is no substantive change to the other terms and conditions of the lease.

The amendment is effective for annual periods beginning on or after 1 June 2020 and early adoption is permitted. The company has early adopted and applied the practical expedient consistently to eligible rent concessions.

p) Government grant

Government Grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expense are recognized, unless the condition for receiving the grant are met after the related expenses have been recognized. In this case the grant is recognized when it becomes receivable.

q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short- term bank deposits with original maturity of three months or less , if any, which are available to the Company without any restrictions and which are subject to an insignificant risk of changes in value.

r) Business combination – common control transaction

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. In applying book value accounting, any adjustment required to account for any difference between the consideration paid and the capital /net assets of the acquiree is reflected in retained earnings

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred in the statement of profit or loss and other comprehensive income.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t) Employee benefits liabilities

This represents end-of-service ("employee benefits") under defined unfunded benefit plan. End-of-service benefits, as required by Saudi Arabia Labour Law, are required to be provided based on the employees' length of service.

The Company's net obligations in respect of employee benefits ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with independent actuarial valuations carried out every year. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in statement of profit or loss and other comprehensive income in the year in which they arise.

u) Transactions with shareholders

Contributions by shareholders in their capacity as shareholders are recognised as capital contribution including waiver of a loan granted by a shareholder or by a fellow subsidiary where the waiver is instigated by the common parent.

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4. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

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

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

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

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

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

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

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5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work- in-progress	Total
Cost:						
As at 1 January 2021	196,334	86,301	2,196	7,453	294,424	**586,708**
Additions during the year	6,392	29,716	1,038	1,875	106,054	**145,075**
Transfers from CWIP	868	16,384	--	--	(17,252)	**--**
Disposals	--	--	--	(3)	--	**(3)**
As at 31 December 2021	**203,594**	**132,401**	**3,234**	**9,325**	**383,226**	**731,780**
Accumulated depreciation:						
As at 1 January 2021	(12,531)	(16,409)	(556)	(1,948)	--	**(31,444)**
Charge for the year	(18,245)	(20,062)	(558)	(2,093)	--	**(40,958)**
As at 31 December 2021	**(30,776)**	**(36,471)**	**(1,114)**	**(4,041)**	**--**	**(72,402)**
Net book value:						
As at 31 December 2021	**172,818**	**95,930**	**2,120**	**5,284**	**383,226**	**659,378**

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5. PROPERTY AND EQUIPMENT (continued)

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

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5. PROPERTY AND EQUIPMENT (continued)

a) Capital work in progress mainly represents costs incurred incidental to projects in progress in respect of the Cargo Terminal at Jeddah airport.

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

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

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

6. RIGHT-OF-USE ASSET & LEASE LIABILITIES

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

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

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

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

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

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

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

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

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

7. INTANGIBLE ASSETS

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

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7. INTANGIBLE ASSETS

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

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

8. TRADE RECEIVABLES

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

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

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

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

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

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

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9. PREPAYMENTS AND OTHER RECEIVABLES

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

10. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties include the Company's shareholders, associates and affiliated companies and key management personnel of the Company. Terms and conditions of these transactions are approved by the Company's management. All outstanding balances with these related parties are priced on mutually agreed terms. In addition to disclosures made in notes 1.1, 5, 6, 13, and 16 significant related party transactions for the year / period and balance arising there from are described as under:

a) Transactions with related parties

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

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10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances with related parties

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

c) Key management personnel compensation

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

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

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

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10. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following;

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

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

12. SHORT TERM MURABAHA DEPOSITS

	31 December 2021	31 December 2020
Short term Murabaha deposits	**795,000**	--
Less: short term Murabaha deposits with maturity less than three months	**(415,000)**	--
Total	**380,000**	--

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

b) These deposits earn commission at an average rate of 1.07% per annum as at 31 December 2021 (2020: nil% per annum).

13. SHARE CAPITAL

On 7 Sha'ban 1442H (corresponding to 21 March 2021), the shareholders of the Company resolved to increase the paid-up capital of the Company by SR 799.5 million by converting additional capital contribution and retained earnings amounting to SR 468.2 million and SR 331.3 million respectively into share capital. At 31 December 2021, the share capital of the Company was SR 800 million divided into 80 million shares of SR 10 each, which are fully paid and owned as follows.

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13. SHARE CAPITAL (continued)

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

13.1 Additional capital contribution

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

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

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

14. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the net income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

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15. EMPLOYEES' END OF SERVICE BENEFITS

i) The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labour Law. The movement is as follows:

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

ii) As at 31 December 2021 the valuation of EOSB liabilities was carried by an independent firm of actuaries. The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	31 December 2021	31 December 2020
Discount rate	**3%**	3.00%
Expected rate of salary increase	**4%**	2.00%
Mortality rate	**Age based rates, avg is 0.17% p.a.**	Age based rates, avg is 0.17% p.a.
Employee turnover/ withdrawal rate	**0.56%**	0.56%

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

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

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15. EMPLOYEES' END OF SERVICE BENEFITS (continued)

The quantitative sensitivity analysis for principal assumptions is as follows:

	Changes in assumptions	**31 December 2021**	
		Increase in	**Decrease in**
Discount rate	**1%**	**(7,494)**	**8,981**
Future salary growth	**1%**	**9,184**	**(7,808)**
Withdrawal	**10%**	**(1,170)**	**1,263**

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

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

16. LOAN FROM A RELATED PARTY

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

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

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17. TERM LOAN

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

18. ACCRUALS AND OTHER LIABILITIES

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

19. DIVIDEND

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

20. COST OF REVENUE

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

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21. OTHER INCOME

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

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

22. SELLING AND DISTRIBUTION EXPENSES

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

23. GENERAL AND ADMINISTRATION EXPENSES

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

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24. FINANCE COSTS- net

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

25. ZAKAT

The provision is based on the following:

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

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

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

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25. ZAKAT (continued)

Status of assessments

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

26. COMMITMENTS AND CONTINGENCIES

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

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

27. FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

Financial instruments carried on the statement of financial position include cash and cash equivalents, trade receivables, other receivables, due from related parties, loan from related party due to related parties, trade payables, accrued expenses and other financial liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

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

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27. FINANCIAL RISK MANAGEMENT (continued)

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk, (ii) currency risk and (iii) other price risk, such as equity price risk and commodity risk. The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities

Interest rate risk
Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from Term loan (2020: loan from related party) which is at floating rate of interest and is subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

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

	31 December 2021	31 December 2020
Variable rate instruments		
Financial liabilities		
Loan from a related party	--	384,786
Term Loan	**500,000**	--

Sensitivity analysis for variable rate instruments
Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the year by SR 5 million (2020: 3.85 million).

Currency risk
Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's balances with banks in foreign currencies. The Company is not exposed to any significant currency risk as the Company did not undertake any significant transactions during the year in any foreign currency.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored.

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27. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

27. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise and through management of the Company's operations and credit facility agreements to meet any future liabilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cash flows					
31 December 2021	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total**
Non derivative financial liabilities							
Trade payables	**15,813**	**15,813**	--	--	--	--	**15,813**
Accrued and other liabilities	**272,351**	**272,351**	--	--	--	--	**272,351**
Lease liabilities	**1,351,098**	**98,561**	--	**199,375**	**201,373**	**1,705,841**	**2,205,150**
Term Loan	**500,000**	--	--	**44,959**	**102,714**	**400,983**	**548,656**
	2,139,262	**386,725**	--	**244,334**	**304,087**	**2,106,824**	**3,041,970**

		Contractual cash flows					
31 December 2020	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total
Non derivative financial liabilities							
Trade payables	15,441	15,441	--	--	--	--	15,441
Accrued and other liabilities	165,659	165,659	--	--	--	--	165,659
Lease liabilities	1,377,955	96,276	1,019	195,411	200,586	1,806,528	2,299,820
Loan from a related party	384,786	384,786					384,786
Due to related parties	115,441	115,441	--	--	--	--	115,441
	2,059,282	777,603	1,019	195,411	200,586	1,806,528	2,981,147

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

28. CAPITAL RISK MANAGEMENT

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

29. BASIC AND DILUTIVE EARNINGS PER SHARE

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

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

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

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

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

30. FAIR VALUE OF ASSETS AND LIABILITIES

The Company's financial assets consist of cash and bank balances, trade receivables, due from related parties, deposits and other receivables. Its financial liabilities consist of trade payables, lease liabilities, due to related parties, loan from a related party and accruals and other liabilities. The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2021
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

31. IMPACT OF COVID-19

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

32. APPROVAL OF THE FINANCIAL STATEMENTS

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

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

FINANCIAL STATEMENTS
For the year ended 31 December 2022
with
INDEPENDENT AUDITOR'S REPORT

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

FINANCIAL STATEMENTS
For the year ended 31 December 2022

KPMG Professional Services
Zahran Business Center
Prince Sultan Street
P. O. Box 55078
Jeddah 21534
Kingdom of Saudi Arabia
Commercial Registration No 403029792

Headquarters in Riyadh

كي بي إم جي للاستشارات المهنية
مركز زهران للأعمال
شارع الأميرسلطان
ص. ب. 55078
جده 21534
المملكة العربية السعودية
سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

Independent Auditor's Report

To the shareholders of SAL Saudi Logistics Services Company

Opinion

We have audited the financial statements of SAL Saudi Logistics Services Company ("the Company"), which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Opinion

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, the applicable requirements of the Regulations for Companies, Company's By-laws and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, the Audit Committee, are responsible for overseeing the Company's financial reporting process.

KPMG

Independent Auditor's Report

To the shareholders of SAL Saudi Logistics Services Company (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with the governance regarding. Among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit of SAL Saudi Logistics Services Company.

KPMG Professional Services

Ebrahim Oboud Baeshen
License No. 382

Jeddah, 2 April 2023
Corresponding to 11 Ramadan 1444H

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

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

STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	2022	2021
ASSETS			
Non-current assets			
Property and equipment	5	**705,366**	659,378
Right-of-use assets	6	**1,212,555**	1,283,618
Intangible assets	7	**14,299**	15,431
Total non-current assets		**1,932,220**	1,958,427
Current assets			
Construction work in progress	8	**30,758**	--
Trade receivables	9	**233,410**	185,160
Prepayments and other receivables	10	**147,066**	158,199
Short term Murabaha deposits	11	**--**	380,000
Cash and cash equivalents	12	**940,069**	491,590
Total current assets		**1,351,303**	1,214,949
Total assets		**3,283,523**	3,173,376
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**800,000**	800,000
Statutory reserve	14	**63,947**	27,706
Retained earnings		**226,561**	155,390
Actuarial loss		**(17,381)**	(20,806)
Total shareholders' equity		**1,073,127**	962,290
Non-current liabilities			
Long-term loan	15	**500,000**	500,000
Employees' end of service benefits	16	**77,976**	72,582
Lease liabilities	6	**1,287,944**	1,321,541
Total non-current liabilities		**1,865,920**	1,894,123
Current liabilities			
Current portion of lease liabilities	6	**63,719**	107,606
Trade payables	17	**64,922**	15,813
Accruals and other liabilities	18	**208,397**	191,502
Zakat payable	28	**7,438**	2,042
Total current liabilities		**344,476**	316,963
Total liabilities		**2,210,396**	2,211,086
Total equity and liabilities		**3,283,523**	3,173,376

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

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

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**31 December 2022**	31 December 2021
Revenue	21	**1,222,650**	962,170
Cost of revenue	22	**(631,681)**	(476,194)
Gross profit		**590,969**	485,976
Other income	23	**13,207**	24,025
Selling and distribution expenses	24	**(30,251)**	(27,870)
General and administration expenses	25	**(147,411)**	(136,711)
Operating profit		**426,514**	345,420
Finance income	26	**18,882**	3,534
Finance costs	27	**(74,920)**	(70,437)
Profit before Zakat		**370,476**	278,517
Zakat	28	**(8,064)**	(2,962)
Profit for the year		**362,412**	275,555
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement gain / (loss) on defined benefit obligation	16	**3,425**	(16,632)
Total comprehensive income for the year		**365,837**	258,923
Earnings per share:			
Basic and diluted earnings per share from profit for the year attributable to the shareholders	32	**4.53**	4.55

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Share capital	Additional capital contribution	Statutory reserve	Retained earnings	Actuarial losses	Total
As at 31 December 2021	**800,000**	**--**	**27,706**	**155,390**	**(20,806)**	**962,290**
Transactions with owners of the Company:						
Dividends (note 19)	--	--	--	(255,000)	--	(255,000)
	--	--	--	(255,000)	--	(255,000)
Total comprehensive income for the year:						
Profit for the year	--	--	--	362,412	--	362,412
Other comprehensive income for the year	--	--	--	--	3,425	3,425
Total comprehensive income for the year	--	--	--	362,412	3,425	365,837
Other transactions:						
Transfer to statutory reserve (note 14)	--	--	36,241	(36,241)	--	--
Total shareholders' equity as at 31 December 2022	**800,000**	**--**	**63,947**	**226,561**	**(17,381)**	**1,073,127**

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

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Share capital	Additional capital contribution	Statutory reserve	Retained earnings	Actuarial losses	Total
As at 31 December 2020	500	468,214	150	338,677	(4,174)	803,367
Transactions with owners of the Company:						
Conversion to share capital (note 1)	799,500	(468,214)	--	(331,286)	--	--
Dividends (note 19)	--	--	--	(100,000)	--	(100,000)
	799,500	(468,214)	--	(431,286)	--	(100,000)
Total comprehensive income for the year:						
Profit for the year	--	--	--	275,555	--	275,555
Other comprehensive income for the year	--	--	--		(16,632)	(16,632)
Total comprehensive income for the year	--	--	--	275,555	(16,632)	258,923
Other transactions:						
Transfer to statutory reserve (note 14)	--	--	27,556	(27,556)	--	--
Total shareholders' equity as at 31 December 2021	800,000	--	27,706	155,390	(20,806)	962,290

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

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

STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**31 December 2022**	31 December 2021
OPERATING ACTIVITIES			
Profit before Zakat		**370,476**	278,517
Adjustments for:			
Depreciation on property and equipment	5	**50,555**	40,958
Depreciation of right-of-use assets	6	**65,488**	64,678
Rent concessions	6	**(7,610)**	--
Amortisation of intangible assets	7	**2,861**	4,060
Finance costs	27	**74,920**	70,437
Provision for employees' end of service benefits	16	**13,794**	10,755
Loss on disposal of property and equipment		**--**	3
Impairment loss on trade receivables	9	**16,522**	9,155
		587,006	478,563
Changes in:			
Trade receivables		**(64,182)**	32,644
Prepayments and other current assets		**11,133**	(17,054)
Construction work in progress		**(30,758)**	--
Trade payable		**49,109**	(115,542)
Accrued and other liabilities		**16,895**	(64,568)
Cash generated from operations		**569,203**	314,043
Employees' benefit paid	16	**(5,565)**	(2,278)
Finance costs paid		**(5,167)**	--
Zakat paid	28	**(2,668)**	(3,197)
Net cash from operating activities		**555,803**	308,568
INVESTING ACTIVITIES			
Additions to property and equipment	5	**(96,543)**	(145,075)
Additions to intangible assets	7	**(1,729)**	(2,514)
Redemption / (investment) in short term Murabaha deposits	11	**380,000**	(380,000)
Net cash generated from / (used in) investing activities		**281,728**	(527,589)
FINANCING ACTIVITIES			
Loan repaid to a related party	20	**--**	(384,786)
Proceeds from term loan	15	**--**	500,000
Interest paid on lease liability	6	**(69,753)**	(13,303)
Payment of lease liability	6	**(64,299)**	(5,942)
Dividend paid	19	**(255,000)**	(100,000)
Net cash used in financing activities		**(389,052)**	(4,031)
Net change in cash and cash equivalents during the year		**448,479**	(223,052)
Cash and cash equivalent at the beginning of the year		**491,590**	714,642
Cash equivalents at the end of the year		**940,069**	491,590

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

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

STATEMENT OF CASH FLOWS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

SUPLEMENTAL NON-CASH INFORMATION

	Notes	**31 December 2022**	31 December 2021
Conversion of additional capital contribution and retained earnings to share capital	1	--	799,500
Transfer of Employees' end of service benefits from / (to) related parties		590	(2,845)

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

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY

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

During the year ended 31 December 2021, on 7 Sha'ban 1442H (corresponding to 21 March 2021), the shareholders of the Company resolved to convert the Company from 'Limited Liability Company' to 'Closed Joint Stock Company' with a paid-up capital of SR 800 million by converting additional capital contribution and retained earnings amounting to SR 468.2 million and SR 331.3 million respectively into share capital. Further, the name of the Company has been changed from SAL Cargo Company Limited to SAL Saudi Logistics Services Company. The legal formalities for increase in share capital were completed on 17 Sha'ban 1442H (corresponding to 30 March 2021) with the same commercial registration number.

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

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

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

Location of the branch	CR Number	Location of the branch	CR Number
Madinah	4650215858	Jizan	5900129855
Dammam	2050130835	Hail	3350155544
Riyadh	1010607713	Sharura	5951129034
Abha	5850132986	Taif	4032252408
Skaka	3400122047	Tabuk	3550140013
AlQaysoma	2512100942	Dammam	2050130835
ArAr	3450178231	Madinah	4650215858
Beesha	5851877774	Riyadh	1010607713
Najran	5950124524	Al-Quraiat	3452148133
Buraidah	1131315681		

The main objectives of the Company is to provide ground handling of cargo and other support services at airport terminals across the Kingdom of Saudi Arabia.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed in Kingdom of Saudi Arabia ("KSA") and other standards and pronouncements issued by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (collectively referred to as "IFRS as endorsed in KSA").

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.2 Basis of measurement

These financial statements are prepared under the historical cost convention, except for employees' end of service benefits liabilities, which have been measured at present value of defined benefit obligations using unit credit method of actuarial valuation.

2.3 Functional and presentation currency

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

2.4 Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect application of accounting policies, reported amounts of income, expenses, assets and liabilities, and the accompanying disclosures including disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

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

Determining the lease term of contracts with renewal and termination options – Company as lessee
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Company included the renewal period as part of the lease term for leases due to the significance of leased assets to its operations.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the date of preparing the financial statements, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the subsequent financial periods, are described below. The Company based its assumptions and estimates on parameters available at the date of preparing the financial statements. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Provision for expected credit losses (ECL) of trade receivables
The Company uses a provision matrix to calculate ECL for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL on the Company's trade receivables is disclosed in note 9.

Useful lives of property and equipment
The Company's management determines the estimated useful lives of its property and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. The management believes that residual may not result in significant change to depreciation charge and carrying amount of the assets. Management also believes that the straight-line depreciation reflects the pattern of consumption of economic benefits. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives and residual values differ from previous estimates.

Useful life of intangible assets
The management determines the estimated useful life of intangible asset with finite useful life for calculating amortization. This estimate is determined after considering expected usage of the assets or any technical obsolescence. Management believes that the straight-line amortization reflects the pattern of consumption of economic benefits. The management reviews the useful life of intangible asset annually and future amortization charge is adjusted where management believes the useful life differs from previous estimate.

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2. BASIS OF PREPARATION (continued)

2.4 Significant Accounting Judgments, Estimates and Assumptions (continued)

Impairment of non-financial assets
Impairment exists when the carrying value of an asset or Cash Generating Unit (CGU) exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal is based on available data from binding sales transactions, at arm's length for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use is based on a discounted cash flows (DCF) model. The cash flows are derived from the estimated budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to discount rate used for the discounted cash flows model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Employee end of service benefit liabilities
The present value of defined benefit obligations regarding employee's end of service benefit plan is determined using actuarial valuations. An actuarial valuation requires making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate; future salary increases and mortality rates and employee turnover rate. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, the defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each annual reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the market yield on high quality corporate / government bonds extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for country. Those mortality tables are subject to change only at intervals in response to demographic changes. Future salary increases are based on expected future inflation rate for the country as well as seniority, promotion, demand, and supply in the employment market. Further detail about the employee end of service benefits are provided in note 16.

Determination of discount rate for present value calculations
Discount rates represent the current market assessment of the risks specific to each cash flow stream, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Company and is derived from recent market transactions and a market yields overview.

Zakat assessment
The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA") in the Kingdom of Saudi Arabia. The Company recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat will be due. The final outcome of any additional amount assessed by the ZATCA is depending on the eventual outcome of the appeal process which the Company is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the statement of profit or loss in the period in which such final determination is made.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period presented in these financial statements.

a) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

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

All other assets are classified as non- current. A liability is current when:

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

The Company classifies all other liabilities as non-current.

b) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Fair value measurement (continued)

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Company determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

c) Revenue

The Company recognizes revenue when or as a performance obligation is satisfied. (e.g. when control of the goods or services pertaining to the respective performance obligation is transferred to the customer). The Company applies following five-step model as given in IFRS to determine when to recognize revenue and at what amount:

Step 1. Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2. Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3. Determine the transaction price: the transaction price is the amount of consideration to which the Company expects to be entitled to in exchange for transferring promised goods or services to a customer. The transaction price is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding taxes, duties, amounts collected on behalf of others and is recorded net of trade discounts and volume rebates.

Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than on performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Revenue (continued)

The Company assessed its revenue arrangements against specific criteria and determined that it is acting as principal in all of its revenue arrangements.

Rendering of services
The company is engaged in providing ramp handling, cargo handling and logistics services. These revenues are recognised when services are rendered. All revenues of the Company are recognized at point of time when the service is provided. All services of the Company are delivered within kingdom of Saudi Arabia.

d) Finance income and finance cost

Finance income is recognized on an accrual basis using the effective yield basis.
Finance cost mainly includes interest accrued on lease liabilities, bank charges and exchange losses.

e) Expenses

Cost of revenue
Service costs and direct operating expenses are classified as cost of revenue. This include all expenses directly attributable or incidental to the core operating activities of the Company including but not limited to employee costs, rent expense, depreciation expense, aircraft handling and other operating costs.

Selling and distribution expenses
These include any costs incurred to carry out or facilitate selling activities of the Company. These costs typically include salaries of the sales staff, distribution and related expenses.

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

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

f) Zakat

The Company is subject to Zakat in accordance with the regulations of the Zakat, Tax and Customs Authority (“ZATCA”). Zakat is provided in accordance with the Regulations of the General Authority of Zakat and Tax (ZATCA) in the Kingdom of Saudi Arabia and on accruals basis. The provision is charged to the statement of profit or loss and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments are accounted for in the period in which these are determined.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Withholding tax

The Company withhold taxes on transactions with non-resident parties in accordance with ZATCA regulations, which is not recognised as an expense being the obligation of the counter party on whose behalf the amounts are withheld

h) Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non- monetary items measure at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items that are measure at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item.

i) Dividends

The Company recognises a liability to pay a dividend when distribution is authorised and no longer at the discretion of the Company. As per the articles of association of the Company, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends, if any, are recorded when approved by the Board of Directors.

Non-cash distributions, if any, is measured at the fair value of the assets to be distributed with fair value re-measurement recognised directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets distributed is recognised in the statement of profit or loss and other comprehensive income.

j) Contingencies

Contingent liabilities are not recognised in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the financial statements but are disclosed when an inflow of economic benefits is probable.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Property and equipment

Property and equipment are stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a comprehensive inspection is performed, its cost is recognised in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss and other comprehensive income as incurred. Subsequent expenditure is capitalized only if it is probable that future economic benefits associated with the expenditure will flow to the Company.

Depreciation is calculated to write off the cost of property and equipment less their estimated residual values using straight-line method over the estimated useful lives, which are as follows:

Lease hold improvements	5- 20 years
Equipment	3-7 years
Furniture and fixtures	5-7 years
Computer	3-5 years

An item of property and equipment ("the asset") and any significant part initially recognised, is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss and other comprehensive income when the asset is derecognised.

The residual values, useful lives and depreciation methods for property and equipment are reviewed on annual basis at the end of each fiscal year and adjustments are made whenever necessary.

Capital working in progress
Capital work in progress (CWIP) is measured at cost less impairment losses, if any, and not depreciated until such time the assets are available for use and transferred to the respective category under property, and equipment. Finance costs on borrowings to finance the construction of the assets are capitalized during the period of time that is required substantially to complete and prepare those assets for its intended use, if the recognition criteria are met.

l) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets are not capitalized and the related expenditure is reflected in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Further, capital work in progress is not amortized.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Intangible assets (continued)

The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit ("CGU") level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

The software are amortized on straight line basis. The estimated useful life of software is two to ten years. The amortization method, useful life and residual value are reviewed at each reporting date and the changes are adjusted, if appropriate.

m) Financial instruments

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

i) *Financial assets*

Initial recognition and measurement
Trade receivables are initially recognized when they are originated. All other financial assets are initially recognized when company becomes party to contractual provisions of the instruments. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit and loss (FVTPL).

The classification of debt financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section (c) Revenue from contracts with customers.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

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

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

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

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes accounts and other receivables.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

- The rights to receive cash flows from the asset have expired or;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
  (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through statement of profit or loss. ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts and other receivables, the Company applies a simplified approach in calculating ECL. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

For debt instruments at fair value through OCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 451 days past due.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

i) Financial assets (continued)

Impairment of financial assets (continued)
The Company considers a financial asset in default when contractual payments are 451 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Company's financial liabilities include accounts and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below. Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

Financial liabilities at amortised cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in statement of profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

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

Offsetting of financial instruments
Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Impairment of non-financial assets
The Company assesses, at the date of preparing the financial statements, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or CGU's fair value less costs of disposal or its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate future cash inflows that are largely independent of those from other assets or Groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing fair value less costs of disposal, recent market transactions are taken into account- if available or an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Company's Cash Generating Units ("CGUs") to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. To cover longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses of continuing operations, including impairment of goods, are recognized in the statement of profit or loss in expense category consistent with the function of the impaired asset.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Financial instruments (continued)

ii) Financial liabilities (continued)

Impairment of non-financial assets (continued)
For assets excluding goodwill, an assessment is made at the date of preparing each statement of financial position to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit or loss.

n) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

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

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

o) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset Right-of-use assets are subject to impairment. Refer to the accounting policies under section Impairment of non-financial assets.

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

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in- substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o) Leases (continued)

Rent concessions
In response to the COVID-19 corona virus pandemic, in May 2020 the International Accounting Standards Board (the Board) issued amendments to IFRS 16 Leases to provide practical relief to lessees in accounting for rent concessions. Under the practical expedient, lessees are not required to assess whether eligible rent concession are lease modification and instead are permitted to account for them as they were not lease modifications. Rent concessions are eligible for practical expedient if they occur as a direct consequent of the COVID-19 Pandemic and if all of the following criteria are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as or less than, the consideration for the lease immediately preceding the change:
- Any reduction in lease payments affects only payments originally due on or before June 2021; and
- There is no substantive change to the other terms and conditions of the lease.

The amendment is effective for annual periods beginning on or after 1 June 2020 and early adoption is permitted. The company has early adopted and applied the practical expedient consistently to eligible rent concessions.

p) Government grant

Government Grants that compensate the Company for expenses incurred are recognized in profit or loss as other income on a systematic basis in the periods in which the expense are recognized, unless the condition for receiving the grant are met after the related expenses have been recognized. In this case the grant is recognized when it becomes receivable.

q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, cash in bank and short- term bank deposits with original maturity of three months or less , if any, which are available to the Company without any restrictions and which are subject to an insignificant risk of changes in value.

r) Business combination – common control transaction

Business combinations including entities or businesses under common control are measured and accounted for using book value. The assets and liabilities acquired are recognized at the carrying amounts as transferred from the controlling company's books of accounts. In applying book value accounting, any adjustment required to account for any difference between the consideration paid and the capital /net assets of the acquiree is reflected in retained earnings

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Borrowing cost

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other borrowing costs are expensed in the period in which they are incurred in the statement of profit or loss and other comprehensive income.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

t) Employee benefits liabilities

This represents end-of-service ("employee benefits") under defined unfunded benefit plan. End-of-service benefits, as required by Saudi Arabia Labour Law, are required to be provided based on the employees' length of service.

The Company's net obligations in respect of employee benefits ("the obligations") is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and any unrecognised past service costs.

The discount rate used is the market yield on high quality corporate bonds at the reporting date that has maturity dates and the risk profile approximating the terms of the Company's obligations. The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method to determine the Company's present value of the obligation, with independent actuarial valuations carried out every year. The defined benefit liability comprises the present value of defined benefit obligation as adjusted for any past service cost not yet recognised. Currently there are no past service costs. The full amount of actuarial gains and losses are recognized in statement of profit or loss and other comprehensive income in the year in which they arise.

u) Transactions with shareholders

Contributions by shareholders in their capacity as shareholders are recognised as capital contribution including waiver of a loan granted by a shareholder or by a fellow subsidiary where the waiver is instigated by the common parent.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Earnings and per share - EPS

The management determines basic earnings per share by dividing profit or loss attributable to ordinary equity holders (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the year. The weighted average number of ordinary shares outstanding during the year is the number of ordinary shares outstanding at the beginning of the year, adjusted by the number of ordinary shares bought back or issued during the year multiplied by a time-weighting factor. The time-weighting factor is the number of days that the shares are outstanding as a proportion of the total number of days in the year; a reasonable approximation of the weighted average is adequate in many circumstances.

Diluted earning per share amounts are calculated by dividing the profit attributable to equity shareholders by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

w) Segment information

A segment is a distinguishable component of the Company that engages in business activities from which it earns revenue and incurs costs. The operating segments are used by the management of the Company to allocate resources and assess performance. Operating segments exhibiting similar economic characteristics, product and services, class of customers where appropriate are aggregated and reported as reportable segments.

The Company has the following two strategic divisions, which are reportable segments and are defined and used by the Board of Directors when reviewing the Company's performance. These divisions offer different products and services and are managed separately because of their different fundamentals.

The following summary describes the operations of each reportable segment:

Reportable segments	**Operations**
Air cargo handling	Cargo handling services to air cargo carriers operating at the Kingdom's airports
Logistic solutions	End to end logistic solutions services, customs clearance, warehousing and inventory management

The Company's Board reviews the internal management reports of each strategic division at least quarterly.

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4. NEW STANDARDS, INTERPRETATIONS AND AMMENDMENTS

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

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

Standard / Interpretation	*Description*	*Effective from periods beginning on or after the following date*
IFRS 17	Insurance contracts	1 January 2023
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1)	1 January 2024
IFRS 17	Amendments	1 January 2023
IAS 8	Definition to accounting estimates	1 January 2023
IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction`	1 January 2023
IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Date postponed indefinitely
IFRS 17 and IFRS 9	Initial Application of IFRS 17 and IFRS 9 – Comparative Information (amendments to IFRS 17)	1 January 2023
IFRS 16	Lease Liability in a Sale and Leaseback – Amendment	1 January 2024

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

Following amendments to IFRS and International Accounting Standards were effective on or after 1 January 2022, but they did not have a material effect on the Company's financial statements:

Effective date	**New Standards or amendments**
1 April 2021	Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions extension of the practical expedient
1 January 2022	A number of narrow scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

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5. PROPERTY AND EQUIPMENT

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

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

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5. PROPERTY AND EQUIPMENT (continued)

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

	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work- in-progress	Total
Cost:						
As at 1 January 2021	196,334	86,301	2,196	7,453	294,424	586,708
Additions during the year	6,392	29,716	1,038	1,875	106,054	145,075
Transfers from CWIP	868	16,384	--	--	(17,252)	--
Disposals during the year	--	--	--	(3)	--	(3)
As at 31 December 2021	203,594	132,401	3,234	9,325	383,226	731,780
Accumulated depreciation:						
As at 1 January 2021	(12,531)	(16,409)	(556)	(1,948)	--	(31,444)
Charge for the year	(18,245)	(20,062)	(558)	(2,093)	--	(40,958)
As at 31 December 2021	(30,776)	(36,471)	(1,114)	(4,041)	--	(72,402)
Carrying amount:						
As at 31 December 2021	172,818	95,930	2,120	5,284	383,226	659,378

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5. PROPERTY AND EQUIPMENT (continued)

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

b) During the year finance charges amounting to SR 18.62 million (2021: SR 9.69 million) have been capitalized to Capital work in progress (CWIP).

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

	31 December 2022	31 December 2021
Cost of revenue (note 22)	**48,360**	36,230
Selling and distribution expenses (note 24)	**20**	20
General and administration expenses (note 25)	**2,175**	4,708
	50,555	40,958

6. RIGHT-OF-USE ASSET & LEASE LIABILITIES

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

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

Right-of-use of asset	**31 December 2022**	31 December 2021
Cost		
Balance as at the beginning of year	**1,412,899**	1,412,899
Additions during the year	**20,046**	--
Lease modification during the year	**(23,812)**	--
Lease termination during the year	**(6,824)**	--
Balance at the end of the year	**1,402,309**	1,412,899
Accumulated depreciation		
Balance as at the beginning of the year	**(129,281)**	(64,603)
Depreciation for the year	**(65,488)**	(64,678)
Lease termination during the year	**5,015**	--
Balance at the end of the year	**(189,754)**	(129,281)
Carrying amount at the end of the year	**1,212,555**	1,283,618

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

b) The depreciation for the year is allocated as follows:

	31 December 2022	31 December 2021
Cost of revenue (note 22)	**62,849**	62,756
General and administrative expense (note 25)	**2,639**	1,922
	65,488	64,678

c) The movement of lease liabilities during the year is as follows:

Lease Liabilities	**31 December 2022**	31 December 2021
Balance at the beginning of the year	**1,429,147**	1,377,955
Addition during the year	**20,046**	--
Lease termination during the year	**(1,809)**	--
Lease modification during the year	**(23,812)**	--
Rent concessions during the year	**(7,610)**	--
Unwinding of lease liability (finance cost)	**69,753**	70,437
Repayment during the year	**(134,052)**	(19,245)
Balance at the end of the year	**1,351,663**	1,429,147

d) Lease modification during the year relates to the changes in contract term of Jeddah Terminal Lease Contract which resulted in decrease in carrying value of lease liabilities and right of use asset.

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

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

	31 December 2022	31 December 2021
Current portion	**63,719**	107,606
Non-current portion	**1,287,944**	1,321,541
Total	**1,351,663**	1,429,147

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7. INTANGIBLE ASSETS

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

	31 December 2022	31 December 2021
Cost:		
Balance at the beginning of the year	**21,635**	19,121
Additions during the year	**1,729**	2,514
Balance at the end of the year	**23,364**	21,635
Accumulated amortization:		
Balance at the beginning of the year	**(6,204)**	(2,144)
Amortization charge for the year	**(2,861)**	(4,060)
Balance at the end of the year	**(9,065)**	(6,204)
Carrying amount at the end of the year	**14,299**	15,431

a) The amortization for the year is allocated as follows

	31 December 2022	31 December 2021
Cost of Revenue (note 22)	**2,797**	2,505
Selling and distribution expense (note 24)	**64**	1,555
	2,861	4,060

8. CONSTRUCTION WORK IN PROGRESS:

Construction work in progress relates to construction of permanent utilities on leasehold land relating to Jeddah new terminal facility on behalf of Jeddah Airports Company (lessor). The construction cost will be invoiced upon completion of the permanent utility facility. As per the agreement, the amount is recoverable from the lease liability payment. The amount is not subject to any credit risk.

9. TRADE RECEIVABLES

Trade receivables comprise of the following;

	31 December 2022	31 December 2021
Trade receivables – third parties	**181,031**	102,759
Trade receivables – related parties (note 20 (b))	**81,556**	95,056
	262,587	197,815
Less: Impairment loss on trade receivables	**(29,177)**	(12,655)
	233,410	185,160

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9. TRADE RECEIVABLES (continued)

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

	31 December 2022	31 December 2021
Balance at the beginning of the year	**12,655**	3,500
Impairment charge for the year (note 25)	**16,522**	9,155
Balance at the end of the year	**29,177**	12,655

10. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

	31 December 2022	31 December 2021
Advances to vendors	**11,845**	28,001
Due from related parties* (note 20)	**--**	5,481
Prepayments	**8,844**	7,639
Value added tax (VAT) refundable	**99,710**	81,784
Others	**26,667**	35,294
	147,066	158,199

11. SHORT TERM MURABAHA DEPOSITS

Short term Murabaha deposits comprise of the following:

	31 December 2022	31 December 2021
Short term Murabaha deposits	--	380,000

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

b) These deposits earn commission at an average rate of Nil per annum as at 31 December 2022 (2021: 1.07% per annum).

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12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following;

	31 December 2022	31 December 2021
Cash at banks	**210,069**	76,590
Short term murabaha deposits with maturity less than three months (note 12.1)	**730,000**	415,000
	940,069	491,590

12.1 These deposits earn commission at an average rate of 5.23% per annum as at 31 December 2022 (2021: 0.91% per annum).

12.2 At 31 December, all bank balances and short term murabaha deposits are maintained with local banks, which are rated at investment grade levels. Moreover, the carrying value of bank balances (included above) and short term murabaha deposits represents its maximum exposure to credit risk without taking into account any collateral and other credit enhancement and none of the balances is impaired at the reporting date.

13. SHARE CAPITAL

On 7 Sha'ban 1442H (corresponding to 21 March 2021), the shareholders of the Company resolved to increase the paid-up capital of the Company by SR 799.5 million by converting additional capital contribution and retained earnings amounting to SR 468.2 million and SR 331.3 million respectively into share capital. At 31 December 2022, the share capital of the Company was SR 800 million divided into 80 million shares of SR 10 each, which are fully paid and owned as follows:

	31 December 2022			31 December 2021		
	No. of shares in "000"	**Percentage Holding**	**Amount**	No. of shares in "000"	Percentage Holding	Amount
Saudi Arabian Airlines Corporation ("Saudia")	**56,000**	**70%**	**560,000**	56,000	70%	560,000
Tarabot Air Cargo Services Company Limited	**24,000**	**30%**	**240,000**	24,000	30%	240,000
Total	**80,000**	**100%**	**800,000**	80,000	100%	800,000

14. STATUTORY RESERVE

In accordance with the Company's Articles of Association and the Regulations for Companies in the Kingdom of Saudi Arabia, the Company transfers 10% of the income for the year to statutory reserve until such reserve equals 30% of its share capital. This reserve is not available for distribution to the shareholders of the Company.

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15. TERM LOAN

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

16. EMPLOYEES' END OF SERVICE BENEFITS

a) The Company operates an unfunded employees' end of service benefits plan ("EOSB") for its employees as required by the Saudi Arabian Labour Law. The movement is as follows:

	31 December 2022	31 December 2021
At the beginning of the year	**72,582**	50,318
Transfer from/(to) Group Company	**590**	(2,845)
Amount recognized in profit and loss		
- Current service cost	**11,707**	9,280
- Interest cost	**2,087**	1,475
	13,794	10,755
Adjustment for actuarial loss due to changes in:		
- Financial assumptions and experience	**(3,425)**	16,632
	83,541	74,860
Benefits paid	**(5,565)**	(2,278)
Present value of Defined Benefit obligation as at 31 December	**77,976**	72,582

b) As at 31 December 2022 the valuation of EOSB liabilities was carried out by an independent firm of actuaries. The main financial assumptions used to calculate the indicative defined unfunded benefit plans liabilities are as follows:

	31 December 2022	31 December 2021
Discount rate	**4.5%**	3.0%
Expected rate of salary increase	**5.0%**	4.0%
Mortality rate	**Age based rates, avg is 0.17% p.a**	Age based rates, avg is 0.17% p.a.
Employee turnover/ withdrawal rate	**10.43%**	1.23%

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16. EMPLOYEES' END OF SERVICE BENEFITS (continued)

c) The amounts recognised in the statement of profit or loss and other comprehensive income in respect of these benefits are as follows:

	31 December 2022	31 December 2021
Current service cost	**11,707**	9,280
Interest cost	**2,087**	1,475
	13,794	10,755

The quantitative sensitivity analysis for principal assumptions is as follows:

	Changes in assumptions	**31 December 2022**	
		Increase in	**Decrease in**
Discount rate	**1%**	**(7,634)**	**9,082**
Future salary growth	**1%**	**9,352**	**(8,000)**
Withdrawal	**10%**	**(776)**	**833**

	Changes in assumptions	31 December 2021	
		Increase in	Decrease in
Discount rate	1%	(7,494)	8,981
Future salary growth	1%	9,184	(7,808)
Withdrawal	10%	(1,170)	1,263

The weighted average duration of the defined benefit obligation relating to Employees is 10.80 years (2021: 11.35 years).

17. TRADE PAYABLE

Trade payable comprise of the following:

	31 December 2022	31 December 2021
Trade payable – third parties	**59,120**	15,813
Trade payable – related party (note 20 (b))	**5,802**	--
	64,922	15,813

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18. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities comprise of the following:

	31 December 2022	31 December 2021
Accrued handling charges	**878**	2,733
Accrued IT expenses	**14,414**	14,446
Accrued logistics services	**4,999**	--
Accrued marketing expenses	**2,269**	--
Accrued rent	**3,222**	27,728
Accrued Professional charges	**12,068**	--
Advance from customers	**21,982**	1,401
Employee related accruals	**34,206**	41,513
Goods / services received not invoiced	**61,264**	53,718
Other accruals	**53,095**	49,963
	208,397	191,502

Accruals and other liabilities include SR 4.68 million (2021: SR 31.32 million) that is due to related parties (note 20 (b)).

19. DIVIDEND

During the year ended 31 December 2022 the Company's Board of Directors approved distribution of cash dividends amounting to SR 255 million (SR 3.19 per share) (2021: SR 100 million (SR 1.25 per share)).

20. RELATED PARTY TRANSACTIONS AND BALANCES

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

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20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

a) Transactions with related parties

Transaction with	**Relationship**	**Nature of transaction**	**31 December 2022**	31 December 2021
Saudi Arabian Airlines Corporation ("Saudia")	Shareholder	Revenue	--	(16)
		Cost charge	**(993)**	--
Saudi Airlines Cargo Company	Affiliate	Revenue	**263,102**	253,322
		Shared service recovery (note 23)	**4,616**	23,804
		Cost recharge	**(45,923)**	(5,481)
		Repayment to related party	**--**	(115,441)
		Repayment of loan from related party	**--**	(384,786)
Saudi Aerospace Engineering Industries	Affiliate	Revenue	**20,332**	8,809
Royal Fleet Services	Affiliate	Revenue	**123**	2,023
Saudi Private Aviation	Affiliate	Revenue	**317**	(17)
		Cost Charge	**(5,093)**	--
Saudi Airlines Catering Company	Affiliate	Revenue	**641**	143
		Cost Charge	**(551)**	--
Saudi Ground Services	Affiliate	Revenue	**1,833**	23
		Handling cost	**(16,132)**	--
Prince Sultan Aviation	Affiliate	Cost charge	**(775)**	--

b) Balances with related parties

i) Trade receivables

	31 December 2022	31 December 2021
Saudi Airlines Cargo Company	**54,444**	75,854
Saudi Aerospace Engineering Industries	**25,841**	12,861
Royal Fleet Services	**979**	3,538
Saudi Private Aviation	**78**	44
Saudi Airlines Catering Company	**214**	430
Saudi Ground Services	**--**	2,049
Saudi Arabian Airlines Corporation ("Saudia")	**--**	280
	81,556	95,056

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
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20. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances with related parties (continued)

	31 December 2022	31 December 2021
ii) Prepayment and other receivables		
Saudi Airlines Cargo Company	**--**	5,481
	--	5,481
iii) Accruals and other liabilities:		
Saudi Airlines Cargo Company	**4,213**	7,292
Saudi Arabian Airlines Corporation ("Saudia")	**658**	--
Saudi Airlines Catering Company	**349**	--
Saudi Private Aviation	**196**	--
Saudi Ground Services Company	**4,787**	24,033
Prince Sultan Aviation	**331**	--
	10,534	31,325
iv) Trade payable		
Saudi Airline Cargo Company	**3,892**	**--**
Saudi Airlines Catering Company	**261**	**--**
Saudi Ground Services Company	**1,632**	**--**
Saudi Private Aviation	**6**	**--**
Saudi Arabian Airlines Corporation ("Saudia")	**11**	**--**
	5,802	**--**

c) Key management personnel compensation

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

	31 December 2022	31 December 2021
Short term employee benefits	**14,362**	13,461
Post retirement benefits	**925**	671
	15,287	14,132

Board of Directors, audit and executive committees' compensation charged during the year amounted to SR 3.3 million (2021: SR 4.9 million).

d) The revenue of the Company derived from the related parties comprised of approximately 23% (2021: 28%) of total revenue of the Company.

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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21. REVENUE

A. Revenue streams

Revenue for the year comprise of the following streams:

	31 December 2022	31 December 2021
Airline handling revenue	**477,561**	448,878
Logistic solutions revenue	**160,411**	22,751
Terminal handling revenue	**574,983**	481,016
Other	**9,695**	9,525
	1,222,650	962,170

B. Disaggregation of revenue from contracts with customers

i) Primary geographical markets

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

ii) Major service lines

	31 December 2022	31 December 2021
Air cargo handling	**1,062,239**	939,419
Logistic solutions	**160,411**	22,751
	1,222,650	962,170

iii) Timing of recognition of revenue

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

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22. COST OF REVENUE

Cost of revenue comprise of the following:

	31 December 2022	31 December 2021
Aircraft handling and other charges	**17,768**	17,323
Amortization of intangible assets (note 7)	**2,797**	2,505
Contractual labour cost	**92,431**	104,338
Depreciation on right-of-use assets (note 6)	**62,849**	62,756
Depreciation expenses (note 5)	**48,360**	36,230
Employee costs	**150,919**	143,610
IT Services	**21,822**	14,657
Rental expenses	**51,044**	41,004
Operating costs (SAL Solutions)	**132,688**	24,901
Others	**51,003**	28,870
	631,681	476,194

23. OTHER INCOME

Other income comprise of the following:

	31 December 2022	31 December 2021
Management and service fees charged to a related party (note 20 (a))	**4,616**	23,804
Rent concessions (note 6 (e))	**7,610**	--
Others	**981**	221
	13,207	24,025

24. SELLING AND DISTRIBUTION EXPENSES

Selling and distribution comprise of the following:

	31 December 2022	31 December 2021
Amortization of intangible assets (note 7)	**64**	1,555
Depreciation expense (note 5)	**20**	20
Employee costs	**15,940**	19,007
Others	**14,227**	7,288
	30,251	27,870

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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25. GENERAL AND ADMINISTRATION EXPENSES

General and administrative expenses comprise of the following:

	31 December 2022	31 December 2021
Bank charges	**2,221**	2,116
Depreciation expense (note 5)	**2,175**	4,708
Depreciation on right-of-use assets (note 6)	**2,639**	1,922
Employee costs	**71,630**	72,518
Impairment loss on trade receivables (note 9)	**16,522**	9,155
IT services	**5,012**	9,837
Professional and technical consultancies	**9,083**	14,579
Rental expenses	**296**	374
Others	**37,833**	21,502
	147,411	136,711

26. FINANCE INCOME

Finance income comprise of the following:

	31 December 2022	31 December 2021
Finance income on murabaha deposits	**18,882**	3,534
	18,882	3,534

27. FINANCE COSTS

Finance costs comprise of the following:

	31 December 2022	31 December 2021
Finance charges on lease liabilities (note 6)	**69,753**	70,437
Exchange loss	**128**	--
Interest on long term loan	**5,039**	--
	74,920	70,437

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
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28. ZAKAT

The provision is based on the following:

	31 December 2022	31 December 2021
Equity at the beginning	**806,900**	707,541
Opening provisions and other adjustments	**579,672**	43,824
Book value of property and equipment	**(719,665)**	(674,809)
Zakat base	**666,907**	76,556
Less: 70% exempt	**(466,835)**	(53,589)
Subtotal- zakat base elements	**200,072**	22,967
Adjusted profit for the year	**116,437**	92,336
Zakat base	**316,509**	115,303
Zakat for the year	**8,064**	2,962

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

	31 December 2022	31 December 2021
Balance at the beginning of the year	**2,042**	2,277
Charge for the year	**8,064**	2,962
Payment during the year	**(2,668)**	(3,197)
Balance at the end of the year	**7,438**	2,042

Status of assessments

The Company has filed its annual Zakat declarations up to year ended 31 December 2021. The Zakat Customs and Tax Authority ("Authority" or "ZATCA") is currently reviewing the declarations filed and has not issued any queries or assessment.

29. COMMITMENTS AND CONTINGENCIES

At 31 December 2022, the Company has outstanding commitments for capital expenditures amounting to SR 68 million (2021: SR 143 million).

At 31 December 2022, the Company's bankers have issued letters of guarantee amounting to SR 34.59 million (2021: SR 31.05 million).

At 31 December 2022, there were no outstanding contingency (2021: Nil).

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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
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30. FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

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

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

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk, (ii) currency risk and (iii) other price risk, such as equity price risk and commodity risk. The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities

Interest rate risk
Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from Term loan which is at floating rate of interest and is subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
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30. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk (continued)

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

	31 December 2022	31 December 2021
Variable rate instruments		
Financial liabilities		
Term Loan	**500,000**	500,000

Sensitivity analysis for variable rate instruments
Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the year by SR 5 million (2021: 5 million).

Currency risk
Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's balances with banks in foreign currencies. The Company is not exposed to any significant currency risk as the Company did not undertake any significant transactions during the year in any foreign currency.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored.

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

	31 December 2022	31 December 2021
Financial assets		
Trade receivables	**262,587**	197,815
Other receivables	**26,667**	32,023
Short term Murabaha deposit	**--**	380,000
Cash and cash equivalents	**940,069**	491,590
Total	**1,229,323**	1,101,428

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NOTES TO THE FINANCIAL STATEMENTS (continued)
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(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

30. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Trade receivables
Trade receivables are carried net of provision for expected credit losses amounting to SR 29.1 million (2021: SR 12.6 million).

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

	31 December 2022	31 December 2021
Airline customers	**99,996**	128,821
Commercial customers	**63,549**	49,054
Logistics customers	**93,735**	17,345
Other	**5,307**	2,595
Sub-total	**262,587**	197,815
Provision for expected credit loss	**(29,177)**	(12,655)
Total	**233,410**	185,160

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

The Company renders its services to a large number of customers. The five largest customers (including related parties) account 54% of outstanding trade receivables as at 31 December 2022 (2021: 61%). Further, trade receivables from related parties and governmental comprise 38% of total outstanding trade receivables as at 31 December 2022 compared to 50% of total outstanding trade receivables as at 31 December 2021.

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

Loss rates are calculated using flow rate method based on the probability of a receivable progressing through successive stages of delinquency. Flow rates are calculated separately for exposures in different class of customers based on the common credit risk characteristics

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30. FINANCIAL RISK MANAGEMENT (continued)

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

	31 December 2022	31 December 2021
Current (Not due)	**197,389**	121,420
91-180 Days	**15,363**	25,500
181-270 Days	**3,665**	12,464
271-360 Days	**26,015**	12,172
361-450 Days	**3,529**	8,129
Over 451 days	**16,626**	18,130
Total	**262,587**	197,815

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

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

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

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise and through management of the Company's operations and credit facility agreements to meet any future liabilities.

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

30. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

		Contractual cash flows					
31 December 2022	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total**
Non derivative financial liabilities							
Trade payables	**63,719**	**63,719**	**--**	**--**	**--**	**--**	**63,719**
Accrued and other liabilities	**186,415**	**186,415**	**--**	**--**	**--**	**--**	**186,415**
Lease liabilities	**1,351,663**	**117,030**	**15,485**	**207,712**	**205,949**	**1,616,428**	**2,162,604**
Zakat payable	**6,673**	**6,673**	**--**	**--**	**--**	**--**	**6,673**
Term Loan	**500,000**	**12,965**	**12,965**	**119,136**	**140,709**	**364,615**	**650,390**
	2,108,470	**388,770**	**28,450**	**326,848**	**346,658**	**1,981,043**	**3,071,769**

		Contractual cash flows					
31 December 2021	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total
Non derivative financial liabilities							
Trade payables	15,813	15,813	--	--	--	--	15,813
Accrued and other liabilities	190,101	190,101	--	--	--	--	190,101
Lease liabilities	1,429,147	176,610	--	199,375	201,373	1,705,841	2,283,199
Zakat payable	2,042	2,042	--	--	--	--	2,042
Term Loan	500,000	--	--	44,959	102,714	400,983	548,656
	2,137,103	384,566	--	244,334	304,087	2,106,824	3,039,811

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
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(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

31. CAPITAL RISK MANAGEMENT

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

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

32. BASIC AND DILUTIVE EARNINGS PER SHARE

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

	31 December 2022	31 December 2021
Profit for the year attributable to shareholders of the Company	**362,412**	275,555
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	**80,000**	60,505
Basic and diluted earnings per share based on profit for the year attributable to shareholders of the Company (SR)	**4.53**	4.55

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

	31 December 2022	31 December 2021
Issued ordinary shar at beginning of the year ('000')	**80,000**	50
Effect of share issued on 1 April 2021 (note 1) ('000')	**--**	60,455
	80,000	60,505

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

33. FAIR VALUE OF ASSETS AND LIABILITIES

The Company's financial assets consist of cash and bank balances, trade receivables, due from related parties, deposits and other receivables. Its financial liabilities consist of trade payables, lease liabilities, due to related parties, loan from a related party and accruals and other liabilities. The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.

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

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

34. SEGMENT INFORMATION

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

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

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

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

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

34. SEGMENT INFORMATION (continued)

A. Information about reportable segments

	Air cargo handling		Logistic solutions		Total	
	2022 SR'000	2021 SR'000	**2022 SR'000**	2021 SR'000	**2022 SR'000**	2021 SR'000
External revenue	**1,062,239**	939,419	**160,411**	22,751	**1,222,650**	962,170
Segment Revenue	**1,065,639**	939,806	**160,411**	22,751	**1,226,050**	962,557
Inter-segment revenue	**(3,400)**	(387)	**--**	--	**(3,400)**	(387)
Operating and administration costs	**(534,970)**	(510,238)	**(155,469)**	(20,841)	**(690,439)**	(531,079)
Other income	**13,207**	24,025	**--**	--	**13,207**	24,025
EBITDA	**540,476**	453,206	**4,942**	1,910	**545,418**	455,116
Depreciation and amortization	**(117,680)**	(109,696)	**(1,224)**	--	**(118,904)**	(109,696)
Operating profit	**422,796**	343,510	**3,718**	1,910	**426,514**	345,420
Finance Income	**18,882**	3,534	**--**	--	**18,882**	3,534
Finance Costs	**(74,746)**	(70,437)	**(174)**	--	**(74,920)**	(70,437)
Profit before zakat	**366,932**	276,607	**3,544**	1,910	**370,476**	278,517
Total Assets	**3,210,943**	3,150,213	**72,580**	23,163	**3,283,523**	3,173,376
Total Liabilities	**2,191,964**	2,190,371	**18,432**	20,715	**2,210,396**	2,211,086

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

34. SEGMENT INFORMATION (continued)

B. Reconciliations of information on reportable segments to IFRS measures

	2022	2021
Total revenue for reportable segments	**1,226,050**	962,557
Elimination of intersegment revenue	**(3,400)**	(387)
Total revenue	**1,222,650**	962,170

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

C. *Geographical information*

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

D. Major customer

Revenue from one customer of the Company's Air cargo handling segment represented approximately 22% (2021: 26%) of the Company's total revenue.

35. RECLASSIFICATION OF COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the current year's presentation to these financial statements. These restatements have no impact on the net income for the year ended 31 December 2021 and retained earnings as at 31 December 2021:

a) Balances reclassified as of 31 December 2021:

	Balances as previously presented	**Amount of reclassification**	**Balances after reclassification**
Accrued expenses and other current liabilities	**272,351**	**(78,049)**	**194,302**
Lease liabilities – current portion	**29,557**	**78,049**	**107,606**
Prepayments and other receivables	**160,999**	**(2,800)**	**158,199**
Accruals and other liabilities	**194,302**	**(2,800)**	**191,502**

36. SUBSEQUENT EVENTS

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

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 31 December 2022
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

36. SUBSEQUENT EVENTS (continued)

There have been no other significant events since the year ended 31 December 2022, that would require disclosures or adjustments in these financial statements.

37. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were approved by Shareholders of the Company on 27 March 2023, corresponding to 5 Ramadan 1444H.

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

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

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

CONDENSED INTERIM FINANCIAL STATEMENTS
For the three-month and six-month periods ended 30 June 2023

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سجل تجاري رقم 4030290792

المركز الرئيسي في الرياض

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

To the Shareholders of SAL Saudi Logistics Services Company

Introduction

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

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

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

Scope of review

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

Conclusion

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

KPMG

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

To the Shareholders of SAL Saudi Logistics Services Company

Emphasis of matter

We draw attention to Note 2.1 to the condensed interim financial statements, which describes that these condensed interim financial statements have been prepared for the information and use of the Management and those charged with governance of SAL Saudi Logistics Services Company. Our conclusion is not modified in respect of this matter.

KPMG Professional Services

Abdullah Oudah Althagafi
License No: 455

Jeddah, 21 August 2023
Corresponding to 5 Safar 1445H

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

CONDENSED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
ASSETS			
Non-current assets			
Property and equipment	4	**705,844**	705,366
Right-of-use assets	5	**1,187,817**	1,212,555
Intangible assets	6	**14,283**	14,299
Total non-current assets		**1,907,944**	1,932,220
Current assets			
Construction work in progress	7	**41,448**	30,758
Trade receivables	8	**258,920**	233,410
Prepayments and other receivables	9	**101,933**	147,066
Short term murabaha deposits	10	**205,000**	--
Cash and cash equivalents	11	**842,722**	940,069
Total current assets		**1,450,023**	1,351,303
Total assets		**3,357,967**	3,283,523
EQUITY AND LIABILITIES			
Equity			
Share capital	12	**800,000**	800,000
Statutory reserve	13	**63,947**	63,947
Retained earnings		**239,728**	226,561
Actuarial loss		**(17,381)**	(17,381)
Total shareholders' equity		**1,086,294**	1,073,127
Non-current liabilities			
Long-term loan	14	**482,500**	500,000
Employees' end of service benefits		**80,989**	77,976
Lease liabilities	5	**1,239,744**	1,287,944
Total non-current liabilities		**1,803,233**	1,865,920
Current liabilities			
Current portion of lease liabilities	5	**147,784**	63,719
Current portion of long-term loan	14	**17,500**	--
Trade payables	15	**32,385**	64,922
Accruals and other liabilities	16	**251,017**	208,397
Dividend payable	17	**--**	--
Zakat payable	19	**19,754**	7,438
Total current liabilities		**468,440**	344,476
Total liabilities		**2,271,673**	2,210,396
Total equity and liabilities		**3,357,967**	3,283,523

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

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

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

		For the three-month period ended 30 June		For the six-month period ended 30 June	
	Notes	**2023**	2022	**2023**	2022
Revenue	20	**339,355**	307,360	**679,327**	589,953
Cost of revenue		**(156,037)**	(160,319)	**(316,052)**	(306,606)
Gross profit		**183,318**	147,041	**363,275**	283,347
Other income		**1,470**	1,011	**2,702**	2,025
Selling and distribution expenses		**(6,172)**	(6,942)	**(14,676)**	(13,945)
General and administration expenses		**(51,143)**	(33,418)	**(99,595)**	(71,478)
Operating profit		**127,473**	107,692	**251,706**	199,949
Finance income		**12,898**	5,069	**23,519**	6,812
Finance costs		**(21,749)**	(17,034)	**(42,308)**	(34,474)
Profit before Zakat		**118,622**	95,727	**232,917**	172,287
Zakat	19	**(9,800)**	(3,303)	**(19,750)**	(4,006)
Profit for the period		**108,822**	92,424	**213,167**	168,281
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Remeasurement gain / (loss) on defined benefit obligation		--	--	--	--
Total comprehensive income for the period		**108,822**	92,424	**213,167**	168,281
Earnings per share:					
Basic and diluted earnings per share from profit for the period attributable to the shareholders (in SR)	22	**1.36**	1.15	**2.66**	2.10

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

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

CONDENSED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Share capital	Statutory reserve	Retained earnings	Actuarial losses	Total
As at 1 January 2022 (Audited)	800,000	27,706	155,390	(20,806)	962,290
Dividends (note 17)	--	--	(130,000)	--	(130,000)
Total comprehensive income for the period:					
Profit for the period	--	--	168,281	--	168,281
Other comprehensive income for the period	--	--	--	--	--
Total comprehensive income for the period	--	--	168,281	--	168,281
As at 30 June 2022 (unaudited)	**800,000**	**27,706**	**193,671**	**(20,806)**	**1,000,571**
As at 1 January 2023 (Audited)	800,000	63,947	226,561	(17,381)	1,073,127
Dividends (note 17)	--	--	(200,000)	--	(200,000)
Total comprehensive income for the period:					
Profit for the period	--	--	213,167	--	213,167
Other comprehensive income for the period	--	--	--	--	--
Total comprehensive income for the period	--	--		--	
As at 30 June 2023 (unaudited)	**800,000**	**63,947**	**239,728**	**(17,381)**	**1,086,294**

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

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

CONDENSED STATEMENT OF CASH FLOWS
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

	Notes	**30 June 2023 (Unaudited)**	30 June 2022 (Unaudited)
OPERATING ACTIVITIES			
Profit before Zakat		**232,917**	172,287
Adjustments for:			
Depreciation on property and equipment	4	**32,053**	21,870
Depreciation of right-of-use assets	5	**33,807**	33,082
Amortisation of intangible assets	6	**1,482**	1,413
Lease Terminations	5	**(113)**	--
Finance charges		**42,308**	34,474
Provision for employees' end of service benefits		**5,042**	6,427
Impairment loss on trade receivables	8	**11,356**	11,050
		358,852	280,603
Changes in:			
Trade receivables		**(36,865)**	(91,970)
Prepayments and other current assets		**45,133**	14,368
Construction work in progress		**(10,690)**	--
Trade payables		**(32,537)**	2,138
Accrued and other liabilities		**42,620**	36,310
Cash generated from operations		**366,513**	241,449
Employees' benefit paid		**(2,030)**	(2,741)
Zakat paid during the period	19	**(7,434)**	(2,668)
Finance costs paid		**(7,595)**	--
Net cash from operating activities		**349,454**	236,040
INVESTING ACTIVITIES			
Additions to property and equipment	4	**(32,531)**	(49,743)
Additions to intangible assets	6	**(1,466)**	(840)
Net investment in short term murabaha deposits		**(205,000)**	380,000
Net cash generated from / (used in) investing activities		**(238,997)**	329,417
FINANCING ACTIVITIES			
Interest paid on lease liability	5	**(203)**	(34,474)
Payment of lease liability	5	**(7,601)**	(84,859)
Dividend paid		**(200,000)**	(130,000)
Net cash used in financing activities		**(207,804)**	(249,333)
Net change in cash and cash equivalents during the period		**(97,347)**	316,124
Cash and cash equivalent at the beginning of the period		**940,069**	491,590
Cash equivalents at the end of the period		**842,722**	807,714

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

1. REPORTING ENTITY

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

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

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

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

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

The main objectives of the Company is to provide ground handling of cargo and other support services at airport terminals across the Kingdom of Saudi Arabia.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

2. BASIS OF PREPARATION (continued)

2.1 Statement of compliance (continued)

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

These condensed interim financial statements have been prepared for use of the management and those charged with governance of the Company.

2.2 Basis of measurement

These condensed interim financial statements are prepared under the historical cost convention, except for employees' end of service benefits liabilities, which have been measured at present value of defined benefit obligations using unit credit method of actuarial valuation.

2.3 Functional and presentation currency

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

2.4 Significant Accounting Judgments, Estimates and Assumptions

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these condensed interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual Financial Statements.

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

4. PROPERTY AND EQUIPMENT

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

	Leasehold improvements	Equipment	Furniture and fixtures	Computers	Capital work-in-progress	Total
Cost:						
As at 1 January 2023	**508,847**	**221,335**	**4,050**	**11,665**	**82,426**	**828,323**
Additions during the period	**697**	**1,598**	**--**	**44**	**30,192**	**32,531**
As at 30 June 2023	**509,544**	**222,933**	**4,050**	**11,709**	**112,618**	**860,854**
Accumulated depreciation:						
As at 1 January 2023	**(52,252)**	**(62,782)**	**(1,842)**	**(6,081)**	**--**	**(122,957)**
Charge for the period	**(15,905)**	**(14,694)**	**(400)**	**(1,054)**	**--**	**(32,053)**
As at 30 June 2023	**(68,157)**	**(77,476)**	**(2,242)**	**(7,135)**	**--**	**(155,010)**
Carrying amount:						
As at 30 June 2023 (Unaudited)	**441,387**	**145,457**	**1,808**	**4,574**	**112,618**	**705,844**

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

4. PROPERTY AND EQUIPMENT (continued)

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

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

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

b) During the six-month period ended 30 June 2023 finance charges amounting to SR 9.17 million (year ended 31 December 2022: SR 18.62 million) have been capitalized to Capital work in progress (CWIP).

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

5. RIGHT-OF-USE ASSETS & LEASE LIABILITIES

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

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

Right-of-use of assets

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cost		
Balance as at the beginning of period / year	**1,402,309**	1,412,899
Additions during the period / year	**13,286**	20,046
Lease modification during the period / year	--	(23,812)
Lease termination during the period / year	**(6,446)**	(6,824)
Balance at the end of the period / year	**1,409,149**	1,402,309
Accumulated depreciation		
Balance as at the beginning of the period / year	**(189,754)**	(129,281)
Depreciation for the period / year	**(33,807)**	(65,488)
Lease termination during the period / year	**2,229**	5,015
Balance at the end of the period / year	**(221,332)**	(189,754)
Carrying amount at the end of the period / year	**1,187,817**	1,212,555

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

Lease Liabilities

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	**1,351,663**	1,429,147
Addition during the period / year	**13,286**	20,046
Lease termination during the period / year	**(4,330)**	(1,809)
Lease modification during the period / year	**--**	(23,812)
Rent concessions during the period / year	--	(7,610)
Unwinding of lease liability (finance cost)	**34,713**	69,753
Repayment during the period / year	**(7,804)**	(134,052)
Balance at the end of the period / year	**1,387,528**	1,351,663

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

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

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

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

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Current portion	**147,784**	63,719
Non-current portion	**1,239,744**	1,287,944
Total	**1,387,528**	1,351,663

6. INTANGIBLE ASSETS

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cost:		
Balance at the beginning of the period / year	**23,364**	21,635
Additions during the period / year	**1,466**	1,729
Balance at the end of the period / year	**24,830**	23,364

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Accumulated amortization:		
Balance at the beginning of the period / year	**(9,065)**	(6,204)
Amortization charge for the period / year	**(1,482)**	(2,861)
Balance at the end of the period / year	**(10,547)**	(9,065)
Carrying amount at the end of the period / year	**14,283**	14,299

7. CONSTRUCTION WORK IN PROGRESS

Construction work in progress relates to construction of permanent utilities on leasehold land relating to Jeddah new terminal facility on behalf of Jeddah Airports Company (lessor). The construction cost will be invoiced upon completion of the permanent utility facility. As per the agreement, the amount is recoverable from the lease liability payment. The amount is not subject to any credit risk.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

8. TRADE RECEIVABLES

Trade receivables comprise of the following;

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Trade receivables – third parties	**193,720**	181,031
Trade receivables – related parties (note 18 (b) (i))	**105,733**	81,556
	299,453	262,587
Less: Impairment loss on trade receivables (note 8.1)	**(40,533)**	(29,177)
	258,920	233,410

8.1 The movement in the impairment of trade receivables during the period / year were as follows:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	**29,177**	12,655
Impairment charge for the period / year	**11,356**	16,522
Balance at the end of the period / year	**40,533**	29,177

9. PREPAYMENTS AND OTHER RECEIVABLES

Prepayments and other receivables comprise of the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Advances to vendors	**6,900**	11,845
Prepayments	**19,639**	8,844
Value added tax (VAT) refundable	**35,918**	99,710
Others	**39,476**	26,667
	101,933	147,066

SAL SAUDI LOGISTICS SERVICES COMPANY
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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

10. SHORT TERM MURABAHA DEPOSITS

Short term Murabaha deposits comprise of the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Short term Murabaha deposits	**205,000**	--

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

b) These deposits earn commission at an average rate of 5.65% per annum as at 30 June 2023 (31 December 2022: Nil per annum).

11. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following;

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Cash at banks	**47,722**	210,069
Short term murabaha deposits with maturity of less than three months	**795,000**	730,000
	842,722	940,069

11.1 These deposits earn commission at an average rate of 5.82% per annum as at 30 June 2023 (31 December 2022: 5.23% per annum).

12. SHARE CAPITAL

	30 June 2023 (Unaudited)			31 December 2022 (Audited)		
	No. of shares in "000"	**Percentage Holding**	**Amount**	No. of shares in "000"	Percentage Holding	Amount
Saudi Arabian Airlines Corporation ("Saudia")	**56,000**	**70%**	**560,000**	56,000	70%	560,000
Tarabot Air Cargo Services Company Limited	**24,000**	**30%**	**240,000**	24,000	30%	240,000
Total	**80,000**	**100%**	**800,000**	80,000	100%	800,000

13. STATUTORY RESERVE

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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)
For the three-month and six-month periods ended 30 June 2023
(Expressed in thousand Saudi Arabian Riyals, unless stated otherwise)

14. LONG TERM LOAN

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Long-term loan	**500,000**	500,000
Current portion of long-term loan	**(17,500)**	--
Non-current portion of long-term loan	**482,500**	500,000

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

15. TRADE PAYABLES

Trade payables comprise of the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Trade payable – third parties	**30,739**	59,120
Trade payable – related parties (note 18 (b) (iii))	**1,646**	5,802
	32,385	64,922

16. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities comprise of the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Accrued handling charges	**3,267**	878
Accrued IT expenses	**17,523**	14,414
Accrued logistics services	**6,944**	4,999
Accrued marketing expenses	**4,272**	2,269
Accrued rent	**17,275**	3,222
Accrued professional charges	**27,101**	12,068
Advance from customers	**21,882**	21,982
Employee related accruals	**26,796**	34,206
Goods / services received not invoiced	**57,178**	61,264
Other accruals	**68,779**	53,095
	251,017	208,397

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16. ACCRUALS AND OTHER LIABILITIES (continued)

Accruals and other liabilities include SR 14.2 million as at 30 June 2023 (31 December 2022: SR 10.5 million) that is due to related parties (note 18 (b) (ii)).

17. DIVIDEND

During the period ended 30 June 2023 the Company's Board of Directors approved distribution of cash dividend amounting to SR 200 million (SR 2.50 per share) (30 June 2022: SR 130 million (SR 1.625 per share).

18. RELATED PARTY TRANSACTIONS AND BALANCES

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

a) Transactions with related parties

			Transaction during the three month period ended		**Transaction during the six month period ended**	
Transaction with	**Relationship**	**Nature of transaction**	**30 June 2023 (Unaudited)**	**30 June 2022 (Unaudited)**	**30 June 2023 (Unaudited)**	**30 June 2022 (Unaudited)**
Saudi Arabian Airlines Corporation("Saudia")	Shareholder	Revenue Cost charge	**2,540** **(245)**	8,322 (1,308)	**2,540** **(245)**	8,322 (1,308)
Saudi Airlines Cargo Company	Affiliate	Revenue Shared service recovery Cost recharge	**55,794** **1,373** **(1,797)**	63,172 1,011 (17,584)	**126,183** **2,605** **(10,696)**	125,371 2,025 (29,532)
Saudi Aerospace Engineering Industries	Affiliate	Revenue Cost Charge	**7,199** --	459 (5)	**15,113** --	1,502 (5)
Royal Fleet Services	Affiliate	Revenue	**294**	302	**1,000**	515
Saudi Private Aviation	Affiliate	Revenue	**2,057**	131	**3,050**	131
Saudi Airlines Catering Company	Affiliate	Revenue Cost Charge	-- **(3)**	183 (510)	-- **(40)**	352 (510)
Saudi Ground Services Company	Affiliate	Handling cost	**(2,240)**	(10,529)	**(3,248)**	(10,529)
Prince Sultan Aviation	Affiliate	Cost charge	**(85)**	(559)	**(85)**	(559)

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18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

b) Balances with related parties

i) Trade receivables

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Airlines Cargo Company	**63,969**	54,444
Saudi Aerospace Engineering Industries	**36,421**	25,841
Royal Fleet Services	**1,490**	979
Saudi Private Aviation	**1,313**	78
Saudi Airlines Catering Company	**--**	214
Saudi Arabian Airlines Corporation ("Saudia")	**2,540**	--
	105,733	81,556

ii) Accruals and other liabilities:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Saudi Airlines Cargo Company	**6,372**	4,213
Saudi Arabian Airlines Corporation ("Saudia")	**1,884**	658
Saudi Airlines Catering Company	**2**	349
Saudi Private Aviation	**239**	196
Saudi Ground Services Company	**5,579**	4,787
Prince Sultan Aviation	**98**	331
	14,174	10,534

iii) Trade payable

Saudi Airline Cargo Company	**1,003**	3,892
Saudi Airlines Catering Company	--	261
Saudi Ground Services Company	**599**	1,632
Saudi Private Aviation	**44**	6
Saudi Arabian Airlines Corporation ("Saudia")	--	11
	1,646	5,802

c) Key management personnel compensation

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

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Short term employee benefits	**16,232**	8,445
Post-retirement benefits	**256**	485
	16,488	8,930

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18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

c) Key management personnel compensation (continued)

Board of Directors, audit and executive committees' compensation charged during the period amounting to SR 2.3 million (period ended 30 June 2022: SR 2.5million).

The revenue of the Company derived from the related parties comprised of approximately 22% (period ended 30 June 2022: 23%) of total revenue of the Company.

19. ZAKAT

a) Charge for the period

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Charge for the period	**16,235**	8,064
Prior period adjustment	**3,515**	--
	19,750	8,064

Zakat for the period ended comprise of the following:

b) Zakat payable

The provision is based on the following:

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Equity at the beginning	**873,126**	806,900
Opening provisions and other adjustments	**1,792,942**	579,672
Book value of property and equipment	**(1,907,944)**	(719,665)
Zakat base	**758,124**	666,907
Less: 70% exempt	**--**	(466,835)
Subtotal- zakat base elements	**758,124**	200,072
Adjusted profit for the period / year	**260,333**	116,437
Zakat base	**1,018,457**	316,509
Zakat for the period / year	**19,750**	8,064

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19. ZAKAT (continued)

b) Zakat payable (continued)

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Balance at the beginning of the period / year	**7,438**	2,042
Charge for the period / year	**19,750**	8,064
Payment during the period / year	**(7,434)**	(2,668)
Balance at the end of the period / year	**19,754**	7,438

Status of assessments

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

20. REVENUE

A. Revenue streams

Revenue for the year comprise of the following streams:

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Airline handling revenue	**277,952**	221,250
Logistic solutions revenue	**84,002**	78,390
Terminal handling revenue	**316,678**	284,767
Other	**695**	5,546
	679,327	589,953

B. Disaggregation of revenue from contracts with customers

i) Primary geographical markets

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

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20. REVENUE (continued)

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

ii) Major service lines

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Air cargo handling	**595,325**	511,563
Logistic solutions	**84,002**	78,390
	679,327	589,953

iii) Timing of recognition of revenue

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

21. COMMITMENTS AND CONTINGENCIES

At 30 June 2023, the Company has outstanding commitments for capital expenditures amounting to SR 65 million (31 December 2022: SR 68 million).

At 30 June 2023, the Company's bankers have issued letters of guarantee amounting to SR 32.60 million (31 December 2022: SR 34.59 million).

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

22. BASIC AND DILUTIVE EARNINGS PER SHARE

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

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Profit for the period attributable to shareholders of the Company (SR '000')	**213,167**	168,281
The weighted average number of ordinary shares for the purposes of basic and diluted earnings ('000')	**80,000**	80,000
Basic and diluted earnings per share based on profit for the period attributable to shareholders of the Company (SR)	**2.66**	2.10

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22. BASIC AND DILUTIVE EARNINGS PER SHARE (continued)

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

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Issued ordinary shar at beginning of the period ('000')	**80,000**	80,000
	80,000	80,000

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

23. FINANCIAL RISK MANAGEMENT

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

Risk management framework

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

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

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

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

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23. FINANCIAL RISK MANAGEMENT (Continued)

Market risk
Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: (i) interest rate risk, (ii) currency risk and (iii) other price risk, such as equity price risk and commodity risk. The Company is not exposed to other price risk such as equity risk and commodity risk as the Company is neither involved in investment in trading securities nor the commodities.

Interest rate risk
Interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from Term loan which is at floating rate of interest and is subject to re-pricing on a regular basis and for which the management closely monitors the changes in interest rates.

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Variable rate instruments		
Financial liabilities		
Term Loan	**500,000**	500,000

Sensitivity analysis for variable rate instruments
Change in 100 basis points in interest rates, with all other variables held constant, would have increased or decreased the equity and profit before Zakat for the six-month period ended 30 June 2023 by SR 5.04 million (period ended 30 June 2022: 2.5 million).

Currency risk
Currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities and the Company's balances with banks in foreign currencies. The Company is not exposed to any significant currency risk as the Company did not undertake any significant transactions during the year in any foreign currency.

Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The management also continuously monitors the credit exposure towards the customers and makes provision against those balances considered doubtful of recovery which is based on customer profile and payments history. Outstanding customer receivables are regularly monitored.

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23. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Financial assets		
Trade receivables	**299,453**	262,587
Other receivables	**39,476**	26,667
Short term Murabaha deposit	**205,000**	--
Cash and cash equivalents	**842,722**	940,069
Total	**1,386,651**	1,229,323

Trade receivables
Trade receivables are carried net of provision for expected credit losses amounting to SR 40.53 million (31 December 2022: SR 29.1 million).

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Airline customers	**123,619**	99,996
Commercial customers	**86,533**	63,549
Logistics customers	**77,785**	93,735
Other	**11,516**	5,307
Sub-total	**299,453**	262,587
Provision for expected credit loss	**(40,533)**	(29,177)
Total	**258,920**	233,410

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

The Company renders its services to a large number of customers. The five largest customers (including related parties) account 52% of outstanding trade receivables as at 30 June 2023 (31 December 2022: 54%). Further, trade receivables from related parties and government comprise 45% of total outstanding trade receivables as at 30 June 2023 compared to 38% of total outstanding trade receivables as at 31 December 2022.

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23. FINANCIAL RISK MANAGEMENT (continued)

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

Loss rates are calculated using flow rate method based on the probability of a receivable progressing through successive stages of delinquency. Flow rates are calculated separately for exposures in different class of customers based on the common credit risk characteristics.

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Current (Not due)	**178,459**	197,389
91-180 Days	**57,531**	15,363
181-270 Days	**28,123**	3,665
271-360 Days	**4,453**	26,015
361-450 Days	**1,813**	3,529
Over 451 days	**29,074**	16,626
Total	**299,453**	262,587

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

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

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

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23. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial liabilities when they fall due. Liquidity requirements are monitored on a monthly basis and management ensures that sufficient funds are available to meet any commitments as they arise and through management of the Company's operations and credit facility agreements to meet any future liabilities.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted and include contractual interest payments and exclude the impact of netting agreements.

30 June 2023 (Unaudited)	**Carrying Amount**	**Less than 6 months**	**6 months to 1 year**	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total**
Non derivative financial liabilities							
Trade payables	**32,385**	**32,385**	--	--	--	--	**32,385**
Accrued and other liabilities	**229,135**	**229,135**	--	--	--	--	**229,135**
Lease liabilities	**1,387,528**	**126,087**	**90,120**	**210,085**	**213,436**	**1,526,336**	**2,166,064**
Zakat payable	**19,754**	**19,754**	--	--	--	--	**19,754**
Term Loan	**500,000**	**17,062**	**34,656**	**179,017**	**156,837**	**294,190**	**681,762**
	2,168,802	**424,423**	**124,776**	**389,102**	**370,273**	**1,820,526**	**3,129,100**

31 December 2022 (Audited)	Carrying Amount	Less than 6 months	6 months to 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total
Non derivative financial liabilities							
Trade payables	63,719	63,719	--	--	--	--	63,719
Accrued and other liabilities	186,415	186,415	--	--	--	--	186,415
Lease liabilities	1,351,663	117,030	15,485	207,712	205,949	1,616,428	2,162,604
Zakat payable	6,673	6,673	--	--	--	--	6,673
Term Loan	500,000	12,965	12,965	119,136	140,709	364,615	650,390
	2,108,470	388,770	28,450	326,848	346,658	1,981,043	3,071,769

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

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24. CAPITAL RISK MANAGEMENT

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

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

25. FAIR VALUE OF ASSETS AND LIABILITIES

The Company's financial assets consist of cash and bank balances, trade receivables, deposits and other receivables. Its financial liabilities consist of trade payables, lease liabilities, dividend payable, long-term loan and accruals and other liabilities. The fair values of financial instruments are not materially different from their carrying values at the statement of financial position date.

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

26. SEGMENT INFORMATION

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

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

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

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

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26. SEGMENT INFORMATION (continued)

A. Information about reportable segments

i) Reconciliation of revenue and profits:

	Air cargo handling		Logistic solutions		Total	
	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)	**30 June 2023 (Unaudited)**	30 June 2022 (Unaudited)	**30 June 2023 (Unaudited)**	30 June 2022 (Unaudited)
External revenue	**595,325**	511,563	**84,002**	78,390	**679,327**	589,953
Segment Revenue	**597,957**	512,925	**84,002**	78,390	**681,959**	591,315
Inter-segment revenue	**(2,632)**	(1,362)	**-**	-	**(2,632)**	(1,362)
Operating and administration costs	**(283,969)**	(264,682)	**(79,012)**	(70,982)	**(362,981)**	(335,664)
Other income	**3,683**	2,727	**(981)**	(702)	**2,702**	2,025
EBITDA	**315,039**	249,608	**4,009**	6,706	**319,048**	256,314
Depreciation and amortization	**(66,535)**	(55,823)	**(807)**	(542)	**(67,342)**	(56,365)
Operating profit	**248,504**	193,785	**3,202**	6,164	**251,706**	199,949
Finance Income	**23,519**	6,812	**-**	-	**23,519**	6,812
Finance Costs	**(42,149)**	(34,381)	**(159)**	(93)	**(42,308)**	(34,474)
Profit before zakat	**229,874**	166,216	**3,043**	6,071	**232,917**	172,287

ii) Reconciliation of assets and liabilities:

	Air cargo handling		Logistic solutions		Total	
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)	**30 June 2023 (Unaudited)**	31 December 2022 (Audited)
Total Assets	**3,282,103**	3,210,943	**75,864**	72,580	**3,357,967**	3,283,523
Total Liabilities	**2,243,416**	2,191,964	**28,257**	18,432	**2,271,673**	2,210,396

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26. SEGMENT INFORMATION (continued)

B. Reconciliations of information on reportable segments to IFRS measures

	30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Total revenue for reportable segments	**681,959**	591,315
Elimination of intersegment revenue	**(2,632)**	(1,362)
Total revenue	**679,327**	589,953

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

C. Geographical information

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

D. Major customer

Revenue from one customer of the Company's Air cargo handling segment represented approximately 19% (period ended 30 June 2022: 21%) of the Company's total revenue for the period ended 30 June 2023.

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

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

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

Standard / Interpretation	***Description***	***Effective from periods beginning on or after the following date***
IAS 1	Classification of liabilities as current or non-current (amendments to IAS 1) and Non- current liabilities with covenants (amendments to IAS 1)	1 January 2023
IFRS 10 and IAS 28	Sale or contribution of assets between investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	Available for optional adoption /
IFRS 16	Lease Liability in a Sale and Leaseback – Amendment	1 January 2024

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

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

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

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

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

28. SUBSEQUENT EVENTS

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

29. APPROVAL OF THE FINANCIAL STATEMENTS

These condensed interim financial statements were approved by Board of Directors of the Company on 17 August 2023, corresponding to 1 Safar 1445H.

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