FLYNAS COMPANY
(A Single Person Joint Stock Company)

REISSUED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022
AND INDEPENDENT AUDITOR'S REPORT

FLYNAS COMPANY
(A Single Person Joint Stock Company)
REISSUED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Independent auditor's report to the shareholder of Flynas Company

Report on the audit of the reissued financial statements

Our opinion

In our opinion, the reissued financial statements present fairly, in all material respects, the financial position of Flynas Company (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, 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).

What we have audited

The Company's reissued financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the reissued financial statements, which include significant accounting policies and other explanatory information.

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 reissued financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards), endorsed in the Kingdom of Saudi Arabia (the "Code"), that is relevant to our audit of the reissued financial statements, and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

Emphasis of matter – Reissuance of the financial statements

We draw attention to Note 2.1.4 and Note 37 to the accompanying reissued financial statements which describe the details of amendments made to the previously issued financial statements for the year ended 31 December 2022. The financial statements issued previously on 3 May 2023 have been amended primarily to change the accounting policy relating to the distribution of non-cash assets to owners from fair value to net book value and certain other prior period restatements. Notes 2.1.4 and Note 37 provide more details on these changes. We issued our unqualified independent auditor's report on the previously issued financial statements on 3 May 2023 and following these changes, we provide this new report on the reissued financial statements.

Our opinion is not modified in respect of this matter.

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Independent auditor's report to the shareholder of Flynas Company (continued)

Responsibilities of management and those charged with governance for the reissued financial statements

Management is responsible for the preparation and fair presentation of the reissued financial statements in accordance with International Financial Reporting Standards, that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, and the applicable requirements of the Regulations for Companies and the Company's Articles of Association, and for such internal control as management determines is necessary to enable the preparation of reissued financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the reissued financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, i.e. the Board of Directors are responsible for overseeing the Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the reissued financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these reissued 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the reissued 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.

Independent auditor's report to the shareholder of Flynas Company (continued)

Auditor's responsibilities for the audit of the reissued financial statements (continued)

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the reissued 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 reissued financial statements, including the disclosures, and whether the reissued 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.

PricewaterhouseCoopers

Waleed A Alhidiri
License Number 559

March 10, 2025

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FLYNAS COMPANY
(A Single Person Joint Stock Company)
Statement of financial position
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	As at 31 December 2022	As at 31 December 2021 (Restated)	As at 1 January 2021 (Restated)
Assets				
Non-current assets				
Intangible asset	6	**2,000,000,000**	2,000,000,000	2,000,000,000
Equipment and fixtures	4	**1,078,085,916**	1,014,520,939	690,506,967
Right-of-use assets	5	**5,050,112,993**	3,833,807,192	2,173,560,904
Deposits for aircraft	9	**53,969,093**	45,157,987	43,594,229
Investment in associates	7	**18,000**	18,000	18,000
Total non-current assets		**8,182,186,002**	6,893,504,118	4,907,680,100
Current assets				
Stores and spares	8	**3,489,586**	4,433,553	6,408,607
Deposits for aircraft	9	**38,906,250**	56,442,617	82,840,362
Trade receivables	10	**145,948,771**	104,543,451	126,139,719
Prepayments and other current assets	11	**89,244,662**	74,921,229	98,573,313
Cash and cash equivalents	12	**1,188,320,331**	297,563,295	435,407,400
Total current assets	2	**1,465,909,600**	537,904,145	749,369,401
Total assets		**9,648,095,602**	7,431,408,263	5,657,049,501
Equity and liabilities				
Equity				
Share capital	13	**1,534,250,000**	1,534,250,000	1,534,250,000
Statutory reserves	14	**150,000**	150,000	150,000
Accumulated losses		**(695,169,102)**	(856,946,108)	(867,624,450)
Net equity		**839,230,898**	677,453,892	666,775,550
Liabilities				
Non-current liabilities				
Trade and other payables	15	**221,827,095**	316,486,644	268,932,681
Lease liabilities	16	**3,230,491,819**	2,520,868,054	1,344,931,386
Aircraft related provisions	16.2	**1,604,788,604**	1,080,465,828	558,899,772
Loans	18	**844,718,750**	-	219,201,478
Employees' end of service benefits liabilities	19	**195,240,287**	198,584,220	181,141,302
Total non-current liabilities		**6,097,066,555**	4,116,404,746	2,573,106,619
Current liabilities				
Trade and other payables	15	**1,625,747,606**	1,736,345,657	1,698,876,330
Lease liabilities	16	**401,216,907**	262,142,127	306,426,287
Aircraft related provisions	16.2	**100,750,056**	147,719,177	83,513,759
Loans	18	**388,397,448**	297,888,967	75,000,000
Contract liabilities	17	**195,686,132**	193,453,697	253,350,956
Total current liabilities	2	**2,711,798,149**	2,637,549,625	2,417,167,332
Total liabilities		**8,808,864,704**	6,753,954,371	4,990,273,951
Total equity and liabilities		**9,648,095,602**	7,431,408,263	5,657,049,501

The accompanying notes 1 to 37 form an integral part of these reissued financial statements.

FLYNAS COMPANY
(A Single Person Joint Stock Company)
Statement of profit or loss and other comprehensive income
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021 (Restated)
Revenue	21	**4,809,380,217**	2,673,376,199
Cost of revenue	22	**(4,213,132,692)**	(2,395,658,910)
Gross profit		**596,247,525**	277,717,289
Selling and marketing expenses	23	**(157,161,097)**	(103,168,096)
General and administrative expenses	24	**(121,040,466)**	(110,112,688)
Provision for expected credit losses	10.2	**(8,353,485)**	(42,774,206)
Gain on sale of equipment and fixtures and termination of leases	4.2.1	**135,522,082**	130,712,156
Net foreign exchange loss		**(2,680,406)**	(780,733)
Other income	27	**-**	36,800,824
Operating profit		**442,534,153**	188,394,546
Finance income	25	**12,875,454**	87,079
Finance cost	26	**(277,738,466)**	(167,756,853)
Profit before zakat		**177,671,141**	20,724,772
Zakat expense	20	**(5,899,456)**	(872,016)
Profit for the year		**171,771,685**	19,852,756
Other comprehensive income / (loss)			
Items that will not to be reclassified to statement of income in subsequent periods:			
Remeasurement income (loss) on employees' end of service benefits liabilities	19.4	**18,121,234**	(9,174,414)
Total comprehensive income for the year		**189,892,919**	10,678,342

The accompanying notes 1 to 37 form an integral part of these reissued financial statements.

FLYNAS COMPANY
(A Single Person Joint Stock Company)
Statement of changes in equity
(All amounts are in Saudi Riyals unless otherwise stated)

	Share capital	Statutory reserves	Accumulated losses	Net equity
At 1 January 2021 (as previously reported)	1,534,250,000	150,000	(857,274,171)	677,125,829
Changes in accounting policies (note 37)	-	-	(10,350,279)	(10,350,279)
At 1 January 2021 (Restated)	1,534,250,000	150,000	(867,624,450)	666,775,550
Profit for the year (Restated)	-	-	19,852,756	19,852,756
Comprehensive loss for the year (Restated)	-	-	(9,174,414)	(9,174,414)
Total comprehensive income for the year (Restated)	-	-	10,678,342	10,678,342
At 31 December 2021 (Restated)	1,534,250,000	150,000	(856,946,108)	677,453,892
At 1 January 2022 (Restated)	**1,534,250,000**	**150,000**	**(856,946,108)**	**677,453,892**
Profit for the year	-	-	**171,771,685**	**171,771,685**
Comprehensive income for the year	-	-	**18,121,234**	**18,121,234**
Total comprehensive income for the year	-	-	**189,892,919**	**189,892,919**
Transactions with the Parent Company				
Transfer of assets to the owners (note 37)	-	-	**(28,115,913)**	**(28,115,913)**
At 31 December 2022	**1,534,250,000**	**150,000**	**(695,169,102)**	**839,230,898**

The accompanying notes 1 to 37 form an integral part of these reissued financial statements.

FLYNAS COMPANY
(A Single Person Joint Stock Company)
Statement of cash flows (continued)
(All amounts are in Saudi Riyals unless otherwise stated)

	Note	Year ended 31 December 2022	2021 (Restated)
Cash flows from operating activities			
Profit for the year before zakat		**177,671,141**	20,724,772
Adjustments for:			
Depreciation on equipment and fixtures	4	**50,195,087**	41,558,457
Depreciation on right-of-use assets	5	**603,495,204**	506,761,786
Provision for employees' end of service benefits liability	19.3	**30,224,228**	26,052,552
Finance income	25	**(12,875,454)**	(87,079)
Finance cost	26	**277,738,466**	167,756,853
Gain on sale of equipment and fixtures and termination of leases	4.2.1	**(135,522,082)**	(130,712,156)
Provision for expected credit losses	10.2	**8,353,485**	42,774,206
		999,280,075	674,829,391
Changes in operating assets and liabilities			
Stores and spares		**943,967**	1,975,054
Deposits for aircraft		**8,725,261**	23,499,422
Trade receivables		**(77,874,718)**	(21,177,938)
Prepayments and other current assets		**(14,323,433)**	27,159,150
Trade and other payables		**(205,257,600)**	80,480,691
Aircraft related provisions	16.2	**(188,900,910)**	(83,513,759)
Contract liabilities		**2,232,435**	(59,897,259)
Employees' benefits paid	19.4	**(15,446,927)**	(17,784,048)
Finance income received		**12,875,454**	87,079
Net cash flows generated from operating activities		**522,253,604**	625,657,783
Cash flows from investing activities			
Acquisition of equipment and fixtures excluding pre-delivery payments	4	**(222,885,064)**	(108,322,429)
Pre-delivery payments made for aircraft		**(436,500,000)**	(417,750,000)
Refund of pre-delivery payments for aircraft		**545,625,000**	160,500,000
Net cashflows associated with acquisition of equipment and fixtures		**(113,760,064)**	(365,572,429)
Proceeds from the sale of equipment and fixtures		**131,435,355**	130,712,156
Net cash flows generated from (used in) investing activities		**17,675,291**	(234,860,273)
Cash flows from financing activities			
Payment of lease liabilities	16	**(365,644,441)**	(369,577,399)
Proceeds from loan	18	**1,008,250,000**	-
Repayment of loan		**(75,000,000)**	-
Finance cost paid		**(216,777,418)**	(159,064,216)
Net cash flows generated from (used in) financing activities		**350,828,141**	(528,641,615)
Net increase (decrease) in cash and cash equivalents		**890,757,036**	(137,844,105)
Cash and cash equivalents at the beginning of the year		**297,563,295**	435,407,400
Cash and cash equivalents at the end of the year	12	**1,188,320,331**	297,563,295
Supplemental non-cash transactions during the year:			
Transfer of assets to the owners	10	**28,115,913**	-

The accompanying notes 1 to 37 form an integral part of these reissued financial statements.

1 Corporate information

Flynas Company – A Single Person Joint Stock Company (the "Company") was incorporated in the Kingdom of Saudi Arabia ("KSA") under Commercial Registration No. 1010294138 dated 21 Ramadan 1431H (corresponding to 31 August 2010). The registered office is located 8018 Ar Rabi, Riyadh 13316-4040, KSA.

Pursuant to the Ministry of Commerce and Investment Resolution No. Q/161 dated 02 Jumada AlThani 1438H (corresponding to 1 March 2017), the Company was converted from a Limited Liability Company to a Single Person Joint Stock Company whereby, National Air Services – NAS Holding Company (the "Parent Company") owns 100% of the share capital of the Company. As such National Air Services – NAS Holding Company was the immediate and ultimate controlling party during the year. See note 35 for subsequent events.

The Company's licensed activities include purchase, sale and rent of aircraft and air transportation services for passengers and goods in addition to operating and managing of aircraft.

The Company performs its air transportation services, under the air operating certificate originally issued to the Parent Company by General Authority of Civil Aviation ("GACA") of KSA. During 2015, this air operating certificate was transferred by the Parent Company to the Company.

2 Significant accounting policies

2.1 Basis of preparation

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") that are endorsed in KSA and other standards and pronouncements endorsed by the Saudi Organization for Chartered and Professional Accountants ("SOCPA") (thereafter referred to as IFRS as endorsed in KSA) and in compliance with the provisions of Regulations for Companies and the Company's By-laws.

As at 31 December 2022, the Company had accumulated losses of SAR 695 million and a net current liabilities of SAR 1,246 million (2021: SAR 2,100 million). These conditions raised significant doubt about the Company's ability to continue as a going concern. However, based on the following factors, management believes that the Company will continue to operate for the foreseeable future, and accordingly, the financial statements have been prepared on a going concern basis:

- The Company's performance has improved significantly from last year as the profit for the year was SAR 171.8 million (refer to Note 37 for reconciliation of previously reported financial statements for 2022 to these reissued financial statements) as compared to SAR 19.9 million in the prior year.

- The Company management has prepared a four-year business plan which includes a significant positive impact on the margins and profitability of the Company primarily due to increase in fleet size and introduction of new routes.

- The Company has access to undrawn Murabaha Facility that amounts to SAR 1.4 billion. Also refer to note 18.

- Subsequent to the year end, the shareholders of the Parent Company have also signed a resolution to support the Company to continue as a going concern

Considering these factors and subsequent events occurring upto the date of approval of these reissued financial statements, the going concern assumption remained appropriate as of 31 December 2022.

2.1.2 Historical cost convention

The financial statements of the Company have been prepared on a historical cost basis, unless otherwise stated.

2.1.3 Basis of measurement

The financial statements are presented in Saudi Riyal ("SAR"), which is Company's functional and presentation currency. All values are rounded to the nearest Saudi Riyal, unless otherwise stated.

2.1.4 Reissuance

The previously issued financial statements of the Company for the year ended 31 December 2022, dated 3 May 2023, have been withdrawn and replaced by these reissued financial statements. This revision reflects adjustments primarily related to a change in the accounting policy for the distribution of non-cash assets to owners, from fair value to net book value, as well as certain other prior period restatements, as detailed in Note 37.

2 Significant accounting policies (continued)

2.2 Summary of significant accounting policies

2.2.1 Classification of assets and liabilities to current and non-current

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 realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalents 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.

2.2.2 Equipment and fixtures

Equipment and fixtures including those related to aircraft are stated at historical cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the assets, subsequent costs incurred for replacing parts of aircraft equipment, and capitalized borrowing costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time that the assets are substantially ready for their intended use. Where funds are borrowed specifically for the purpose of obtaining a qualifying asset, any investment income earned on temporary surplus funds is deducted from borrowing costs eligible for capitalisation. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Pre-delivery payments for the purchase of planes are generally not qualifying assets as it typically takes less than a year for the manufacturer to construct a narrow-body airplane.

Subsequent costs incurred which lend enhancement to future periods are capitalized as a separate asset, as appropriate and depreciated over the length of the period benefiting from these enhancements. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of equipment and fixtures.

All repair and maintenance costs are recognized in the statement of profit or loss as incurred except for heavy maintenance expenditures carried out on certain leased and owned assets. Heavy maintenance costs incurred on owned assets which lend enhancement to future periods are capitalized as a separate asset, as appropriate and depreciated over the length of the period benefiting from these enhancements. For more details on heavy maintenance costs on leased assets refer to Note 2.2.14 and 2.2.22.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Depreciation is started when the asset is available for its intended use. Leasehold improvements are depreciated over the shorter of its useful life or the lease term. The useful life of the assets are disclosed in note 4.1.

An item of equipment and fixtures is tested for impairment if any indicator is identified. Refer to note 2.2.11 for details.

An item of equipment and fixtures is derecognized 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 profit or loss when the asset is derecognized.

The residual values, useful lives, and methods of depreciation of aircraft related equipment and fixtures are reviewed at each reporting period end and adjusted prospectively, if appropriate.

2 Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

2.2.2 Equipment and fixtures (continued)

Capital work in progress (CWIP) is not depreciated and is stated at cost less accumulated impairment losses, if any. These assets are transferred to aircraft related equipment and fixtures as and when assets are available for intended use. CWIP also includes pre-delivery payments ("PDPs") which are paid by the Company to aircraft and engine manufacturers for financing the production of the ordered aircraft or spare engine as determined by the contractual terms. Such advance payments for aircraft or spare engines are recognised at cost and classified under CWIP in the statement of financial position. PDPs, when paid, are recorded at historical exchange rates at the date of payment. In instances, where the Company enters in a sale and leaseback arrangements on the date of delivery for any new purchased aircraft with the lessors, any PDPs paid by the Company are refunded back to the Company by the aircraft manufacturer.

From time to time, the Company receives certain credits from manufacturers in connection with the acquisition of aircraft and engines, as compensation for disruption or due to other reasons. Such credits are typically recorded as a reduction to the cost of the related (or future) aircraft and engines.

2.2.3 Intangible asset

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and impairment losses, if any. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the statement of income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

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

Intangible assets' residual values, useful lives and impairment indicators are reviewed at each financial year end and adjusted prospectively, if considered necessary. 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.

2.2.4 Financial instruments

2.2.4.1 Financial assets

Classification of financial assets

The financial assets of the Company comprise of trade receivables, deposits of aircraft, cash and cash equivalents, bank deposits and other receivables. The company classifies its financial assets as those to be measured at amortized costs. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, being the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss "FVTPL" are expensed in the statement of profit or loss.

Subsequent measurement of the financial assets depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in the statement of profit or loss. Impairment losses are presented as separate line items in the statement of profit or loss. The Company subsequently measures all its financial assets at amortized costs.

2 Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

2.2.4 Financial instruments (continued)

2.2.4.1 Financial assets (continued)

Impairment

The Company assesses on a forward-looking basis the Expected Credit Losses ("ECL") associated with its debt instruments as part of its financial assets, carried at amortized cost.

The Company's trade receivables are subject to the expected credit loss model. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Expected loss rates were derived from historical information of the Company and are adjusted to reflect the expected future outcome which also incorporates forward looking information for macroeconomic factors such as inflation and gross domestic product growth rate. The Company has identified GDP of KSA (the country in which it renders the services) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors.

A default on a trade receivable occurs when the counterparty fails to make contractual payments within 90 days of when they fall due. The Company initially assesses a receivable for write-off when a debtor fails to make contractual payments greater than 750 days past due. Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. Where receivables have been written-off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item. Impairment losses on trade receivables, if any, are presented as provision for expected credit losses within operating profit / loss.

The Company applies the general model to measure the credit losses on financial assets other than trade receivables. The identified credit loss from these financial assets are not material.

2.2.4.2 Financial liabilities

Initial Recognition

Financial liabilities are recognized initially at fair value and in the case of borrowings, the fair value of the consideration received less directly attributable transaction costs.

Subsequent measurements

After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of profit or loss when the liabilities are derecognized as well as through the amortization process.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of profit or loss.

2.2.4.3 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 recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

2 Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

2.2.5 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data. (Unobservable inputs).

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed in note 29 to these financial statements.

2.2.6 Deposits for Aircraft

Deposits for aircraft represent interest free security deposits placed with the leasing companies to secure the obligations of the leased aircraft. The deposits are initially measured at fair value and subsequently carried at amortized costs using the effective interest rate method less any allowance for impairment. Fair value of these deposits has been discounted based on an effective interest rate method.

2.2.7 Trade Receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components, then they are recognised at fair value. They are subsequently measured at amortised cost using the effective interest method, less loss allowance.

2.2.8 Stores and spares

Stores and spares consist of consumable items which are not repairable and are consumed by the Company within the ordinary course of its business. Stores and spares are valued at the lower of cost and net realizable value. Cost comprise of invoice prices and related expenses incurred up to the statement of financial position date. Net realizable value consists of the estimated selling price during the normal course of business, net of any other cost required to complete the sale.

The Company reviews the carrying amount of stores and spares on a regular basis and provision is made for obsolescence if there is any change in usage pattern and physical form of related stores and spares.

2.2.9 Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash in hand, bank balances and time deposits with original maturities of three months or less. Time deposits with maturities of more than three months but less than one year are classified as bank deposits.

2.2.10 Employees' benefits

Short-term employee benefits

Short-term employee benefits i.e. wages and salaries including non-monetary benefits and accumulating leaves, air fare, child education allowance, furniture allowance that are expected to be settled wholly within twelve months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

2 **Significant accounting policies** (continued)

2.2 **Summary of significant accounting policies** (continued)

2.2.10 **Employees' benefits** (continued)

Employees' end of service benefits

Employees' end of service benefits ("EOSB") are provided for in accordance with the requirements of the Saudi Arabian Labor Law for their period of service with the Company. The provision relating to end of service benefits is disclosed as a non-current liability in the statement of financial position and is calculated by an independent actuary using the Projected Unit Credit Cost method as per IAS 19 'Employee Benefits'. The defined benefit obligation plan is unfunded.

The present value of the defined benefit obligations calculated using assumptions on the average annual rate of increase in salaries, average period of employment and an appropriate discount rate. As KSA does not have a deep corporate bonds market, the present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows denominated in the currency in which the benefits will be paid. Defined benefit costs are categorized as follows:

Service cost

Service costs include current service cost and past service cost are recognized immediately in the statement of profit or loss. Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in the statement of profit or loss as past service costs.

Interest cost

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefits expense in the statement of profit or loss.

Re-measurement gains or losses

Re-measurement gains or losses arising from experience adjustments and changes in actuarial assumptions are recognized in the period in which they occur, directly in the statement of other comprehensive income.

2.2.11 **Impairment of non-financial assets**

The Company, at each reporting period, reviews its non-financial assets to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate (where applicable) that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior periods. A reversal of an impairment loss is recognized immediately in the statement of profit or loss.

2.2.12 **Revenue recognition**

The Company revenue consists of three types of revenue streams: Scheduled, Unscheduled and General Aviation. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty collected on behalf of third parties.

2 Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

2.2.12 Revenue recognition (continued)

Scheduled:

Scheduled revenue relates to the main operation of passenger commercial flights. The ticket price consists of the base fare and charges for other ancillary services. The revenue is measured based on the consideration specified in the contract (i.e. ticket) with a customer and excludes amounts collected on behalf of third parties. Base Fare is charged to the customer for air transportation services provided by the Company to its passengers. Ancillary Services Revenue consists of miscellaneous services provided by the Company to its customers (e.g. seat selection fee, baggage fee, infant fee, processing fee, meal fee, cancellation fee and change fee). These services are provided along with the normal transportation service as an integrated service. The customer can not benefit from the individual service on its own or together with other resources readily available and the customer could not purchase only some of the services while omitting others. Hence, these services are considered to be a single performance obligation.

The Company mainly sells its tickets through its website and through Agents ('Passenger Sale Agent', 'PSA'). The revenue from the services are recognized at a point in time when the service is provided to the customer. This is when customers have accepted to board the flight for each journey and all other flight conditions are fulfilled.

Payments for the tickets are usually received upon booking for individual passengers and on extended credit terms for certain other channels of distribution. Performance obligations are generally satisfied subsequent to payment being received, resulting in contract liability being recorded in the statement of financial position. Amounts received in advance of fulfilling the performance obligation on a flight journey are recognized as contract liability until the service is provided. Any unused tickets are recognized as revenue on a no-show basis. In certain rare circumstances, such as major flight cancellations, the passengers' tickets are extended and can be utilized by the passengers within 1 year from the date of issuance of the ticket.

Further, in case of any changes from the customer on the tickets issued, the Company issues a travel voucher to the passengers. The Company records a liability for any travel vouchers issued by reversing the contract liability recorded on unused tickets and presenting this as a contract liability from travel vouchers in the statement of financial position. The liability is reversed upon the utilization of such travel vouchers and the revenue is recorded by the Company. All travel vouchers have an expiration date of 1 year from the date of issuance.

The management does not recognize any breakage revenue on unused tickets or travel vouchers issued as the impact is not material.

Loyalty program (Nas miles)

The Company operates a frequent flyer programme that provides loyalty points to programme members based on a mileage credit for flights with the Company and the tier status of each member. The Nas miles have a validity of one year from the month they are earned and these loyalty points can only be utilized to book flights in the future.

The Company accounts for Nas miles points as a separately identifiable component of the sale transactions in which they are granted. The consideration in respect of the initial sale is allocated to Nas miles points based on their fair value and is accounted for as 'Customer loyalty points" within contract liability. The fair value is determined using estimation techniques that take into account the fair value of Nas miles points for which miles could be redeemed. Revenue is recognized in the statement of profit or loss only when the Company fulfills its obligation by supplying Scheduled revenue services on the redemption of the miles accrued.

Unscheduled:

Special flights for Hajj Season

A part of Unscheduled revenue relates to the revenue from the operation of special flights for Hajj under the service level agreement with the governments or the authorized agencies of such governments for transportation of passengers ('Pilgrims') during the Hajj season. The revenue is measured based on the consideration specified in the service level agreements and excludes amounts collected on behalf of third parties.

The revenue is recognized as the contracted flights occur as per the service level agreements. Typically, the payment for such services are received in advance and the duration of services provided is not more than two months coinciding with the Hajj Season. As such there is no significant financing component in these arrangements.

2 **Significant accounting policies** (continued)

2.2 **Summary of significant accounting policies** (continued)

2.2.12 **Revenue recognition** (continued)

Hajj Facilitation services during Hajj Season

An element of Flynas Hajj & Umrah revenue also includes Hajj facilitation services provided by the Company as part of Hajj Season for international Pilgrims under an agreement with the Government of Saudi Arabia. The service represents operating flights as a principal and arranging hotel accommodation. The revenue is recognised as the services are provided as per the service level agreement. The duration of these services is commensurate with duration of special flights flown during Hajj season.

A receivable is recognised when the service has been provided by the Company as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. The payment terms with the Government are based on commercially agreeable terms.

General Aviation:

The General Aviation revenue includes the revenue earned from the provision of charter flights and aviation services to parties under the contract. The charter flight services includes provision of transportation services for a particular volume of air travel over a particular period of time and other related services (such as provision of crew, maintenance of aircraft and other ancillary services) that are considered an integral part of air travel and are not distinct performance obligations. The revenue is measured based on the consideration specified in the contract with the customers and excludes amounts collected on behalf of third parties. The contracts are based on the number of trips or flying hours. Revenue from providing these services is recognised over time as the performance obligation relating to the contracts are fulfilled. The customers are invoiced on a monthly basis and the payment terms for the customer are in accordance with each contract with the customer.

Principal vs agent

The Company acts as a principal if it controls a promised good or service before transferring that good or service to the customer. The Company is an agent if its role is to arrange for another entity to provide the good or service.

The Company has concluded that it acts as a principal in all the aforementioned revenue arrangements because it controls the services before transferring them to the customers. For the below revenue arrangements, the Company acts as an agent:

(a) The Company under codeshare arrangements:

The Company acts as an agent where it sells air transport tickets under codeshare arrangements for passengers to fly on a codeshare partners aircraft. The Company does not have inventory risk and is not primarily responsible for operating the codeshare partner's flight. In these cases, the Company acts as an agent and recognizes the net margin which is the predefined rate per mile flown.

(b) The Company's partnership with hotels, car rental companies, and other travel related services:

The Company has partnership agreements with hotels, car rental companies, duty free shops, insurance companies and other travel related services. In all of these agreements, the Company is not primarily responsible to fulfill customer requirements and does not control any of the goods or services. The Company earns a commission income and recognizes that as the related performance obligations are fulfilled.

The net margin from these arrangements is included within Scheduled services.

2.2.13 **Contract liabilities**

Contract liabilities mainly represents unutilized tickets, customer loyalty points on miles earned from the frequent flyer program and deposit from customers. For more information refer to Note 2.2.12.

2 Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

2.2.14 Leases

General Lease Accounting

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset (redelivery cost), less any lease incentives received. Redelivery cost (return condition) represents the estimate of the cost to meet the contractual lease end obligations of the aircraft at the time of re-delivery. At lease commencement, the present value of the expected cost for each restoration obligation is recognised and capitalized as part of the right-of-use asset.

The right-of-use is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, the useful life and method of the right-of-use assets are mentioned in note 5.2. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability, refer to note 3.11 for more details.

Flynas acquires the right to use aircraft and related assets which are manufactured as per bespoke specifications and design, and are delivered mainly through sale and leaseback arrangements.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease; and
- The costs of restoring or dismantling assets.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. Lease payments are allocated between principal and finance cost. The finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing; and makes adjustments specific to the lease, e.g., term, country, currency and security.

Short-term leases and leases of low-value assets:

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. These typically relate to wet lease arrangements with third parties that have a lease duration of not more than six-months in connection with the facilitation of Hajj and Umrah operations.

2 **Significant accounting policies** (continued)

2.2 **Summary of significant accounting policies** (continued)

2.2.14 **Leases** (continued)

Sale and lease back transactions:

The Company regularly enters into sale and leaseback transactions. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. If a sale has occurred, then the associated asset is de-recognized, and a right-of-use asset and lease liability is recognized. The right-of-use asset recognized is based on the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Any gains or losses are restricted to the amount that relates to the rights that have been transferred to the counterparty to the transaction. Where a sale has not occurred, the asset is retained on the balance sheet within aircraft related equipment and fixtures, and a liability is recognized equal to the financing proceeds.

Heavy maintenance accounting:

For aircraft under lease arrangements, the Company has an obligation to maintain the aircraft and its major components (in case of aircraft engines these essentially relate to replacement of limited life parts and engine performance restoration and other aircraft components such as landing gear and auxiliary power units, etc) during the lease term and to return the aircraft to the lessor in a specified condition at the end of the lease term (return conditions).

The Company has an obligation to return the leased aircraft and their components according to redelivery conditions specified in the lease agreements. If the condition of the aircraft and its components, at the time of redelivery, differs from the agreed redelivery condition, the Company needs to maintain the aircraft and its components so that it meets the agreed conditions or alternatively the lessor may accept compensation for the expense it may incur to restore the aircraft and its components.

At the lease commencement date, the present value of the expected cost of the restoration that the Company is contractually obligated to incur is recognised and capitalized as part of the right-of-use asset and depreciated over the lease term. The expected costs of restoration that is capitalized as part of the right-of-use asset is the minimum unavoidable costs that the Company is contractually obligated to incur which is essentially triggered when the aircraft has carried out its first flight. The corresponding liability is recorded within "Aircraft related Provisions". The liabilities are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs within the statement of profit or loss.

In addition, the Company follows a componentize and depreciate model for its major components (such as engine life limited parts, engine performance restoration, landing gear, auxiliary power units, aircraft related checks, etc). At the inception of the lease, the cost of these significant components are recognised as a separate component in 'Maintenance assets and redelivery cost' within the right-of-use assets and depreciated over its useful economic life at which point the existing components are replaced and the cost of the new component is capitalized.

All other regular maintenance (non-heavy maintenance) are expensed as incurred in the statement of profit or loss.

2.2.15 **Loans**

Loans are recognised initially at fair value, net of transaction costs incurred. Loans are subsequently measured at amortised cost with any difference between the proceeds (net of transaction costs) and the redemption value recognised in the statement of profit or loss over the period of the loans using the effective interest method. Loans are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Loans are removed from the statement of financial position when the obligation specified in the contract is discharged, canceled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of profit or loss as other income or finance costs.

2.2.16 **Trade and other payables**

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are presented as current liabilities unless the payment is not due within 12 months after the reporting period.

2 Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

2.2.17 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in the statement of income. The present value of the expected cost of return condition of aircraft and engines held under operating leases is recognized over the lease term considering the existing fleet plan and long-term maintenance schedules.

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

An assessment is made at each reporting date to recognize contingent liabilities which are probable obligations arising from past events whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly under the control of the Company, to assess whether provision is required.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.2.18 Zakat

National Air Services - NAS Holding (the Parent Company) files zakat returns on a consolidated basis. Accordingly, the Company's zakat charge is initially estimated in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations at the Parent Company level (on a consolidated basis) and then allocated to the Company by the Parent Company. Provision for zakat for the Company, if any, is charged to the statement of income and other comprehensive income. Additional amounts payable, if any, at the finalization of final assessments at the Parent Company level are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in KSA as required under Saudi Arabian Income Tax Law.

2.2.19 Statutory reserve

The By-laws of the Company requires to set aside 10% of net profit for the year as statutory reserve until the reserve reaches 30% of their share capital.

2.2.20 Foreign currencies

Transaction and balances

Transactions in foreign currencies are initially recorded by the Company at functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange prevailing at the financial statements date. All differences are recognized in the statement of profit or loss and other comprehensive income.

2.2.21 Operating profit /loss

Operating profit / loss is the result generated from the continuing principal revenue producing activities of the Company as well as other income and expenses related to operating activities. Operating profit /loss excludes finance costs, finance income and other non-operating expenses.

2.2.22 Routine and maintenance repairs

Maintenance and repair costs for leased aircraft are charged to maintenance and other aircraft costs as incurred, with the exception of maintenance and repair costs related to heavy maintenance expenditures and return conditions on aircraft under lease. Refer to Note 2.2.14 for details relating to heavy maintenance expenditures.

2 Significant accounting policies (continued)

2.2 Summary of significant accounting policies (continued)

2.2.23 Selling, distribution, general and administration expenses

Selling, distribution, general and administration expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between cost of providing services and selling, distribution, general and administration expenses, when required, are made on a consistent basis.

2.2.24 Interest income or expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using effective interest rate ("EIR") method. EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included as finance income in the statement of profit or loss and other comprehensive income.

3 Significant accounting judgments, estimates and assumptions

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3.1 Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements.

3.1.1 Useful life of AOC

During 2015, the Parent Company transferred the Air Operator Certificate ("AOC") issued to it by GACA to the Company. AOC is a certificate issued by GACA of KSA authorizing the Company to perform commercial air operations including airport access and landing rights (including access to slots) and Hajj and Umrah Operations.

AOC has a remaining legal useful life of two years but is renewable every two years with insignificant cost. The Company intends to renew the AOC continuously and evidence based on past experience supports its ability to do so and any conditions necessary to obtain renewal will be satisfied. An analysis of life cycle studies and market and competitive trends provides evidence that AOC will generate net cash inflows for an indefinite period. Accordingly, the management has applied its judgment and has concluded the useful life of the AOC to be indefinite. The AOC is carried at cost without amortization, but is tested for impairment on an annual basis. See also note 6.

3.1.2 Control on aircraft in a sale and leaseback transactions

The Company regularly enters sale and leaseback transactions with various lessors for its newly purchased aircraft and engines. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. If a sale has occurred, then the associated asset is de-recognized, and a right of use asset and lease liability is recognized. The right of use asset recognized is based on the proportion of the previous carrying amount of the asset that relates to the right of use retained by the seller-lessee. Any gains or losses are restricted to the amount that relates to the rights that have been transferred to the counterparty to the transaction.

The Company enters a sale and leaseback transaction with the lessor on the same date it receives delivery of the new aircraft and engines. The Company has applied significant judgment to assess if it has obtained control over the aircraft and engines purchased before it is sold and leased back from the lessor. Under the original terms of the contract with the manufacturer, the Company has the rights and obligation to purchase a specific aircraft and engines. It is purely at the Company's discretion whether to complete the purchase for cash or seek to arrange a lease with a lessor of their choice. In cases where the lease agreement does not include a purchase option, the Company considers itself to have sold the aircraft and engines that it was entitled to, to its chosen lessor and leased it back. Accordingly, the Company considers itself to obtain control of the aircraft and engines prior to entering the lease arrangement with the lessor.

3 Significant accounting judgments, estimates and assumptions (continued)

3.1 Judgments (continued)

3.1.3 Leases - Heavy maintenance expenditures on return conditions

For aircraft under lease arrangements, the Company has an obligation to maintain the aircraft and its major components during the lease term and an obligation to return the aircraft to the Lessor in a specified condition at the end of the lease term (return conditions). The accounting policy for the right of use asset, lease liability, heavy maintenance expenditure incurred during the lease term and the heavy maintenance required as per the return condition is disclosed in Note 2.2.14.

The Company records liabilities for the maintenance costs required in respect of the return conditions for its leased aircraft. These are contractual obligations in the lease contract in respect of the return conditions, which require the aircraft to be in a specified condition on their return at the end of the lease term. If the condition at the time of redelivery differs from the agreed redelivery condition, the Company needs to perform maintenance on the asset so that it meets the agreed conditions.

The maintenance costs for return conditions can be divided into two main groups:

- costs that are incurred independent of the usage of the aircraft and
- costs that are incurred dependent on the usage of the aircraft

The Company has applied significant judgment in determining which costs the Company becomes obligated for over time and which exist at commencement of the lease. The Company's leases typically require specified parts to be returned in a full remaining life condition so the obligation to perform the relevant maintenance exists on commencement of the lease as the work has to be performed as a result of the delivery flight.

Major components that are replaced infrequently and overhaul events which occur infrequently are componentized and depreciated separately from the main ROU asset. When the component is replaced or the item is overhauled the previous carrying amount for the component is derecognized and replaced by the cost of the new component. Where the life of a component is the same as the main ROU asset, the component is not separately depreciated.

3.1.4 Use of Net Book Value Approach for Distribution of Receivables

Following a regulatory review by the Capital Market Authority, the Company reassessed its policy choice when distributing non-cash assets to a controlling shareholder and applied the net book value approach instead of fair value for the distribution of receivables arising in the year. This adjustment eliminates the previously recognized gain in profit or loss. Such transactions are outside the scope of IFRIC 17 and generally accepted practice is to account for such distributions at either book value or fair value. In light of the Capital Market Authority's views on the matter these reissued financial statements have applied the book value policy approach. See Note 37 for further details.

3.2 Assumption and estimation uncertainties

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

(i) Impairment of indefinite lived assets (AOC)

The Company assesses on an annual basis or more frequently if events or changes in circumstances indicate that the indefinite lived assets of the Company are impaired. The Company assesses whether the carrying value of its indefinite lived assets (AOC) is lower than its recoverable amount. Where the carrying amount of these assets exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount of the indefinite lived assets (AOC) is determined based on the higher of its fair value less costs of disposal or value in use. The management has determined the recoverable amount using the fair value approach. Details relating to the model used by the management in determining the recoverable amount including the key estimates used and the sensitivities relating to these estimates are disclosed within Note 6.

All amounts are in Saudi Riyals unless otherwise stated)

3 Significant accounting judgments, estimates and assumptions (continued)

3.2 Assumption and estimation uncertainties (continued)

(ii) Measurement of return condition provision

Estimates involved in calculating the provision required include the inflation rates, expected date of the maintenance work, market prices for maintenance checks, the likely utilization of the asset in terms of either flying hours or cycles from the second last event until the redelivery date, and the regulations in relation to extensions to lives of life-limited parts, which form a significant proportion of the cost incurred in these maintenance event.

Assumptions made in respect of the provision for the return condition are reviewed for all aircraft annually. In addition, when further information becomes available which could materially change an estimate made, such as a heavy-duty maintenance check taking place, utilization assumptions changing, or return conditions being re-negotiated, then specific estimates are reviewed immediately, and the liability and right of use asset if applicable is adjusted accordingly. Actual charges may differ from the charges accrued and the differences are accounted for on a prospective basis. Given the uncertainty in forecasting future maintenance requirements, and the associated judgmental nature of the assumptions applied in determining the maintenance costs, management believes that a reasonable combination of changes to these estimates could result in a material movement to the expense recognised and the carrying value of the provision and the right of use of assets recognised.

(iii) Leases - Discount rate for return conditions provision

For aircraft under lease arrangements, the Company has an obligation to maintain the aircraft and its major components during the lease term and an obligation to return the aircraft to the Lessor in a specified condition at the end of the lease term (return conditions). The Company records liabilities for the maintenance costs required in respect of the return conditions for its leased aircraft. The liabilities are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(iv) Sale and leaseback fair value

The Company routinely enters into sale and leaseback transactions on new planes added to the fleet. In a sale and leaseback transaction it is necessary to assess whether the sale price and rentals are at fair value or off-market. To the extent that transactions are off-market, adjustments are required by IFRS 16 to return the transaction to market terms. This is achieved by deeming either additional financing to be present or that the lessee made a bullet upfront lease payment, depending on whether the sale price was above or below market prices respectively. These adjustments also affect the profit recorded on the sale and leaseback transaction with a deemed sale at undervalue increasing the profit recorded on the date of the transaction and vice versa.

4 Equipment and fixtures

	Note	2022	2021
Equipment and fixtures	4.2	**430,600,911**	262,430,203
Capital work in progress (CWIP)	4.3	**647,485,005**	752,090,736
		1,078,085,916	1,014,520,939

4.1 Useful life

The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Number of years
Aircraft equipment	3 to 20 years
Modification on leased aircraft and leasehold improvements	3 - 5 years or period of lease, whichever is shorter
Furniture and fixtures	3 - 4 years or period of lease, whichever is shorter

All amounts are in Saudi Riyals unless otherwise stated)

4 Equipment and fixtures (continued)

4.2 Equipment and fixtures

	Note	Aircraft and aircraft equipment	Modification on leased aircraft and leasehold improvements	Furniture and fixtures	Total
Net book value as at 1 January 2021		203,894,401	21,180,716	3,100,668	228,175,785
Cost					
As at 1 January 2021		561,237,655	62,859,748	16,313,506	640,410,909
Additions		1,791,404,881	-	1,330,874	1,792,735,755
Disposals	4.2.1	(1,793,004,488)	-	(164,650)	(1,793,169,138)
Transfers from CWIP	4.3	62,130,815	13,950,793	-	76,081,608
At 31 December 2021		621,768,863	76,810,541	17,479,730	716,059,134
Accumulated depreciation					
As at 1 January 2021		357,343,254	41,679,032	13,212,838	412,235,124
Charge for the year		33,414,782	6,008,758	2,134,917	41,558,457
Disposals		-	-	(164,650)	(164,650)
At 31 December 2021		390,758,036	47,687,790	15,183,105	453,628,931
Net book value as at 31 December 2021		231,010,827	29,122,751	2,296,625	262,430,203

	Note	Aircraft and aircraft equipment	Modification on leased aircraft and leasehold improvements	Furniture and fixtures	Total
Net book value as at 1 January 2022		**231,010,827**	**29,122,751**	**2,296,625**	**262,430,203**
Cost					
As at 1 January 2022		**621,768,863**	**76,810,541**	**17,479,730**	**716,059,134**
Additions		**1,577,068,308**	**-**	**857,427**	**1,577,925,735**
Disposals	4.2.1	**(1,553,542,778)**	**-**	**-**	**(1,553,542,778)**
Transfers from CWIP	4.3	**183,738,348**	**10,244,490**	**-**	**193,982,838**
At 31 December 2022		**829,032,741**	**87,055,031**	**18,337,157**	**934,424,929**
Accumulated depreciation					
As at 1 January 2022		**390,758,036**	**47,687,790**	**15,183,105**	**453,628,931**
Charge for the year		**43,578,088**	**5,194,901**	**1,422,098**	**50,195,087**
At 31 December 2022		**434,336,124**	**52,882,691**	**16,605,203**	**503,824,018**
Net book value as at 31 December 2022		**394,696,617**	**34,172,340**	**1,731,954**	**430,600,911**

All amounts are in Saudi Riyals unless otherwise stated)

4 Equipment and fixtures (continued)

4.2 Equipment and fixtures (continued)

Depreciation expense breakup	**2022**	**2021**
Cost of revenue (note 22)	**48,772,989**	39,423,540
General and administrative expenses (note 24)	**1,422,098**	2,134,917
	50,195,087	41,558,457

4.2.1 Disposal

During the year, the Company has entered into sale and lease back transaction for its eight (2021: ten) aircrafts which resulted in a cumulative gain of SAR 131.7 million (2021: SAR 129.7 million) that was recognized in the statement of income and other comprehensive income.

4.3 Capital work in progress

Capital work in progress as at 31 December 2022 and 2021 consists of advances paid in respect of pre-delivery purchase of aircraft amounting to SAR 596.2 million (2021: SAR 703.2 million) and a spare engine amounting to SAR 44.1 million (2021: SAR 46.3 million).

4.3.1 Movement in CWIP

	2022	**2021**
1 January	**752,090,736**	462,331,182
Additions	**89,377,107**	365,841,162
Transfers to equipment and fixtures	**(193,982,838)**	(76,081,608)
31 December	**647,485,005**	752,090,736

5 Right-of-use assets

The cost of right-of-use assets is depreciated over a straight-line method over the estimated useful life of the assets based on the period of the lease contracts.

	2022	**2021 (Restated)**
1 January (as previously stated)	**3,833,807,192**	1,758,367,834
Change in accounting policies	**-**	415,193,070
1 January (adjusted)	**3,833,807,192**	2,173,560,904
Additions	**1,829,473,974**	2,200,296,913
Termination	**(9,672,969)**	(33,288,839)
Depreciation	**(603,495,204)**	(506,761,786)
31 December	**5,050,112,993**	3,833,807,192

5.1 The right-of-use assets are segregated as below:

	Aircraft	**Leasehold buildings**	**Maintenance Assets**	**Total**
As at 1 January 2021 (as previously stated)	1,686,582,237	71,785,597	-	1,758,367,834
Change in accounting policies	(114,243,394)	-	529,436,464	415,193,070
As at 1 January 2021 (adjusted)	1,572,338,843	71,785,597	529,436,464	2,173,560,904
Additions	1,486,344,437	30,999,393	682,953,083	2,200,296,913
Termination	-	(33,288,839)	-	(33,288,839)
Depreciation	(342,412,302)	(24,499,365)	(139,850,119)	(506,761,786)
At 31 December 2021	2,716,270,978	44,996,786	1,072,539,428	3,833,807,192

All amounts are in Saudi Riyals unless otherwise stated)

5 Right-of-use assets (continued)

5.1 The right-of-use assets are segregated as below: (continued)

	Aircraft	Leasehold buildings	Maintenance Assets	Total
As at 1 January 2022	**2,716,270,978**	**44,996,786**	**1,072,539,428**	**3,833,807,192**
Additions	**1,581,811,559**	**79,001,972**	**168,660,443**	**1,829,473,974**
Termination	**-**	**(9,672,969)**	**-**	**(9,672,969)**
Depreciation	**(408,519,923)**	**(24,454,155)**	**(170,521,126)**	**(603,495,204)**
At 31 December 2022	**3,889,562,614**	**89,871,634**	**1,070,678,745**	**5,050,112,993**

5.2 Useful life

The estimated useful lives of the assets for the calculation of depreciation are as follows:

	Number of years, hours, or cycles
Airframe 6Y Check Reserves	6 years
Airframe 12Y Check Reserves	12 years
Landing Gear Reserves	10 years
Engine Performance	12,000 engine flight hours or period of lease, whichever is shorter
Auxiliary Power Unit	7,500 engine flight hours or period of lease, whichever is shorter
Engine LLP	20,000 engine cycles or period of lease, whichever is shorter

6 Intangible assets

During 2015, pursuant to approval from the Parent Company's Board of Directors and its shareholders, the Parent Company transferred the Air Operator Certificate ("AOC") issued to it by GACA to the Company at its fair value of SAR 2,000 million, through non-cash consideration.

AOC is a certificate issued by GACA of KSA authorizing the Company to perform commercial air operations including airport access and landing rights (including access to slots) and Hajj and Umrah.

Operations. Management has assessed the useful life of AOC and concluded that it has indefinite useful life. (Also see judgement note on useful life of AoC).

Based on the annual impairment assessment, the management concluded that there is no impairment required as the fair value of AOC is more than the carrying value. The management appointed an external expert for impairment assessment. The details about valuation method are provided in note 6.1 below:

6.1 Valuation method

The Company has consistently applied fair value less cost of disposal approach to assess the impairment of AOC. The fair value was based on income approach i.e., "Green field method". This method is based on the assumption that a business commences its trade at the measurement date with only the asset in question and accordingly generates cash flows over its economic life.

The fair value measurement is categorized as a level 3 input in fair value hierarchy i.e., inputs to model are not based on observable market date.

Key assumptions used to determine the fair value is as follows:

Cashflow projections

For valuation purposes, 17 years cash flow projections were used and for the later period terminal value was based on earning multiple i.e., Gordon n Growth Model.

6 Intangible assets (continued)

6.1 Valuation method (continued)

Discount rate

Discount rate is based on build up approach that is based on past experience and external sources, comprising of the following:

- The real yield on long term US Bonds (given the lack of default free government bonds in the region)
- Average long term KSA inflation premium based on long term inflation expectations
- The equity risk premium
- Country risk premium
- Average beta of aviation sector in the Emerging Markets
- Average gearing of aviation sector in the Emerging Markets
- Size and specific risk premium

While performing the valuation, the discount rate was estimated in the range of 15.5% to 16.5%.

Compound Annual Growth rate (CAGR) used to extrapolate cash flows beyond forecast period

This CAGR has been determined based on long term inflation forecast of Kingdom of Saudi Arabia and the terminal growth rate used was at 2.7%.

Sensitivity analysis as at 31 December 2022

Given below is the impact of sensitivity analysis on the fair value of AoC due to standalone changes in key assumptions used in the valuation of AOC, considering all other assumptions are being constant:

	Chance in percentage by %	**Impact on the fair value of AOC by SAR million**
Increase in discount rate	**1%**	**584**
Decrease in passenger yield	**5%**	**1,050**
Decrease in load factor	**5%**	**1,144**

None of the above changes in discount rate, passenger yield and load factor will reduce the fair value of AoC to such an extent as to result in impairment charges.

7 Investment in associates

Despite nominal investment of the Company in the below mentioned companies, they are considered to be associates as per the requirements of IAS - 28 "Investments in Associates and Joint Ventures" because the Company has significant influence over their financial and operating policies by virtue of common ownership and representation of the common directors on the board of the Parent Company. These investments are in equity shares of unlisted entities. Owing to the immateriality of these associates, share of results from the operations of these associates have not been considered in preparation of these financial statements. The carrying value of these investments approximates to their fair values. The principal place of business of these entities is in KSA.

Unquoted limited liability companies registered in KSA	**Ownership%**	**2022**	**2021**
Flynas Hajj & Umrah Company Limited	2%	**6,000**	6,000
NAS Private Aviation Company Limited	2%	**6,000**	6,000
NAS Aircraft Technical Services Company Limited	2%	**6,000**	6,000
		18,000	18,000

8 Stores and spares

	Note	**2022**	**2021**
Stores and spares		**11,873,586**	12,817,553
Less: Provision for obsolescence	8.1	**(8,384,000)**	(8,384,000)
		3,489,586	4,433,553

All amounts are in Saudi Riyals unless otherwise stated)

8 Stores and spares (continued)

8.1 Movement in provision for obsolescence

	2022	2021
1 January	**8,384,000**	8,771,370
Utilized during the year	**-**	(387,370)
31 December	**8,384,000**	8,384,000

9 Deposits for aircraft

	2022	2021
Non-current portion	**53,969,093**	45,157,987
Current portion	**38,906,250**	56,442,617
	92,875,343	101,600,604

Deposits for aircraft represent the deposits paid to leasing companies as security to cover the lease rentals and maintenance obligations as per lease agreements.

10 Trade receivables

	Note	2022	2021
Third-party customers	10.1	**194,179,873**	146,762,769
Related parties	31.3	**29,542,017**	120,246,667
		223,721,890	267,009,436
Allowance for expected credit losses	10.2	**(77,773,119)**	(162,465,985)
		145,948,771	104,543,451

Trade receivables are non-interest bearing and are generally on terms of 15 to 90 days.

10.1 This includes a receivable from GACA amounting to SAR 32.32 million (2021: SAR 32.32 million). This pertains to the agreement between GACA and the Company effective November 1, 2016, whereby GACA will reimburse certain operational expenses incurred by the Company for operating flights from Abha airport to certain agreed destinations within the Kingdom of Saudi Arabia.

10.2 Set out below is the movement in the allowance for expected credit losses of trade receivables:

	2022	2021
1 January	**162,465,985**	119,691,779
Provision for expected credit losses	**8,353,485**	42,774,206
Adjustment 1 (Refer note 38)	**(93,046,351)**	-
31 December	**77,773,119**	162,465,985

11 Prepayments and other current assets

	Note	2022	2021 (Restated)
Progress payments for aircraft maintenance expenditure		**-**	15,563,914
Deposits to vendors	11.1	**55,945,710**	49,124,530
Advances to suppliers		**22,540,995**	4,189,013
Prepayments		**2,769,802**	3,500,605
Contract assets		**3,598,737**	-
Other receivables		**4,389,418**	2,543,167
		89,244,662	74,921,229

11.1 The balance represents security deposits paid to vendors mainly for fuel, civil aviation authorities and handling agents.

All amounts are in Saudi Riyals unless otherwise stated)

12 Cash and cash equivalents

	2022	2021
Cash in hand	**1,093,352**	991,311
Cash at banks	**298,430,904**	296,571,984
	299,524,256	297,563,295
Time deposit (maturity of less than three months at the time of placement)	**888,796,075**	-
	1,188,320,331	297,563,295

13 Share capital

As at 31 December 2022 and 2021, the authorized, issued and fully paid share capital of the Company consists of 153,425,000 shares of SAR 10 each.

14 Statutory reserves

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-laws, the Company is required to transfer 10% of the profit for the year, after absorption of any accumulated losses, to a statutory reserve until it equals 30% of its share capital. The reserve is currently not available for distribution to the shareholder of the Company. No transfer has been made during the current year due to the accumulated losses of the Company.

15 Trade and other payables

	Note	2022	2021
Trade payables		**928,716,562**	1,242,483,737
Accrued expenses		**485,523,585**	399,549,302
Passenger taxes payable		**163,241,412**	152,173,976
Taxes payable		**33,156,294**	39,847,756
Due to related parties	31.3	**25,330,498**	7,257,610
Withholding taxes on aircraft leases		**211,606,350**	211,519,920
		1,847,574,701	2,052,832,301
Non-current portion	15.1	**(221,827,095)**	(316,486,644)
Current portion		**1,625,747,606**	1,736,345,657

15.1 During 2019, the Company submitted a repayment plan to GACA and requested to reschedule amounts payable to GACA over five years period with commitment to settle any new invoices as and when it becomes due. GACA has accepted the repayment plan of the Company which was approved by the Ministry of Finance during 2021.

Starting 2019 such non-current liabilities arising from arrangements have been remeasured at their present value in the financial statements.

16 Lease liabilities

	2022	2021 (Restated)
January 1, (Refer note 37.1)	**2,783,010,181**	1,651,357,673
Additions	**1,224,596,519**	1,576,702,259
Termination	**(13,759,695)**	(34,203,517)
Finance cost (note 26)	**137,588,552**	138,870,101
Payments	**(499,726,831)**	(549,716,335)
	3,631,708,726	2,783,010,181

All amounts are in Saudi Riyals unless otherwise stated)

16 Lease liabilities (continued)

16.1 Lease liabilities are segregated as below:

	2022	2021 (Restated)
Current portion	**401,216,907**	262,142,127
Non-current portion	**3,230,491,819**	2,520,868,054
	3,631,708,726	2,783,010,181

Lease liabilities include SAR 1,343 million (2021: SAR 1,228 million) in relation to re-delivery and maintenance cost.

Expense relating to short-term leases during the year 2022 amounted to 195 million (2021: SAR 23 million) (note 22).

16.2 Aircraft related provisions

Aircraft related provisions consists of heavy maintenance and re-delivery cost of aircraft.

	2022	2021
1 January (Refer note 37.1)	**1,228,185,005**	642,413,531
Additions	**604,075,476**	622,622,569
Finance cost (note 28)	**62,179,089**	17,664,613
Payments	**(188,900,910)**	(54,515,708)
	1,705,538,660	1,228,185,005

16.2.1 Aircraft related provisions are segregated as below:

	2022	2021
Current portion	**100,750,056**	147,719,177
Non-current portion	**1,604,788,604**	1,080,465,828
	1,705,538,660	1,228,185,005

17 Contract liabilities

	Note	2022	2021
Unutilized tickets	17.1	**176,261,538**	164,353,299
Customer loyalty points	17.2	**16,670,474**	16,622,781
Advances from customers	17.3	**2,754,120**	12,477,617
		195,686,132	193,453,697
Revenue recognized during the year that was included in the contract liability balance at the beginning of the year		**161,633,113**	163,321,823

17.1 Revenue deferred during the year was SAR 4.4 billion (2021: SAR 2.4 billion) and revenue recognized during the year amounted to SAR 4.4 billion (2021: SAR 2.5 billion).

17.2 Customer loyalty points redeemed during the year were SAR 7.6 million (2021: SAR 0.5 million) and points earned and sold during the year were SAR 7.7 million (2021: SAR 0.4 million). Customer loyalty points have one years expiration. The management of the Group believes that any breakage estimate related to such points is not material.

17.3 All other remaining performance obligations, if any, are expected to be recognized within one year.

18 Loans

	Note	2022	2021
Murabaha Facility	18.1	**843,750,000**	-
Saudi Industrial Development Fund	18.2	**224,866,198**	297,888,967
Saudi Industrial Development Fund	18.3	**164,500,000**	-
		1,233,116,198	297,888,967

All amounts are in Saudi Riyals unless otherwise stated)

18 Loans (continued)

	2022	2021
Current portion	**388,397,448**	297,888,967
Non-current portion	**844,718,750**	-
	1,233,116,198	297,888,967

18.1 During 2022, the Company signed a Master Murabaha Agreement (the "Facility") with a consortium of banks through a participating agent for an amount of SAR 2.25 billion. The first drawdown request in relation to the Facility was completed during 2022 for an amount of SAR 843.75 million. The repayment plan is split into 36 equal monthly installments commencing from the month of January 2024.

The Facility is pledge against certain receivables arising in connection with the transactions carried out with The International Air Transport Association ('IATA') under a Billing and Settlement Plan ('IATA BSP'). As part of the IATA BSP arrangement, the Company directs and authorizes IATA to carry out payment for certain receivables into the account of the security agent of the Facility.

The Facility carries a markup margin of 2.25% plus one-month Saudi Interbank Offer Rate ('SIBOR') rate and includes certain financial covenants with respect to minimum cash balance, net leverage, and debt service coverage ratios. The Company has complied with all its covenants.

18.2 During 2020, the Company obtained a loan of SAR 300 million from Saudi Industrial Development Fund (SIDF). During the month of August 2022, the Company carried out first payment of its installment due in respect of this loan and rescheduled the remaining portion of the loan into to 3 equal semi-annual installments of SAR 75 million each starting from February 2023 and spreading across till February 2024. The Company has considered this change as modification of the existing facility and resulting gain arising on the restructuring has been recognized in the profit or loss as part of finance income.

The loan is subject to financial charges in the form of expected semi-annual follow up fees charged by SIDF which is based on SIBOR plus a spread.

18.3 During 2022, the Company obtained an additional loan facility from SIDF for an amount of SAR 164.50 million under Transportation Sector Support Initiative program. The loan is repayable in 4 semi-annual installments commencing from December 2023 spreading over to until June 2025. The loan is subject to financial charges in the form of expected semi-annual follow up fees charged by SIDF which is based on SIBOR plus a spread.

SIDF loans contain certain financial covenants such as restrictions on dividends distribution, utilizing any offering of shares for repayment of the loan and utilizing the loan for its intended purposes. The Company has complied with all of its covenants as at 31 December 2022.

19 Employees' end of service benefits

19.1 Actuarial valuation

The most recent actuarial valuation was performed as of 31 December 2022, by an independent actuary:

19.2 Principal actuarial assumptions

	2022	2021
Salary increase rate	**4.0%**	5.0%
Discount rate	**5.2%**	3.5%

The actuarial valuation was conducted using Projected Unit Credit method.

19.3 Employees' end of service benefits expense

	2022	2021
Current service cost	**29,951,805**	19,570,283
Interest cost on benefit liabilities	**272,423**	6,482,269
Total benefit expense	**30,224,228**	26,052,552

19 Employees' end of service benefits (continued)

19.4 Movement of present value of employees' end of service benefits liability

	Note	2022	2021
1 January		**198,584,220**	181,141,302
Charge for the year	19.3	**30,224,228**	26,052,552
Benefits paid		**(15,446,927)**	(17,784,048)
Remeasurement (gain) loss on employees' end of service benefits liabilities		**(18,121,234)**	9,174,414
31 December		**195,240,287**	198,584,220

19.5 Employees' end of service benefits liability sensitivity analysis

A quantitative sensitivity analysis for significant assumption on the employees' end of service benefits liability as at 31 December 2022 and 31 December 2021 is shown below:

Assumptions	**Salary increase rate**		**Discount rate**	
Sensitivity level	**1% Increase**	**1% Decrease**	**1% Increase**	**1% Decrease**
31 December 2022	**200,693**	**183,276**	**183,316**	**200,822**
31 December 2021	205,375	186,472	189,656	197,278

The sensitivity analysis above has been determined based on a method that extrapolates the impact on the employees' end of service benefits liability as a result of reasonable changes in key assumptions occurring as at 31 December 2022 and 31 December 2021. The sensitivity analysis is based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analysis may not be representative of an actual change in DBO as it is unlikely that changes in assumptions would occur in isolation of one another.

The weighted average duration of the end of service benefits plan obligation as at 31 December 2022 is 5.3 years (2021: 4.61 years). The expected maturity analysis is as follows (in thousands):

	Less than one year	**1–2 years**	**3-5 years**	**Over 5 years**	**Total**
31 December 2022	**31,477**	**33,018**	**66,491**	**189,101**	**320,087**
31 December 2021	28,059	30,363	56,357	157,562	272,341

20 Zakat

Charge for the year and status of assessments

Filing as part of the Parent Company:

From the year 2013, zakat returns are filed on a consolidated basis by the Parent Company. Accordingly, the Company's zakat charge for the year is initially calculated at the Parent Company level (on a consolidated basis) and then allocated to the Company by the Parent Company, if any. During the year, SAR 5.9 million (2021: 0.87 million) was allocated to the Company by the Parent Company in relation to the zakat charge for the year ended 31 December 2022.

Individual filing:

ZATCA has raised initial assessments for the year ended and up to 31 December 2011. The assessment for the years from 2012 has not yet been raised by ZATCA.

21 Revenue

	Note	2022	2021
Scheduled	21.1	**4,354,526,025**	2,505,123,025
Unscheduled		**285,927,455**	2,938,114
General aviation		**168,926,737**	165,315,060
		4,809,380,217	2,673,376,199

All amounts are in Saudi Riyals unless otherwise stated)

21 Revenue (continued)

Scheduled: relates to the main operation of passenger commercial flights that includes such as base fare, airport, fuel, admin surcharge and other ancillary revenue such as excess baggage, inflight meals, seat selection charges etc.

- - Unscheduled: the Company operates special flights for Hajj and Umrah passengers under service level agreement with Flynas Hajj and Umrah and other parties.

- General aviation: related to operations of charter flights under contract with parties, the contracts are based on trips or flying hours basis.

21.1 Geographical revenue analysis for scheduled passenger revenue

	2022	2021
International	**2,504,741,002**	1,057,187,864
Domestic	**1,817,242,450**	1,403,441,613
Other	**32,542,573**	44,493,548
	4,354,526,025	2,505,123,025

21.2 Performance obligations

The Company provides certain promises that are considered as a performance obligation. Key obligations in a customer contract are:

<u>Provision of transportation service</u>

Base Fare is charged to the customer for air transportation services provided by the Company to its passengers. Company mainly sells its tickets through its website and through Agents ('Passenger Sale Agent', 'PSA'). Currently, the Company recognizes base fare revenue when the performance obligation is satisfied i.e. flight has actually flown.

<u>Provision of ancillary services such as catering meals, excess baggage and other fee</u>

Ancillary Services Revenue consists of miscellaneous services provided by the Company to its customers (e.g. seat selection fee, baggage fee, infant fee, processing fee, meal fee, cancellation fee and change fee).

These services are provided along with the normal transportation service as an integrated service. The performance obligation is satisfied when the flight has flown.

The above obligations were considered to be integrated and hence delivery of services was considered a single performance obligation as:

- The customer could not benefit from the individual service on its own or together with other resources readily available;

- Although the promise to transfer the services was separately identifiable in the contract;

(a) The Company only provided such services in integration;

(b) The services significantly impacted and thus altered other promised services;

(c) The customer could not purchase only some of the services while omitting others.

22 Cost of revenue

	Note	2022	2021 (Restated)
Fuel costs		**1,432,543,489**	502,340,255
Landing, handling, and en-route charges		**871,622,019**	566,822,745
Salaries and related costs		**607,747,625**	457,662,555
Maintenance and other aircraft costs		**301,519,593**	186,547,595
Depreciation on right-of-use assets	5	**603,495,204**	506,761,786
Depreciation on equipment and fixtures	4	**48,772,989**	39,423,540
Rental expense	16	**195,066,019**	23,202,769
Commission and reservation systems expenses		**73,718,693**	39,912,681
Others	22.1	**78,647,061**	72,984,984
		4,213,132,692	2,395,658,910

22.1 Others primarily include insurance charges, utilities, and tax related charges.

All amounts are in Saudi Riyals unless otherwise stated)

23 Selling and marketing expenses

	2022	2021
Salaries and related expenses	**54,142,406**	49,649,287
Business development and promotion expenses	**45,742,882**	13,579,235
Collection charges	**37,885,806**	26,353,874
Customer service-related expenses	**7,011,321**	6,326,247
Professional fees	**2,943,304**	1,957,416
Others	**9,435,378**	5,302,037
	157,161,097	103,168,096

24 General and administrative expenses

	Note	2022	2021
Salaries and related expenses		**71,319,315**	67,371,167
Professional fees		**31,706,940**	30,839,192
Penalties		**2,387,355**	1,218,941
Depreciation on equipment and fixtures	4	**1,422,098**	2,134,917
Others		**14,204,758**	8,548,471
		121,040,466	110,112,688

25 Finance income

	2022	2021
Interest income on deposits with banks	**12,875,454**	87,079

26 Finance cost

	Note	2022	2021 (Restated)
Interest on lease liabilities	16	**137,588,552**	138,870,101
Interest on aircraft related provisions		**62,179,089**	17,664,613
Bank guarantee and commitment fee		**5,664,248**	2,097,445
Imputed interest on deposits and long-term payables		**9,831,882**	5,005,148
Interest on Murabaha Facility		**61,776,333**	-
Interest on SIDF loan	18	**-**	3,687,489
Others		**698,362**	432,057
		277,738,466	167,756,853

27 Other income

	2022	2021
VAT charges	**-**	36,800,824

28 Contingencies and Commitments

28.1 Commitments

The Company has entered into contracts with the aircraft manufacturer for the purchase of certain aircrafts. The remaining value of this contract is SAR 9,321 million (2021: SAR 11,986 million) excluding pre-delivery payments carried out as at the balance sheet date.

28.2 Contingencies

As at 31 December 2022, the Company has outstanding letters of credits and bank guarantees amounting to SAR 184.4 million (2021: SAR 29.8 million).

All amounts are in Saudi Riyals unless otherwise stated)

29 Financial instruments

Fair value measurement of financial instruments

Financial instruments comprise of financial assets and financial liabilities. All the financial assets and financial liabilities are carried at amortized cost.

Financial assets comprise of the following:

Financial statements line item	Note	IFRS 9 classification
Trade receivables and other receivables	29.1	Amortized cost
Cash and cash equivalents	29.1	Amortized cost
Deposits for aircraft	29.2	Amortized cost

Financial liabilities comprise of the following:

Financial statements line item	Note	IFRS 9 classification
Trade and other payables	29.1	Amortized cost
Lease liabilities	-	Amortized cost
Loans	29.3	Amortized cost

29.1 The management assessed that fair value of its financial instruments approximate their carrying amounts, largely due to the short-term maturities of these instruments, hence they are classified under level 3.

29.2 The fair value of the Company's long term security deposits for leases is SAR 53.97 million (2021: SAR 45.15 million) and are determined by applying the discounted cash flows method using discount rate that reflects the rate of return as at the end of the reporting period.

29.3 The fair value of the loan from SIDF is SAR 389.4 million (2021: SAR 297.9 million) and has been determined by applying the discounted cash flows method using discount rate that reflects the current rate of interest as at the end of the reporting period. The fair value of Murabaha Facility approximates its carrying value as at 31 December 2022.

30 Risk management of financial instruments

Risk management framework

The Company's principal financial liabilities comprise of loan from SIDF, Murabaha Facility, lease liabilities and trade and other payables while principal financial assets include trade and other receivable, deposits and cash and cash equivalents.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarized below:

The Company has exposure to the following risks arising from its financial instruments:

- Credit risk
- Liquidity risk
- Market rate risk

30.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is managed by the management as follows:

	Note	2022	2021
Cash at banks including time deposit	12	**1,187,226,979**	296,571,984
Trade receivables	10	**145,948,771**	104,543,451
Deposits to vendors	11	**55,945,710**	49,124,530
Contract assets	11	**3,598,737**	-
Other receivable	11	**4,389,418**	2,543,167
		1,397,109,615	452,783,132

The carrying amount of the above financial assets represent the maximum credit exposure.

All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Cash at bank

Credit risk on bank balances is limited as cash balances are held with banks having sound credit ratings as below:

Rating					
Banks	**Short term**	**Long term**	**Rating Agency**	**2022**	**2021**
Al Rajhi Bank - Time deposit	F2	A-	Fitch Ratings	**75,000,000**	-
Arab National Bank – Time deposit	F2	BBB+	Fitch Ratings	**400,000,000**	-
Banque Nationale de Algerie	-	-	-	**39,934,661**	326,407
Banque Saudi Fransi – Time deposit	F2	BBB+	Fitch Ratings	**226,296,074**	-
Banque Saudi Fransi – Bank balance	F2	BBB+	Fitch Ratings	**38,979,737**	5,000
Citi Bank	P-2	A3	Moody's	**16,812,483**	18,899,405
Emirates NBD Bank – Bank balance	F1	A+	Fitch Ratings	**73,704,729**	-
Saudi British Bank – Bank balance	F2	BBB+	Fitch Ratings	**68,616,994**	226,466,696
Saudi British Bank – Time deposit	F2	BBB+	Fitch Ratings	**187,500,000**	-
Saudi National Bank	F2	A-	Fitch Ratings	**28,108,634**	40,744,954
Others				**32,273,667**	10,129,522
				1,187,226,979	296,571,984

Trade receivable

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. Receivable of the Company is primarily concentrated in balances due from GACA (14% of gross trade receivable) and related parties (13% of Gross trade receivable) which has been disclosed in note 10.

The Company limits its exposure to credit risk from trade receivables by establishing a maximum payment period of one and three months for individual and corporate customers respectively.

In monitoring customer credit risk, customers are segmented according to their credit characteristics, including whether they are an individual or a legal entity, whether they are a wholesale, retail or end-user customer, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The Company manages credit risk with respect to receivables from customers by monitoring in accordance with defined policies and procedures. The Company seeks to limit its credit risk with respect to customers by setting credit limits for individual customers and by monitoring outstanding receivables on an ongoing basis. The receivable balances are monitored with the result that the Company's exposure to expected credit loss is not significant.

The Company applies the IFRS 9 simplified approach for measuring expected credit losses on trade receivables which uses a lifetime expected loss allowance for all financial assets measured at amortised cost and contract assets.

The expected loss rates are based on the payment profiles of trade receivables over a period of 36 months before each reported period and corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified GDP of KSA (the country in which it renders the services) to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Inputs into measurement of ECL

On that basis, the loss allowance as at 31 December 2022 and 31 December 2021 were determined as follows for trade and other receivables:

	December 31, 2022			December 31, 2021		
	Gross carrying amount	Expected credit loss rate	Loss allowance	Gross carrying amount	Expected credit loss rate	Loss allowance
Not due	**85,124,959**	**1%**	**1,918,129**	43,785,414	15%	6,712,223
Days past due						
1-90 days	**26,746,677**	**6%**	**1,604,801**	16,400,948	39%	6,363,781
91-180 days	**5,430,043**	**20%**	**1,086,009**	9,265,433	64%	5,945,060
180-360 days	**13,137,065**	**4%**	**525,483**	22,315,584	70%	16,637,340
360-720 days	**1,404,293**	**4%**	**56,172**	53,489,983	82%	46,001,385
+720 days	**91,878,853**	**79-100%**	**72,582,525**	121,752,074	90%-100%	80,806,196
	223,721,890		**77,773,119**	267,009,436		162,465,985

Impairment losses on trade receivables, if any, are presented as provision for expected credit losses within operating profit / loss. Subsequent recoveries of amounts previously written off, if any, are credited against the same line item.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Company's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Deposit for aircrafts

Deposit for aircraft is with lessors that have sound external credit ratings. The management believes that the ECL impact on such deposits is not material because the outstanding lease liabilities position held with such lessors are significantly higher than the respective deposits for such aircraft and there is no historical precedence of default on such deposits.

Deposits for vendor

Historically no default in relation to these deposits and the management believes that the impact of applying ECL on outstanding balance of deposit and other receivable is not material.

30.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation (Also refer note 2 about the management analysis of liquidity risk and financial support from the shareholder).

All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.2 Liquidity risk (continued)

The table below summarizes the undiscounted maturities of the Company's financial liabilities based on contractual payment dates.

	Up to 1 year	1 to 4 years	More than 4 years	Total
As at 31 December 2022				
Trade and other payables	**1,608,044,610**	**251,400,391**	**-**	**1,859,445,001**
Lease liabilities	**388,933,320**	**1,681,095,193**	**3,148,865,437**	**5,218,893,950**
Loans	**388,531,250**	**844,718,750**	**-**	**1,233,250,000**
	2,385,509,180	**2,777,214,334**	**3,148,865,437**	**7,201,663,951**

	Up to 1 year	1 to 4 years	More than 4 years	Total
As at 31 December 2021 (Restated)				
Trade and other payables	1,741,006,656	323,546,371	-	2,064,553,027
Lease liabilities	425,493,553	1,439,405,967	3,375,088,925	5,239,988,445
Loans	300,000,000	-	-	300,000,000
	2,466,500,209	1,762,952,338	3,375,088,925	7,604,541,472

Net debt reconciliation: (Restated)

	Cash and cash equivalents	Loans	Lease liabilities	Total
Net debt at 1 January 2021	435,407,400	294,201,478	1,651,357,673	2,380,966,551
Non-cash transactions	-	3,687,489	1,501,229,907	1,504,917,396
Net cash flows	(137,844,105)	-	(369,577,399)	(507,421,504)
Net debt at 31 December 2021	297,563,295	297,888,967	2,783,010,181	3,378,462,443
Net debt at 1 January 2022	**297,563,295**	**297,888,967**	**2,783,010,181**	**3,378,462,443**
Non-cash transactions		**1,977,231**	**1,214,342,986**	**1,216,320,217**
Net cash flows	**890,757,036**	**933,250,000**	**(365,644,441)**	**1,458,362,595**
Net debt at 31 December 2022	**1,188,320,331**	**1,233,116,198**	**3,631,708,726**	**6,053,145,255**

30.3 Market rate risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters. While optimizing the return. Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market profit rates or the market prices of securities due to change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of currency risk, interest rate risk and price risk.

Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is subject to fluctuations in foreign exchange rates in the normal course of its business. The Company uses foreign currencies, mainly US Dollar and Euro. The Company is not exposed to significant currency risk as the Saudi Riyal is pegged to the US Dollar and transactions denominated in other currencies are not considered to represent significant currency risk.

Interest rate risk

Interest rate risk is the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial position and cash flows. The Company does not have interest-bearing liabilities, such as bank borrowings, which are subject to re-pricing. Further, management monitors the changes in interest rates and believes that the interest rate risks to the Company are not significant.

All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.3 Market rate risk (continued)

Price risk

The Company is exposed to fuel price risk. The Company's fuel price risk management strategy aims to provide the airline with protection against sudden and significant increases in oil prices while ensuring that the airline is not competitively disadvantaged in a serious way in the event of substantial fall in the price of fuel.

The following table demonstrates the sensitivity of statement of income to a reasonably possible change in fuel prices, with all other variables held constant.

	Effect on total comprehensive income for the year ended	
	2022	**2021**
Increase / (decrease) in fuel prices		
+5%	**(71,627,174)**	(25,117,013)
-5%	**71,627,174**	25,117,013

30.4 Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a proper capital ratio in order to support its business and maximize shareholder's value. The Company is currently financed by equity and working capital.

The Company manages its capital structure and makes adjustment to it, considering changes in business and economic conditions or to respond to any financial covenants, if any. To maintain or adjust the capital structure, the Company may return capital to shareholder or issue new shares. No changes were made in the objectives, policies or process during the year ended 31 December 2022 and 2021. Total capital is calculated as "equity" as shown in the statement of financial position plus net debt. The company strategy was to maintain a gearing ratio within a range of 65% to 80%. The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022	**2021 (Restated)**
Trade and other payables	**1,847,574,701**	2,052,832,301
Contract liabilities	**195,686,132**	193,453,697
Loan	**1,233,116,198**	297,888,967
Less: cash and bank balances	**(1,188,320,331)**	(297,563,295)
Net debt	**2,088,056,700**	2,246,611,670
Shareholder's equity	**839,230,898**	677,453,892
Total capital	**2,927,287,598**	2,924,065,562
Gearing ratio	**71%**	77%

31 Related parties

Related parties represent the shareholders and key management personnel of the Company, and entities controlled or significantly influenced by such parties.

31.1 Transactions and balances with Key Management Personnel

For the purposes of the disclosure requirements of IAS 24 Related Party Disclosures, the term 'key management personnel' include those persons having the authority and responsibility for planning, directing, and controlling the activities of the Company, directly or indirectly, including any director of the Company.

	2022	**2021**
Transactions		
Short-term employee benefits	**35,471,629**	30,947,395
Retirement benefits	**2,130,424**	2,250,039
	37,602,053	33,197,434

All amounts are in Saudi Riyals unless otherwise stated)

31 Related parties (continued)

31.1 Transactions and balances with Key Management Personnel (continued)

Compensation of the Company's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan. The amounts disclosed in the table are the amounts recognized as an expense during the reporting period related to key management personnel.

During the normal course of its operations, the Company had the following significant transactions with related parties during the year ended 31 December 2022 and 2021 along with their balances. These transactions were entered into on mutually agreed terms.

31.2 Related party transactions:

Related party	Nature of transactions	2022	2021
Associate	Revenue – General aviation	**71,378,744**	55,932,824
An entity under common control	Revenue	**123,887,105**	35,946,347
An entity under common control	Cost of services	**7,915,676**	4,133,232

31.3 Related party balances:

	Note	Relationship	2022	2021
Amounts due from related parties				
Trade receivables	10			
NAS Private Aviation Company Limited - NAS Jet		Associate	**28,782,764**	-
KalAir International Limited		An entity under common control	**-**	45,353,357
KalAir Limited		An entity under common control	**-**	54,943,412
Kingdom Holding Company		Shareholder of the Parent	**199,578**	199,575
Others		An entity under common control	**559,675**	19,750,323
Total amount due from related parties			**29,542,017**	120,246,667
Amounts due to related parties				
Trade and other payables	15			
NAS Holding Company		Parent Company	**19,988,436**	-
NAS Private Aviation Company Limited - NAS Jet		Associate	**-**	7,257,610
KalAir Limited		An entity under common control	**4,519,712**	-
Others		An entity under common control	**822,350**	-
			25,330,498	7,257,610

Due from related parties includes SAR 0.76 million which is past due for more than 90 days and the Company has recognized SAR 0.51 million ECL provision against those balances. As at 31 December 2022, the provision against related parties balances amounted to SAR 0.51 million (2021: SAR 93.2 million). All such balances are unsecured.

31.4 The Parent Company and its subsidiaries referred to as "NAS Group", includes:

- National Air Services – NAS Holding Company
- Flynas Company
- Flynas Hajj & Umrah Company Limited
- NAS Aircraft Technical Services Company Limited (NAS Tech)
- NAS Private Aviation Company Limited (NAS Jet).

32 Dividend

There was no dividend approved declared during the current or prior year although a receivable balance was transferred to the Parent Company through retained earnings during the year for no consideration which has been disclosed in detail in note 37 to the financial statements.

33 New and amended standards and interpretations

33.1 New accounting standards and interpretations effective during the year

The following amendments became effective from 1 January 2022:

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

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

33.2 New accounting standards, amendments and interpretations not yet adopted by the Company

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2023 or later, and which the Company has not early adopted.

- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on July 15, 2020 and effective for annual periods beginning on or after 1 January 2023).

- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Company's financial statements.

34 Climate change impact

In preparing the financial statements, the Company has considered the impact of climate change, particularly in the context of the Kingdom's stated target of net zero carbon emissions by 2060. These considerations did not have a material impact on the financial reporting judgements and estimates in the current year. This reflects the conclusion that climate change is not expected to have a significant impact on the Company's short-term cash flows including those considered in the going concern and viability assessments.

The Company operates a fleet of modern and efficient Airbus A320-family Aircraft (New Engine Option technology). The "neo"-type aircraft (both A320 and A321 variants), are Airbus' new generation of narrow-body aircraft, replacing the "ceo"-type (Current Engine Option) variants of the same model. Equipped with CFM International's LEAP-1A engines, these new generation aircraft have at least a 15% proven fuel-burn efficiency over their previous generation aircraft and a 50% lower noise footprint during take-off and landing. The management strongly believes that this will have a positive impact in reducing carbon footprint of the Company.

35 Subsequent events

On 15 April 2024, the shareholders of NAS Holding Company (the "Parent Company") approved the distribution of its entire shareholding in Flynas to its shareholders based on their proportional ownership in the Parent Company. Consequently, Flynas ceased to have a controlling party.

Effective 14 May 2024, the 100% shareholding previously held by the Parent Company was transferred to its individual shareholders, resulting in the change of Flynas' legal status from a 'Single Person Joint Stock Company' to a 'Joint Stock Company'.

Furthermore, on 7 November 2024, the Company entered into an A330neo Purchase Agreement with Airbus S.A.S. for the acquisition of 15 A330 aircraft, with an option to purchase up to 15 additional aircraft.

36 Date of authorization

These financial statements were authorized for issue on 4 March 2025 by the Board of Directors of the Company.

37 Prior year adjustments and comparative information

Reason for reissuance (Adjustment 1)

These financial statements have been reissued because of a change in accounting policy relating to the distribution of non-cash assets to owners. During the year ended 31 December 2022, the Company transferred to its Parent Company for no consideration its receivable balance from National Flight Services Company (non-controlling shareholder of its Parent Company) in the sum of SAR 121,162,264. In the previously issued financial statements, this transfer was treated as a non-cash asset distribution to the Parent Company at fair value. Since the asset was controlled by the Parent Company before and after the distribution, IFRIC 17 ("Distributions of Non-cash Assets to Owners") was not applicable per paragraph 5 of IFRIC 17. At that time, the Company determined that, in the absence of specific IFRS guidance, an appropriate accounting policy needed to be developed under IAS 8 (paragraphs 10-12). The Company elected to apply IFRIC 17 by analogy and accounted for the distribution at fair value as is generally accepted accounting practice.

The receivable had previously been carried at SAR 28,115,913, net of an expected credit loss of SAR 93,046,351. In light of credit quality improvements during the year ended 31 December 2022 before the date of distribution, fair value at the date of distribution was determined to approximate the face value of SAR 121,162,264, and as such a gain on distribution of SAR 93,046,351 was recognized in profit or loss.

Following the recommendation of the Capital Market Authority (CMA) during the IPO process, the Company has changed its accounting policy, now treating the distribution at net book value instead of fair value. Therefore, these financial statements have been reissued to exclude the gain on the distribution, with the impact of this restatement described in the subsequent sections.

Other restatements (Adjustments 2, 3 and 4)

In addition to the reissuance matter described above, the 31 December 2022 financial statements previously issued contained restatements of the 2021 comparatives. These restatements are included in these financial statements since the 2021 financial statements have not been reissued (hereinafter referred to as '**Adjustment 2'**).

In addition, the 31 December 2023 issued financial statements had restatements of the 2022 figures. As part of this reissuance, these changes have been included within these reissued 2022 financial statements (hereinafter referred to as '**Adjustment 3'**).

Finally, besides the impact of the above adjustments, a gross up in the presentation of investing cash flows has been made in these reissued financial statements to conform with the presentation adopted in the 2024 condensed interim financial information for the three-month and nine-month month periods ended 30 September 2024 to ensure that all investing cash flows are reported gross (herein after referred to as '**Adjustment 4'**).

Throughout this note, the following nomenclature is used:

1. Figures included in the previously issued financial statements for the year ended 31 December 2022, hereinafter referred to as "**previously issued FS 2022**"; and

2. Figures included in the previously issued financial statements for the year ended 31 December 2021 hereinafter referred to as "**previously issued FS 2021**".

<u>Adjustment 2 details:</u>

During the year ended 31 December 2022, the Company changed its treatment of heavy maintenance expenditure on leased aircraft due to an error in the previous accounting policies. In previous years, the Company incorrectly expensed the refundable maintenance deposits payable to the lessor and did not recognize a separate provision for unavoidable heavy maintenance expenditure upon return of the planes. The Company is now treating any maintenance deposits payable to the lessor as assets and accounting separately for its return condition obligations under its aircraft leases in accordance with IAS 37. The Company now accounts for any unavoidable return condition costs as a liability on commencement of the lease with the debit side of the entry capitalized into the right-of-use asset. Major maintenance components of planes are separately identified and depreciated over their useful economic lives until the next major overhaul.

37 Prior year adjustments and comparative information (continued)

Other restatements (Adjustments 2, 3 and 4) *(continued)*

Adjustment 2 details: (continued)

Where necessary, adjustments were made in accordance with IAS 8 "Accounting policies, changes in accounting estimate and errors", as endorsed in the Kingdom of Saudi Arabia. As a result, management restated the comparatives to retrospectively adjust all prior year errors in the financial statements for the year ended 31 December 2022 as prior year restatements.

However, when this restatement was initially made, the return condition provisions were presented as part of lease liabilities rather than provisions. This additional presentational correction is described in Adjustment 3 immediately below.

Adjustment 3 details:

The financial statements for the year ended 31 December 2023 were previously restated to reflect the reclassification of certain amounts previously reported under 'Lease Liabilities' within non-current liabilities. These amounts were reclassified to 'Aircraft-Related Provisions' (bifurcated between current and non-current liabilities) on the statement of financial position as of 31 December 2022. This adjustment was made to align with the disclosure requirements of IAS 37 (Provisions, Contingent Liabilities, and Contingent Assets) and IAS 1 (Presentation of Financial Statements), which necessitate the separate presentation of provisions on the face of the statement of financial position. Additionally, this reclassification had a consequential impact on the statement of cash flows for the year ended 31 December 2021. Specifically, cash flows related to 'Aircraft-Related Provisions,' which were previously classified under financing cash flows, were reclassified to operating cash flows, ensuring consistency with the nature of the underlying transactions.

Adjustment 4 details:

In the previously issued 2022 financial statements, cash flows associated with the acquisition of equipment and fixtures, including pre-delivery payments and related refunds for aircraft, were presented on a net basis.

In the Reissued Financial Statements, these amounts have now been presented on a gross basis to comply with IAS 7.

The impact of all four adjustments have been incorporated as follows:

All amounts are in Saudi Riyals unless otherwise stated)

37 Prior year adjustments and comparative information (continued)

37.1 Statement of financial position as at 1 January 2021:

	As per previously issued FS 2021	Adjustment 2	As per previously issued FS 2022	Adjustment 3	As per reissued FS 2022
Right-of-use assets	1,758,367,834	415,193,070	2,173,560,904	-	**2,173,560,904**
Total non-current assets	4,492,487,030	415,193,070	4,907,680,100	-	**4,907,680,100**
Total assets	5,241,856,431	415,193,070	5,657,049,501	-	**5,657,049,501**
Lease liabilities	377,285,229	(70,858,942)	306,426,287	-	**306,426,287**
Aircraft related provisions	-			83,513,759	**83,513,759**
Total current liabilities	2,404,512,515	(70,858,942)	2,333,653,573	83,513,759	**2,417,167,332**
Lease liabilities	1,490,942,626	496,402,291	1,987,344,917	(642,413,531)	**1,344,931,386**
Aircraft related provisions	-			558,899,772	**558,899,772**
Total non-current liabilities	2,160,218,087	496,402,291	2,656,620,378	(83,513,759)	**2,573,106,619**
Total liabilities	4,564,730,602	425,543,349	4,990,273,951	-	**4,990,273,951**
Accumulated losses	(857,274,171)	(10,350,279)	(867,624,450)	-	**(867,624,450)**
Net equity	677,125,829	(10,350,279)	666,775,550	-	**666,775,550**

37.1.1 Statement of financial position as at 31 December 2021:

	As previously issued FS 2021	Adjustment 2	As per previously issued FS 2022	Adjustment 3	As per reissued FS 2022
Right-of-use assets	2,962,477,339	871,329,853	3,833,807,192	-	**3,833,807,192**
Total non-current assets	6,022,174,265	871,329,853	6,893,504,118	-	**6,893,504,118**
Total assets	6,560,078,410	871,329,853	7,431,408,263	-	**7,431,408,263**
Lease liabilities	333,001,069	(70,858,942)	262,142,127	-	**262,142,127**
Aircraft related provisions				147,719,177	**147,719,177**
Total current liabilities	2,560,689,390	(70,858,942)	2,489,830,448	147,719,177	**2,637,549,625**
Lease liabilities	2,765,588,748	983,464,311	3,749,053,059	(1,228,185,005)	**2,520,868,054**
Aircraft related provisions				1,080,465,828	**1,080,465,828**
Total non-current liabilities	3,280,659,612	983,464,311	4,264,123,923	(147,719,177)	**4,116,404,746**
Total liabilities	5,841,349,002	912,605,369	6,753,954,371	-	**6,753,954,371**
Accumulated losses	(815,670,592)	(41,275,516)	(856,946,108)	-	**(856,946,108)**
Net equity	718,729,408	(41,275,516)	677,453,892	-	**677,453,892**

All amounts are in Saudi Riyals unless otherwise stated)

37 Prior year adjustments and comparative information (continued)

37.1 Statement of financial position as at 1 January 2021: (continued)

37.1.2 Statement of financial position as at 31 December 2022:

	As previously issued FS 2022	Adjustment 3	As per reissued FS 2022
Lease liabilities	**401,216,907**	**-**	**401,216,907**
Aircraft related provisions	**-**	**100,750,056**	**100,750,056**
Total current liabilities	**2,611,048,093**	**-**	**2,611,048,093**
Lease liabilities	**4,936,030,479**	**(1,705,538,660)**	**3,230,491,819**
Aircraft related provisions	**-**	**1,604,788,604**	**1,604,788,604**
Total non-current liabilities	**6,197,816,611**	**(100,750,056)**	**6,097,066,555**
Total liabilities	**8,808,864,704**	**-**	**8,808,864,704**

37.2 Statement of profit or loss and other comprehensive income for the year ended 31 December 2021:

	As per previously issued FS 2021	Adjustment 2	Year ended 31 December 2021 per reissued FS 2022
Cost of revenue - Maintenance and other aircraft costs	(309,272,079)	122,724,484	(186,547,595)
Cost of revenue - Depreciation on right-of- use assets	(382,794,821)	(123,966,965)	(506,761,786)
Finance cost	(138,074,097)	(29,682,756)	(167,756,853)
Profit before zakat	51,650,009	(30,925,237)	20,724,772
Profit for the year	50,777,993	(30,925,237)	19,852,756
Total comprehensive income for the year	41,603,579	(30,925,237)	10,678,342

37.2.1 Statement of profit or loss and other comprehensive income for the year ended 31 December 2022:

	As per previously issued FS 2022	Adjustment 1	As per reissued FS 2022
Gain on transfer of assets to the owners	**93,046,351**	**(93,046,351)**	**-**
Operating profit	**535,580,504**	**(93,046,351)**	**442,534,153**
Profit before zakat	**270,717,492**	**(93,046,351)**	**177,671,141**
Profit for the year	**264,818,036**	**(93,046,351)**	**171,771,685**
Total comprehensive income for the year	**282,939,270**	**(93,046,351)**	**189,892,919**

37.3 Statement of changes in equity as at 1 January 2021:

	As per Previously issued FS 2021	Adjustment 2	As at 1 January 2021 per re issued FS 2022
Accumulated losses	(857,274,171)	(10,350,279)	(867,624,450)
Net equity	677,125,829	(10,350,279)	666,775,550

37.3.1 Statement of changes in equity as at 31 December 2022:

	As per previously issued FS 2022	Adjustment 1	As per reissued FS 2022
Profit for the year	**264,818,036**	**(93,046,351)**	**171,771,685**
Total comprehensive income for the year	**282,939,270**	**(93,046,351)**	**189,892,919**
Transfer of assets to the owners (note 10)	**(121,162,264)**	**93,046,351**	**(28,115,913)**
Accumulated losses	**(695,169,102)**	**-**	**(695,169,102)**
Net equity	**839,230,898**	**-**	**839,230,898**

All amounts are in Saudi Riyals unless otherwise stated)

37 Prior year adjustments and comparative information (continued)

37.4 Statement of cash flows for the year ended 31 December 2021:

	As per Previously issued FS 2021	Adjustment 3	As previously issued FS 2022	Adjustment 3	Adjustment 4	As at 31 December 2021 per Reissued FS 2022
Cash flows from operating activities						
Profit for the year before zakat	51,650,009	(30,925,237)	20,724,772	-		20,724,772
Adjustments for:						
Depreciation on right-of-use assets	382,794,821	123,966,965	506,761,786	-		506,761,786
Finance cost	138,074,097	29,682,756	167,756,853	-		167,756,853
	552,104,907	122,724,484	674,829,391	-		674,829,391
Changes in operating assets and liabilities:						
Aircraft related provisions	-	-	-	(83,513,759)		625,657,783
Net cash flows generated from operating activities	709,171,542	-	-	(83,513,759)		625,657,783
Cash flows from investing activities						
Acquisition of equipment and fixtures excluding pre-delivery payments	-	-	-	-	(108,322,429)	(108,322,429)
Pre-delivery payments made for aircraft	-	-	-	-	(417,750,000)	(417,750,000)
Refund of pre-delivery payments for aircraft	-	-	-	-	160,500,000	160,500,000
Net cash flows generated from (used in) investing activities	(234,860,273)	-	(234,860,273)	-	-	(234,860,273)
Cash flows used in financing activities						
Payment of lease liabilities	(360,049,430)	(93,041,728)	(453,091,158)	83,513,759		(369,577,399)
Finance cost paid	(129,381,460)	(29,682,756)	(159,064,216)			
Net cash flows used in financing activities	(489,430,890)	(122,724,484)	(612,155,374)	83,513,759		(528,641,615)
Net change in cash and cash equivalents	(137,844,105)	-	(137,844,105)	-		(137,844,105)
Cash and cash equivalents at beginning of the year	435,407,400	-	435,407,400	-		435,407,400
Cash and cash equivalents at end of the year	297,563,295	-	297,563,295	-		297,563,295

All amounts are in Saudi Riyals unless otherwise stated)

37 Prior year adjustments and comparative information (continued)

37.4 Statement of cash flows for the year ended 31 December 2021: (continued)

37.4.1 Statement of cash flows for the year ended 31 December 2022:

	As per previously issued FS 2022	Adjustment 1	Adjustment 3	Adjustment 4	As per Reissued FS 2022
Cash flows from operating activities					
Profit for the year before zakat	270,717,492	(93,046,351)	-		177,671,141
Adjustments for:					
Gain on transfer of assets to the owners	(93,046,351)	93,046,351	-		-
Changes in operating assets and liabilities:					
Aircraft related provisions	-	-	(188,900,910)		(188,900,910)
Net cash flows generated from operating activities	711,154,514	-	(188,900,910)		522,253,604
Cash flows from investing activities					
Acquisition of equipment and fixtures excluding pre-delivery payments	-	-		(222,885,064)	(222,885,064)
Pre-delivery payments made for aircraft	-	-		(436,500,000)	(436,500,000)
Refund of pre-delivery payments for aircraft	-	-		545,625,000	545,625,000
Net cash flows generated from (used in) investing activities	17,675,291	-	-	-	17,675,291
Cash flows used in financing activities					
Payment of lease liabilities	(554,545,351)	-	188,900,910		(365,644,441)
Net cash flows used in financing activities	161,927,231	-	188,900,910		350,828,141
Net change in cash and cash equivalents	890,757,036	-	-		890,757,036
Cash and cash equivalents at beginning of the year	297,563,295	-	-		297,563,295
Cash and cash equivalents at end of the year	1,188,320,331	-	-		1,188,320,331