FLYNAS COMPANY
(A Joint Stock Company)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
AND INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the shareholders of Flynas Company

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Flynas Company (the "Company") as at December 31, 2024, 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 financial statements comprise:

- the statement of financial position as at December 31, 2024;
- 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 financial statements, comprising material accounting policy information 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 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 financial statements and we have fulfilled our other ethical responsibilities in accordance with the Code's requirements.

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

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

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

Responsibilities of management and those charged with governance for the financial statements (continued)

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with International Standards on Auditing, that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of 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 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.

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers

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محاسبون قانونيون
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CERTIFIED PUBLIC ACCOUNTS
C.R.: 1010371622

Waleed A Alhidiri
License Number 559

April 22, 2025

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

	Note	As at December 31,	
		2024	**2023**
Assets			
Non-current assets			
Intangible asset	7	**2,000,000,000**	2,000,000,000
Equipment and fixtures	5	**1,537,308,381**	1,167,563,711
Right-of-use assets	6	**7,830,739,267**	7,676,084,867
Deposits for aircraft	9	**37,500,760**	55,269,056
Total non-current assets		**11,405,548,408**	10,898,917,634
Current assets			
Stores and spares	8	**2,596,940**	3,171,659
Deposits for aircraft	9	**9,063,750**	36,136,390
Trade receivables	10	**238,566,986**	299,667,603
Prepayments and other current assets	11	**117,381,671**	120,029,722
Bank deposits	12	**56,250,000**	56,250,000
Cash and cash equivalents	12	**1,700,326,378**	1,450,488,399
Total current assets	2.2	**2,124,185,725**	1,965,743,773
Total assets		**13,529,734,133**	12,864,661,407
Equity and liabilities			
Equity			
Share capital	13	**1,534,250,000**	1,534,250,000
Statutory reserves	14	**43,500,959**	150,000
Retained earnings / (Accumulated losses)		**65,295,300**	(308,282,478)
Total / Net equity		**1,643,046,259**	1,226,117,522
Liabilities			
Non-current liabilities			
Trade and other payables	15	**-**	123,972,663
Lease liabilities	16	**5,305,802,553**	4,984,401,959
Aircraft related provisions	17	**3,099,020,390**	2,666,603,385
Loans	19	**100,743,750**	425,231,250
Employees' end of service benefits liabilities	20	**267,868,028**	231,501,803
Total non-current liabilities		**8,773,434,721**	8,431,711,060
Current liabilities			
Trade and other payables	15	**1,558,341,586**	1,754,490,601
Lease liabilities	16	**507,661,044**	540,647,907
Aircraft related provisions	17	**297,794,229**	157,015,745
Loans	19	**324,487,500**	419,487,500
Contract liabilities	18	**424,968,794**	335,191,072
Total current liabilities	2.2	**3,113,253,153**	3,206,832,825
Total liabilities		**11,886,687,874**	11,638,543,885
Total equity and liabilities		**13,529,734,133**	12,864,661,407

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

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

	Note	Year ended December 31, 2024	2023
Revenue	22	**7,556,068,990**	6,362,172,495
Cost of revenue	23	**(6,087,565,506)**	(5,456,371,017)
Gross profit		**1,468,503,484**	905,801,478
Selling and marketing expenses	24	**(252,169,264)**	(196,745,521)
General and administrative expenses	25	**(257,828,584)**	(114,895,482)
Provision for expected credit losses	10.1, 11.1	**(26,311,879)**	(15,437)
Gain on sale of equipment and fixtures	5.2.1	**130,670,897**	283,165,113
Net foreign exchange loss		**(17,753,376)**	(8,281,593)
Operating profit		**1,045,111,278**	869,028,558
Finance income	26	**104,514,865**	51,887,547
Finance cost	27	**(692,933,934)**	(503,021,183)
Profit before zakat		**456,692,209**	417,894,922
Zakat expense	21	**(23,182,615)**	(16,548,826)
Profit for the year		**433,509,594**	401,346,096
Other comprehensive (loss) / income			
Items that will not to be reclassified to statement of income in subsequent periods:			
Remeasurement (loss) income on employees' end of service benefits liabilities	20.4	**(16,580,857)**	(14,459,472)
Total comprehensive income for the year		**416,928,737**	386,886,624
Earnings per share from profit attributable to the shareholders			
Basic and diluted earnings per share	34	**2.99**	2.77

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

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

	Share capital	Statutory reserves	(Accumulated losses) / Retained earnings	Net equity
At January 1, 2023	1,534,250,000	150,000	(695,169,102)	839,230,898
Profit for the year	-	-	401,346,096	401,346,096
Other comprehensive loss for the year	-	-	(14,459,472)	(14,459,472)
Total comprehensive income for the year	-	-	386,886,624	386,886,624
At December 31, 2023	1,534,250,000	150,000	(308,282,478)	1,226,117,522
At January 1, 2024	**1,534,250,000**	**150,000**	**(308,282,478)**	**1,226,117,522**
Profit for the year	**-**	**-**	**433,509,594**	**433,509,594**
Other comprehensive loss for the year	**-**	**-**	**(16,580,857)**	**(16,580,857)**
Total comprehensive income for the year	**-**	**-**	**416,928,737**	**416,928,737**
Transfer to statutory reserve	-	43,350,959	**(43,350,959)**	-
At December 31, 2024	1,534,250,000	43,500,959	65,295,300	1,643,046,259

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

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

	Note	Year ended December 31, 2024	2023
Cash flows from operating activities			
Profit for the year before zakat		**456,692,209**	417,894,922
Adjustments for:			
Depreciation on equipment and fixtures	5	**48,251,345**	63,787,323
Depreciation on right-of-use assets	6	**1,084,686,363**	726,927,683
Provision for employees' end of service benefits liability	20.4	**43,495,296**	35,135,698
Finance income	26	**(104,514,865)**	(51,887,547)
Finance cost	27	**692,933,934**	503,021,183
Gain on sale of equipment and fixtures	5.2.1	**(130,670,897)**	(283,165,113)
Provision for expected credit losses	10.1, 11.1	**26,311,879**	15,437
		2,117,185,264	1,411,729,586
Operating cash flows before working capital changes			
Stores and spares		**574,719**	317,927
Deposits for aircraft		**44,840,906**	1,469,897
Trade receivables		**34,788,739**	(153,734,269)
Prepayments and other current assets		**2,648,051**	(30,785,060)
Trade and other payables		**(348,645,027)**	(1,089,150)
Aircraft related provisions		**(61,984,436)**	(100,750,057)
Contract liabilities		**89,777,722**	139,504,940
Operating cash flows generated after changes in working capital		**1,879,185,938**	1,266,663,814
Employees' benefits paid	20.4	**(23,709,928)**	(13,333,654)
Finance income received		**71,615,317**	51,887,547
Net cash flows generated from operating activities		**1,927,091,327**	1,305,217,707
Cash flows from investing activities			
Acquisition of equipment and fixtures excluding pre-delivery payments		**(165,824,580)**	**(199,114,681)**
Pre-delivery payments made for aircraft		**(549,787,500)**	**(310,125,000)**
Refund of pre-delivery payments for aircraft		**240,750,000**	**370,500,000**
Net cashflows associated with acquisition of equipment and fixtures		**(474,862,080)**	(138,739,681)
Investment in bank deposits		**-**	(56,250,000)
Proceeds from manufacturer credits and the sale of equipment and fixtures		**133,084,431**	268,639,676
Net cash flows (used in) / generated from investing activities		**(341,777,649)**	73,649,995
Cash flows from financing activities			
Payment of lease liabilities - principal element	16	**(453,975,655)**	(413,709,047)
Repayment of loan	30.2	**(419,487,500)**	(388,397,448)
Finance cost paid		**(462,012,544)**	(314,593,139)
Net cash flows used in financing activities		**(1,335,475,699)**	(1,116,699,634)
Net increase in cash and cash equivalents		**249,837,979**	262,168,068
Cash and cash equivalents at the beginning of the year		**1,450,488,399**	1,188,320,331
Cash and cash equivalents at the end of the year	12	**1,700,326,378**	1,450,488,399

Supplemental non-cash transactions during the year:

	Note	2024	2023
Additions to right-of-use assets	6	**1,205,144,145**	3,352,899,557
Modification to right-of-use assets and lease liabilities	6,16	**34,196,618**	-
Additions to lease liabilities	16	**708,192,768**	2,307,050,187

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

(All amounts are in Saudi Riyals unless otherwise stated)

1 Corporate information

Flynas Company – A 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. The accompanying financial statements includes the accounts of the Company and its following branches:

Sr.No.	CR Number	Type of Branch	Location
1	4030298201	Domestic	Jeddah
2	4031102209	Domestic	Makkah
3	4650083751	Domestic	Al Madinah
4	78989	International	Egypt
5	902689	International	Turkey
6	16/00-0999920 C18	International	Algeria
7	17070	International	Morocco
8	1009004882	Domestic	Riyadh

Pursuant to the Ministry of Commerce and Investment Resolution No. Q/161 dated 02 Jumada AlThani 1438H (corresponding to 1 March 2017), the Company has been converted from a Limited Liability Company to a Single Person Joint Stock Company. Whereby National Air Services – NAS Holding Company owned 100% of the share capital of the Company and is the Ultimate Controlling Party.

On 15 April 2024, the shareholders of NAS Holding Company approved the distribution of its entire shareholding in Flynas to its shareholders based on their proportional ownership in the NAS Holding Company. Consequently, Flynas ceased to have a controlling party. Effective 14 May 2024, the 100% shareholding previously held by NAS Holding 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'.

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

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

2 Basis of preparation

2.1 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.

2.2 Going concern

As at December 31, 2024, the Company had net current liabilities of SAR 970 million (2023: SAR 1,241 million). While this position could suggest liquidity pressure, the Company has consistently demonstrated profitability and positive operating cash flows since 2021. For the year ended December 31, 2024, the Company earned a profit of SAR 433.5 million (2023: SAR 401.3 million), significantly improving retained earnings to SAR 65.3 million (2023: accumulated losses of SAR 308.3 million).

Furthermore, the net current liability position would improve substantially if contract liabilities of SAR 425 million comprising customer advances expected to convert to revenue in subsequent periods are considered.

Note 30 to the financial statements details the Company's policies for managing capital, liquidity, and financial instrument risks.

The Company also maintains access to an undrawn Murabaha Facility amounting to SAR 1.4 billion (refer to note 19 and note 36), which further enhances its liquidity position. Based on these factors, the Board of Directors is confident that the Company has adequate resources to continue as a going concern for the foreseeable future. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

2 Basis of preparation (continued)

2.3 Historical cost convention

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

2.4 Basis of measurement

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

3 Material accounting policies

3.1 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 right at the end of the reporting period 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.

3.2 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 3.14 and 3.22.

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 5.1.

3 Material accounting policies (continued)

3.2 Equipment and fixtures (continued)

An item of equipment and fixtures is tested for impairment if any indicator is identified. Refer to note 3.11 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.

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.

3.3 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 profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment either annually or whenever there is an indication that the intangible asset may be impaired, 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 when the asset is derecognized.

3.4 Financial instruments

3.4.1 Financial assets

Classification

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.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.1 Financial assets (continued)

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.

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 360 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 720 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.

3.4.2 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.

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.

3 Material accounting policies (continued)

3.4 Financial instruments (continued)

3.4.3 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.

3.5 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 30 to these financial statements.

3.6 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.

3.7 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.

3.8 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.

3.9 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.

3 Material accounting policies (continued)

3.10 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.

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.

3.11 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.

3 Material accounting policies (continued)

3.11 Impairment of non-financial assets (continued)

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.

3.12 Revenue recognition

The Company revenue consists of three types of revenue streams: Flynas LCC, Flynas Hajj & Umrah and Flynas 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.

Flynas LCC:

Flynas LCC 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 miles 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 miles can only be utilized to book flights in the future.

The Company accounts for Nas miles 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 programme" within contract liability. The fair value is determined using estimation techniques that take into account the fair value of Nas miles 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 Flynas LCC revenue services on the redemption of the miles accrued.

3 Material accounting policies (continued)

3.12 Revenue recognition (continued)

Flynas Hajj & Umrah:

Special flights for Hajj Season

A part of Flynas Hajj & Umrah revenue relates to the revenue from the operation of special flights for Hajj under the agreements 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 agreements and excludes amounts collected on behalf of third parties.

The revenue is recognized as the contracted flights occur as per the agreements. Typically, the payment for such services are received in advance and the duration of services provided coincides with the Hajj Season. As such there is no significant financing component in these arrangements.

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 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.

Flynas General Aviation:

The Flynas 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 Flynas LCC services.

3 Material accounting policies (continued)

3.12 Revenue recognition (continued)

Principal vs agent (continued)

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

The Company has applied the practical expedients under IFRS 15 in relation to determining the existence of a significant financing component as the period between the payment for services and the delivery of services and is less than 12 months. In relation to the incremental costs incurred by the Company to obtain a contract such as credit card fees, channels fees, transaction fees. The Company has applied the practical expedient under IFRS 15 and expensed these costs as incurred.

3.13 Contract liabilities

Contract liabilities mainly represents unutilized tickets, customer loyalty miles from the frequent flyer program and deposit from customers. For more information refer to Note 3.12

3.14 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 and depreciated over the lease term.

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 6.2. 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.

The Company 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. Refer to note 4.1.4 for more details.

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 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.

3 Material accounting policies (continued)

3.14 Leases (continued)

General Lease Accounting (continued)

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.

Sale and leaseback 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.

3 Material accounting policies (continued)

3.15 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 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.

Loans are classified as current liabilities unless, at the end of the reporting period, the Company has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the Company is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the Company is required to comply with after the reporting period do not affect the classification at the reporting date.

3.16 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.

3.17 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 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.

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.

3.18 Zakat

The Company is subject to zakat in accordance with the regulations of the Zakat, Tax and Customs Authority ("ZATCA"). Zakat, for the Company is calculated based on higher of approximate zakat base and adjusted profit and charged to the statement of profit or loss. Additional amounts, if any, are accounted for when determined to be required for payment.

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

3.19 Statutory reserve

In accordance with the Companies Law prior to its amendment and the Company's Bylaws, the Company was historically required to allocate 10% of its annual net income to a statutory reserve, until such reserve reached 30% of the Company's capital. Although the amended Companies Law, effective January 2023, has removed the mandatory requirement to establish a statutory reserve, it continues to permit companies to voluntarily create reserves in accordance with their Bylaws and with the approval of the general assembly. Accordingly, the Company, in line with its existing Bylaws , has elected to continue setting aside 10% of its net income as a statutory reserve. This approach remains consistent with the current legal framework. The reserve will continue to be presented within equity until such time as the Company formally amends its Bylaws or resolves otherwise through the general assembly.

3 Material accounting policies (continued)

3.20 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.

3.21 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.

3.22 Routine maintenance and 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 3.14 for details relating to heavy maintenance expenditures.

3.23 Selling and marketing, general and administrative expenses

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

3.24 Interest income or expense

For all financial instruments measured at amortized cost, interest income or expense is recorded using the 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 and interest expense is included as finance cost in the statement of profit or loss.

3.25 Government grants

Government grants that compensate the Company for expenses incurred are recognised in the statement of profit or loss on a systematic basis in the periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivable.

3.26 Segmental Reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Company's relevant business heads (Chief Operating Decision Makers "CODM") which in the Company's case is to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Company's CODM include three operating segments, being its Flynas LCC, Flynas Hajj & Umrah and Flynas General Aviation. Segment results that are reported to the Company's CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The CODM assesses the performance of the business based on the three operational segments and the resource allocation decisions are based on their performance for the relevant period, with the objective in making these resource allocation decisions being to optimize financial results.

Refer to note 22 for details relating to segmental reporting.

3 Material accounting policies (continued)

3.27 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year including the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

4 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.

4.1 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.

4.1.1 Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue its business for the foreseeable future. The management has carried out a sensitivity on the resources disclosed in note 2.2 on which it has based its judgment. The management believes that reasonable changes in the resources will not significantly affect the Company's ability to continue as a going concern.

Except as stated in note 2.2 of these financial statements, the management is not aware of any material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

4.1.2 Useful life of AOC

During 2015, NAS Holding 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 five years and is renewable at the time of expiry 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 7.

4.1.3 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.

4 Significant accounting judgments, estimates and assumptions (continued)

4.1 Judgments (continued)

4.1.3 Control on aircraft in a sale and leaseback transactions (continued)

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.

4.1.4 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 3.14.

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.

4.2 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 7.

(All amounts are in Saudi Riyals unless otherwise stated)

4 Significant accounting judgments, estimates and assumptions (continued)

4.2 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. Should the assumptions change by 5%, this will cause a change in the carrying value of the provision and the right of use of assets recognised by SAR 159.1 million (2023: SAR 141.2 million) and SAR 111.7 million (2023: SAR 111.5 million) respectively.

(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.

If the discount rate changes by 5%, this will cause a change in the right-of-use of assets by SAR 50 million (2023: SAR 49 million) and the aircraft related provisions by SAR 74.7 million (2023: SAR 62.1 million).

(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.

During the year, the Company recorded gains on sale and leaseback transactions of SAR 130.67 million (2023: SAR 283.1 million) partially due to adjustment of off-market elements in leases and cash credit from OEMs. If the fair value of the aircraft reduce by 10%, the gain on sale and leaseback transactions would change by SAR 45.7 million (2023: SAR 99.1 million).

5 Equipment and fixtures

	Note	**2024**	2023
Equipment and fixtures	5.2	**649,821,824**	561,477,662
Capital work in progress (CWIP)	5.3	**887,486,557**	606,086,049
		1,537,308,381	1,167,563,711

5 Equipment and fixtures (continued)

5.1 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

* Aircraft equipment consists of owned spare engines, rotable and repairable spare parts.

(All amounts are in Saudi Riyals unless otherwise stated)

5 Equipment and fixtures (continued)

5.2 Equipment and fixtures

	Note	Aircraft and Aircraft equipment	Modification on leased aircraft and leasehold improvements	Furniture and fixtures	Total
Net book value as at January 1, 2023		394,696,617	34,172,340	1,731,954	430,600,911
Cost					
As at January 1, 2023		829,032,741	87,055,031	18,337,157	934,424,929
Additions		3,712,536,555	-	5,447,744	3,717,984,299
Disposals	5.2.1	(3,715,200,587)	-	-	(3,715,200,587)
Transfers from CWIP	5.3	189,240,362	-	2,640,000	191,880,362
At December 31, 2023		1,015,609,071	87,055,031	26,424,901	1,129,089,003
Accumulated depreciation					
As at January 1, 2023		434,336,124	52,882,691	16,605,203	503,824,018
Charge for the year		56,508,025	4,774,565	2,504,733	63,787,323
At December 31, 2023		490,844,149	57,657,256	19,109,936	567,611,341
Net book value as at December 31,2023		524,764,922	29,397,775	7,314,965	561,477,662

	Note	Aircraft and Aircraft equipment	Modification on leased aircraft and leasehold improvements	Furniture and fixtures	Total
Net book value as at January 1, 2024		**524,764,922**	**29,397,775**	**7,314,965**	**561,477,662**
Cost					
As at January 1, 2024		**1,015,609,071**	**87,055,031**	**26,424,901**	**1,129,089,003**
Additions		**1,200,197,044**	**-**	**3,700,155**	**1,203,897,199**
Disposals	5.2.1	**(1,196,784,345)**	**-**	**-**	**(1,196,784,345)**
Transfers from CWIP	5.3	**128,732,119**	**-**	**750,534**	**129,482,653**
At December 31, 2024		**1,147,753,889**	**87,055,031**	**30,875,590**	**1,265,684,510**
Accumulated depreciation					
As at January 1, 2024		**490,844,149**	**57,657,256**	**19,109,936**	**567,611,341**
Charge for the year		**39,556,991**	**4,687,599**	**4,006,755**	**48,251,345**
At December 31, 2024		**530,401,140**	**62,344,855**	**23,116,691**	**615,862,686**
Net book value as at December 31,2024		**617,352,749**	**24,710,176**	**7,758,899**	**649,821,824**

* Included within Aircraft and Aircraft equipment are aircraft purchased and immediately disposed amounting to SAR 1.2 billion (2023: SAR 3.71 billion) relating to sale and leaseback transactions, refer to 5.2.1 for more details. As at 31 December 2024 and 2023, the Company does not have any owned aircraft.

(All amounts are in Saudi Riyals unless otherwise stated)

5 Equipment and fixtures (continued)

5.2 Equipment and fixtures (continued)

Depreciation expense breakup	2024	2023
Cost of revenue (note 23)	**44,244,590**	61,282,590
General and administrative expenses (note 25)	**4,006,755**	2,504,733
	48,251,345	63,787,323

5.2.1 Sale and leaseback arrangements

During the year, the Company has entered into sale and lease back transaction for newly delivered aircraft that resulted in a cumulative gain of SAR 131 million (2023: SAR 283 million) that was recognized in the statement of profit or loss.

5.3 Capital work in progress

Capital work in progress as at December 31, 2024 and 2023 consists of advances paid in respect of pre-delivery payment of aircraft amounting to SAR 842.6 million (2023: SAR 534.8 million) and a spare engine amounting to SAR 25.1 million (2023: SAR 65.8 million).

5.3.1 Movement in CWIP

	2024	2023
January 1,	**606,086,049**	647,485,005
Additions	**651,633,161**	520,981,406
Refunds of Predelivery payments	**(240,750,000)**	(370,500,000)
Transfers to equipment and fixtures	**(129,482,653)**	(191,880,362)
December 31,	**887,486,557**	606,086,049

6 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.

	2024	2023
January 1,	**7,676,084,867**	5,050,112,993
Additions	**1,205,144,145**	3,352,899,557
Modifications	**34,196,618**	-
Depreciation	**(1,084,686,363)**	(726,927,683)
December 31,	**7,830,739,267**	7,676,084,867

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

	Aircraft	Leasehold buildings	Maintenance assets and redelivery cost	Total
As at January 1, 2023	3,889,562,614	89,871,634	1,070,678,745	5,050,112,993
Additions, net	1,959,339,998	10,736,598	1,382,822,961	3,352,899,557
Depreciation	(475,838,352)	(23,241,530)	(227,847,801)	(726,927,683)
At December 31, 2023	5,373,064,260	77,366,702	2,225,653,905	7,676,084,867

	Aircraft	Leasehold buildings	Maintenance assets and redelivery cost	Total
As at January 1, 2024	**5,373,064,260**	**77,366,702**	**2,225,653,905**	**7,676,084,867**
Additions, net	**762,907,716**	**2,497,051**	**439,739,378**	**1,205,144,145**
Modifications	**34,196,618**	**-**	**-**	**34,196,618**
Depreciation	**(632,937,959)**	**(21,186,872)**	**(430,561,532)**	**(1,084,686,363)**
At December 31, 2024	**5,537,230,635**	**58,676,881**	**2,234,831,751**	**7,830,739,267**

(All amounts are in Saudi Riyals unless otherwise stated)

6 Right-of-use assets (continued)

6.2 Useful life

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

Component	Nature of the component	Number of years, hours, or cycles
Airframe	The structural frame of the aircraft is fully obligated and provided for on commencement of the lease as part of the airframe checks.	Life of the lease, typically 12 years
Landing Gear components	Landing gear provides a suspension system during taxi, take-off and landing.	10 years
Engine Performance	Engine performance is required to be assessed and maintained over the flight hours.	12,000 engine flight hours or period of lease, whichever is shorter
Auxiliary Power Unit (APU)	APU is a small gas turbine engine mounted in the tail cone of an aircraft to provide autonomous electrical and mechanical power. It is maintained over the flight hours.	7,500 engine flight hours or period of lease, whichever is shorter
Engine Life Limited parts (Engine LLP)	Engine LLP are rotors and major static structural parts whose primary failure is likely to result in a hazardous engine effect. Typically, engine life-limited parts include, but are not limited to disks, spacers, hubs, shafts, high-pressure casings, and non-redundant mount components. They are required to be replaced after a specified engine cycles.	20,000 engine cycles or period of lease, whichever is shorter

7 Intangible asset

During 2015, pursuant to approval from the NAS Holding Company's Board of Directors and its shareholders, the NAS Holding 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 judgment note 4.1.2 on useful life of AOC).

Based on the annual impairment assessment, the management concluded that there is no impairment required as the recoverable 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 7.1 below:

7.1 Valuation method

The recoverable amount of the AoC has been determined using the fair value less costs of disposal approach, as this yielded an amount higher than its carrying value.

The Company has consistently applied the fair value less cost of disposal approach to assess the impairment of AOC. The fair value was based on the 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 Greenfield approach is based on a build up profile from inception, considering the historical performance of Flynas, a regional low cost carrier and general estimates for low cost carriers in the aviation industry, to the extent possible.

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

7 **Intangible asset** (continued)

7.1 **Valuation method** (continued)

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

Cash flow 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 Growth Model.

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 16% to 17%.

Terminal Growth Rate (TGR) used to extrapolate cash flows beyond forecast period

This TGR has been determined based on the long-term inflation forecast of the Kingdom of Saudi Arabia and the terminal growth rate used was at 2.7%. The TGR is consistent with forecasts included in industry reports.

Sensitivity analysis as at 31 December 2024

The recoverable amount calculated by the above-mentioned approach exceeds the carrying amount by SAR 1,019 million. 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%**	**600**
Decrease in passenger yield	**5%**	**919**
Decrease in load factor*	**5%**	**675**
Decrease in Terminal Growth Rate	**1%**	**206**

* *5% decrease (starting and cap)*

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

8 **Stores and spares**

	Note	**2024**	2023
Stores and spares		**8,025,370**	9,674,921
Less: Provision for obsolescence	8.1	**(5,428,430)**	(6,503,262)
		2,596,940	3,171,659

(All amounts are in Saudi Riyals unless otherwise stated)

8 Stores and spares (continued)

8.1 Movement in provision for obsolescence

	2024	2023
January 1,	**6,503,262**	8,384,000
Utilized during the year	**(1,074,832)**	(1,880,738)
December 31,	**5,428,430**	6,503,262

9 Deposits for aircraft

	2024	2023
Non-current portion	**37,500,760**	55,269,056
Current portion	**9,063,750**	36,136,390
	46,564,510	91,405,446

Credit risk for deposits in aircraft is disclosed in note 31.1.

10 Trade receivables

	Note	**2024**	2023
Third party customers		**328,681,246**	286,087,072
Related parties	31.3	**-**	91,369,087
Allowance for expected credit losses	10.1	**(90,114,260)**	(77,788,556)
		238,566,986	299,667,603

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

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

Movement in allowance for expected credit losses on trade receivables:

	2024	2023
January 1,	**77,788,556**	77,773,119
Provision for expected credit losses	**12,325,704**	15,437
December 31,	**90,114,260**	77,788,556

Note 30.1 to the financial statements includes credit risk disclosures.

11 Prepayments and other current assets

	Note	**2024**	2023
Receivable from National Air Services, net – NAS Holding Company	11.1	**28,325,381**	24,693,355
Progress payments for aircraft maintenance expenditure		**-**	8,078,454
Deposits to vendors	11.2	**42,972,581**	44,578,563
Advances to suppliers		**22,906,439**	18,750,614
Prepayments		**5,704,354**	9,661,074
Contract assets		**11,573,336**	8,226,298
Other receivables		**5,899,580**	6,041,364
		117,381,671	120,029,722

11.1 This balance includes a provision for expected credit losses amounting to SAR 14 million charged during the year.

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

Note 30.1 to the financial statements includes credit risk disclosures.

(All amounts are in Saudi Riyals unless otherwise stated)

12 Cash and cash equivalents and bank deposits

	2024	2023
Cash in hand	**1,193,798**	1,208,053
Cash at banks	**439,132,580**	490,442,913
Bank deposits	**1,260,000,000**	958,837,433
Cash and cash equivalents	**1,700,326,378**	1,450,488,399
Bank deposits - with original maturity of more than 3 months	**56,250,000**	56,250,000
Cash and cash equivalents and bank deposits	**1,756,576,378**	1,506,738,399

13 Share capital

As at December 31, 2024 and 2023, the authorized, issued and fully paid share capital of the Company consists of 153,425,000 shares of SAR 10 each. Each ordinary share carries one vote.

Breakup of the share capital by shareholders are as follows:

Shareholder name	**Number of Shares**	**Nominal Value of shares**
National Flight Services Company	**59,860,298**	**598,602,980**
Kingdom Holding Company	**56,885,387**	**568,853,870**
Nasser Ibrahim Rashid Al Rashid	**13,525,948**	**135,259,480**
Mawarid Investment Company	**7,502,483**	**75,024,830**
Hamza Bahi Adeen Alsayed Al Kholi	**3,676,063**	**36,760,630**
Saudi General Investment Trading and Services Company	**1,838,032**	**18,380,320**
Salman Mohammed Khalid Bin Hethlain	**1,251,948**	**12,519,480**
Yousef Abdulsattar Al Maimani	**564,604**	**5,646,040**
Treasury shares	**8,320,237**	**83,202,370**
	153,425,000	**1,534,250,000**

13.1 Contribution from shareholders

Contribution from shareholders is classified as equity when there is no contractual obligation to transfer cash or another financial asset to the shareholders. Non-monetary contributions from the shareholders are carried at fair value.

14 Statutory reserves

Under the previous companies regulations, the Company was required to transfer annually 10% of the net income to the statutory reserve. Although the amended Companies Law, effective January 2023, has removed the mandatory requirement to establish a statutory reserve, it continues to permit companies to voluntarily create reserves in accordance with their Bylaws and with the approval of the general assembly. Accordingly, the Company, in line with its existing Bylaws , has elected to continue setting aside 10% of its net income as a statutory reserve. This approach remains consistent with the current legal framework. The reserve will continue to be presented within equity until such time as the Company formally amends its Bylaws or resolves otherwise through the general assembly.

15 Trade and other payables

	Note	**2024**	2023
Trade payables		**759,821,210**	1,030,859,851
Accrued expenses		**481,199,757**	518,035,318
Passenger taxes payable		**136,657,579**	125,504,976
Taxes payable (Zakat and VAT)		**39,402,263**	43,380,926
Due to related parties	15.1	**-**	8,760,430
Other payables	15.2	**141,260,777**	151,921,763
		1,558,341,586	1,878,463,264
Non-current portion	15.3	**-**	(123,972,663)
Current portion		**1,558,341,586**	1,754,490,601

(All amounts are in Saudi Riyals unless otherwise stated)

15 Trade and other payables (continued)

15.1 Represents payable to related parties for various services acquired for the operation of the Company i.e. trade payable to related parties.

15.2 The balance primarily relates to liabilities for withholding taxes on payments to international suppliers across various jurisdictions. The payables for these liabilities have been determined in anticipation of unfavorable outcome. Given the expectation of resolving these issues in the near term, these liabilities are classified as short-term payables.

15.3 During 2019, the Company submitted a repayment plan to GACA and requested to reschedule amounts payable to GACA over a 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 re-measured at their present value in the financial statements.

16 Lease liabilities

	2024	2023
January 1,	**5,525,049,866**	3,631,708,726
Additions	**708,192,768**	2,307,050,187
Modifications	**34,196,618**	-
Finance cost (note 27)	**417,889,088**	251,188,214
Payments	**(871,864,743)**	(664,897,261)
December 31,	**5,813,463,597**	5,525,049,866

16.1 Lease liabilities are segregated as below:

	2024	2023
Current portion	**507,661,044**	540,647,907
Non-current portion	**5,305,802,553**	4,984,401,959
	5,813,463,597	5,525,049,866

The total cash outflow resulting from leases for the year 2024 amounted to SAR 1,181.4 million (December 31, 2023: SAR 1,191.4 million).

Expenses relating to short-term leases during the year 2024 amounted to 309.5 million (2023: SAR 526.4 million) (note 23).

17 Aircraft related provisions

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

	2024	2023
January 1,	**2,823,619,130**	1,705,538,660
Additions	**447,209,611**	1,092,636,773
Finance cost (note 27)	**187,970,314**	126,193,754
Payments	**(61,984,436)**	(100,750,057)
	3,396,814,619	2,823,619,130

17.1 Aircraft related provisions are segregated as below:

	2024	2023
Current portion	**297,794,229**	157,015,745
Non-current portion	**3,099,020,390**	2,666,603,385
	3,396,814,619	2,823,619,130

(All amounts are in Saudi Riyals unless otherwise stated)

18 Contract liabilities

	Note	2024	2023
Unutilized tickets	18.1	**410,474,783**	322,142,481
Customer loyalty programme	18.2	**10,127,439**	9,127,438
Deposit from customers	18.3	**4,366,572**	3,921,153
		424,968,794	335,191,072
Revenue recognized during the year that was included in the contract liabilities balance at the beginning of the year		**322,142,481**	176,261,538

18.1 Revenue deferred during the year was SAR 6.6 billion (2023: SAR 5.4 billion) and revenue recognized during the year amounted to SAR 6.5 billion (2023: SAR 5.2 billion).

18.2 Customer loyalty miles redeemed and expired during the year were SAR 9.1 million (2023: SAR 17.5 million) and miles earned and sold during the year were SAR 10.1 million (2023: SAR 10 million). Customer loyalty miles have one year expiration.

18.3 Deposit from customers (i.e. travel vouchers), if any, are expected to be recognized within one year.

19 Loans

	Note	2024	2023
Murabaha Facility	19.1	**362,981,250**	625,218,750
Saudi Industrial Development Fund	19.2	**-**	75,000,000
Saudi Industrial Development Fund	19.3	**62,250,000**	144,500,000
		425,231,250	844,718,750

	2024	2023
Current portion	**324,487,500**	419,487,500
Non-current portion	**100,743,750**	425,231,250
	425,231,250	844,718,750

19.1 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 2023. Also refer to note 36.

The Facility is pledged against certain receivables arising in connection with the collections under a Billing and Settlement Plan (‘IATA BSP’) with the International Air Transport Association (‘IATA’) and under e-Pay Agreement with a commercial bank. The related collections are assigned towards repayment of this Murabaha Facility. However, the Company's contractual right to receive cash flows from these receivable balances have not expired nor the Company has transferred these receivable balances to the bank. As at 31 December 2024, the carrying value of receivables pledged against this facility amounts to SAR 44.6 million (2023: SAR 40.4 million).

The Facility carries a markup margin which is based on market rate plus one-month Saudi Interbank Offer Rate (‘SAIBOR’) rate and includes certain financial covenants with respect to minimum cash balance and net leverage ratio. The Company has complied with all its covenants as at 31 December 2024.

19.2 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 3 equal semi-annual installments of SAR 75 million each starting from February 2023 and spreading across till February 2024. During 2022, the Company has considered this change as modification of the existing facility and resulting gain arising on the restructuring has been recognized in the statement of 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. The Company has complied with all of its covenants as at 31 December 2024.

(All amounts are in Saudi Riyals unless otherwise stated)

19 Loans (continued)

19.3 During 2022, the Company obtained an additional loan facility from SIDF for an amount of SAR 164.50 million under the 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.

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 2024.

20 Employees' end of service benefits liabilities

20.1 Actuarial valuation

The most recent actuarial valuation was performed as of December 31, 2024, by an independent actuary:

20.2 Principal actuarial assumptions

	2024	2023
Salary increase rate	**4.8%**	4.8%
Discount rate	**5.3%**	5.1%
Mortality rate	**WHO SA 19**	80% of AM80 table
Turnover rate	**9% - 35% (based on age band)**	16%

The actuarial valuation was conducted using the Projected Unit Credit method.

20.3 Employees' end of service benefits expense

	2024	2023
Current service cost	**31,867,114**	32,282,929
Interest cost on benefit liabilities	**11,628,182**	2,852,769
	43,495,296	35,135,698

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

	Note	**2024**	2023
January 1,		**231,501,803**	195,240,287
Charge for the year	20.3	**43,495,296**	35,135,698
Benefits paid		**(23,709,928)**	(13,333,654)
Remeasurement loss on employees' end of service benefits liabilities		**16,580,857**	14,459,472
December 31,		**267,868,028**	231,501,803

20.5 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 December 31, 2024 and December 31, 2023 is shown below:

Assumptions	**Salary increase rate**		**Discount rate**	
Sensitivity level	**1% Increase**	**1% Decrease**	**1% Increase**	**1% Decrease**
December 31, 2024	**281,459**	**(254,315)**	**(255,698)**	**280,189**
December 31, 2023	241,551	(218,452)	(218,287)	241,986

(All amounts are in Saudi Riyals unless otherwise stated)

20 Employees' end of service benefits liabilities (continued)

20.5 Employees' end of service benefits liability sensitivity analysis (continued)

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 December 31, 2024 and December 31, 2023. 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 defined benefit obligations as it is unlikely that changes in assumptions would occur in isolation of one another. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

The sensitivity analysis above does not include the impact of changes in experience adjustments which impacts the remeasurement (gain) or loss disclosed above.

The weighted average duration of the end of service benefits plan obligation as at December 31, 2024 is 4.57 years (2023: 5.29 years).

21 Zakat

Charge for the year and status of assessments

Filing as part of the NAS Holding Company:

From the year 2013 till year ended 2023, zakat returns were filed on a consolidated basis by the NAS Holding Company. Accordingly, the Company's zakat charge for the year is initially calculated at the NAS Holding Company's level (on a consolidated basis) and then allocated to the Company by the NAS Holding Company, if any.

During the year, ZATCA has finalized the assessment for the year 2015 at the NAS Holding Company level and the related zakat charge has been allocated to the Company accordingly.

Individual filing:

During the year, the ownership of the Company has changed (Refer note 1 for details) and as such the Company will file a separate zakat return for the current year.

The Ministry of Finance has issued new Zakat implementing regulations under Ministerial Resolution No. 1007 dated 19/8/1445H (corresponding to 29 February 2024) (the "New Zakat By-Laws"). The New Zakat By-Laws are effective for financial years starting from 1 January 2024 and replace the existing Zakat by-laws issued under MR. 2216 dated 7/7/1440H (corresponding to 14 March 2019) as amended under Ministerial Resolution No. 58705 dated 21/9/1444H (corresponding to 12 April 2023) which were applicable on financial years commencing on 1st January 2019 to financial years ending on 31 December 2023.

The approach to computing the Zakat liability has undergone changes with the implementation of the New Zakat By-Laws compared to the previous calculation basis. In this respect, during the year ended 31 December 2024, the Company has adopted the New By-Laws and has reflected the changes in the computation mechanism under the current year Zakat calculation. For the year ended 31 December 2024, in accordance with the regulations of ZATCA, zakat is payable at 2.578% of the zakat base which is attributable to the Saudi shareholders.

The zakat provision is based on the following:

	2024
Profit after zakat	**433,509,594**
Adjustments related to provisions, depreciation and others	**23,780,119**
Adjusted profit for the year	**457,289,713**
Share capital	**1,534,250,000**
Statutory reserve	**150,000**
Provisions and other adjustments	**(1,531,803,360)**
Zakat base prior to adjusted profit for the year	**2,596,640**
Zakat charge for the year at 2.5847% of zakat base	**67,116**
Zakat charge for the year at 2.5% of adjusted profit for the year	**11,432,243**
Zakat charge for the year at 2.5%	**11,432,243**
Charge allocated for the preceding years	**11,750,372**
Total charge for the year	**23,182,615**

(All amounts are in Saudi Riyals unless otherwise stated)

21 Zakat (continued)

Charge for the year and status of assessments (continued)

Individual filing: (continued)

The movement in provision for zakat is as follows:

	2024	2023
Opening balance	**15,759,890**	-
Charge during the year	**11,432,243**	16,548,826
Charge allocated for the preceding years	**11,750,372**	-
Total charge for the year	**23,182,615**	16,548,826
Adjustment	**-**	(788,936)
Closing balance	**38,942,505**	15,759,890

*During the prior years, payments for zakat charge allocated to the Company were being made to NAS holding Company as zakat return was filed on a consolidated basis. Further, as mentioned above, the ownership of the Company has changed during the current year and as such the Company will file a separate zakat return for the current year.

22 Revenue and segmental reporting

	2024	2023
Flynas LCC	**6,547,982,557**	5,198,772,492
Flynas Hajj & Umrah	**822,891,266**	980,863,493
Flynas General Aviation	**185,195,167**	182,536,510
	7,556,068,990	6,362,172,495

Segment results that are reported to the Company's CODM include three operating segments, being its Flynas LCC, Flynas Hajj & Umrah and Flynas General Aviation. These segments are the basis on which the Company reports the segment information to the CODM for the purposes of resource allocation and assessment of segment performance. The principal services of each of these segments are as follows:

- Flynas LCC: This business segment represents the Company's core offering of commercial scheduled flights, which operate according to a pre-planned and published schedule, and is offered as a low-cost product.

- Flynas Hajj & Umrah: This business segment mainly serves Hajj & Umrah pilgrims travelling to the Kingdom, and includes flight operations that are typically arranged based on seasonal demand.

- Flynas General Aviation: This business segment relates to the services provided for aircraft management customers under respective contracts where the Company provides services mainly relating to crew, maintenance of aircraft and other ancillary services. Additionally, this also includes the operation of charter flights for private customers.

(All amounts are in Saudi Riyals unless otherwise stated)

22 Revenue and segmental reporting (continued)

	2024				2023			
Segment	**Flynas LCC**	**Flynas Hajj & Umrah**	**Flynas General Aviation**	**Total**	Flynas LCC	Flynas Hajj & Umrah	Flynas General Aviation	Total
Revenue	**6,784,085,834**	**822,891,266**	**185,195,167**	**7,792,172,267**	5,405,968,669	980,863,493	182,536,510	6,569,368,672
Operating expenses *	**(5,805,601,841)**	**(764,963,833)**	**(176,495,315)**	**(6,747,060,989)**	(4,707,324,157)	(815,637,276)	(177,378,681)	(5,700,340,114)
Operating profit	**978,483,993**	**57,927,433**	**8,699,852**	**1,045,111,278**	698,644,512	165,226,217	5,157,829	869,028,558
Finance costs, net	**(588,419,185)**	**147**	**(31)**	**(588,419,069)**	(451,132,667)	(919)	(50)	(451,133,636)
Profit before zakat	**390,064,808**	**57,927,580**	**8,699,821**	**456,692,209**	247,511,845	165,225,298	5,157,779	417,894,922
Zakat expense	**(21,600,000)**	**(1,582,615)**	**-**	**(23,182,615)**	(13,048,826)	(3,500,000)	-	(16,548,826)
Profit for the year	**368,464,808**	**56,344,965**	**8,699,821**	**433,509,594**	234,463,019	161,725,298	5,157,779	401,346,096
Depreciation	**1,132,926,258**	**11,450**	**-**	**1,132,937,708**	790,708,056	6,950	-	790,715,006
Additions to non-current assets	**3,060,674,504**	**-**	**-**	**3,060,674,504**	7,897,455,524	-	-	7,897,455,524
Total Assets	**12,805,268,953**	**89,477,981**	**634,987,199**	**13,529,734,133**	12,662,646,404	86,095,224	115,919,779	12,864,661,407
Total Liabilities	**11,759,589,138**	**128,038,681**	**(939,945)**	**11,886,687,874**	11,490,426,196	140,831,662	7,286,027	11,638,543,885

(All amounts are in Saudi Riyals unless otherwise stated)

22 Revenue and segmental reporting (continued)

	2024	2023
Revenue:		
Total reportable segments revenue	**7,792,172,267**	6,569,368,672
Elimination of intersegment revenue**	**(236,103,277)**	(207,196,177)
	7,556,068,990	6,362,172,495
Operating expenses:		
Total reportable segments operating expenses	**6,747,060,989**	(5,700,340,114)
Elimination of intersegment operating expenses**	**(236,103,277)**	207,196,177
	6,510,957,712	(5,493,143,937)

* Flynas LCC operating expenses include gain on sale and lease back transactions (note 5.2.1).

** Eliminations are primarily from Flynas LCC segment.

22.1 Geographical revenue analysis for Flynas LCC passenger flights

The following table disaggregates Flynas LCC passenger flights revenue by the primary geographical market:

	2024	2023
International	**3,897,670,123**	3,063,643,892
Domestic	**2,613,126,151**	2,094,042,697
Other	**37,186,283**	41,085,903
	6,547,982,557	5,198,772,492

Flynas Hajj & Umrah passenger related revenue is concentrated with international geographical locations.

23 Cost of revenue

	Note	**2024**	2023
Fuel cost		**1,717,634,869**	1,604,706,229
Landing, handling, and en-route charges		**1,457,257,247**	1,243,673,198
Salaries and related costs		**863,653,958**	712,580,853
Maintenance and other aircraft costs		**431,151,207**	441,845,556
Depreciation on right-of-use assets	6	**1,084,686,363**	726,927,683
Depreciation on equipment and fixtures	5	**44,244,590**	61,282,590
Rental expense	16	**309,541,003**	526,455,421
Commission and reservation systems expenses		**121,806,891**	106,630,059
Others	23.1	**110,213,525**	51,895,684
Less:			
Government grant	23.2	**(52,624,147)**	(19,626,256)
		6,087,565,506	5,456,371,017

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

23.2 This primarily includes the incentive received from the government based on operating flights on designated routes.

24 Selling and marketing expenses

	2024	2023
Salaries and related expenses	**65,767,486**	58,696,636
Business development and promotion expenses	**79,844,037**	63,512,268
Collection charges	**71,443,253**	51,168,758
Customer service-related expenses	**12,610,862**	9,457,877
Professional fees	**10,247,041**	3,630,476
Others	**12,256,585**	10,279,506
	252,169,264	196,745,521

(All amounts are in Saudi Riyals unless otherwise stated)

25 General and administrative expenses

	Note	2024	2023
Salaries and related expenses		**160,891,280**	81,559,001
Professional fees	25.1	**72,515,187**	15,332,815
Depreciation on equipment and fixtures	5	**4,006,755**	2,504,733
Penalties		**276,788**	-
Others		**20,138,574**	15,498,933
		257,828,584	114,895,482

25.1 Auditor's remuneration for the statutory audit of the financial statements for the year ended 31 December 2024 amounted to SAR 1.83 million (2023: SAR 0.99 million) and other related services amounted to SAR 1.96 million (2023: SAR 1.4 million).

26 Finance income

	2024	2023
Interest income on deposits with banks	**71,615,316**	51,887,547
Gain on derecognition of aircraft deposits	**32,899,549**	-
	104,514,865	51,887,547

27 Finance cost

	Note	2024	2023
Interest on lease liabilities	16	**417,889,088**	251,188,214
Interest on aircraft related provision	17	**187,970,314**	126,193,754
Bank guarantee and commitment fee		**25,373,526**	31,135,191
Imputed interest on aircraft deposits		**-**	14,914,096
Imputed interest on long-term payables		**14,427,727**	13,670,671
Interest on loans	19	**44,123,456**	63,404,925
Others		**3,149,823**	2,514,332
		692,933,934	503,021,183

28 Contingencies, Commitments and letter of credits and guarantees

28.1 Commitments

The Company has entered into contracts with the aircraft manufacturer for the purchase of certain aircraft. The remaining value of this contract is SAR 38,475 million (2023: SAR 15,012 million) excluding pre-delivery payments carried out as at the balance sheet date.

28.2 Contingencies

As at December 31, 2024 and 2023, the Company has no outstanding contingencies.

28.3 Letter of credits and guarantees

As at December 31, 2024, the Company has outstanding letters of credit and bank guarantees amounting to SAR 1,159 million (2023: SAR 606.8 million). The outstanding letters of credit include arrangement with the lessors in relation to the heavy maintenance deposits.

(All amounts are in Saudi Riyals unless otherwise stated)

29 Financial instruments

Fair value measurement of financial instruments

Financial instruments comprise 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	31 December 2024	31 December 2023
Trade receivables	10	Amortized cost	**238,566,986**	299,667,603
Cash and cash equivalents and bank deposits	12	Amortized cost	**1,756,576,378**	1,506,738,399
Deposits for aircraft	9	Amortized cost	**46,564,510**	91,405,446
Deposits to vendors	11	Amortized cost	**42,972,581**	44,578,563
Receivable from NAS Holding Company	11	Amortized cost	**28,325,381**	24,693,355
Other receivables	11	Amortized cost	**5,899,580**	6,041,392

Financial liabilities comprise of the following:

Financial statements line item	Note	IFRS 9 classification	31 December 2024	31 December 2023
Trade and other payables (excluding taxes)	15	Amortized cost	**1,382,281,745**	1,461,632,036
Lease liabilities	16	Amortized cost	**5,813,463,597**	5,525,049,866
Loans	19	Amortized cost	**425,231,250**	844,718,750

As at 31 December 2024 and 2023, the management has assessed that the fair values of the Company's financial instruments are estimated to approximate their carrying values since the financial instruments are either short term in nature or carry interest rates which are based on prevailing market interest rates and are expected to be realized at their current carrying values.

30 Risk management of financial instruments

Risk management framework

The Company's activities expose it to a variety of financial risks including the effects of changes in market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. Risk management is carried out by the management under policies approved by the Board of Directors.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.1 Credit risk

Credit risk is the risk that one party to financial instruments will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk for the Company arises from cash at bank, trade receivables, deposits to vendors, deposits for aircraft and other receivables.

As at 31 December 2024 and 2023, the Company was exposed to credit risk on the following balances:

	Note	2024	2023
Trade receivables	10	**238,566,986**	299,667,603
Cash at bank and bank deposits	12	**1,756,576,378**	1,506,738,399
Deposits for aircraft	9	**46,564,510**	91,405,446
Deposits to vendors	11	**42,972,581**	44,578,563
Receivable from NAS Holding Company	11	**28,325,381**	24,693,355
Other receivables	11	**5,899,582**	6,041,392
		2,118,905,418	1,973,124,758

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above. Further, the Company does not hold any collateral against these financial assets.

Concentration risk arises 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. 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. The Company does not face any significant concentration risks in relation to each class of financial assets mentioned above.

Cash at bank

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

Banks		Rating Short term	Rating Long term	Rating Agency	2024	2023
Al Rajhi Bank – Bank balance	F2	A-	A-	Fitch Ratings	**17,461,995**	12,254,932
Al Rajhi Bank – Time deposit	F2	A-	A-	Fitch Ratings	**200,000,000**	200,000,000
Bank Aljazira – Bank balance	F2	A-	A-	Fitch Ratings	**19,230,707**	23,127,022
Bank Aljazira – Time deposit	F2	A-	A-	Fitch Ratings	**100,000,000**	80,000,000
Banque Nationale de Algerie	F2	BBB+	BBB+	Fitch Ratings	**54,050,490**	126,898,635
Banque Saudi Fransi – Time deposit	F2	A-	A-	Fitch Ratings	**936,250,000**	735,087,433
Banque Saudi Fransi – Bank balance	F2	A-	A-	Fitch Ratings	**50,801,088**	49,002,596
Citi Bank	F1	A	A	Fitch Ratings	**26,187,352**	26,187,352
Emirates NBD Bank – Bank balance	F1	A+	A+	Fitch Ratings	**44,913,126**	71,308,030
Gulf International Bank – Bank balance	F2	A-	A-	Fitch Ratings	**64,464,119**	49,418,214
Gulf International Bank – Time deposit	F2	A-	A-	Fitch Ratings	**80,000,000**	
Others					**1,908,315**	15,241,945
SAB Bank – Bank balance	F2	BBB+	BBB+	Fitch Ratings	**153,956,130**	111,054,113
Saudi National Bank	F2	A-	A-	Fitch Ratings	**6,159,258**	5,950,075
					1,755,382,580	1,505,530,347

The Company has kept cash and cash equivalents in reputable banks and financial institutions, so the expected credit losses of cash and cash equivalents as at December 31, 2024 and 2023 is not material.

(All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

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.

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, their geographic location, industry, trading history with the Company and existence of previous financial difficulties.

The Company manages credit risk with respect to trade receivable 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 establishes a provision for impairment that represents its estimate of potential losses in respect of trade receivables. The sale of Flynas LCC services and Flynas Hajj & Umrah services is largely achieved through International Air Transport Association ("IATA") approved sales agents. All IATA agents have to meet minimum financial criteria applicable to their country of operation to remain accredited. Adherence to the financial criteria is monitored on an ongoing basis by IATA through their Agency programme.

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 trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2024 or 1 January 2024 respectively and the 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.

The Company mainly categorizes its trade receivables as third-party customers and due from related parties. The exposure to credit risk for trade receivables at the end of the reporting period by type of customer was:

	2024	2023
Third-party customers	**328,681,246**	286,087,072
Due from related parties (Refer note 31)	**-**	91,369,087
	328,681,246	377,456,159

Within the third-party customers, the credit risk is further disaggregated based on the three revenue streams based on the fact that each revenue stream has a different customer base. The details of the expected credit losses calculated for each of these customer bases is disclosed in the table further below.

The due from related parties are subject to the impairment requirement of IFRS 9. As at December 31, 2024 and 2023, the provision against related parties' balances was not material.

The increase in the expected credit loss charge for the year is mainly on account of change in ownership (Note 1) resulting the balances from due from related parties being classified as receivables from Third-party customers and increase in the credit risk for these balances.

The maximum exposure in respect of amounts receivable is limited to their carrying values as management regularly reviews these balances whose recoverability is in doubt.

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Trade receivable (continued)

A default on a trade receivable occurs when the counterparty fails to make contractual payments within 360 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 720 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's major expected credit losses arise from long-outstanding receivables due from various parties that have failed to make contractual payments for an extended period, in many cases exceeding 720 days past due. The Company continues to engage with these parties to develop structured repayment plans. However, receivables that are significantly overdue typically more than 720 days past due are generally considered uncollectible and are written off, unless there is objective evidence supporting their recoverability. 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.

Inputs into measurement of ECL

The following tables provides information about the exposure to credit risk and ECLs for trade receivables for third-party customers for each revenue stream as at 31 December 2024 and 2023:

(All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Flynas LCC:

	December 31, 2024			December 31, 2023		
	Gross carrying amount	**Expected credit loss rate**	**Loss allowance**	Gross carrying amount	Expected credit loss rate	Loss allowance
Not due	**59,500,166**	**5.47%**	**3,256,170**	52,213,208	5.7%	2,958,542
Days past due						
1-90 days	**70,197,210**	**8.38%**	**5,884,328**	28,503,763	8.8%	2,513,287
91-360 days	**280,524**	**19.2%**	**53,850**	4,343,824	18.7%	814,302
+360 days	**8,321,073**	**50%-100%**	**4,563,188**	5,983,563	45.3% - 100%	2,709,712
Specific provision	**26,621,126**	**100%**	**26,621,126**	26,621,126	100%	26,621,126
Government receivable	**974,425**	**-**	**-**	17,626,746	-	-
	165,894,524		**40,378,662**	135,292,230		35,616,969

The expected credit loss provision for Flynas LCC during the year amounted to SAR 4.8 million.

Flynas Hajj & Umrah:

	December 31, 2024			December 31, 2023		
	Gross carrying amount	**Expected credit loss rate**	**Loss allowance**	Gross carrying amount	Expected credit loss rate	Loss allowance
Not due	**4,112,956**	**0.03%**	**1,056**	13,221,590	0.03%	4,534
Days past due						
1-90 days	**1,517,765**	**0.03%**	**390**	27,029,177	0.05%	13,712
91-360 days	**29,489,295**	**0.24%**	**70,169**	50,630,939	0.36%	179,971
+360 days	**25,457,655**	**100%**	**25,457,655**	18,042,038	100%	18,042,038
	60,577,671		**25,529,270**	108,923,744		18,240,255

The expected credit loss charge for Flynas Hajj & Umrah during the year amounted to SAR 7.3 million.

(All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Flynas General Aviation:

	December 31, 2024			December 31, 2023		
	Gross carrying amount	**Expected credit loss rate**	**Loss allowance**	Gross carrying amount	Expected credit loss rate	Loss allowance
Not due	**9,567,132**	**6.94%**	**663,549**	2,519,335	21.1%	531,580
Days past due						
1-90 days	**17,659,339**	**7.52%**	**1,327,827**	9,221,301	23.90%	2,203,891
91-360 days	**58,853,067**	**15.25%**	**8,975,692**	864,263	38.20%	330,148
+360 days	**16,129,513**	**60%-100%**	**13,239,262**	29,266,198	71.3% - 100%	20,866,799
	102,209,051		**24,206,330**	41,871,097		23,932,418

The expected credit loss charge for Flynas General Aviation during the year amounted to SAR 0.3 million.

(All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.1 Credit risk (continued)

Deposit for aircraft, deposits for vendors, receivable from National Air Services – NAS Holding Company and other receivables

Deposit for aircraft, deposits for vendors and other receivables are subject to the impairment requirement of IFRS 9. As at 31 December 2024 and 2023, the Company has not recorded any impairment loss on these balances as the identified impairment loss was immaterial.

Further, in case of receivable from National Air Services – NAS Holding Company, as at 31 December 2024,this balance includes a provision of SAR 14 million. (31 December 2023: Nil)

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.

The table below summarizes the undiscounted maturities of the Company's financial liabilities based on contractual payment dates. Balances due within 12 months for Trade and other payables (excluding taxes) and Loans equal their carrying balances, because the impact of discounting is not significant.

	Up to 1 year	**1 to 4 years**	**More than 4 years**	**Total**
As at December 31, 2024				
Trade and other payables (excluding taxes)	**1,382,281,745**	**-**	**-**	**1,382,281,745**
Lease liabilities	**677,076,166**	**3,983,889,161**	**3,327,848,374**	**7,988,813,701**
Loans	**324,487,500**	**106,304,805**	**-**	**430,792,305**
	2,383,845,411	**4,090,193,966**	**3,327,848,374**	**9,801,887,751**

	Up to 1 year	1 to 4 years	More than 4 years	Total
As at December 31, 2023				
Trade and other payables	1,461,632,036	141,096,954	-	1,602,728,990
Lease liabilities	655,226,169	3,335,104,753	7,546,818,550	11,537,149,472
Loans	419,487,500	448,704,015	-	868,191,915
	2,882,936,919	3,901,299,155	7,546,818,550	14,008,070,377

Net debt

	Note	**2024**	2023
Loans	19	**425,231,250**	844,718,750
Lease liabilities	16	**5,813,463,597**	5,525,049,866
Less: Cash and cash equivalents and bank deposits	12	**(1,756,576,378)**	(1,506,738,399)
Net debt		**4,482,118,469**	4,863,030,217

(All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.2 Liquidity risk (continued)

Net debt reconciliation:

	Assets	Liabilities from financing activities		
	Cash and cash equivalents	Loans	Lease liabilities	Total
Net debt at January 1, 2023	1,188,320,331	1,233,116,198	3,631,708,726	6,053,145,255
Financing cash flows	262,168,068	(388,397,448)	(413,709,047)	(539,938,427)
New leases	-	-	2,307,050,187	2,307,050,187
Interest expense	-	63,404,925	251,188,214	314,593,139
Interest payments	-	(63,404,925)	(251,188,214)	(314,593,139)
Net debt at December 31, 2023	1,450,488,399	844,718,750	5,525,049,866	7,820,257,015
Net debt at January 1, 2024	**1,450,488,399**	**844,718,750**	**5,525,049,866**	**7,820,257,015**
Financing cash flows	**249,837,979**	**(419,487,500)**	**(453,975,655)**	**(623,625,176)**
New leases	**-**	**-**	**708,192,768**	**708,192,768**
Modifications	**-**	**-**	**34,196,618**	**34,196,618**
Interest expense		**44,123,456**	**417,889,088**	**462,012,544**
Interest payments		**(44,123,456)**	**(417,889,088)**	**(462,012,544)**
Net debt at December 31, 2024	**1,700,326,378**	**425,231,250**	**5,813,463,597**	**7,939,021,225**

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 currency risk, interest rate risk and price risk.

The Company is also 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 Company does not hedge its exposure to fuel risk. However, the Company analyzes its fuel risk exposure on a regular basis and reassesses the source of its suppliers and renegotiates rates at terms favorable to the Company.

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

	Effect on total comprehensive income for the year ended	
	2024	2023
Increase / (decrease) in fuel prices		
+5%	**(85,881,743)**	(80,235,311)
-5%	**85,881,743**	80,235,311

(All amounts are in Saudi Riyals unless otherwise stated)

30 Risk management of financial instruments (continued)

30.3 Market rate risk (continued)

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 a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The changes in interest rates effect either the fair value or future cash flows of financial instruments issued at either at fixed or variable rates. The Company mainly faces its interest rates risk arising on its interest-bearing liabilities such as borrowings and lease liabilities and interest earning bank deposits.

The Company has borrowings issued at variable interest rates which exposes the Company to cash flow interest risks. The Company does not hedge its exposure to interest rate risk. However, the Company analyzes its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favorable to the Company. As at 31 December 2024 and 2023, the exposure arising from the cash flow interest rate risk is considered to be immaterial.

The Company has lease liabilities and interest earning bank deposits which exposes the Company to fair value interest rates. Management monitors on a periodic basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. As at 31 December 2024 and 2023 the exposure arising from the fair value interest rate risk is considered to be immaterial.

Price risk

The Company does not have any price sensitive instruments as a result of which the Company is not exposed to any price risk.

30.4 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company is currently financed by equity and loans from various lenders.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as lease liabilities and borrowings as shown in the statement of financial position, less cash and cash equivalents and bank deposits. 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 90%. The gearing ratios at December 31, 2024 and 2023 were as follows:

	December 31, 2024	December 31, 2023
Loans	**425,231,250**	844,718,750
Lease liabilities	**5,813,463,597**	5,525,049,866
Less: Cash and cash equivalents and bank deposits	**(1,756,576,378)**	(1,506,738,399)
Net debt (A)	**4,482,118,469**	4,863,030,217
Shareholders' equity (B)	**1,643,046,259**	1,226,117,522
Total capital (A+B)	**6,125,164,728**	6,089,147,739
Gearing ratio (A / (A+B))	**73%**	80%

(All amounts are in Saudi Riyals unless otherwise stated)

31 Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements. Related parties represent shareholders, directors and key management personnel of the Company and entities controlled, jointly 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.

	2024	2023
Transactions		
Short-term employee benefits	**46,823,732**	31,527,537
Retirement benefits	**1,654,950**	1,732,377
	48,478,682	33,259,914

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.

31.2 Related party transactions:

***Related party relationship (Until 14 May 2024)**	**Nature of transactions**	**2024**	2023
An entity under common control	Revenue – Flynas General Aviation	**116,765,995**	93,552,887
An entity under common control	Revenue	-	22,646,287
An entity under common control	Cost of services	**156,420,589**	115,570,074

The Company receives and provides services to related parties in the normal course of business. These services consist of crew management services, Pricing policies and terms of related party transactions are approved in accordance with the Company's policies addressing related party transactions and conflicts of interest. Transactions with the related parties are in the ordinary course of the Company's activities and are entered into at market terms. These transactions are unsecured and are settled in cash.

31.3 Related party balances:

	Note	***Relationship (until 14 May 2024)**	**2024****	2023
Amounts due from related parties				
Trade receivables	10			
NAS Private Aviation Company Limited - NAS Jet		An entity under common control	**75,084,622**	69,397,800
KalAir International Limited		An entity under common control	-	21,971,287
Preayments and other current assets				
National Air services (NAS holding)-net	11	Parent Company	**28,325,381**	24,693,355
			103,410,003	116,062,442
Amounts due to related parties				
Trade and other payables	15			
Saudi Air Navigation Services Co.		An entity under common control	**5,094,142**	5,319,290
KalAir Limited		An entity under common control	-	3,347,483
Others		An entity under common control	-	93,657
			5,094,142	8,760,430

31 Related parties (continued)

31.3 Related party balances: (continued)

The amounts due from and to related parties are unsecured, interest free and settled in cash.

* Effective 14 May 2024, the ownership of the Company changed, therefore previously disclosed related party relationships with the previous Parent and entities under common control are no longer applicable (refer to Note 1). However, transactions with these related parties for the year ended 31 December 2024 have been included in these financial statements as the relationships remained applicable until 14 May 2024.

** As a result of change in ownership (refer to Note 1), there were no balances due from and due to related parties as mentioned above and the balances presented from former related parties is only for comparison purposes. The balances due from related parties as at 31 December 2024 are presented as trade receivable from "Third party customers" within Trade Receivables (Note 10) and "Receivable from National Air Services, net – NAS Holding Company" within Prepayments and other current assets (Note 11). Further, the balances due to related parties as of 31 December 2024, are presented within "Trade payable" within Trade and other Payables (Note 15).

32 Dividend

There was no dividend declared during the current or prior year.

33 New and amended standards and interpretations

33.1 New accounting standards and interpretations effective during the year

At the date of authorisation of these financial statements, certain amendments to the existing standards were effective for the current financial year and have been adopted by the company. These are as below:

- Classification of liabilities as current or non-current and non-current liabilities with covenants – amendments to IAS 1;
- Lease liability in sale and leaseback – amendments to IFRS 16; and
- Supplier finance arrangements – amendments to IAS 7 and IFRS 7.

These amendments to existing standards did not have a material impact on the financial statements of the company.

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

Certain new standards and amendments to accounting standards have been published that are not mandatory for periods commencing 1st January 2024 reporting periods and have not been early adopted by the Company. Included within new standards and amendments is IFRS 18 - Presentation and Disclosure in Financial Statements ("IFRS 18"). The Company has not early adopted any new standards and amendments to accounting standards that are not mandatory for periods commencing 1st January 2024 reporting periods including IFRS 18 and is currently in the process of assessing the impact of the adoption of the new standards and amendments. Except for IFRS 18, the new standards and amendments to accounting standards are not expected to have a material impact on the Company in the current or future reporting periods.

(All amounts are in Saudi Riyals unless otherwise stated)

34 Earnings per share

	2024	2023
Net profit for the year	**433,509,594**	401,346,096
Total number of ordinary shares	**153,425,000**	153,425,000
Treasury shares	**(8,320,237)**	(8,320,237)
Weighted average number of ordinary shares for the purpose of basic / diluted Earnings per share	**145,104,763**	145,104,763
Earnings per share (SAR)		
– Basic	**2.99**	2.77
– Diluted	**2.99**	2.77

Earnings per share for the year was calculated by dividing the net profit attributable to the equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

During the current year, as part of the transaction where the previous parent entity (NAS Holding) distributed its shares in the Company to its shareholders, a portion of shares it held in the Company were contributed to the Company at no cost rather than being distributed. These shares were classified as treasury shares, resulting in a retrospective adjustment to the weighted average number of shares used in calculating earnings per share as there was no change in resources as a result of this transaction.

Accordingly, the earnings per share calculations for both the current year and the comparative prior year have been retrospectively adjusted to reflect the impact of these treasury shares.

35 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 the carbon footprint of the Company.

36 Subsequent events

Subsequent to the year ended 31 December 2024, the Company has undertaken several significant actions that are expected to materially impact its financial statements in 2025. Key developments include:

- **Aircraft Acquisition update**

During Q1 2025, the Company commenced direct purchases of aircraft from Airbus using internal cash resources. Concurrently, the Company secured financing arrangements with a consortium of three local banks in Saudi Arabia, amounting to SAR 495 million (USD 132 million), collateralized by the newly acquired aircraft. As of 31 December 2024, no drawdowns had been made under this facility. The Company is currently formulating and finalizing its accounting policies regarding the recognition, measurement, and subsequent accounting treatment of these owned aircraft in accordance with IFRS.

- **Wet Lease Agreement**:

The Company has entered into a wet lease ("Aircraft ACMI Agreement") with a lessor for two Airbus A320 aircraft. Deliveries are scheduled in 2025, with lease terms of thirteen and twelve months, respectively. Under IFRS 16, the Company has the accounting policy option to apply the practical expedient, which allows the Company not to separate lease and non-lease components. The Company will finalize and recognize the accounting impact of these leases as part of its Q1 2025 reporting.

36 Subsequent events (continued)

- **Initial Public Offering Approval**:

On 26 March 2025, the Capital Markets Authority (CMA) approved the Company's application to offer 51.3 million shares, through an Initial Public Offering (IPO). This approval remains valid for a period of six months from the CMA Board's resolution date.

- **Extension of Existing Financing Facility**:

The Company had a borrowing facility totaling SAR 2.25 billion, of which SAR 843.75 million was utilized as of 31 December 2024. During Q1 2025, an additional SAR 1.125 billion was drawn down, reducing the remaining available facility to approximately SAR 288 million as of Q1 2025.

Other than the events disclosed above, there are no other subsequent events to be disclosed in these financial statements.

37 Date of authorization

These financial statements were authorized for issuance on 16 April 2025 by the Board of Directors of the Company.