AirArabia

Integrated Report
Air Arabia PJSC
2024

Air Arabia PJSC and its subsidiaries
Consolidated Financial Statements
For the year ended December 31, 2024

Table of contents

Directors' Report 2024

2024 has been a record-breaking year for Air Arabia Group, marked by significant expansion and an increased footprint across all key markets. Building on our strong foundation, we have continued to achieve remarkable financial and operational growth, reaffirming the strength of our business model, the resilience of our management team, and the effectiveness of our strategic vision.

Air Arabia continued its strong performance in 2024, it has reflected solid results in revenue, and profitability. The group's pre-tax net profit was a record of AED1.6B, and revenues touched AED6.63B for the first time. The group has added 31 routes out of the six hubs of operations. Passengers number has grown by 12%, as the group carried 18.8M across all hubs.

This strong performance in 2024 was achieved amidst significant supply chain challenges in the aviation industry, and substantial geopolitical tension regionally and globally. The sector has not yet recovered from the technical labor shortage and delays in specialized maintenance.

Despite the geopolitical tensions and economic challenges impacting the region, Air Arabia Group has successfully sustained its strong growth trajectory in 2024. This was driven by increased operating capacity, the launch of new routes, and continued network expansion from all our hubs. We take great pride in our ability to deliver a value-driven travel experience to a growing customer base, strengthening our presence across global markets while maintaining operational excellence.

Having said that, the fourth quarter of the year was remarkable for Air Arabia, with a 56% increase in net profit, reaching AED351M during the quarter and carrying over 4.7 million passengers throughout the hubs. This strategic growth, coupled with rigid cost control and strong operational efficiency, resulted in an outstanding performance for the quarter as we successfully expanded our network while maintaining solid margins.

As the global aviation industry continues to navigate challenges, including geopolitical tensions, inflationary pressures, and supply chain disruptions, Air Arabia remains committed to growth and expansion. Our focus is on enhancing connectivity, increasing operational capacity, and providing our customers with the best options for affordable and value-driven air travel. We have full confidence in our unique business model, operational excellence, and customer-centric approach, which enable us to continuously expand our network and deliver a seamless travel experience to an ever-growing customer base.

Chairman

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Independent Auditor's Report
To the Shareholders of Air Arabia PJSC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Air Arabia PJSC (the "Company"), and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at December 31, 2024, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policies information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024, and its consolidated financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

Independent Auditor's Report

To the Shareholders of Air Arabia PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the Group for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	***How our audit addressed the key audit matter***
i) Measurement of aircraft assets As disclosed in Note 5 to the consolidated financial statements, the Group holds, as at December 31, 2024, aircraft assets with a net carrying value of AED 3,725 million. As explained in Note 4, the Group's accounting policy is to measure its aircraft assets at depreciated historical cost less impairment, if any. These aircraft assets are depreciated on a straight-line basis over their estimated useful life, to an estimated residual value at the end of its useful economic life. The estimation of residual value is a key management judgment in the application of the Group's accounting policy on depreciation and, therefore, any changes to residual value will directly impact the depreciation charge for the current and future years. Management also needs to consider if there are any impairment indicators such as the deterioration in current or forecast trade activity, the incurrence of losses or other factors indicating that the assets may be impaired. If there are impairment indicators, management needs to perform an impairment test and write down the value of assets where the recoverable amount is lower than the carrying value.	We have performed the following audit procedures: • We have assessed management's basis of estimating the residual values and depreciation rates of aircraft assets and tested these to supporting information for reasonableness, such as any publicly or other available information on estimated residual values and compared the depreciation rates to the rates applied by other airline companies; • We have assessed whether there are any impairment indicators in respect of the aircraft assets; and • We have assessed the adequacy of the Group's disclosure in these respects.
ii) Revenue recognition The Group recognises revenue from various sources, notably sale of passenger airline seats, cargo, baggage capacity and other ancillary services. Passenger tickets sold can be of different types depending on the conditions of sale and type of fare purchased. Revenue from passenger and cargo is deferred and classified as a liability on the consolidated statement of financial position until the passenger or freight is lifted (i.e. service provided), at which time revenue is recognised in the consolidated statement of profit or loss. This recognition principle requires the Group to develop assumptions to determine when to recognise revenue in respect of un-availed services relating to tickets not lifted at the anticipated date of travel.	We have performed the following audit procedures: • We have evaluated the Group's control environment and the application controls relating to the underlying systems associated with the revenue streams. In particular, we have considered whether the Group's controls relating to revenue are properly designed and implemented to ensure that those systems were accurately capturing the relevant data such as date of sale, date of the provision of the service to the customers and the sale amount; • We have checked the reasonableness of the Group's accounting policy with respect to recognition of revenue in the period in which the services were provided to the customers;

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Independent Auditor's Report

To the Shareholders of Air Arabia PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
ii) Revenue recognition (continued) The accounting for passenger revenue is susceptible to management override of controls through the recording of manual journal entries in the accounting records, the override of IT systems to accelerate revenue recognition, or manipulation of inputs used to calculate revenue recorded in respect of unused revenue documents.	• We have reviewed management's judgement and assumptions underlying the estimates of when to recognise revenue in respect of services; • We have checked the reasonableness of the Group's accounting policy with respect to recognition of revenue for expired tickets; • For passenger revenue, we have performed analytical procedures by comparing the passenger revenue for 2024 with the passenger revenue for 2023, and understood the reasons for the variance taking into consideration key performance indicators for 2024 and 2023; • For cargo revenue, we have tested the revenue per ton carried for 2023 and developed an expectation for 2024 based on the tonnage carried, and compared the results with the cargo revenue recognised and understood the reasons for the variance; • We have also performed other substantive audit procedures to corroborate our findings in respect of the audit tests above; and • We have assessed the adequacy of the Group's disclosure on revenue recognition in the consolidated financial statements.
iii) Accounting for fuel hedge positions The Group is significantly exposed to fluctuations in the price of jet fuel and manages this risk through derivative instruments to hedge its cash flows. The Group accounts for these hedge instruments in accordance with IFRS 9 which requires, amongst other things, that the Group establish a risk management framework that outlines a policy for the Group to conclude whether its hedging positions are effective or ineffective, at the date of their inception and at each reporting date. The Group has established controls around taking hedge positions and its risk management framework and policies.	We have performed the following audit procedures: • We have evaluated the design and implementation of the Group's controls over taking hedge positions and application of its policies. This included testing the reasonableness of the Group's hedge positions at the date of inception and at each reporting date, along with Group's accounting for its hedge position; • We have also involved our valuation specialist for assessing the Group's hedge accounting, and for testing hedge effectiveness on sample basis; and

Independent Auditor's Report
To the Shareholders of Air Arabia PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	*How our audit addressed the key audit matter*
iii) Accounting for fuel hedge positions (continued) The effective portion of changes in the fair value of the hedge instruments are recognised in the consolidated statement of other comprehensive income until the forecasted transaction occurs, whilst any ineffective portion is recognised directly in the consolidated statement of profit or loss. Judgment is exercised in arriving at this conclusion. As of December 31, 2024, the total fair value of the Group's cash flow hedge instruments, obtained from counterparties, is a net liability of AED 57.63 million as disclosed in Note 22 to the consolidated financial statements.	• We have also assessed the adequacy of the Group's disclosure in this respect.
iv) Valuation of aircraft maintenance obligations Note 21 to the consolidated financial statements reflected maintenance liabilities of AED 1,568 million as at December 31, 2024. The accounting for maintenance obligations, including the end of lease hand-back requirements, is subject to management assumptions. These assumptions include estimating maintenance accrual for major inspections and overhauls based on technical evaluation of the number of hours flown by each engine, airframe checks at fixed intervals and utilization cycles of landing gears, life limited parts and auxiliary power units. It also includes the cost of performing the required maintenance work at that future return date of leased aircrafts. There is a risk of maintenance and hand-back obligations included in lease agreements being accounted for inappropriately.	We have performed the following audit procedures: • We have made enquiries of management to establish if there were any new lease or maintenance contracts entered during the year; • For the ongoing maintenance work under flying hour agreements, we have confirmed that the expenses were recognised at the contractual flying hour rates and checked a sample of the actual flying hours to the Group's operating system to confirm that the expenses recognised were complete and accurate; • We have validated the cost drivers of major types of maintenance accrual for appropriateness and reasonableness; • We have verified the utilization of maintenance accrual during the year for routine and non-routine expenses; • We have validated the main reason for change in the maintenance accrual balance as at year end; • We have evaluated the design and implementation of the Group's controls over the maintenance accrual made during the year; and • We have performed additional substantive audit procedures to corroborate our findings in respect of the audit tests above.

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Independent Auditor's Report

To the Shareholders of Air Arabia PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report (including the Directors' Report) but does not include the consolidated financial statements and our Auditor's Report thereon. We obtained the Directors' Report, at the date of our Auditors' Report, and we expect to obtain the remaining sections of the Annual Report after the date of the Auditors' Report.

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

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

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

When we read the remaining information of the Annual Report of the Group, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and their preparation in compliance with the applicable provisions of the UAE Federal Decree-Law No. 32 of 2021, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

Independent Auditor's Report
To the Shareholders of Air Arabia PJSC (continued)

Report on the Audit of the Consolidated Financial Statements (continued)

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Independent Auditor's Report
To the Shareholders of Air Arabia PJSC (continued)

Report on Other Legal and Regulatory Requirements

As required by the UAE Federal Decree-Law No. 32 of 2021, we report that for the year ended December 31, 2024:

i) We have obtained all the information we considered necessary for the purposes of our audit;

ii) The consolidated financial statements have been prepared and comply, in all material respects, with the applicable provisions of the UAE Federal Decree-Law No. 32 of 2021;

iii) The Group has maintained proper books of account;

iv) The financial information included in the Directors' Report, in so far as it relates to these consolidated financial statements, is consistent with the books of account of the Group;

v) Note 1 to the consolidated financial statements discloses new shares made by the Group during the year ended December 31, 2024;

vi) Note 15 to the consolidated financial statements discloses related party transactions, and the terms under which they were conducted;

vii) Based on the information that has been made available to us, nothing has come to our attention which causes us to believe that the Group has contravened during the financial year ended December 31, 2024 with any of the applicable provisions of UAE Federal Decree-Law No. 32 of 2021, or of the Company's Articles of Association, which would materially affect its activities or the Group's financial position as at December 31, 2024; and

viii) There have been no social contributions during the year.

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Farouk Mohamed
Registration No. 86
Dubai, United Arab Emirates

February 13, 2025

Consolidated statement of financial position
As at December 31, 2024

	Notes	2024 AED'000	2023 AED'000
ASSETS			
Non-current assets			
Property and equipment	5	**4,661,664**	4,954,113
Right-of-use assets	6	**784,706**	574,232
Advance for new aircraft	7	**1,262,605**	886,886
Investment property	8	**244,734**	165,401
Net investment in lease	14	**172,078**	52,993
Intangible assets	9	**1,350,270**	1,345,917
Deferred charges	10	**14,230**	19,293
Investments at fair value through other comprehensive income	11	**420,366**	230,332
Investments in associates and joint ventures	12	**226,404**	205,858
Trade and other receivables	14	**27,118**	85,847
		9,164,175	8,520,872
Current assets			
Inventories		**53,456**	48,719
Trade and other receivables	14	**824,296**	858,576
Bank balances and cash	16	**5,319,517**	5,246,377
		6,197,269	6,153,672
TOTAL ASSETS		**15,361,444**	14,674,544
EQUITY AND LIABILITIES			
Share capital	17	**4,666,700**	4,666,700
Statutory reserve	18	**1,050,306**	912,152
General reserve	19	**489,304**	351,150
Other reserves		**(45,785)**	71,537
Retained earnings		**1,789,805**	1,532,467
Total equity attributable to the owners of the Company		**7,950,330**	7,534,006
Non-controlling interest		**1,728**	1,084
Total equity		**7,952,058**	7,535,090
Non-current liabilities			
Provision for staff termination benefits	20	**239,721**	208,175
Trade and other payables	21	**1,307,744**	1,249,607
Bank borrowings	24	**-**	30,610
Lease liabilities	23	**1,476,218**	1,567,827
		3,023,683	3,056,219
Current liabilities			
Deferred income	26.2	**835,350**	523,402
Trade and other payables	21	**2,783,622**	2,879,313
Bank borrowings	24	**15,383**	95,084
Lease liabilities	23	**609,840**	585,436
Current income tax liabilities	25	**141,508**	-
		4,385,703	4,083,235
Total liabilities		**7,409,386**	7,139,454
TOTAL EQUITY AND LIABILITIES		**15,361,444**	14,674,544

These consolidated financial statements were approved and authorised for issue by the Board of Directors on February 13, 2025 and signed on their behalf by:

Chairman *Chief Executive Officer* *Director of Finance*

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of profit or loss
For the year ended December 31, 2024

	Notes	2024 AED'000	2023 AED'000
Revenue	26	**6,639,064**	5,999,750
Direct costs	27	**(5,076,156)**	(4,343,184)
GROSS PROFIT		**1,562,908**	1,656,566
Administrative and general expenses	28	**(274,965)**	(329,206)
Selling and marketing expenses	29	**(103,843)**	(88,793)
Finance income		**250,698**	209,994
Finance costs		**(82,092)**	(102,457)
Share of profit on investments in associates and joint ventures	12	**124,752**	88,121
Other income, net	30	**131,680**	113,471
PROFIT BEFORE TAX		**1,609,138**	1,547,696
Income tax expense	25	**(141,508)**	-
PROFIT FOR THE YEAR		**1,467,630**	1,547,696

		2024 AED'000	2023 AED'000
Profit for the year attributable to:			
Owners of the Company		**1,466,986**	1,547,132
Non-controlling interest		**644**	564
		1,467,630	1,547,696
Basic and diluted earnings per share (AED)	31	**0.31**	0.33

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income
For the year ended December 31, 2024

	Note	2024 AED'000	2023 AED'000
Profit for the year		**1,467,630**	1,547,696
Other comprehensive loss			
Items that will never be reclassified subsequently to profit or loss:			
Change in fair value of investments at fair value through other comprehensive income	11	**(5,326)**	5,431
Items that are or may be reclassified subsequently to profit or loss:			
Cash flow hedge			
Effective portion of changes in fair value		**(111,996)**	(313,667)
Total other comprehensive loss for the year		**(117,322)**	(308,236)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,350,308**	1,239,460

	2024 AED'000	2023 AED'000
Total comprehensive income for the year attributable to:		
Owners of the Company	**1,349,664**	1,238,896
Non-controlling interest	**644**	564
	1,350,308	1,239,460

Consolidated statement of changes in equity
For the year ended December 31, 2024

	Attributable to the Owners of the Company								
				Other reserves					
2024	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Cumulative change in FVOCI AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Total equity AED'000	Non-controlling interest AED'000	Total equity AED'000
As at January 1, 2024	4,666,700	912,152	351,150	11,864	59,673	1,532,467	7,534,006	1,084	7,535,090
Profit for the year	-	-	-	-	-	1,466,986	1,466,986	644	1,467,630
Other comprehensive loss for the year	-	-	-	(5,326)	(111,996)	-	(117,322)	-	(117,322)
Total comprehensive income for the year	-	-	-	(5,326)	(111,996)	1,466,986	1,349,664	644	1,350,308
Transfers to reserves	-	138,154	138,154	-	-	(276,308)	-	-	-
Transactions with owners									
Dividends declared (Note 17)	-	-	-	-	-	(933,340)	(933,340)	-	(933,340)
As at December 31, 2024	**4,666,700**	**1,050,306**	**489,304**	**6,538**	**(52,323)**	**1,789,805**	**7,950,330**	**1,728**	**7,952,058**

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity (continued)
For the year ended December 31, 2024

	Attributable to the Owners of the Company								
				Other reserves					
2023	Share capital AED'000	Statutory reserve AED'000	General reserve AED'000	Cumulative change in FVOCI AED'000	Cash flow hedge reserve AED'000	Retained earnings AED'000	Total equity AED'000	Non-controlling interest AED'000	Total equity AED'000
As at January 1, 2023	4,666,700	750,668	189,666	6,433	373,340	1,008,308	6,995,115	520	6,995,635
Profit for the year	-	-	-	-	-	1,547,132	1,547,132	564	1,547,696
Other comprehensive loss for the year	-	-	-	5,431	(313,667)	-	(308,236)	-	(308,236)
Total comprehensive income for the year	-	-	-	5,431	(313,667)	1,547,132	1,238,896	564	1,239,460
Transfers to reserves	-	161,484	161,484	-	-	(322,968)	-	-	-
Transactions with owners									
Dividends declared (Note 17)	-	-	-	-	-	(700,005)	(700,005)	-	(700,005)
As at December 31, 2023	4,666,700	912,152	351,150	11,864	59,673	1,532,467	7,534,006	1,084	7,535,090

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows
For the year ended December 31, 2024

	Notes	2024 AED'000	2023 AED'000
OPERATING ACTIVITIES			
Net profit for the year before tax		**1,609,138**	1,547,696
Adjustments to reconcile profit to net cash flows:			
Depreciation and amortization	5,6,9,10	**648,588**	647,328
Foreign exchange gain		**(3,901)**	(2,934)
Share of profit on investments in associates and joint ventures	12	**(124,752)**	(88,121)
Provision for staff terminal benefits	20	**42,016**	44,056
Ineffective portion of derivative financial instruments		**5,307**	-
Dividend from investment at fair value through other comprehensive income		**(117)**	-
Allowance for expected credit losses for trade and other receivables	28	**1,644**	47,815
Finance income		**(250,698)**	(209,994)
Finance costs		**82,092**	102,457
Operating cash flows before changes in working capital		**2,009,317**	2,088,303
Changes in working capital:			
Inventories		**(4,737)**	(15,972)
Trade and other receivables		**12,575**	(27,664)
Trade and other payables		**(39,942)**	255,605
Deferred income		**311,948**	9,732
Cash from operations		**2,289,161**	2,310,004
Staff terminal benefits paid	20	**(10,470)**	(5,896)
Net cash flows from operating activities		**2,278,691**	2,304,108
INVESTING ACTIVITIES			
Additional investment in joint ventures	12	**(3,828)**	(24,620)
Acquisition of property and equipment	5	**(203,935)**	(76,284)
Additions to investment property	8	**(79,333)**	(16,401)
Payments in relation to advances for new aircrafts-net	7	**(375,719)**	(301,751)
Increase in deferred charges	10	**-**	(344)
Dividends received from investments in associates and joint ventures	12	**108,034**	63,083
Dividend received from investment measured at fair value through other comprehensive income		**117**	-
Proceeds from net investment in lease		**38,128**	48,795
Payments in relation to purchase of investments at fair value through OCI	11	**(195,360)**	(181,735)
Acquisition of intangible assets	9	**(9,349)**	(11,346)
Change in fixed and margin deposits		**(635,219)**	(298,005)
Finance income received		**247,542**	153,935
Net cash flows used in investing activities		**(1,108,922)**	(644,673)
FINANCING ACTIVITIES			
Dividends paid to Owners of the Company	17	**(933,340)**	(700,005)
Payments of finance lease liabilities	23	**(678,959)**	(723,046)
Net movement on borrowings	24	**(110,311)**	(13,791)
Finance costs paid		**(9,238)**	(10,472)
Net cash flows used in financing activities		**(1,731,848)**	(1,447,314)
Net change in cash and cash equivalents		**(562,079)**	212,121
Cash and cash equivalents at the beginning of the year		**1,262,308**	1,050,187
Cash and cash equivalents at the end of the year	16	**700,229**	1,262,308

The accompanying notes from 1 to 39 form an integral part of these consolidated financial statements.

1 Legal status and principal activities

Air Arabia PJSC (the "Company") was incorporated on June 19, 2007 as a Public Joint Stock Company. The Company operates in the United Arab Emirates under a trade license issued by the Economic Development Department of the Government of Sharjah and Air Operator's Certificate Number AC 2 issued by the General Civil Aviation Authority, United Arab Emirates.

The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates. The registered office address is P.O. Box 132, Sharjah, United Arab Emirates.

The consolidated financial statements for the year ended December 31, 2024 include the consolidated financial performance and position of the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in associates and joint ventures.

The licensed activities of the Group are international commercial air transportation, aircraft trading, aircraft rental, aircraft spare parts trading, travel and tourist agencies, commercial brokerage, hotels, hotel apartment rentals, airline companies' representative office, passengers transport, cargo services, air cargo agents, documents transfer services, aviation training and aircraft repairs and maintenance.

The details of the Group's ownership in its various subsidiaries, joint ventures and associates and their principal activities are as follows:

Name	Beneficial ownership interest 2024	Beneficial ownership interest 2023	Country of operation and ownership	Principal activities
Subsidiaries				
International Business Company (FZE)	**100%**	100%	United Arab Emirates	Dealing in International Business and shares
Air Arabia Holidays L.L.C	**100%**	100%	United Arab Emirates	Tour operations
Information System Associates FZE	**100%**	100%	United Arab Emirates	IT services to aviation industry
Action Hospitality	**100%**	100%	United Arab Emirates	Hospitality services, managing and operating restaurants and hotels
COZMO Travel LLC – Sole proprietorship (a)	**100%**	100%	United Arab Emirates	Travel and tours, tourism and cargo services
Impact Aviation Services Limited	**100%**	100%	Ireland	Management of lease contracts
Air Arabia Service Center W.L.L (b)	**100%**	100%	Bahrain	Office administrative and support services, call center and computer programming services
Centro Sharjah Hotel L.L.C.SP (c)	**100%**	100%	United Arab Emirates	Hotel
Radisson Blu Hotel Apartment – Dubai Marina LLC (c)	**100%**	100%	United Arab Emirates	Renting hotel apartments
Subsidiaries of International Business Company (FZE) (sub-subsidiaries)				
Olgana Real Estate Development L.L.C	**100%**	100%	United Arab Emirates	Real Estate Development
Air Arabia Academy LLC (formerly known as T3 Aviation Academy LLC) (d)	**100%**	100%	United Arab Emirates	Aviation training services

1 Legal status and principal activities (continued)

Name	Beneficial ownership interest 2024	2023	Country of operation and Ownership	Principal activities
Subsidiaries of International Business Company (FZE) (sub-subsidiaries) (continued)				
Nexasoft Innovations Private Limited (e)	**100%**	-	India	Software designing, development and solutions
Coreops Services Private Limited (e)	**100%**	-	India	Backend support solutions
Joint ventures				
Alpha Flight Services UAE LLC	**51%**	51%	United Arab Emirates	Flight and retail catering and ancillary services to the Air Arabia PJSC
Sharjah Aviation Services LLC	**50%**	50%	United Arab Emirates	Aircraft handling, passenger and cargo services at the Sharjah International Airport
Cozmo Travel (CJSC) ("Cozmo Armenia") (f)	**75%**	75%	Armenia	Travels and tours, tourism and cargo services
Air Arabia Abu Dhabi L.L.C.	**49%**	49%	United Arab Emirates	International commercial air transportation
Air Arabia - Egypt Company S.A.E.	**40%**	40%	Egypt	International commercial air transportation
Fly Jinnah Services (Private) Limited	**45%**	45%	Pakistan	International commercial air transportation
Armenian National Airlines (CJSC) ("Fly Arna") (g)	**49%**	49%	Armenia	International commercial air transportation
Associates				
Air Arabia Maroc, S.A.	**44.13%**	44.13%	Morocco	International commercial air transportation
Air Arabia Jordan LLC (g)	49%	49%	Jordan	International commercial air transportation
Tune Protection Commercial Brokerage LLC	**51%**	51%	United Arab Emirates	Commercial brokers

a) COZMO Travel LLC - Sole proprietorship controls subsidiaries in Qatar, Kingdom of Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, India, Oman, Jordan and Egypt.

b) During the year ended December 31, 2024, Air Arabia Service Center W.L.L, a fully owned subsidiary of the Group incorporated in the Kingdom of Bahrain, has become fully operational.

c) During the year ended December 31, 2024, the legal form of Centro Sharjah Hotel and Radisson Blu Hotel Apartment was changed from sole establishments to limited liability companies.

d) During the year ended December 31, 2024, the Group has changed the legal name of T3 Aviation Academy LLC to be "Air Arabia Academy LLC".

e) During the year ended December 31, 2024, the Group incorporated fully owned subsidiaries named "Nexasoft Innovations Private Limited" and "Coreops Services Private Limited" in India through its wholly owned subsidiary, International Business Company (FZE). The subsidiaries were not yet operational as at December 31, 2024.

f) The Group suspended the operations of Cozmo Armenia during the year ended December 31, 2024.

g) As at December 31, 2024, the Group has initiated the process of liquidating its joint ventures Fly Arna – Armenia and Air Arabia Jordan LLC.

1 Legal status and principal activities (continued)

Financial information

Financial information of the material subsidiaries of the Group as at and for the years ended December 31, 2024 and December 31, 2023, before consolidation adjustments, is as follows.

2024	Assets AED '000	Liabilities AED '000	Equity AED '000	Revenue AED '000	Net profit AED '000
COZMO Travel LLC – Sole Proprietorship	296,213	113,738	182,475	64,533	46,693
Air Arabia Academy LLC (formerly known as T3 Aviation Academy LLC)	103,928	70,948	32,980	88,693	30,135

2023	Assets AED '000	Liabilities AED '000	Equity AED '000	Revenue AED '000	Net profit AED '000
COZMO Travel LLC – Sole proprietorship	274,085	89,638	184,447	78,581	69,470
Air Arabia Academy LLC (formerly known as T3 Aviation Academy LLC)	97,030	62,613	34,417	62,057	17,152

2 Basis of preparation

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the IFRS Accounting Standards as issued by the IASB and applicable requirements of UAE Federal Law by Decree No. 32 of 2021 on Commercial Companies.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments and investments measured at fair value through other comprehensive income (FVOCI), which are measured at their fair values.

(c) Functional and presentation currency

The consolidated financial statements are presented in Arab Emirates Dirham ("AED"), which is the Group's functional currency. All values are rounded to the nearest thousands ('000) except, where noted otherwise.

3 New or revised Standards or Interpretations

3.1 New Standards adopted as at January 1, 2024

Accounting pronouncements which have become effective from January 1, 2024 and have therefore been adopted are as follows:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7); and
- Non-current Liabilities with Covenants (Amendments to IAS 1).

These amendments do not have a significant impact on these consolidated financial statements and therefore the disclosures have not been made.

3.2 Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Group

Other standards and amendments that are not yet effective and have not been adopted early by the Group are as follows:

Effective for annual reporting periods beginning on or after January 1, 2025:

- Lack of Exchangeability (Amendments to IAS 21).

Effective for annual reporting periods beginning on or after January 1, 2027:

- IFRS 18 Presentation and Disclosures in Financial Statements; and
- IFRS 19 Subsidiaries without Public Accountability: Disclosures.

The Group is in process of determining the potential effects of implementation of IFRS 18 and IFRS 19 on its consolidated financial statements. Other than the above, these amendments are not expected to have a significant impact on the consolidated financial statements in the period of initial application and therefore the disclosures have not been made.

4 Material accounting policies

Overall considerations

These consolidated financial statements have been prepared using the measurement bases specified by IFRS Accounting Standards as issued by the IASB for each type of asset, liability, income and expense. The material accounting policies and measurement bases are more fully described below and on the following pages.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognised in the consolidated statement of comprehensive income.

Non-monetary items are not re-translated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

4 Material accounting policies (continued)

Foreign operations

In the consolidated financial statements, all assets, liabilities and transactions of the Group's entities with a functional currency other than the AED (the Group's presentation currency) are translated into AED upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period.

On consolidation, assets and liabilities of foreign operations have been translated into AED at the closing rate prevailing at the reporting date. Income and expenses of foreign operations have been translated into the Group's presentation currency at the average rate over the reporting period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income (OCI).

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2024. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

a. The contractual arrangement with the other vote holders of the investee;
b. Rights arising from other contractual arrangements; and
c. The Company's voting rights and potential voting rights.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the assets transferred.

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

The financial statements of the subsidiaries are prepared for the same reporting year as of the Company.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in the consolidated statement of comprehensive income. Any investment retained is recognised at fair value.

4 Material accounting policies (continued)

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree.

For each business combination, the acquirer measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative and general expenses.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquireee us remeasured to fair value at the acquisition date through the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset of liability will be recognised in accordance with IFRS 9 either in the consolidated statement of comprehensive income of as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be re-measured untill is finally settled within equity. Other contingent consideration that is not within the scope of IFRS 9, is measured at fair value at each reporting date wuth changes in fair value recognised in the consolidated statement of comprehensive income.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests over the net identifiable assets aquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated statement of comprehensive income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill aquired in a business combination is, from the acquistion date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets ot liabilities of the acquireee are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the fain or loss on disposal of the operation. Goodwill disposed of in this cirmustances is measured basedon the relative values of the operation disposed of and portion of the cash-generating unit retained.

Property and equipment

Property and equipment are initially recognised at cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Land granted by the Government of Sharjah and acquired through the acquisition of Radisson Blu Hotel and Resort is not depreciated, as it is deemed to have an infinite life.

Property and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

During the year, the Group changed the estimated useful life applied to certain assets after assessing the period over which the assets are expected to be available for use (refer Note 5 for details).

4 Material accounting policies (continued)

Property and equipment (continued)

The useful lives are applied, as follows:

	2024	2023
Buildings	**15 – 20 years**	15 – 20 years
Aircrafts	**20 years**	15 years
Aircraft engines	**20 years**	20 years
Aircraft rotables and equipment	**3 – 10 years**	3 – 10 years
Airport equipment	**3 – 15 years**	3 – 15 years
Other property and equipment including engine driven pumps ("EDP")	**3 – 5 years**	3 – 5 years

Depreciation is charged so as to write off the cost of assets, other than capital work in progress and land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Capital work in progress is stated at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

Government grants

Land granted by the government is recognised at nominal value where there is reasonable assurance that the land will be received and the Group will comply with any attached conditions, where applicable.

Leases

The Group has recorded right-of-use assets representing the right to use the underlying assets under property and equipment, net investment in lease representing the net present value of receivables from intermediate lease, and the corresponding lease liabilities to make lease payments under other liabilities.

The Group as a lessee

I. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

Aircrafts	6 - 9 years
Hanger	15 years

Right-of-use assets are also subject to impairment.

4 Material accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

II. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognised under other liabilities in the consolidated statement of financial position.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rates range from 2.26 % to 5 % as applicable.

The Group as a lessor

I. Net investments in leases

Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments under the lease agreement, including guaranteed residual value and un-amortised initial direct cost which are included in the consolidated financial statements as "Net investments in leases" within trade and other receivables.

II. Interest income on net investments in leases

The Group follows the finance lease method in accounting for recognition of finance lease. The total unearned interest income, i.e. the excess of aggregate instalment contract receivables plus residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, to produce a systematic return on net investments in leases.

III. The Group as an intermediate lessor

The Group acts as an intermediate lessor in a transaction for which an underlying asset is re-leased by the Group ('intermediate lessor') to a third party, and the lease ('head lease') between the head lessor and Group remains in effect.

The Group classifies the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease that the entity, as a lessee, has accounted for by recognising the lease payments as an expense on a straight-line basis over the term of the lease, the sublease must be classified as an operating lease;
- Otherwise, the sublease must be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the economic useful life of the underlying asset (such as the item of property and equipment that is the subject of the lease).

Investment properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

4 Material accounting policies (continued)

Investment properties (continued)

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Properties under construction

Properties under construction are carried at cost less any impairment in value. Costs are those expenses incurred by the Group that are directly attributable to the construction of asset.

The carrying values of properties under construction are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount.

Intangible assets

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

The useful lives of intangible assets arising out of the acquisition of Air Arabia LLC in 2007, have been estimated to be indefinite (Note 9).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

Intangible assets with indefinite useful lives are tested for impairment annually, or more frequently when there is indication of impairment. For intangible assets with definite useful lives amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in the consolidated statement of profit or loss. The useful life used in the calculation of amortisation is 5 years.

Deferred charges

Deferred charges are amortised on the straight-line method over the estimated period of the benefits.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises invoice price of materials. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control of joint control over those policies.

4 Material accounting policies (continued)

Investments in associates and joint ventures (continued)

A joint venture is a type of joint arrangement whereby the parties have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control. The consideration made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and joint ventures are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the consolidated carrying amount of the investment and goodwill is neither amortised nor individually tested for impairment.

The consolidated statement of profit or loss reflects the Group's share of the results of operations of the associates and joint ventures. Any change in other comprehensive income of those investees is presented as part of the Group's consolidated statement of other comprehensive income.

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains/losses resulting from transaction between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and joint venture is shown on the face of the consolidated statement of profit or loss outside operating profit. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and then recognises the loss in the consolidated statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in consolidated statement of profit or loss.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained; only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Impairment of non-financial assets

At the end of the reporting date, the Group reviews the carrying amounts of tangible assets to determine whether there is any indication that those assets have suffered an 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 (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4 Material accounting policies (continued)

Impairment of non-financial assets (continued)

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset 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 recognised immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or 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 recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Subsequent measurement

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

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and

4 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (continued)

Financial assets at amortised cost (debt instruments) (continued)

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade and most other receivables, bank balances and cash and other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the consolidated statements of profit or loss. Dividends are recognised as other income in the consolidated statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the consolidated statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to consolidated statement of profit or loss.

The Group's debt instruments at fair value through OCI includes investments in unquoted debt instruments included under other "*Investments at fair value through other comprehensive income*".

Derecognition

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

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

4 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition (continued)

When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 60 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as payables and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include lease liabilities, trade and most other payables, and bank borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost.

4 Material accounting policies (continued)

Financial instruments (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Loans and borrowings (continued)

The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of the financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions;
- Reference to the current fair value of another instrument that is substantially the same; or
- A discounted cash flow analysis or other valuation models.

Derivative financial instruments

The management has applied hedge accounting for its derivative financial instruments. The management applies hedge accounting only if all of the following conditions are met:

- There is formal designation and written documentation at the inception of the hedge;
- The effectiveness of the hedging relationship can be measured reliably. This requires the fair value of the hedging instrument, and the fair value or cash flows of the hedged item with respect to the risk being hedged, to be reliably measurable;
- The hedge is expected to be highly effective in achieving fair value or cash flow offsets in accordance with the original documented risk management strategy; and
- The hedge is assessed and determined to be highly effective on an ongoing basis throughout the hedge relationship. A hedge is highly effective if changes in the fair value of the hedging instrument, and changes in the fair value or expected cash flows of the hedged item attributable to the hedged risk.

4 Material accounting policies (continued)

Derivative financial instruments (continued)

At inception of the hedge, the management designate hedge either as a cash flow hedge or as a fair value hedge. The designation is done at inception of the hedge. At inception of the hedge, the management establishes formal documentation of the hedge relationship. The method an entity adopts depends on its risk management strategy and hedge accounting systems and practices. The method that will be used in measuring hedge effectiveness is specified in the hedge documentation.

The hedge documentation prepared at inception includes a description of the followings:

- Risk management objective and strategy for undertaking the hedge;
- The nature of the risk being hedged;
- Clear identification of the hedged item - the asset, liability, firm commitment or cash flows arising from a forecast transaction - and the hedging instrument; and
- How hedge effectiveness will be assessed both prospectively and retrospectively. The entity describes the method and procedures in sufficient detail to establish a firm and consistent basis for measurement in subsequent periods for the particular hedge.

A hedging relationship meets the hedge effectiveness requirements if there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from the economic relationship and the hedge ratio of the hedging relationship is the same as that resulting from the quantities of the hedged item that the entity actually hedge and the hedging instrument uses to hedge that quantity of hedged item.

Under a cash flow hedge model, the effective portion of the fair value changes of the hedging instrument is recognised in consolidated statement of other comprehensive income (OCI) and the ineffective portion is recognised in the consolidated statement of profit or loss.

In a fair value hedge, any ineffectiveness is automatically recognised in the consolidated statement of comprehensive income because changes in the measurement of both the hedging instrument and the hedged item are reported through the consolidated statement of comprehensive income except if the hedging instrument hedges an equity investment for which the management has elected to present changes in fair value in OCI.

If a hedge no longer is effective, then hedge accounting is discontinued prospectively from the last date on which the hedge was proven to be effective. Hedge accounting is also discontinued when the hedged item or the hedging instrument is derecognised, the criteria are no longer met or upon voluntarily discontinuation.

If the hedging instrument is a derivative, then the hedging instrument is measured at fair value, with the effective portion of changes in its fair value recognised in OCI and presented within equity normally in a hedging reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the consolidated statement of profit or loss.

If hedge accounting is not applied to a derivative instrument that is entered into as an economic hedge, then derivative gains and losses are shown in the consolidated statements of other comprehensive income.

Provision for staff terminal benefits

Provision is made for the full amount of statutory gratuity due to employees for their period of service up to the reporting date in accordance with the applicable labour laws. The gratuity provision is shown under non-current liabilities in the consolidated statement of financial position.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts.

4 Material accounting policies (continued)

Provision for staff terminal benefits (continued)

Defined contribution plans (continued)

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Contributions for eligible UAE National employees are made to the Pension Authority, in accordance with the provisions of UAE labour Law No. (7) of 1999 relating to Pension and Social Security and its amendments and charged to the consolidated statement of comprehensive income in the period in which they fall due.

Aircraft maintenance

For the aircraft owned by the Group, maintenance accruals are made based on the technical evaluation. For the aircraft under operating lease agreements, wherein the Group has an obligation to maintain the aircraft, accruals are made during the lease term for the obligation based on estimated future costs of major airframe and certain engine maintenance checks by making appropriate charges to the consolidated statement of profit or loss calculated by reference to the number of hours or cycles operated and engineering estimates.

Deferred income

Deferred income mainly represents unearned revenue from flight seats sold but not yet flown and will be released to the consolidated statement of profit or loss when passengers are flown or time expired.

Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts. Provisions are not recognised for future operating losses. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

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. Provisions are discounted to their present values, where the time value of money is material.

Taxation

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

4 Material accounting policies (continued)

Taxation (continued)

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Revenue recognition

Revenue from contracts with customers

The Group's revenue primarily derives from transportation services for both passengers and cargo, ticket selling, accommodation income and dividend income. Revenue is recognized when the transportation, tickets or accommodation are provided. The Group considers whether it is an agent or a principal in relation to transportation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party.

Rendering of services

Passenger tickets are generally paid for in advance of transportation and are recognised, net of discounts as deferred revenue on ticket sales in current liabilities until the customer has flown. Unused tickets are recognised as revenue after the contracted date of departure using estimates regarding the timing of recognition based on the terms and conditions of the ticket and statistical analysis of historical trends. Other revenue including maintenance; handling; hotel and holiday and commissions is recognized as the related performance obligation is satisfied over time using an appropriate methodology which reflects the activity that has been undertaken to satisfy the related obligation.

Hotel revenue

Income from room hire is recognised on a pro-rata basis over the period of occupancy. Revenue from sale of goods, food and beverages is recognised upon issuance of related sales invoices on delivery to guests and customers.

Dividend income

Dividend from investments is recognised when the Group's right to receive payment has been established.

Finance income and finance costs

Finance income mainly comprises interest income on fixed deposits and investments. Interest income is recognised in the consolidated statement of profit or loss as it accrues, using the effective interest rate method.

4 Material accounting policies (continued)

Finance income and finance costs (continued)

Finance costs mainly comprises interest expense on bank borrowings and lease liabilities. All borrowing costs are recognised in the consolidated statement of comprehensive income using the effective interest rate method. However, borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the asset for its intended use or sale are complete.

Operating expenses

Operating expenses are recognised in the consolidated statement of profit or loss upon utilisation of the service or at the date of their origin.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers, who is responsible for resource allocation and assessing performance of the operating segments, are the Board of Directors and the Chief Executive Officer.

Current versus non-current classification

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

An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

All other liabilities are classified as non-current.

Significant management judgment, estimates and assumptions in applying accounting policies

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

4 Material accounting policies (continued)

Significant management judgment, estimates and assumptions in applying accounting policies (continued)

Control assessment

The Group reassesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in IFRS 10.

Management has reviewed its control assessments in accordance with IFRS 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period covered by these consolidated financial statements.

Impairment of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives are tested annually for impairment and at other times when such indications exist. The impairment calculation requires the use of estimates.

The intangible assets include trade name, landing rights, price benefits from related parties and handling license - Sharjah Aviation Services LLC.

The recoverability of these assets is based on the Group's projected financial performance which are underpinned by a number of assumptions The carrying amounts of these assets are analysed in Note 9. The actual results may vary and may cause significant adjustments to the Group's assets within the next financial year.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in arm's length transactions of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

Aircraft maintenance costs

The Group incurs liabilities for maintenance costs in respect of its owned aircrafts and leased aircraft. A charge is made in the consolidated statement of profit or loss each month based on the number of flight hours or cycles used to build up an accrual to cover the cost of heavy-duty maintenance checks when they occur.

Estimates involved in calculating the provision required include the expected date of the check, market conditions for heavy-duty maintenance checks at the expected date of check, the condition of asset at the time of the check, the likely utilisation of the asset in terms of either flying hours or cycles, and the regulations in relation to extensions to lives of life-limited parts, which form a significant proportion of the cost of heavy-duty maintenance costs of engines. Additional maintenance costs for aircraft engines are considered for accrual based on the estimates made by engineering department on the basis of operational requirements.

In case of operating lease aircraft, the Group is also required to pay maintenance reserves to lessors on a monthly basis, based on usage. These maintenance reserves are then returned to the Group on production of evidence that qualifying maintenance expenditure has been incurred. Maintenance reserves paid are deducted from the accruals made. In some instances, not all of the maintenance reserves paid can be recovered by the Group and, therefore, are retained by the lessor at the end of the lease term.

4 Material accounting policies (continued)

Significant management judgment, estimates and assumptions in applying accounting policies (continued)

Aircraft maintenance costs (continued)

Assumptions made in respect of the basis of the accruals are reviewed for all aircraft once a year. In addition, when further information becomes available which could materially change an estimate made, such as a heavy-duty maintenance check taking place, utilisation assumptions changing, or return conditions being re-negotiated, then specific estimates are reviewed immediately, and the accrual is reset accordingly.

Accrual for aircraft flying costs

The management accrues for the landing, parking, ground handling, and other charges applicable for each airport in which the Group operates flights on a monthly basis. These estimates are based on the rate of charges applicable to each airport based on the agreements and recent invoices received for the services obtained. Similarly, accruals for overflying charges are estimated based on the agreement entered with each country. Actual charges may differ from the charges accrued and the differences are accounted for, on a prospective basis.

Estimated useful life and residual value of property and equipment, right-of-use assets and intangible assets

The Group estimates the useful lives of property and equipment (except land), right-of-use assets and intangible assets based on the period over which the assets are expected to be available for use or the lease term. The estimated useful lives of property and equipment, right-of-use assets and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

Deferred charges

The period of amortisation of the deferred charges is determined based on the pattern in which the future economic benefits are expected to be consumed by the Group.

Allowance for expected credit losses for trade receivables and amounts due from related parties

The expected credit losses are based on assumption about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Determining lease terms

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not extend).
- If any leasehold improvements are expected to have a significant remaining value the Group is typically certain to extend (or not extend).
- Otherwise, the Group considers other factors including historical lease durations, costs and business disruption required to replace the leased asset.

4 Material accounting policies (continued)

Significant management judgment, estimates and assumptions in applying accounting policies (continued)

Determining lease terms (continued)

- The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Determination of appropriate discount rate in measuring lease liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate.

In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

Recognition of revenue

Management considers recognizing revenue over time, if one of the following criteria is met, otherwise revenue will be recognized at a point in time:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

5 Property and equipment

2024	Land AED '000	Buildings AED '000	Aircrafts AED '000	Aircraft engines AED '000	Aircraft rotables and equipment AED '000	Airport equipment AED '000	EDP equipment AED '000	Office equipment, furniture, fixtures and motor vehicles AED '000	Capital work-in-progress AED '000	Total AED '000
Gross carrying amount										
As at January 1, 2024	89,040	697,618	8,589,345	413,777	173,577	18,919	48,381	185,388	16,713	10,232,758
Additions	-	271	-	55,295	19,602	-	156	34,758	93,853	203,935
Transfers	-	789	-	16,695	6,061	-	1,848	922	(26,315)	-
As at December 31, 2024	89,040	698,678	8,589,345	485,767	199,240	18,919	50,385	221,068	84,251	10,436,693
Accumulated depreciation										
As at January 1, 2024	-	423,810	4,452,563	185,222	71,196	12,218	39,376	94,260	-	5,278,645
Charge for the year	-	37,578	411,608	18,618	11,406	1,330	2,711	13,133	-	496,384
As at December 31, 2024	-	461,388	4,864,171	203,840	82,602	13,548	42,087	107,393	-	5,775,029
Net carrying amounts as at December 31, 2024	89,040	237,290	3,725,174	281,927	116,638	5,371	8,298	113,675	84,251	4,661,664

5 Property and equipment (continued)

2023	Land AED '000	Buildings AED '000	Aircrafts AED '000	Aircraft engines AED '000	Aircraft rotables and equipment AED '000	Airport equipment AED '000	EDP equipment AED '000	Office equipment, furniture, fixtures and motor vehicles AED '000	Capital work-in-progress AED '000	Total AED '000
Gross carrying amount										
As at January 1, 2023	89,040	694,841	8,589,345	413,777	137,979	18,919	47,597	150,154	14,822	10,156,474
Additions	-	2,777	-	-	35,598	-	784	35,234	1,891	76,284
As at December 31, 2023	89,040	697,618	8,589,345	413,777	173,577	18,919	48,381	185,388	16,713	10,232,758
Accumulated depreciation										
As at January 1, 2023	-	388,129	4,009,895	168,738	61,647	11,335	34,731	79,369	-	4,753,844
Charge for the year	-	35,681	442,668	16,484	9,549	883	4,645	14,891	-	524,801
As at December 31, 2023	-	423,810	4,452,563	185,222	71,196	12,218	39,376	94,260	-	5,278,645
Net carrying amounts as at December 31, 2023	89,040	273,808	4,136,782	228,555	102,381	6,701	9,005	91,128	16,713	4,954,113

The depreciation expense for the year has been allocated as follows:

	2024 AED '000	2023 AED '000
Direct costs (Note 27)	**462,951**	495,060
Administrative and general expenses (Note 28)	**33,433**	29,741
	496,384	524,801

5 Property and equipment (continued)

Buildings include hotel apartments, simulator and staff quarters. Simulator and staff quarters have been constructed on land in Sharjah, granted by the Government of Sharjah.

Property and equipment include one plot of land in Sharjah, granted by the Government of Sharjah that has been recognised at nominal value of AED 1.

As at December 31, 2024, work in progress represents various capital projects, mainly related to development of hangar, simulator building, business system, applications and building refurbishment amounting to AED 84.3 million (2023: AED 16.7 million). Capital commitments related to these projects are minimal as at reporting date.

All of the Group's non-movable assets are located in the UAE, except for property and equipment with carrying amount of AED 4.98 million (2023: AED 4.47 million), located outside UAE.

At December 31, 2024, aircrafts with carrying amount of AED 2.99 billion (2023: AED 3.42 billion) are held under lease.

The Group's management conducted an internal assessment of its aircraft assets and considered if there are any impairment indicators such as a deterioration in current or forecast trade activity, the incurrence of losses or other factors indicating that the assets may be impaired. Based on their assessment, the Group's management is of the view that no indicators of impairment arose during 2024 (2023: AED Nil).

Reassessment of useful lives and residual values during the year

During the year ended December 31, 2024, the management of the Group conducted a comprehensive review of the useful lives and residual values of its property and equipment in accordance with IAS 16 Property, Plant and Equipment. As a result, with effective from October 1, 2024, the estimated useful lives of Aircrafts were increased from 15 years to 20 years and the related residual values have decreased from 20% to a range of 7% to 8% of the original cost. These changes have been made to better reflect the current pattern of economic benefits derived from these Aircrafts and been treated prospectively as a change in accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. The impact of the afore-said change in accounting estimate is quantified as follows:

	AED '000
Impact on net assets	29,307
Impact on net profit after tax	26,669

6 Right-of-use assets

Right-of-use assets represent Aircrafts and Hangar obtained on lease (refer to Note 23 for lease liabilities recognised in relation to the right-of-use assets). The carrying amounts of the right-of-use assets and the movements during the year are shown below:

2024	Aircrafts AED '000	Hangar AED '000	Total AED '000
Gross carrying amount			
As at January 1, 2024	940,041	16,650	956,691
Additions	352,619	-	352,619
As at December 31, 2024	1,292,660	16,650	1,309,310
Accumulated depreciation			
As at January 1, 2024	371,150	11,309	382,459
Charge for the year (Note 27)	141,311	834	142,145
As at December 31, 2024	512,461	12,143	524,604
Net carrying amounts at December 31, 2024	**780,199**	**4,507**	**784,706**

6 Right-of-use assets (continued)

2023	Aircrafts AED '000	Hangar AED '000	Total AED '000
Gross carrying amount			
As at January 1, 2023	897,726	16,650	914,376
Additions	42,315	-	42,315
As at December 31, 2023	940,041	16,650	956,691
Accumulated depreciation			
As at January 1, 2023	258,880	10,475	269,355
Charge for the year (Note 27)	112,270	834	113,104
As at December 31, 2023	371,150	11,309	382,459
Net carrying amounts at December 31, 2023	568,891	5,341	574,232

7 Advance for new aircraft

These represent pre-delivery payments made to suppliers for an amount of AED 1,262.6 million (2023: AED 886.8 million) in respect of 120 new aircrafts consisting of A320 and A321 family. These aircrafts are expected to be delivered from the beginning of 2026 onwards.

8 Investment property

This represents investment property under construction (Varazze Tower, located in Al Safouh First, Dubai, UAE) being developed by Olgana Real Estate Development L.L.C., a subsidiary of the Company. As at reporting date, this property is approximately 90% complete (2023: 63%). The movement in balances during the year is reconciled as follows:

	2024 AED '000	2023 AED '000
Balance as at January 1,	**165,401**	149,000
Additions during the year	**79,333**	16,401
	244,734	165,401

The Management has estimated no impairment is required to be recognised as there are no indicators of impairment for these investment properties as at December 31, 2024 (2023: AED Nil).

The fair value of the property is determined to be AED 315 million as at December 31, 2024 (2023: AED 197 million). This has been estimated using a market approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the property including total area size, location, conditions and percentage of completion. The significant input used for valuation is sales price per square ft, which is observable from market for similar properties.

9 Intangible assets

	2024 AED '000	2023 AED '000
Intangible assets (Note 9.1)	**1,151,748**	1,147,395
Goodwill (Note 9.2)	**198,522**	198,522
	1,350,270	1,345,917

During the year ended December 31, 2024, intangible assets and goodwill were subject to impairment tests and management concluded that they are not impaired.

9 Intangible assets (continued)

9.1 Intangible assets

The movement in the intangible assets during the year can be reconciled as follows:

	2024 AED '000	2023 AED '000
As at January 1,	**1,147,395**	1,139,793
Additions during the year	**9,349**	11,346
Amortisation during the year (Note 27)	**(4,996)**	(3,744)
As at December 31,	**1,151,748**	1,147,395

The Group holds the intangible assets with indefinite useful lives, as follows:

	2024 AED '000	2023 AED '000
Trade name	**395,410**	395,410
Landing rights	**468,273**	468,273
Price benefit from related parties	**180,281**	180,281
Handling license - Sharjah Aviation Services	**48,383**	48,383
	1,092,347	1,092,347

9.2 Goodwill

Goodwill comprises of the following:

	2024 AED '000	2023 AED '000
Goodwill on acquisition of Air Arabia LLC *	**189,474**	189,474
Goodwill on step acquisition of Information Systems Associates FZC	**9,048**	9,048
As at December 31,	**198,522**	198,522

* Goodwill arising on of the acquisition of Air Arabia LLC in 2007, determined by an independent valuer, was as follows:

	AED '000
Total fair value of Air Arabia LLC	**1,400,000**
Fair value of intangible assets	**(1,092,347)**
Fair value of tangible assets – net	**(118,179)**
	189,474

9.3 Impairment test for infinite life intangible assets and goodwill

Irrespective of any indicators of impairment, the intangible assets with indefinite useful lives and goodwill are tested for impairment at each reporting date in accordance with the requirements of applicable reporting framework and accounting policy adopted by the Group.

The goodwill is monitored by the management at the level of the component to whom it relates i.e. the concerned cash generating unit (CGU) of the Group. The recoverable amount of the goodwill is determined based on value-in-use calculation which require the use of assumptions. The calculations apply cash flows projections based on financial budgets approved by management covering a five-year period.

9 Intangible assets (continued)

9.3 Impairment test for infinite life intangible assets and goodwill (continued)

Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rate as stated below. This terminal growth rate is consistent with forecasts included in industry reports specific to the industry where the CGU is operating.

Assumptions used by the Group when testing the impairment of the intangible assets and goodwill as at December 31 are as follows:

	2024	2023
Growth rate	**2.5%**	2.5%
Discount rate	**10.9% - 12.1%**	9.9% - 10.7%
Risk free rate	**5.07%**	4.42%

Management has determined the value assigned to each of the above key assumption as follows:

Assumption	Approach used
Risk free rate	Reflects yield on government securities adjusted for the default spread for United Arab Emirates.
Growth rate	Reflects UAE average Gross Domestic Products growth rate adjusted with the similar industry growth rate in which it operates.
Discount rate	Reflect specific risks relating to the industry in which it operates.

The Group tests the impairment of these intangible assets and goodwill depending on financial and operational position in the prior years, and its expectation for the market in the future by preparing a business plan using the afore-said assumptions. As at the reporting date, the carrying value of the intangible assets and goodwill is less than its recoverable amount.

Sensitivity of recoverable amounts

The growth rate in the forecast period has been estimated to be 2.5%. If all other assumptions kept the same, a reduction of this growth rate by 20% (i.e. to 2%) would give a value in use exceeding the current carrying amount.

The discount rate in the forecast period has been estimated to be 10.9% - 12.1%. If all other assumptions kept the same, an increase in this discount rate by 2.8% (i.e. to 11.2% - 12.4%) would give a value in use exceeding the current carrying amount.

10 Deferred charges

2024	Landing permission charges AED'000	Aircraft upgrade costs AED'000	Processing fee and commission costs AED'000	Buyer Furnished Equipment AED'000	Total AED'000
Gross carrying amount					
As at January 1, 2024	51,745	35,073	27,086	24,047	137,951
As at December 31, 2024	51,745	35,073	27,086	24,047	137,951
Accumulated amortization					
As at January 1, 2024	51,745	34,846	20,699	11,368	118,658
Charge for the year (Note 27)	-	227	1,879	2,957	5,063
As at December 31, 2024	51,745	35,073	22,578	14,325	123,721
Net carrying amounts as at December 31, 2024	**-**	**-**	**4,508**	**9,722**	**14,230**

2023	Landing permission charges AED'000	Aircraft upgrade costs AED'000	Processing fee and commission costs AED'000	Buyer Furnished Equipment AED'000	Total AED'000
Gross carrying amount					
As at January 1, 2023	51,745	35,073	27,086	23,703	137,607
Additions during the year	-	-	-	344	344
As at December 31, 2023	51,745	35,073	27,086	24,047	137,951
Accumulated amortization					
As at January 1, 2023	51,745	34,259	18,503	8,472	112,979
Charge for the year (Note 27)	-	587	2,196	2,896	5,679
As at December 31, 2023	51,745	34,846	20,699	11,368	118,658
Net carrying amounts as at December 31, 2023	-	227	6,387	12,679	19,293

11 Investments at fair value through other comprehensive income

	2024 AED '000	2023 AED '000
Quoted equity instruments (Note 11.1)		
- Dubai Financial Market	**5,136**	4,860
- Abu Dhabi Stock Exchange	**3,877**	4,356
	9,013	9,216
Unquoted debt instruments (Note 11.2)		
- Inside United Arab Emirates	**267,222**	150,449
- Outside United Arab Emirate	**144,131**	70,667
	411,353	221,116
	420,366	230,332

11 Investments at fair value through other comprehensive income (continued)

11.1 Quoted equity instruments

The Movement in quoted investments in equity instruments during the year were as follows:

	2024 AED '000	2023 AED '000
As at January 1,	9,216	10,321
Change in fair value	(203)	(1,105)
As at December 31,	9,013	9,216

The market rates of quoted equity instruments, prevailing in the respective stock exchanges, as at reporting dates have been considered for the calculation of their fair values.

11.2 Unquoted Debt instruments

The Group has made investment in Sukuk Bonds and other debt instruments issued by Governments and financial institutions within and outside United Arab Emirates with good to acceptable credit ratings. The movement in debt instruments during the year were as follows:

	2024 AED '000	2023 AED '000
As at January 1,	221,116	32,845
Additions during the year	195,360	181,735
Change in fair value	(5,123)	6,536
As at December 31,	411,353	221,116

The fair values of these debt instruments are determined using market interest rates of similar debt instruments as at December 31, 2024 and December 31, 2023.

12 Investments in associates and joint ventures

	2024 AED'000	2023 AED'000
Investments in associates (Note 12.1)	67,722	99,609
Investments in joint ventures (Note 12.2)	158,682	106,249
	226,404	205,858

12.1 Investments in associates

Investments in associates represent share in net assets of the associates at the reporting date, accounted for using equity method. The movements during the year are summarised as follows:

	2024 AED'000	2023 AED'000
As at January 1,	99,609	51,751
Share of profit of Tune Protection Commercial Brokerage LLC	3,936	3,744
Share of profit of Air Arabia Maroc S.A.	28,211	68,197
Dividend received from Tune Protection Commercial Brokerage LLC	(1,838)	(15,030)
Dividend received from Air Arabia Maroc S.A	(62,196)	(9,053)
As at December 31,	67,722	99,609

Investment in Air Arabia Jordan LLC is fully impaired in the previous years.

12 Investments in associates and joint ventures (continued)

12.2 Investments in joint ventures

Investments in joint ventures represent share in net assets of the joint ventures at the reporting date as per equity accounting principles and the movements during the year are summarised below:

	2024 AED'000	2023 AED'000
As at January 1,	**106,249**	104,449
Additional investments during the year		
Air Arabia - Egypt Company S.A.E.	**3,828**	-
Armenian National Airlines (CJSC)	**-**	18,118
Fly Jinnah Services (Private) Limited	**-**	6,502
Share of profit/ (loss)		
Sharjah Aviation Services	**35,965**	22,206
Alpha Flight Services UAE LLC	**25,939**	22,579
Air Arabia Abu Dhabi L.L.C	**21,575**	9,507
Fly Jinnah Services (Private) Limited	**13,098**	(9,477)
Air Arabia - Egypt Company S.A.E.	**(3,828)**	-
Cozmo Travel (CJSC)	**(144)**	(148)
Armenian National Airlines (CJSC)	**-**	(28,487)
Dividends received during the year		
Alpha Flight Services UAE LLC	**(24,000)**	(19,000)
Sharjah Aviation Services	**(20,000)**	(20,000)
As at December 31,	**158,682**	106,249

12 Investments in associates and joint ventures (continued)

12.2 Investments in joint ventures (continued)

The summarised financial information presented in the financial statements of the joint ventures are provided as follows:

	Ownership interest %	Assets AED '000	Liabilities AED '000	Net assets AED '000	Group's share in net assets AED '000	Profit/(loss) for the year AED '000	Group's share of profit/(loss) for the year AED '000	Dividends received by the Group AED '000
2024								
Alpha Flight Services UAE LLC	51	115,228	86,231	28,997	14,788	50,860	25,939	(24,000)
Sharjah Aviation Services LLC	50	231,701	85,244	146,457	73,228	71,930	35,965	(20,000)
Air Arabia Abu Dhabi L.L.C	49	1,370,334	1,259,480	110,854	54,318	44,032	21,575	-
Fly Jinnah Services (Private) Limited	45	273,857	240,012	33,845	15,230	55,649	13,098	-
Cozmo Travel (CJSC)*	75	1,775	1,218	557	418	(192)	(144)	-
Total		1,992,895	1,672,185	320,710	157,982	222,279	96,433	(44,000)
2023								
Alpha Flight Services UAE LLC	51	107,955	81,818	26,137	13,330	44,272	22,579	(19,000)
Sharjah Aviation Services LLC	50	203,956	89,427	114,529	57,265	44,412	22,206	(20,000)
Air Arabia Abu Dhabi L.L.C	49	1,169,500	1,102,660	66,840	32,752	19,402	9,507	-
Fly Jinnah Services (Private) Limited	45	91,809	121,992	(30,183)	1,424	(13,583)	(9,477)	-
Armenian National Airlines (CJSC)*	49	85,068	91,472	(6,404)	(3,318)	(68,863)	(28,487)	-
Cozmo Travel (CJSC)*	75	4,503	3,792	711	533	(197)	(148)	-
Total		1,662,791	1,491,161	171,630	101,986	25,443	16,180	(39,000)

Investment in Air Arabia Egypt Company S.A.E was fully impaired in the previous years.

* During the year ended December 31, 2024, the Group has suspended its operations in Armenian National Airlines (CJSC) and Cozmo Travel (CJSC). Investment in Armenian National Airlines (CJSC) was fully impaired as at December 31, 2023.

13 Categories of financial assets and liabilities

Note 4 to the consolidated financial statements provide a description of each classification and measurement of financial assets and financial liabilities and the related accounting policies. The carrying amounts of financial assets and financial liabilities in each category are as follows:

	2024 AED'000	2023 AED'000
Financial assets at amortised cost		
Trade and other receivables	982,772	888,698
Bank balances and cash	5,319,517	5,246,377
Cash flow hedge assets (derivative)	-	59,673
Financial assets at fair value through other comprehensive income		
Investments at fair value through other comprehensive income	420,366	230,332
	6,722,655	6,425,080

	2024 AED'000	2023 AED'000
Financial liabilities at amortised cost		
Trade and other payables	3,885,201	4,034,407
Bank borrowings	15,383	125,694
Lease liabilities	2,086,058	2,153,263
Cash flow hedge liabilities (derivative)	57,630	-
	6,044,272	6,313,364

A description of the Group's financial statements risk, including risk management objectives and policies is given in Note 35 and methods used to measure fair value are described in Note 36.

14 Trade and other receivables

	2024 AED'000	2023 AED'000
Current assets		
Financial assets:		
Trade receivables, gross	256,090	348,316
Allowance for expected credit losses	(49,368)	(47,724)
Trade receivables, net	206,722	300,592
Advances and other receivables, net	417,732	396,974
Amounts due from related parties (Note 15)	86,067	62,639
Net investment in lease*	73,055	37,697
Cash flow hedge asset (Note 22)	-	11,629
	783,576	809,531
Non-financial assets:		
Prepaid aircraft lease rentals	14,696	18,528
Prepaid expenses – others	26,024	30,517
	40,720	49,045
	824,296	858,576
Non-current assets		
Financial asset:		
Net investment in lease*	172,078	52,993
Lease deposit receivable	27,118	37,803
Cash flow hedge asset (Note 22)	-	48,044
	1,023,492	997,416

14 Trade and other receivables (continued)

* Net investment in lease represents the present value of the minimum lease payment receivables. The Group subleased aircrafts to Air Arabia Maroc, S.A. (an associate), Fly Jinnah Services (Private) Limited (a joint venture) and Armenian National Airlines CJSC (a joint venture). The Group has classified the subleases as finance lease because the subleases are for the whole of the remaining term of head lease.

The following table sets out the lease receivables related to the subleases:

	2024 AED'000	2023 AED'000
Not later than one year	73,055	37,697
Later than one year but not later than five years	172,078	52,993
At December 31,	245,133	90,690

As at December 31, 2024, all of the Group's trade and other receivables have been reviewed for indicators of impairment. Certain trade receivables and other receivables amounting to AED 49.37 million and AED 102.8 million, respectively, were found to be impaired (2023: AED 47.72 million and AED 102.8 million).

The movement in allowance for expected credit losses of trade receivables can be reconciled as follows:

	2024 AED'000	2023 AED'000
As at January 1,	47,724	48,592
Allowance for expected credit losses (Note 28)	1,644	-
Reversal of expected credit losses of trade receivables (Note 30)	-	(868)
As at December 31,	49,368	47,724

The movement in allowance for expected credit losses of advances and other receivables can be reconciled as follows:

	2024 AED'000	2023 AED'000
As at January 1,	102,845	55,030
Allowance for expected credit losses (Note 28)	-	47,815
As at December 31,	102,845	102,845

The ageing of trade receivables which are not impaired at the reporting date are as follows:

			Past due but not impaired		
	Total AED'000	Not past due nor impaired AED'000	<60 Days AED'000	60-90 Days AED'000	>90 Days AED'000
2024	206,722	192,285	13,364	1,073	-
2023	300,592	241,362	9,205	14,961	35,064

Trade receivables are non-interest bearing and are generally settled in within normal credit terms of 45 to 60 days after which they are considered to be past due. Unimpaired accounts receivable are expected, on the basis of past experience, to be recoverable. Before accepting any new customer, the Group assesses the potential customers' quality and defines credit limits for customer.

14 Trade and other receivables (continued)

The expected credit loss allowance as at reporting date has been determined as follows:

	Total AED'000	Not past due nor impaired AED'000	Past due but not impaired <60 Days AED'000	Past due but not impaired 60-90 Days AED'000	Past due but not impaired >90 Days AED'000
2024					
Expected credit loss rate	19%	-	-	83%	100%
Gross carrying amount	256,090	192,285	13,364	6,455	43,986
Expected credit loss	49,368	-	-	5,382	43,986

	Total AED'000	Not past due nor impaired AED'000	Past due but not impaired <60 Days AED'000	Past due but not impaired 60-90 Days AED'000	Past due but not impaired >90 Days AED'000
2023					
Expected credit loss rate	14%	-	-	-	58%
Gross carrying amount	348,316	241,362	9,205	14,961	82,788
Expected credit loss	47,724	-	-	-	47,724

There are 3 customers who represent more than 37% (2023: more than 29%) of the total balance of trade receivables. Majority of the trade receivables are from sales agents which are secured mainly by bank guarantees and deposits.

15 Related parties

The Group in the normal course of business carries on transactions with other enterprises that fall within the definition of related party. The Group's related parties include key management personnel, entities held under common control, associates, joint ventures and others. Transactions with related parties are carried out in the normal course of business and are measured at exchange amounts, being the amounts agreed by both the Board of Directors and the respected related party.

Transactions with related parties included in the consolidated statement of profit or loss are as follows:

	2024 AED'000	2023 AED'000
Rental income from aircraft operating lease (Note 26)	134,403	112,016
Expenses recharged by related parties	(34,053)	(44,126)
Revenue from related parties	46,915	46,713
Management fees from joint ventures and associates (Note 30)	74,485	61,673
Income from investments in associates and joint ventures	124,752	88,121

Compensation of key management personnel

A number of key management personnel hold positions in the Group that result in them having control or significant influence over the financial or operating activities. Compensation of key management personnel are as follows:

	2024 AED'000	2023 AED'000
Short term benefits	30,954	24,436
Long term benefits	787	800
Board of Directors' remuneration*	8,000	8,000

15 Related parties (continued)

Compensation of key management personnel (continued)

* At the Annual General Meeting held on March 15, 2024, Board of Directors proposed, and the shareholders approved Board of Directors' remuneration of AED 8 million for the year ended December 31, 2024 (2023: AED 8 million).

Balances with related parties included in the consolidated statement of financial position are as follows:

	2024 AED'000	2023 AED'000
Amounts due from related parties: (Note 14)		
Receivable from associates and joint ventures	**86,067**	52,045
Other related parties	**-**	10,594
	86,067	62,639

	2024 AED'000	2023 AED'000
Amounts due to related parties: (Note 21)		
Payable to joint ventures	**163,875**	108,603
Other related parties	**-**	2,600
	163,875	111,203

Amounts due from/(to) related parties above are unsecured, bear no interest and have no fixed repayment terms. The management considers these to be current assets/current liabilities as appropriate.

16 Bank balances and cash

	2024 AED'000	2023 AED'000
Bank balances		
Fixed deposits*	**4,619,288**	3,984,069
Current accounts	**624,890**	1,087,181
Call deposits	**70,672**	166,965
	5,314,850	5,238,215
Cash in hand	**4,667**	8,162
Bank balances and cash	**5,319,517**	5,246,377

* These deposits carry an average interest rate of 5.27% (2023: 5.45%) per annum.

For the purpose of preparation of the consolidated statement of cash flows, cash and cash equivalents consist of:

	2024 AED'000	2023 AED'000
Cash and bank balances	**5,319,517**	5,246,377
Fixed deposits	**(4,619,288)**	(3,984,069)
	700,229	1,262,308

17 Share capital

	2024 AED'000	2023 AED'000
Authorised, issued and fully paid-up share capital (4,666,700 thousand shares of AED 1 each)	**4,666,700**	4,666,700

17 Share capital (continued)

Dividends

At the Annual General Meeting held on March 15, 2024, the Board of Directors proposed, and the shareholders approved a cash dividend approximately of AED 933 million at AED 0.20 per share for the year ended December 31, 2024 (2023: 700 million at AED 0.15 per share).

18 Statutory reserve

In accordance with the Company's Articles of Association and Article 241 of Federal Decree Law No. 32 of 2021, a minimum of 10% of the net profit for the year has to be transferred to the statutory reserve. Such transfers are required to be made until the balance on the statutory reserve equals one half of the Company's paid-up share capital. The reserve is not available for distribution except as provided for in the Federal Decree Law.

19 General reserve

In accordance with the Company's Articles of Association, an amount equal to 10% of the net profit for the year is transferred to a general reserve. Transfers to this reserve shall stop by resolution of an Ordinary General Assembly upon recommendation by the Board of Directors or when this reserve reaches 50% of the paid-up capital of the Group. This reserve shall be utilized for the purposes determined by the General Assembly at an ordinary meeting upon recommendation by the Board of Directors.

20 Provision for staff terminal benefits

	2024 AED'000	2023 AED'000
As at January 1,	**208,175**	170,015
Charge for the year	**42,016**	44,056
Payments made during the year	**(10,470)**	(5,896)
As at December 31,	**239,721**	208,175

21 Trade and other payables

	2024 AED'000	2023 AED'000
Financial liabilities		
Maintenance liabilities	**1,567,751**	1,729,311
Cash flow hedge liability (Note 22)	**57,630**	-
Accrued expenses	**710,589**	757,297
Other payables	**1,177,132**	1,113,581
Trade payables	**237,224**	288,029
Amounts due to related parties (Note 15)	**163,875**	111,203
Lease deposit payables	**28,630**	34,986
	3,942,831	4,034,407
Non-financial liability		
Advances from customers (Note 26.2)	**148,535**	94,513
	4,091,366	4,128,920
Non-current liabilities		
Maintenance liabilities	**1,226,599**	1,214,621
Cash flow hedge liability (Note 22)	**52,515**	-
Lease deposit payable	**28,630**	34,986
	1,307,744	1,249,607
Current liabilities	**2,783,622**	2,879,313

The Group has financial risk management policies in place to ensure that all payables are paid within the credit period.

22 Derivative financial instruments

Fuel derivatives

The Group uses derivative financial instruments for risk management purposes. Hedging instruments are measured at their fair value at the reporting date and the effective portion of the changes in their fair value is recognised in the consolidated statement of other comprehensive income, as part of the cash flow hedge reserve in line with provisions of IFRS 9.

In 2024, a loss of AED 5.3 million was recognised (2023: AED Nil) relating to the ineffective and disallowed portion of trade deals and the settlement of the same in the consolidated statement of profit or loss, as part of fuel costs (Note 27).

The Group has reassessed the hedging relationship as at reporting date and concluded that the forecast transactions being hedged are highly probable to occur in the future. Cash flow hedge liability / asset is categorised into the following:

	2024		2023	
	Term	**AED'000**	Term	AED'000
Non-current (liability)/asset				
Commodity swaps, forwards options and others	**2026-2027**	**(52,515)**	2025-2026	48,044
Current (liability)/asset				
Commodity swaps, collars, forwards options and others	**2025**	**(5,115)**	2024	11,629
Total (Note 21 and Note 14)		**(57,630)**		59,673

23 Lease liabilities

The Group has entered into leasing arrangements with leasing companies to finance the purchase of the aircraft. The terms of the leases are 5 - 15 years for aircrafts and hangar. Lease liabilities in respect of right-of-use assets recognised (refer to Note 6) in the consolidated statement of financial position as follows:

	2024	2023
	AED'000	AED'000
As at January 1,	**2,153,263**	2,748,723
Additions to lease liabilities for the year	**538,898**	42,313
Accretion of interest	**72,856**	85,273
Payments made during the year	**(678,959)**	(723,046)
As at December 31,	**2,086,058**	2,153,263

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

	2024	2023
	AED'000	AED'000
Non-current portion of lease liabilities	**1,476,218**	1,567,827
Current portion of lease liabilities	**609,840**	585,436
	2,086,058	2,153,263

The lease liabilities are secured by the associated leased aircraft (Note 5).

The lease agreements are subject to certain financial and operational covenants including compliance with various regulations, restrictions on unapproved subleasing, insurance coverage and maintenance of total debt to equity ratio.

23 Lease liabilities (continued)

Lease liabilities are payable as follows:

	2024 AED'000	2023 AED'000
Not later than one year	**609,840**	585,436
Later than one year but not later than five years	**1,476,218**	1,567,827
As at December 31,	**2,086,058**	2,153,263

The finance charges are calculated based on average interest rate of 4% (2023: 4%).

24 Bank borrowings

	2024 AED'000	2023 AED'000
Non-current	**-**	30,610
Current portion	**15,383**	95,084
Total bank borrowings	**15,383**	125,694

In 2022, the Group had obtained a loan of USD 25 million for partial reimbursement pre-delivery payment of aircrafts. The loan is repayable over a period 36 months from the initial drawdown date and carries an interest of 1.6% + 3 months SOFR (2023: 1.6% + 3 months SOFR). The movement in the borrowings during the year is as follows:

	2024 AED'000	2023 AED'000
As at January 1,	**125,694**	139,485
Movement in borrowings – net	**(110,311)**	(13,791)
As at December 31,	**15,383**	125,694

25 Taxation

On 9 December 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime has become effective for accounting periods beginning on or after June 1, 2023. The Cabinet of Ministers Decision No. 116 of 2022 (widely accepted to be effective from January 16, 2023) specified the threshold of taxable income to which the 0% UAE CT rate would apply, and above which the 9% UAE CT rate would apply. It is widely considered that this would constitute 'substantive enactment' of the UAE CT Law for the purposes of IAS 12, the objective of which is to prescribe the basis for accounting for Income Taxes.

Current taxes should be measured at the amount expected to be paid to or recovered from the tax authorities by reference to tax rates and laws that have been enacted or substantively enacted, by the end of the any reporting period. Since the Group is expected to pay tax in accordance with the provision of the UAE CT Law on its operational results with effect from January 1, 2024, current taxes have been accounted for in the consolidated financial statements for the period beginning from January 1, 2024.

The Group calculates the income tax expense using the tax rate that is applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statement of profit or loss are:

	2024 AED'000	2023 AED'000
Income tax expense	**141,508**	-

25 Taxation (continued)

25.1 Reconciliation of tax expense

	2024 AED'000	2023 AED'000
Profit for the year before income tax	1,609,138	1,547,696
Income tax using the domestic corporate tax rate at 9%	144,822	-
Income which is exempt from taxation in United Arab Emirates	(3,300)	-
Non-deductible expenses/income	(14)	-
Income tax expense	141,508	-
Effective tax rate	8.79%	-

25.2 Movement of current tax liabilities

	2024 AED'000	2023 AED'000
Tax expense for the year (Note 25.1)	(141,508)	-
As at December 31,	(141,508)	-

25.3 Pillar Two Model Rules

In 2021, the Organisation for Economic Cooperation and Development ("OECD") published the Global Anti-Base Erosion Model Rules ("Pillar Two Model Rules") with an objective to address the tax challenges arising from the digitalisation of the global economy.

The Group qualifies to be in scope under the Pillar Two Model Rules. However, as at the reporting date, the Group does not have any operations in jurisdictions that have enacted or substantively enacted Pillar Two Model Rules and as such, there is no financial impact on the Group in the consolidated financial statements for the year ended December 31, 2024.

On December 9, 2024, the concerned authorities in United Arab Emirates announced that a "Domestic Minimum Top-up Tax" (DMTT) will be implemented with effect from January 1, 2025. Since, draft or final implementing laws or regulations in this regard have not been published, the Group is not able to assess the impact of this as at reporting date.

In the event that DMTT is aligned with the principles of the Pillar Two Model Rules. The Group is closely monitoring further developments and legislations that will impact the overall Pillar Two tax position on a going-forward basis. The Group has also opted to the exception available for recognising and disclosing information about deferred taxes assets and liabilities related to Pillar Two income taxes as available in International Accounting Standard - IAS 12 "Income Taxes".

25.4 Deferred taxes

Differences between Accounting Framework followed by the Group (i.e. IFRSs) and relevant tax laws prevailing in the jurisdictions in which the Group is operating may give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

As at reporting date, the Group is yet to finalise on its approach to adopt the realization basis or accrual basis of accounting for determining its taxable income. This assessment needs to be finalised by the Group by or before September 30, 2025 i.e. due date of filing of corporate tax return for the first time. In case the Group elects to follow realisation basis of accounting for the afore-said purpose, it may be required to record deferred tax impact on certain items. In the absence for clarity on the afore-said basis of accounting, the Group has assessed that there were no such temporary differences existing as at December 31, 2024 and accordingly no deferred taxes have been recognised.

26 Revenue

	2024 AED'000	2023 AED'000
Revenue from contract with customers (Note 26.1)	**6,504,661**	5,887,734
Aircraft lease rentals - net (Note 15)	**134,403**	112,016
	6,639,064	5,999,750

26.1 Disaggregation of revenue from contract with customers

	2024 AED'000	2023 AED'000
Nature of operations		
Passenger revenue	**5,350,858**	4,996,622
Other airline related services	**677,506**	468,992
Service revenue	**281,663**	264,221
Cargo revenue	**181,778**	157,360
Revenue from hotel operations	**72,512**	67,846
Baggage revenue	**67,132**	49,705
Sales commissions and expenses	**(126,788)**	(117,012)
	6,504,661	5,887,734

The Group disaggregate revenue by geographical location as disclosed in Note 37 (segment reporting).

26.2 Contract balances

	2024 AED'000	2023 AED'000
Contract liabilities		
Deferred income	**835,350**	523,402
Advances from customers (Note 21)	**148,535**	94,513
	983,885	617,915

The movement in contract liabilities is as follows.

	2024 AED'000	2023 AED'000
Deferred income		
As at January 1,	**523,402**	513,670
Addition during the year, net	**311,948**	9,372
As at December 31,	**835,350**	523,402

	2024 AED'000	2023 AED'000
Advances from customers		
As at January 1,	**94,513**	49,166
Advances received during the year – net	**54,022**	45,347
As at December 31,	**148,535**	94,513

27 Direct costs

	2024 AED'000	2023 AED'000
Fuel costs (Note 22)	**1,924,547**	1,690,639
Staff costs	**885,104**	774,751
Aircraft maintenance expenses	**685,639**	438,924
Depreciation of property and equipment (Note 5)	**462,951**	495,060
Landing and overflying charges	**405,084**	361,209
Passenger, ground and technical handling charges	**344,585**	312,891
Depreciation of right-of-use assets (Note 6)	**142,145**	113,104
Insurance	**17,052**	12,274
Amortisation of deferred charges (Note 10)	**5,063**	5,679
Amortisation of intangible assets (Note 9)	**4,996**	3,744
Other operating costs	**198,990**	134,909
	5,076,156	4,343,184

28 Administrative and general expenses

	2024 AED'000	2023 AED'000
Staff costs	**130,671**	127,236
Depreciation of property and equipment (Note 5)	**33,433**	29,741
Travel and accommodation costs	**11,862**	12,574
Rent expenses	**8,609**	8,575
Legal and professional fees	**8,506**	10,544
Communication costs	**6,927**	6,785
Allowance for expected credit losses of trade and other receivables (Note 14)	**1,644**	47,815
Other administrative and general expenses	**73,313**	85,936
	274,965	329,206

29 Selling and marketing expenses

	2024 AED'000	2023 AED'000
Staff costs	**47,658**	42,774
Advertisement expenses	**46,102**	37,660
Reservation management expenses	**10,083**	8,359
	103,843	88,793

30 Other income, net

	2024 AED'000	2023 AED'000
Management fees from joint ventures and associates (Note 15)	**74,485**	61,673
Reversal for expected credit losses of trade receivables (Note 14)	**-**	868
Others	**57,195**	50,930
	131,680	113,471

31 Basic and diluted earnings per share

	2024 AED'000	2023 AED'000
Profit attributable to the Owners of the Company	**1,466,986**	1,547,132
Weighted average number of shares (in '000)	**4,666,700**	4,666,700
Basic and diluted earnings per share (AED)	**0.31**	0.33

32 Operating lease commitments

The Group as a lessor

As at December 31, 2024, the Group has leased out 18 aircrafts (2023: 17) under non-cancellable operating lease agreements to related parties.

The leases have varying terms and renewal rights. The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are shown below.

	2024 AED'000	2023 AED'000
Within one year	**185,269**	180,369
Between 2 and 5 years	**286,210**	347,241
	471,479	527,610

The carrying amount of the leased aircrafts owned by the Group under operating leases at the reporting date are as follows:

	2024 AED'000	2023 AED'000
Net book value	**1,145,819**	1,378,986
Accumulated depreciation	**1,845,740**	1,558,782
Depreciation charge for the year	**146,587**	156,707

33 Contingent liabilities

As at reporting date, the Group has outstanding letters of guarantees and credits, entered into as part of its normal business activities and in connection with deposits against leased aircrafts, amounting to AED 87 million (2023: AED 61 million). These contingent liabilities are not expected to result in material losses for the Group in the foreseeable future. Therefore, the Group does not consider it probable that there will be an outflow of economic resources with regard to these contingent liabilities.

34 Capital commitments

	2024 AED'000	2023 AED'000
Authorised and contracted:		
Aircraft fleet (Note 7)	**22,553,059**	22,928,778

35 Financial instruments and risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

The Group's risk management is coordinated at Group level, in close cooperation with the Board of Directors, and focuses on actively securing the Group's short to medium-term cash flows by minimising the exposure to financial markets.

The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described below and on the following pages.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk and price risks, which result from both its operating and investing activities.

i. Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates

The Group has adopted a policy of ongoing review of its exposure to changes in interest rate on its borrowings, taking into account market expectations, the maturity profile and cash flows of the underlying debt, and the extent to which debt may potentially be either prepaid prior to its maturity or refinanced at reduced cost.

The Group is exposed to changes in market interest rates through fixed deposits, investments, call deposits, lease liabilities and bank borrowings. At the reporting date, the interest rate profile on the Group's interest-bearing financial instruments is as follows:

	2024 AED'000	2023 AED'000
Fixed rate		
Financial assets		
Fixed deposits	**4,619,288**	3,984,069
Call deposits	**70,672**	166,965
	4,689,960	4,151,034

	2024 AED'000	2023 AED'000
Variable rate		
Financial liabilities		
Lease liabilities	**2,086,058**	2,153,263
Bank borrowings	**15,383**	125,694
	2,101,441	2,278,957

35 Financial instruments and risk management objectives and policies (continued)

Market risk (continued)

i. Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

The following table illustrates the sensitivity of the Group's profit and closing equity to a reasonably possible change in interest rates of ±1% (2023: ±1%). These changes are considered to be reasonably possible based on observation of current market conditions. Positive figures represent an increase in profit or equity. The analysis below excludes interest capitalized and assumes that all other variables remain constant.

	Effect on Profit for the year		Effect on Equity	
	AED'000	AED'000	AED'000	AED'000
	+1%	-1%	+1%	-1%
2024	**(21,014)**	**21,014**	**(21,014)**	**21,014**
2023	(22,789)	22,789	(22,789)	22,789

ii. Equity price risk

The Group is exposed to equity price risk in respect of its listed equity securities (Note 11). For the listed equity securities, an average volatility of 2% has been observed during 2024 (2023: 11%). This volatility figure is considered to be a suitable basis for estimating how profit or loss and equity would have been affected by changes in market risk that were reasonably possible at the reporting date. If the quoted stock price for these securities increased or decreased by that amount, consolidated statements of other comprehensive income and equity would have changed by AED 0.2 million (2023: AED 1 million). The listed securities are classified as investments at fair value through other comprehensive income.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Group is exposed to this risk for various financial instruments, for example trade receivables from customers, placing deposits, etc. The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at the reporting date, as summarised below:

	2024	2023
	AED'000	AED'000
Bank balances and deposits	**5,314,850**	5,238,215
Trade and other receivables	**982,772**	888,698
Cash flow hedge asset	**-**	59,673
Investments measured at fair value through OCI	**420,366**	230,332
	6,717,988	6,416,918

The following policies and procedure are in place to mitigate the Group's exposure to credit risk:

Trade and other receivables

The Group seeks to limit its credit risk with respect to trade receivables by continuously monitoring the terms of payments for the outstanding amounts. Trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas.

Bank balances and deposits

The Group seeks to limit its credit risk with respect to banks by only dealing with reputable banks.

35 Financial instruments and risk management objectives and policies (continued)

Jet fuel price risk

The Group is exposed to volatility in the price of jet fuel and closely monitors the actual cost against the forecast cost. To manage the price risk, the Group considers the use of commodity futures, options and swaps to achieve a level of control over higher jet fuel costs so that profitability is not adversely affected.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Liquidity requirements are monitored on a regular basis and management ensures that sufficient funds are available to meet any future commitments.

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an on-going review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilisation of borrowing facilities are monitored, including the need for additional borrowings, as required. The Group has 30 to 90 days credit period from its vendors.

Summarised below in the table is the maturity profile of financial liabilities and net settled derivative financial liabilities based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed are the contractual discounted cash flows.

2024	Carrying amount AED'000	Contractual cash flows Within 1 year AED'000	More than 1 year AED'000	Total AED'000
Lease liabilities	2,086,058	609,840	1,476,218	2,086,058
Trade and other payables	4,033,736	2,778,507	1,255,229	4,033,736
Bank borrowings	15,383	15,383	-	15,383
Cash flow hedge liabilities (derivative)	57,630	5,115	52,515	57,630
Total	6,192,807	3,408,845	2,783,962	6,192,807

2023	Carrying amount AED'000	Contractual cash flows Within 1 year AED'000	More than 1 year AED'000	Total AED'000
Lease liabilities	2,153,263	585,436	1,567,827	2,153,263
Trade and other payables	4,034,407	2,784,800	1,249,607	4,034,407
Bank borrowings	125,694	95,084	30,610	125,694
Total	6,313,364	3,465,320	2,848,044	6,313,364

36 Fair value measurement

Assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within 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).

36 Fair value measurement (continued)

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

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The following table shows the Levels within the hierarchy of financials assets and liabilities measured at fair value on a recurring basis at December 31, 2024 and December 31, 2023.

At December 31, 2024	**Level 1 AED'000**	**Level 2 AED'000**	**Level 3 AED'000**
Financial asset			
Investments at fair value through other comprehensive income – equity instruments	9,013	-	-
Investments at fair value through other comprehensive income – debt instruments	-	411,353	-
Cash flow hedge liabilities	-	(57,630)	-

At December 31, 2023	Level 1 AED'000	Level 2 AED'000	Level 3 AED'000
Financial asset			
Investments at fair value through other comprehensive income – equity instruments	9,216	-	-
Investments at fair value through other comprehensive income – debt instruments	-	221,116	-
Cash flow hedge asset	-	59,673	-

37 Segment Reporting

For management purposes, the Group is organised into two major reportable segments as follows:

Segment	Description
Airline	Includes international commercial air transportation, aircraft rental, passengers transport, cargo services, aviation training and aircraft repairs and maintenance.
Other segments	Includes travel and tourist agencies, hotels, hotel apartment rentals, airline companies, representative office and documents transfer services.

37 Segment Reporting (continued)

The following table presents revenue and profit information for the Group's operating segments for the year ended December 31, 2024 and December 31, 2023, respectively:

December 31, 2024	Airline AED'000	Other segments AED'000	Eliminations AED'000	Total AED'000
Revenue				
External sales	**6,231,322**	**407,742**	**-**	**6,639,064**
Inter-segment sales	**-**	**78,300**	**(78,300)**	**-**
Total revenue	**6,231,322**	**486,042**	**(78,300)**	**6,639,064**
Result				
Segment result	**1,273,675**	**166,050**	**(96,847)**	**1,342,878**
Share of profit of investments in associates and joint ventures				**124,752**
Profit for the year				**1,467,630**
Other information				
Additions to property and equipment and deferred charges	**168,710**	**35,225**	**-**	**203,935**
Depreciation and amortisation	**626,098**	**22,490**	**-**	**648,588**

December 31, 2023	Airline AED'000	Other segments AED'000	Eliminations AED'000	Total AED'000
Revenue				
External sales	5,667,299	332,451	-	5,999,750
Inter-segment sales	-	64,184	(64,184)	-
Total revenue	5,667,299	396,635	(64,184)	5,999,750
Result				
Segment result	1,492,353	163,537	(196,315)	1,459,575
Share of profit of investments in associates and joint ventures				88,121
Profit for the year				1,547,696
Other information				
Additions to property and equipment and deferred charges	30,678	45,950	-	76,628
Depreciation and amortisation	626,069	21,259	-	647,328

Inter-segment sales are charged at prevailing market prices.

37 Segment Reporting (continued)

The following table presents assets and liabilities information for the Group's operating segments as at December 31, 2024 and December 31, 2023, respectively:

	Airline AED'000	Other segments AED'000	Eliminations AED'000	Total AED'000
December 31, 2024				
Assets				
Segment assets	**9,225,180**	**2,144,296**	**(1,206,418)**	**10,163,058**
Unallocated assets				**5,198,386**
Total assets				**15,361,444**
Liabilities				
Segment liabilities	**8,208,163**	**407,641**	**(1,206,418)**	**7,409,386**

	Airline AED'000	Other segments AED'000	Eliminations AED'000	Total AED'000
December 31, 2023				
Assets				
Segment assets	9,665,652	1,435,453	(949,284)	10,151,821
Unallocated assets				4,522,723
Total assets				14,674,544
Liabilities				
Segment liabilities	7,587,448	501,290	(949,284)	7,139,454

Geographical segments

The majority of assets and liabilities of the Group are geographically located in United Arab Emirates. Therefore, detailed disclosures have not been provided. Geographical location-wise disaggregation of revenue of the Group are as follows:

	2024 AED'000	2023 AED'000
Within United Arab Emirates	**6,543,014**	5,942,819
Outside United Arab Emirates	**96,050**	56,931
	6,639,064	5,999,750

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment result represents the profit earned by each segment without considering share of profit/(loss) on equity accounted investments. Segment assets do not include fixed deposits, investments, investment properties and investment in subsidiaries, joint ventures and associate. Goodwill and intangible assets have been allocated to the Airline segment.

38 Capital management policies and procedures

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it, in light of changes in business and economic conditions or to respond to any financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividends payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process during the years ended December 31, 2024 and December 31, 2023. Capital includes share capital, statutory reserve, general reserve, other reserves and retained earnings, and is measured at AED'000 7,950,330 as at December 31, 2024 (2023: AED'000 7,534,006).

39 Subsequent events

There have been no other events subsequent to the consolidated statement of financial position date that would significantly affect the amounts reported in the consolidated financial statements as at and for the year ended December 31, 2024.

AIR ARABIA GOVERNANCE REPORT 2024

1. Practices of corporate governance

Air Arabia has been one of the leading companies in applying the principles of corporate governance among the public companies. Air Arabia strongly believes in the importance of the practical application of governance practices and the strong adherence to the related laws & regulations and the operations within the general framework of the principles of corporate governance which preserves the rights and interests of the company, its investors, its management and the investment environment surrounding it.

Therefore, Air Arabia, and all its subsidiaries and group companies are committed to all laws and regulations imposed upon them as a global aviation and as a public joint stock company. This covers the Commercial Companies Law number 2 of 2015 and law number 26 of 2020 pertaining to commercial companies. The company is also committed to the strict application of Ministerial Decree No. (518) for the year 2009 followed by the resolution number 7 for the year 2016, and resolution number 3 of 2020 issued by the Minister of Economy and Chairman of the Securities and Commodities Authority regarding corporate governance and corporate discipline, and any decisions that may be issued or amended in future. This cultivates confidence of those major investment bodies around the globe to occupy a position within the owners of Air Arabia.

To reflect the above, Air Arabia had issued the corporate governance manual, which besides many other details, covers the following:

1. Shareholder Communication Statement
2. Code of Ethic and Conduct
3. Share Dealing Policy
4. Whistle Blowing Policy
5. Corporate Social & Environmental Responsibility
6. Dividends Policy

The full manual is posted on the company's intranet and is available for all employees to refer to at any point in time.

2. Board members ownership trades in Air Arabia shares during the year:

The Board of Directors of Air Arabia and senior management are well briefed, informed, and aware of the importance of the rules and procedures that govern the dealings of board members and senior managers of the company who, by virtue of their responsibilities, possess information that is not yet available to the public. In order to raise the level of transparency and disclosure and to allow equal opportunity to all shareholders when dealings in the company's shares, equal even to insiders from within the company, the company issued a statement internally which is included within the corporate governance manual, which sets the conditions and restrictions of insider trading, and the importance to disclose any inside trading in this report. The company aspires through these actions being taken to protect the rights of all parties concerned, as well as maintaining the company's reputation and enhancing the confidence of shareholders and investors of the company.

Ownership and trades during the year follows:

Name	Post or relationship	Number of shares owned as of 31.12.2023	Total Purchases during the year	Total Sales during the year
Shk Abdullah Al Thani Wife	Chairman	8,500,000 700,000	-	-
Adel Abdullah Ali	Board Member	41,464,642	-	-
Shk Khalid Al Qasimi	Board Member	2,400,000	-	-
Shk Mohammed Al Thani	Board Member	18,289,407	-	-
Matar Al Blooshi	Board Member	0	-	-
Waleed Al Sayegh	Board Member	0	-	-
Dr. Ohoud Shuhail	Board Member	0	-	-

3. Board of Directors:

a. Composition of the board:

Air Arabia board of directors consists of 7 board members. The current board was appointed by the AGM of 2023 for three years:

1. Sheikh Abdullah Bin Mohammed Al Thani	Chairman of the Board
2. Adel Abdullah Ali	Executive member
3. Sheikh Mohammed Bin Abdullah Al Thani	Non-Executive member
4. Sheikh Khalid Bin Issam Al Qassimi	Non-Executive member
5. Waleed Ibrahim Al Sayegh	Independent member
6. Matar Al Blooshi	Independent member
7. Dr. Ohoud Al Shuhail	Independent member

Summary biographies of the members:

Sheikh Abdullah Bin Mohammad Al Thani
Air Arabia Chairman since 2003

His Excellency Sheikh Abdullah Bin Mohammed Al Thani holds several prominent positions in UAE. He served as member of the Executive Council of Sharjah and as Chairman of Sharjah Civil Aviation Department. He has a well-known track record in contributions towards developing air transport sector in UAE, as well as significant contributions and support to Economic & Tourism development in Sharjah.

Adel Abdullah Ali
Chief Executive Officer & Air Arabia Board Member since 2003

Mr. Adel Al Ali is well known for being at the forefront of the development of modern aviation. His innovative achievements and contribution to air transport and tourism sector in the wider Arab world are globally recognised. He managed to transform Arab aviation in October 2003 when he set up Air Arabia, the Middle East and North Africa's first low-cost carrier (LCC), opening up a market niche in the region whose existence few had suspected.

The pioneering aviator drove Air Arabia's growth in the next decade into the largest low-cost carrier in the MENA region, as well as the first publicly owned airline in the Arab World and it's largest by market value. Drawing on his multiple years of experience with industry leaders such as Gulf Air and British Airways, Adel has also been able to guide Air Arabia to become amongst the world's best run Low Cost Carriers, delivering a profit for every year in succession.

Under the leadership of Adel, Air Arabia's business model has gone from strength-to-strength, enabling it to expand operations, enter new ventures and diversify into new revenue streams. Today, the Group holds a portfolio of successful businesses and projects, offering travel, tourism and hospitality services across the globe.

In addition to being the Group Chief Executive Officer of Air Arabia, Adel is also the chairman of Sharjah Information Systems Associates, Alpha Aviation Academy and Cozmo Travel and he is a board member of Sharjah Aviation Services.

Adel has been awarded 'Airline CEO of the year' by various industry forums. He recently received the prestigious 2020 Laureate Award for extraordinary achievement in airline strategy. Earlier he won the "Airline Business Award" at the esteemed Airline Strategy Awards and he was also named 'World's best Low Cost Carrier CEO' during the World LCC Congress. Adel has also entered the "Hall of Fame Award" in honoring his contribution to the Middle East Aviation.

Sheikh Mohammed Bin Abdullah Al Thani
Air Arabia Board Member since March 2011, Former Chairman – Department of Statistics.

H.E. Sheikh Mohammed Al Thani is one of the young leaders in Sharjah, and a businessman, with positive footprints in many business fields especially travel and tourism. H.E. assumed the role Director of His Highness Sharjah Ruler's Office in the American University of Sharjah. Late 2011, he was appointed Director General of Sharjah Statistics Center, and then Chairman of that department till 2019.

Besides that, he also serves as Chairman of Gamma Aviation, AM Holding Company, Al Nawras Catering Company, Santos International Company, Ascent Advertising Company and Universal Tourism Company; he is also the Deputy Chairman Sharjah Golf & Shooting Club.

Sheikh Khalid Bin Isam Al Qassimi

Air Arabia Board Member since 2014, Chairman Department of Civil Aviation of Sharjah.

H.E. Sheikh Khalid Bin Isam Al Qassimi is the Chairman of the Department of Civil Aviation in Sharjah, he also is a member of the Executive Council of Sharjah Government, which is Chaired by H.H. Crown Prince of Sharjah.

Through his career, Sheikh Khalid has served in various posts in both Sharjah Airport Authority, and Department of Civil Aviation. In 2012 he was appointed as Director General of Sharjah Civil aviation, and in early 2014 Shk Khalid was nominated as Chairman of Sharjah Civil Aviation.

Besides the above stated resposibilities, Mr. Al Qassimi is a board member of the General Civil Aviation Authority, part of the Federal Government of the United Arab Emirates.

Sheikh Khalid holds a bachelor's degree in commerce, and a master's degree in international business.

H.E. Waleed Ibrahim Al Sayegh

Air Arabia Board Member since 2017. Director General Sharjah Central Finance Department

H.E. Mr. Waleed Al Sayegh is the Director General of Finance Department (Government of Sharjah), and the Chief Executive Officer of Sharjah Asset Management, the investment arm of the Government of Sharjah. He has earned his master's degree in finance from the University of Lincoln, UK. He is also a Chairman of Board of Directors Sharjah Holding Company, a Chairman of Board of Directors ANABEEB Company, a Member of Fiscal Policy Committee in the Ministry of Finance, a Member of Board of Directors Federal Tax Authority, a Member of Board of Directors Tilal Proprieties, a Member of Board of Directors Air Arabia, and a Member of Bank of Sharjah Board of Directors.

Mr. Al Sayegh's expertise extends thirty years in accounting, finance management, and public finance field. He has worked for several leading government authorities and private entities in the United Arab Emirates, including Sharjah International Airport Authority, Dubai Holding, and Al-Futtaim Group. He is Chartered Accountant, Approved by Ministry of Economics & Commerce in UAE, and Court Approved Expert Accountant, in all courts in UAE

Matar Al Blooshi

Air Arabia Board Member since 2019

Mr. Matar Al Blooshi, a national of the United Arab Emirates, with over 22 years' experience in financial and fund management industry. He started his career in January 1992 with the Central Bank of the United Arab Emirates as a Dealer in the treasury department. In July 1995 he joined Abu Dhabi Investment Company as a Portfolio Manager, in June 1998 he joined First Gulf Bank as Head of Treasury & Investment Division and then he moved to National Bank of Abu Dhabi in March 2001 as a Head of Foreign Exchange and Commodities Department. In February 2005 Mr. Al Blooshi became the Head of Domestic Capital Market Group and the General Manager of Abu Dhabi Financial Services (Subsidiary of National Bank of Abu Dhabi) and he was given the title of Senior Manager / Asset Management Group in October 2006.

Currently Mr. Al Blooshi is the Chief Investment Officer at Das Holding LLC, a Member of the Board of Directors of First Energy Bank in Bahrain, Al Salam Bank Bahrain, Etisalat Misr and Chairman of Maalem Holdings in Bahrain.

Mr. Al Blooshi is a hard-working group leader, with excellent interpersonal analytical and problem solving skills and building numerous contacts within the investment arena.

Mr. Al Blooshi holds a B.A in Banking & Financial Management from University of Arkansas, USA (1991).

Dr. Ohoud Ali Al Shuhail
(Air Arabia Board Member since 2023)
Director General, Department of digital Ajman

Dr. Ohoud is an aspiring Emirati who has scripted her success story with relentless determination and commitment towards promoting the Information, Communication and Technology (ICT) Industry in UAE. The Government at the "UAE Pioneers Award" has recognized her pioneering role and she continues to inspire success. She holds many academic qualifications to her credit, a bachelor's degree of Software Engineering (Information Technology, 2005), a Master's of Business Administration (2011), a Doctorate degree of Business Administration (2021) and lately a second Masters of Strategic and Security Studies (2022). Her experience and expertise in the ICT industry has earned her many keynote speaking and proactive panelist opportunities on global platforms such as UN. Currently, she is leading the team of Department of digital Ajman as their Director General. She is also serving as a member many high esteemed committees across the UAE such as: a member of Ajman Executive Council, a member of the Artificial Intelligence and Block Chain Council of UAE, a member of the National Cybersecurity Council, a member of the Advisory Board of the College of Computing and Informatics at the University of Sharjah, and a member of the Board of Ajman University Innovation Center. Her career path is dotted with remarkable achievements and milestones in all the government positions she has served. A strong believer in the spirit of teamwork, her leadership qualities are reflected in her impeccable work ethics and empowered team that grows with her vision. Her exceptional management and strategic planning abilities has resulted in UAE being represented in local, regional and international forums of the ICT industry. The exemplary achievements of the Ajman Digital government are ideal case studies presented on such platforms to showcase the remarkable accomplishments. Her principle of life and work "Realize the ambitions of our visionary leaders, determination of a will for a great nation rooted in the wisdom of our culture and traditions of our beloved country, WE, Emiratis make success a way of life, wherever we go, whatever we pursue".

Membership in other Public Companies in UAE:

1. **Shk Abdullah Bin Mohammed Al Thani:** Besides chairing Air Arabia board of directors, H.E. is the Deputy Chairman of Al Buhairah Insurance Company.
2. **Mr. Waleed Al Sayegh** is board member of Invest Bank
3. **Mr. Matar Al Blooshi** is a board member of Al Salam Bank (Bahrain)

b. Female representation in the board:

Females are present in the board of Air Arabia PJSC.

c. Board Remuneration:

1. 2022: The AGM approved AED 8M as total board remuneration.
2. 2022: No Attendance Allowance was given.
3. 2023: A total board remuneration of AED 8.0M is recommended to the AGM.
4. 2023: No other payments, allowances, payments made to board members.

d. Board meetings and attendees:

A table detailing the dates and attendees of the board meetings is presented under appendix 1.

e. Resolutions passed by circulation:

None.

4. Board Committees

a) Audit Committee:

This committee was formed in accordance with the rules and regulations governing corporate governance. The board has also assigned the responsibility of Risk Management to the audit committee. The committee is formed of three members:

Mr. Waleed Al Sayegh	Chairman
Mr. Matar Al Blooshi	Member
Dr. Ohoud Al Shuhail	Member

The committee submits its reports and recommendations to the Board of Directors.

The general duties of the committee are as follows:

a) Adopt a policy for appointing and contracting with the external auditor.
b) Reviewing and auditing the financial statements.
c) Articulate the control and audit measures.
d) Articulate fiscal and audit policies.
e) Issue general audit reports
f) Follow whistle blowing policies.
g) Oversee insider trading.
h) Consider assignments from the board of directors.

The corporate governance manual dictates the detailed duties and responsibilities of the committee.

Table with meeting dates and attendees:

Furthermore, appendix 2 contains the committee’s meetings and attendance during the year.

i. Internal Audit Committee's Annual report:

During the year, the internal audit department produced 12 reports of areas audited during the year as part of the audit plan. The report covered any findings, observations, and recommendations. The committee also agrees next years audit plan with the department that is based on previous work, risk assessments, and business requirements, this plan is periodically reviewed. There were no major or critical findings that required the intervention of the committee or the board, nor were there related party transactions that had to be presented to the committee.

The committee also opened earlier in the year the tender to invite external auditors, to reach a recommendation of appointment for the board. The current auditing firm, Grant Thornton, has completed six years auditing the group, during which time the partner has changed after the third year.

To ensure external auditor's independence, nothing other than the external audit task is assigned to the firm. Furthermore, the partner is given full access to information required, and direct access to the board, the audit committee, and the senior management as required.

b. Nominations and Remuneration committee:

This committee was formed in accordance with the rules and regulations governing corporate governance and is composed of three members:

Shk Mohammed Al Thani	Chairman
Sheikh Khalid Al Qassimi	Member
Mr. Waleed Al Sayegh	Member

The committee report to the board of directors it views and recommendations, and is responsible for the following tasks:

A) Set the board's nominations policy, one that supports a mixed gender board.
B) Manage the process of board nomination, in line with the rules and regulations governing it including SCA's Chairman's resolution number 7/2016.
C) Ensure that independent directors continue to be independent for the duration of their terms of office.
D) Articulate a policy governing board members remuneration, staff bonuses, benefits, incentives and salaries; this is to be reviewed on an annual basis.
E) Review the board structure, and raise recommendations.
F) Identify the company's needs of senior executive management, and other members of the management team and defining the criteria of selection.
G) To annually review the human resources policies, and adopt the human resource policies and training, and ensure proper implementation.

The corporate governance manual contains details of the functions, duties and responsibilities of the committee. Appendix No. 3 contains a schedule of meetings with dates and attendance during the year.

c. Internal trading Supervision Committee:

The corporate governance manual covers the rules and regulations of insiders trading. It stipulates the windows allowed for their trade, and that any trade should not be based on information that is not yet available to the public. It also states the necessity to identify the traders' insider status to the broker to take the necessary approvals from the authorities.

The role of supervising insider trading is assigned to the audit committee.

d. Investments Committee:

The board of directors established an investment committee formed of the following board members:

Mr. Matar Al Bloshi Chairman
Mr. Waleed Sayegh Member
Shk Mohammed Al Thani Member

The committee overlooks corporate investments, and provides guidance, consultancy and review of investments proposals, studies, and instruments to support the executive management.

Boards' Duties & Responsibilities delegated to the management:

Referring to the duties and responsibilities of the board of directors, the Board oversees the company strategically, reviews the strategies and implementation with the executive management, while the Executive management is authorized to run the day-to-day activities of the company, and report to the board the expansion plans, challenges, and future objectives.
The board did not delegate a specific task to the management; however, the executive management is given the freedom and responsibility to run the day-to-day operations and revert to the board for major decision or investments.

Transactions with related parties:

No transactions with related parties, other than those disclosed in the audited financial statements.

5. Board Self Evaluation:

6. Corporate Structure and Executive Management

a. Structure:

Refer to appendix 5 for structure.

b. Senior Staff Pay details:

Group CEO: AED 7.2M during 2024 plus accommodation and transportation.

Senior Management team: which is formed of 6 members, and their total remuneration is AED10.4 which includes: Salaries, Allowances, and children's education.

7. External Accounts Auditor: Grant Thornton (GT)

a) Introduction about the Auditors to the Shareholders:

Grant Thornton has been appointed as the Auditors of the Company for the year 2021. It is one of the leading and independent international organizations providing audit, tax and consulting services. Grant Thornton International has been providing professional services for more than a hundred years in more than 130 countries and operating more than 700 offices worldwide. Grant Thornton International has more than 50,000 employees working at the member firms around the world.

Grant Thornton UAE is a member firm of Grant Thornton International Limited, which was established in 1966. Grant Thornton has been able to gain good reputation in providing excellent services to companies locally, regionally, and globally. Grant Thornton UAE has more than 250 employees including 20 partners. Grant Thornton UAE provides services including auditing, tax, consulting, internal audit, fact finding and IT consulting services through its offices in UAE.

b) Statement of fees and costs for the audit or services provided by the external auditor is shown in the following table:

Name of the audit firm and the audit partner	Grant Thornton Auditing and Accounting Farouk Mohamed (since 2022)
Number of years spent as an external auditor in the Company	Since 2019
Total audit fees for the year 2022	AED 530,000
Fees and costs of other private services other than audit of the financial statements for the year 2022 (AED), if any, and in the absence of any other fees, to be stated clearly	N/A
Details and nature of the other services provided (if any) and in the absence of other services, to be stated clearly	PKF was requested to assess the Goodwill value

8. The internal control system

The board confirms its full responsibility over the functionality and robustness of the internal control system.

Head of Internal Audit is Mr. Mohammed Al Basha. (2013 – 2024)

The Compliance officer is Mr. Ehab Naji.
Head of Internal Audit Qualifications: He holds a bachelor's in accounting (1989) and
Professional Certification in Audit from USA.

The internal control system is an integrated system that imposes procedures, conditions and administrative laws, and monitors their practical implementation throughout the company's operations. This system is not a hindrance and an obstacle to the effectiveness of the work and speed of delivery and performance, but on the contrary, it ensures the company's development of effective performance and the effectiveness of risk management and internal control system.

The system measures the compliance with policies and procedures, protection of property, economic and effective use of resources. The Board has acknowledged its responsibility for internal control system in the company and the periodic review effectiveness.

Air Arabia has set up an "Internal Control Department" which is headed by Mr. Mohammed Al Basha, who is a chartered accountant and a certified internal auditor, with over 25 years of experience in the field of internal and external audit. He joined Air Arabia group back in 2013.

Objectives of Internal Control department:

The overall Objective of the Internal Audit is to evaluate and improve the effectiveness of control, governance process and risk management within AIR ARABIA.

Internal Audit assists all members of the Management of the Company and the Board of Directors in the effective execution of their responsibilities. To this end, the department provides independent examinations, consultancy, investigations, evaluations, recommendations and comments on areas and activities reviewed. Furthermore, it works in partnership with management and adds value to the organization through advice, guidance and recommendations. The scope of activity extends to group / associate companies also.

Key Accountabilities:

Develop company-wide audit programs to assure protection of corporate assets and be responsible for ensuring the integrity of information; compliances with company policies, procedures and regulations; evaluation of organizational performance; optimization of opportunity / risk; best utilization of resources and formulation of internal control system.

Major duties include:

1. Develop and maintain Company-wide audit policies and practices.
2. Develop Company-wide internal audit plans and programs and Participate in and monitor execution of internal audits programs / assignments.
3. Ensure consistent application of corporate financial and accounting policies and practices.
4. Reviewing the reliability and integrity of the financial, operating and other management information systems and means used to identify measure, classify and report such information.
5. Reviewing the means of safeguarding assets and as appropriate verifying the existence of such assets.
6. Appraising the economy and efficiency with which company's resources are employed and identifying opportunities for improving operating performance.
7. Observe and review the proceedings/functions of various committees as required by Audit Committee so as to express an independent view.
8. Co-ordinate with External/statutory auditors.
9. Review and approve all significant changes in financial and accounting systems, practices and procedures to ensure that internal control.
10. Carry out investigations and audits as suggested by the Senior Management or by the CEO / Board of Directors, to determine the facts and causes of suspected irregularities.
11. Ensure that improvements to existing policies, practices and procedures are developed in order to improve the controls and to safeguard the assets of company.
12. Report to the Board, about the adequacy and effectiveness of the company's system of internal administrative, accounting and financial controls and the quality of operating performance when compared with established standards.
13. Follow-up the status of audit reports and recommendations and submit follow-up Report to the Board and the Audit Committee.
14. Design and schedule the Department's annual audit plans and implement them after Board approval.
15. Make presentation on audit activities and studies on company and subsidiary organizations as required by Audit Committee, Board of Directors / Management.
16. Prepare the Department's annual plans and capital and operating budgets and, once approved, control expenditure and staffing against these plans and budgets.
17. Exercise effective management of the Department's staff in terms of selecting, training, motivating, evaluating and disciplining in appropriate liaison with HR function.
18. To ensure that the resources of the departments are effectively utilized.
19. Fully responsible for co-source / outsource of audit assignments.

9. Details of violations committed.

There were no violations.

10. Details of Cash and nominal contributions:

Air Arabia advocate people on life's journey with a mission that revolutionizes air travel in the regionthrough an innovative business approach offering superb value for money and a safe, reliable operation. In 2007, Air Arabia introduced its 'Charity Cloud' program, a corporate social responsibility initiative in collaboration with Sharjah Charity International that aims solely on directing such contributions to sustainable charitable projects that focus on enhancing the education and healthcare of underprivileged communities around the world.

Now, 16 years later, the program's impact is even more far-reaching, Air Arabia's "Charity Cloud" has built more than 100 charitable projects and initiatives including clinics and schools in various communities in 18 different countries around the world spreading across Sudan, Yemen, Bangladesh, India, Sri Lanka, and Egypt.

The Charity Cloud program has achieved international recognition and won awards for the positive impact it has had on the lives of children and community members, including winning the award for 'Corporate Social Responsibility Initiative of the Year' at the annual Aviation Business Awards in 2016.

For the airline, supporting local communities within the global network in which it operates is a vital part of the company's ethos and through their contributions, Air Arabia's passengers also become active partners in making a positive difference to the world we live in.

Today over 120,000 patients have received medical treatment across the initiative's clinics and, at present, over 30,000 patients are treated annually. Additionally, each 'Charity Cloud' school caters to over 1000 students every year providing quality and sustainable education.

As part of its dedication to the environment, Air Arabia works with organizations to enhance its green credentials, augmenting its program of recycling and waste disposal. The airline also continues to develop and promote green offices and to encourage people to become more environmentally friendly and to promote recycling in addition to all industrial waste generated by Air Arabia's maintenance hangar is collected and recycled.

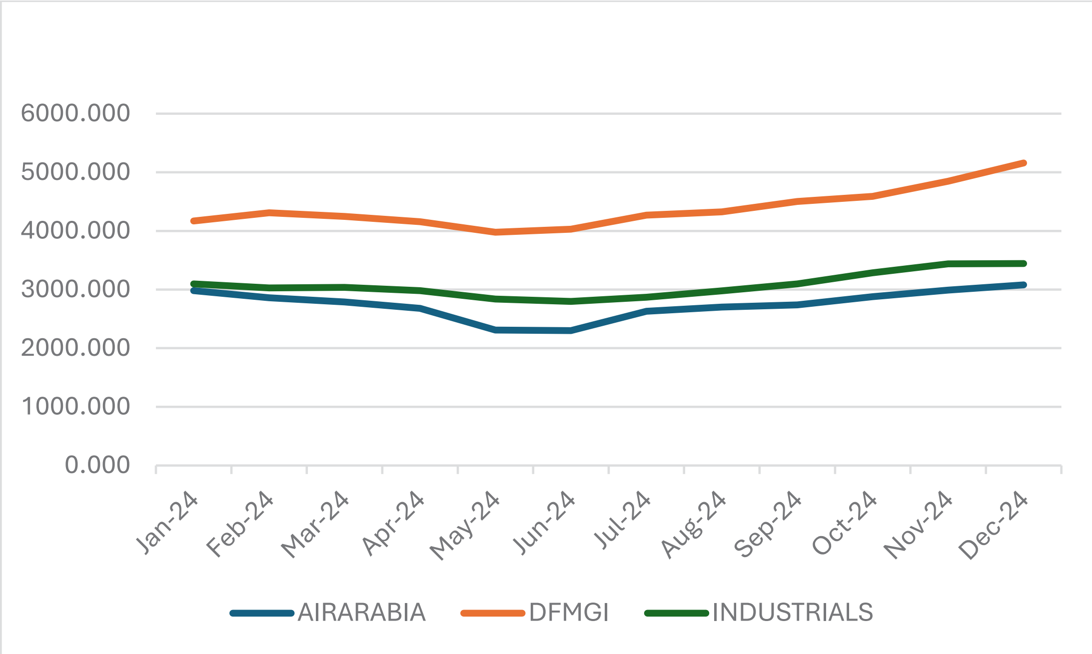
Nonetheless, Air Arabia adopts innovation and the latest technology in its products as well as following a fleet strategy that consists of new aircraft which contributes to less emissions and higher efficiency.

11. General Information:

a) Air Arabia Share price details by month end:

Month	Lowest Price	Highest Price	Closing Price	Month
Jan 2024 يناير	2.800	2.980	2.980	Jan 2024 يناير
Feb 2024 فبراير	2.860	3.030	2.860	Feb 2024 فبراير
Mar 2024 مارس	2.750	3.020	2.790	Mar 2024 مارس
Apr 2024 ابريل	2.620	2.830	2.680	Apr 2024 ابريل
May 2024 مايو	2.310	2.710	2.310	May 2024 مايو
Jun 2024 يونيو	2.220	2.430	2.300	Jun 2024 يونيو
Jul 2024 يوليو	2.300	2.650	2.630	Jul 2024 يوليو
Aug 2024 أغسطس	2.330	2.730	2.700	Aug 2024 أغسطس
Sep 2024 سبتمبر	2.630	2.780	2.740	Sep 2024 سبتمبر
Oct 2024 أكتوبر	2.600	2.880	2.880	Oct 2024 أكتوبر
Nov 2024 نوفمبر	2.810	2.990	2.990	Nov 2024 نوفمبر
Dec 2024 ديسمبر	2.980	3.150	3.080	Dec 2024 ديسمبر

b) Air Arabia Share price performance vs. market and sector during the year:



c) Air Arabia Ownership breakdown by year end:

Description الوصف	Citizenship الفئة	Quantity الكمية	Percentage النسبة المملوكة
BANK مصرف	ARAB	0	0.00%
BANK مصرف	GCC	1352737	0.02%
BANK مصرف	OTHERS	26607	0.00%
BANK مصرف	UAE	97,873,470	2.09%
Company شركة	ARAB	1,588,628	0.03%
Company شركة	GCC	138,381,144	2.96%
Company شركة	OTHERS	571,012,955	12.23%
Company شركة	UAE	2,746,550,556	58.85%
Government حكومة	UAE	36,914,529	0.79%
Individual فرد	ARAB	70,140,245	1.50%
Individual فرد	GCC	98,866,576	2.11%
Individual فرد	OTHERS	54,593,132	1.16%
Individual فرد	UAE	822,802,787	17.63%
(SOLE PROPERTY) مؤسسة فردية	GCC	700,000	0.015%
(SOLE PROPERTY) مؤسسة فردية	OTHERS	304,400	0.006%
(SOLE PROPERTY) مؤسسة فردية	UAE	11,586,653	0.24%
Market Maker	UAE	174,750	0.00%

d) Air Arabia shareholders owning 5% or above:

Investor's Name اسم المستثمر	QTY الكمية	%
Sharjah Asset Management LLC الشارقه لاداره الاصول ذ م م	865,904,256	18.55%
AL MAHA HOLDING COMPANY (FZE) المها القابضة	429,613,509	9.21%
East and West International Group مجموعه الشرق و الغرب العالميه ذ م م	422,277,100	9.05%
Bond Investments LLC بوند للاستثمار ش .ذ.م.م	368,967,946	7.91%

e) Shareholders Distribution by ownership:

Tranche by number of shares owned	Number of Shareholders	Total shares owned to the tranche	Percentage to the Capital
Less than 50,000	14,462	149,533,215	3.2%
50,000 to 500,000	1,676	233,162,050	4.99%
500K to 5M	481	649,721,074	14%
More than 5M	86	3,634,283,661	77.8%
Total	**14,955**	**4,666,700,000**	**% 100**

f) Step taken towards "Investors Relations"

Air Arabia has long established a division for investor relations. Dr. Abdelrahman Bin Taliah currently heads it, along with the Group CEO, Group Director of Finance and Group Director of Corporate Communications and Customer Experience who together play a very vital role in the division's activities. Since its establishment as a publicly listed company, Air Arabia has placed great attention on the investor relations department. The department's responsibility is split into 2 major areas: first is looking after and servicing retail and small investors through answering their queries, assisting in receiving their past dividends, explaining the investment process, and updating their details with the market. The department has set a dedicated email for their service (investorrelations@airarabia.com) and hotline: 065088977, besides having all necessary details available on the IR page:

http://www.airarabia.com/en/corporate-investor-relations

On the other hand, the department also looks after high end, sophisticated investors such us fund manager, analysts, and financial institutions.

Moreover, Air Arabia holds a database of analysts, fund managers, investors and interested segments that is invited annually to a conference call where the Group CEO and Group CFO address them with the business update, followed by question-and-answer session.

g) Extra Ordinary resolutions:

None.

h) Board Secretary:

- Mr. Abdelrahman Bin Taliah
- Appointed in 2007
- Qualifications:
  - Doctor of Business Administration
  - Masters Degree in Strategic Management and Leadership
  - Masters Degree in Project Management
  - Bachelors in Finance and Management

- Certified Board Member by Hawkama
- Certified Board Secretary by Hawkama
- Graduate of UAE Federal Government Leadership Program
- Graduate of Shk Mohammed Bin Rashid Leadership Program

- As a board secretary Dr. Bin Taliah is responsible for coordinating between the Board and the executive management, setting up the board meetings and distributing the necessary invitations and agenda packs, and keeping custody of the minutes and resolutions passed. Furthermore, Dr. Bin Taliah's duties as board secretary are separate from his other daily duties as he overlooks International Affairs, Government Relations, Investor Relations, and some of the group subsidiaries.

i) Major events in 2024:
Key milestones during 2024:

This year witnessed the full recovery post the global pandemic that impacted the industry over the past two years.

Q1:

January

- Air Arabia Maroc launched two new airport bases in Tetuan and Rabbat, bringing the total number of bases in Morocco to seven.
- Air Arabia Maroc launched new route from its base in Tetuan to Barcelona, Malaga, Brussels, and Madrid.
- Fly Jinnah partnered with 1-Link to streamline payments for flight bookings.

February

- Fly Jinnah started international flights with a new route between Islamabad and Sharjah.
- Air Arabia Maroc launched new routes from its base in Rabbat to Barcelona, Brussels, Basel, Paris and Istanbul.
- Air Arabia delivered record 2023 net profit of AED 1.5 billion, up 27%.
- Fly Jinnah renewed partnership with Peshawar Zalmi for Pakistan Super League 9 for the second year consecutively.

March

- Air Arabia inaugurated a new City Check-in facility in Dubai.
- Fly Jinnah launched new flights between Lahore and Sharjah.
- Air Arabia shareholders approve 20% dividend distribution at the Annual General Meeting.
- Air Arabia and RAK Bank extended their strategic partnership with the renewal of the co-branded credit card.
- Air Arabia resumed flights to Gizan in Saudi Arabia.

Q2:

April

- Air Arabia Maroc launched new flights between Rabat and Agadir
- Air Arabia participated at ATM 2024
- Air Arabia Egypt launched new flights between Cairo and Istanbul.
- Fly Jinnah increased the frequency of its flights between Lahore and Sharjah to double daily.

May

- Fly Jinnah launched new flights between Islamabad and Muscat in Oman.
- Air Arabia reported in the first quarter of 2024 net profit of AED 266 million.
- Air Arabia Maroc launched new flights from Tetuan to Amsterdam.

June

- Air Arabia resumed flights between Sharjah and Basra in Iraq.
- Fly Jinnah launched new flights between Islamabad and Bahrain.
- Air Arabia launched new flights from Sharjah to Athens and Krakow.
- Air Arabia and Panasonic Avionics signed an agreement for the installation of eXW wireless inflight entertainment (IFE) solution across 172 aircraft..

Q3:

July

- Air Arabia selected Honeywell Auxiliary power units for the new fleet of 120 Airbus A320neo aircraft.

August

- Fly Jinnah partnered with T3 Aviation Academy to train future Pakistani Pilots.

September

- Air Arabia Abu Dhabi partnered with Morafiq to launch a new Home City Check-in service in Abu Dhabi.

Q4:

October

- Air Arabia celebrated its 21st anniversary pioneering low-cost travel.
- Air Arabia Maroc launched new route between Tetuan and Paris.
- Air Arabia Maroc launched new route between Casablanca and Madrid.
- Air Arabia Maroc launched new route between Tetuan and Lyon in France.
- Air Arabia Maroc launched new route from Tangier to Girona in Spain and Bordeaux in France.
- Air Arabia launched new flights from Sharjah to Maldives.
- Fly Jinnah celebrated its second-year anniversary of successful operations..

November

- Fly Jinnah launched three new routes from Lahore to Dammam, Riyadh and Jeddah in Saudi Arabia.
- Air Arabia resumed flights from Sharjah to Yanbu in Saudi Arabia.
- Air Arabia reported record third quarter net profit of AED 564 million, up 8%.
- Air Arabia showcased Airbus A320 aircraft at the 7th edition of Bahrain International Airshow.

December

- Air Arabia resumed direct flights from Sharjah to Beirut.
- Air Arabia launched two new routes to Tashkent and Moscow directly from its hub in Ras Al Khaimah.
- Air Arabia Maroc launched new route between Fez and Milan Bergamo.
- Air Arabia expanded European reach with the launch of two new routes to Vienna and Warsaw directly from Sharjah.
- Air Arabia Abu Dhabi launched new route to Yekaterinburg in Russia.

Achievements:

"Charity cloud" launched three new projects in 2024 including one classroom in Cambodia, two clinics in Tajikistan and Bangladesh.

Air Arabia has fully implemented a circular economy approach for all inflight service items, ensuring they are biodegradable. Additionally, all food and beverage packaging and containers are now 100% recyclable.

Air Arabia has integrated and deployed phase one of its enhanced fuel management system to further manage and optimize fuel efficiency across the group which will eventually lead to further reduction in emissions.

Air Arabia Egypt participated in the "Aviation Unites Us for Goodness" event organized by the Children's Cancer Hospital Egypt 57357 as part of the wider CSR commitments of Air Arabia Group. Air Arabia adopts a "Paperless Approach" within its engineering department by replacing all paperbased maintenance records with a digital process using the advanced "AMOS" system.

Awards:

- Air Arabia named winner of "Corporate Award in the Airline Category" at the 2024 OPS Forum in Athens, Greece.
- Fly Jinnah ranked among the Top 5 Best Low-Cost Airlines in Central Asia & CIS for 2024 by SkyTrax.
- Group Chief Executive Officer recognized Among Top 100 Most Inspiring Leaders by Arabian Business
- Air Arabia recognized among Top 100 Most Admired Companies for 2024, ranked 14th on the list by Arabian Business.
- Air Arabia awarded "Leading Low-Cost Airline Brand - MENA" by Global Brands Magazine.
- Air Arabia listed among Forbes Top 100 Listed Companies 2024.
- Air Arabia ranked first "Best Airline" in the region and eighth globally by Airhelp.
- Air Arabia was ranked second globally on the overall Top 100 Airlines for 2024 by Airfinance Global and secured the top position worldwide for achieving the lowest fuel cost per US gallon.

Fleet Updates:

In Q4 - 2 Airbus A320 aircraft added to the fleet.
Total Fleet: 81
A321ceo: 3
A321neo: 6
A320ceo: 72
Sharjah 49 (40 A320 + 9 A321) aircraft
RAK 2 aircraft
Abu Dhabi 10 aircraft
Morocco 11 aircraft
Egypt 4 aircraft
Pakistan (Fly Jinnah) 5 aircraft

New Routes Updates:

During Q4, 13 new routes have been added across Air Arabia's six hubs.

During full year 2024, 3 1new routes have been added.

j) UAE Nationals Percentage:

Air Arabia welcomes UAE nationals to explore all available vacancies and encourages them to join the aviation sectors which embrace within it several very exciting fields. Within Air Arabia, UAE nationals are concentrated in various departments. Some are located at Head Office holding managerial posts, the operations division also hosts a number of UAE national pilots, and the Engineering and Maintenance team also comprises of very talented, hardworking UAE national engineers.

The majority of Air Arabia's work force (approximately 50%) consists of Cabin Crew, Technicians, and call center agents, areas that currently do not fall under the radar of interest of UAE nationalstoday.

Year	Total Staff Number	Number of Cabin Crew, Technicians, and Call Center	UAE Nationals	Percentage of UAE nationals less CC, Tech, and Call Center
2022	2058	1102	22	2.3%
2023	2515	1389	35	2.52%
2024	2855	1528	30	2.26%

k) Innovations During the year:

Air Arabia continuously adopt innovation and technology to offer the best quality services and minimize the environmental impact of the operations across all business and activities. The management team continues to set goals and strategy to achieve higher efficiency while always keeping the cost low.

Abdullah Bin Mohammed Al Thani	Waleed Al Sayegh	Mohammed Bin Abdullah Al Thani	For Manager - Internal Audit
Chairman of the Board	Chairman Audit Committee	Chairman Remuneration Committee	Head of Internal Audit

• **Appendix 1**

Meetings Dates & Attendees of Air Arabia Board of Directors during the year

"Y", "N"

Board Meeting number	Date	Shk. Abdullah	Adel Ali	Shk. Mohammed	Shk. Khalid	Waleed	Matar	Dr. Ohoud
1	13.2.2024	Y	Y	Y	Y	Y	Y	Y
2	13.5.2024	Y	Y	Y	Y	Y	Y	Y
3	12.8.2024 Electronically	Y	Y	Y	Y	Y	Y	Y
4	11.11.2024	Y	Y	Y	Y	Y	Y	Y

• **Appendix 2**

Meetings Dates & Attendees of the Audit Committee and attendance:

"Y", "N"

Audit Committee Meeting	Date	Waleed	Matar	Dr. Ohoud
1	21.1.2024	Y	Y	Y
2	13.2.2024	Y	Y	Y
3	13.5.2024	Y	Y	Y
4	12.8.2024	Y	Y	Y
5	11.11.2024	Y	Y	Y

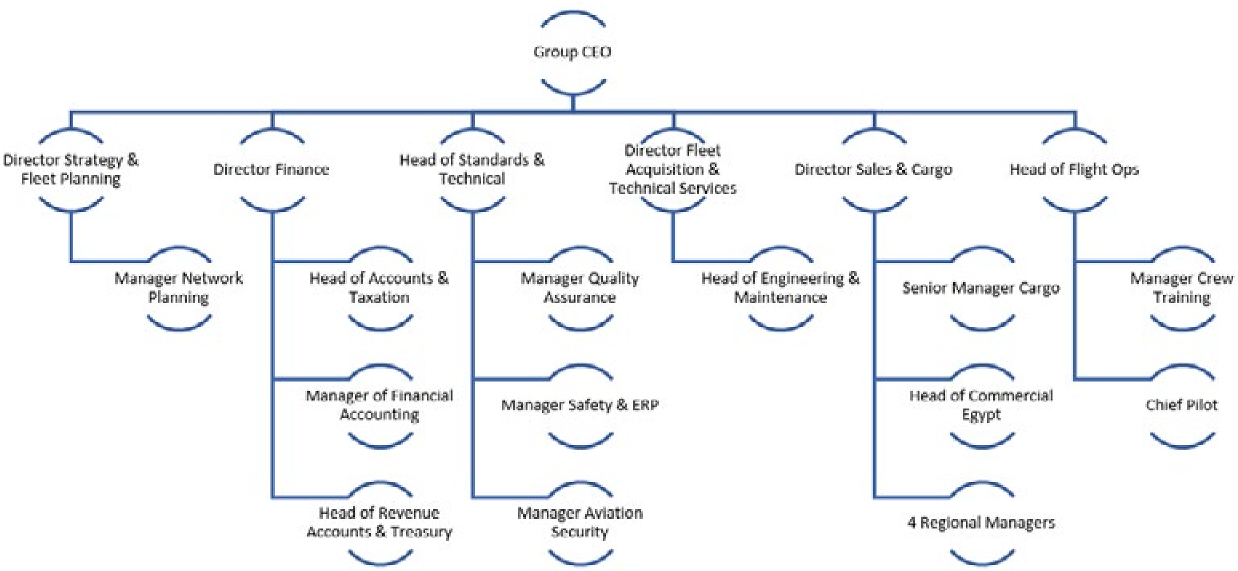
• **Appendix 3**

Meetings Dates & Attendees of the Committee on Nominations and Remuneration:

"Y", "N"

Audit Committee Meeting	Date	Shk Mohammed	Shk Khalid	Waleed
1	13.2.2024	Y	Y	Y

• **Appendix 5**



AirArabia

AIR ARABIA GROUP PJSC

SUSTAINABILITY REPORT 2024

Contents

Chapter 1
Our Foundation

> **"Our sustainability framework defines Air Arabia Group's pivotal role in shaping a better future and driving sustainable performance"**

Environmental, social and governance (ESG) matters are fundamental parts of human life. They have also become a more conscious and explicit part of business life. This report provides an initial snapshot of where Air Arabia stands on ESG performance.

Air Arabia is the first publicly listed airline in the Middle East and North Africa region providing the carrier an independent path to growth and profitability; as part of its Investor Relations, Air Arabia is keen to provide insights about the performance not only through annual reports but through the sustainability reports that will help investors form their investment decisions and helps Air Arabia gain exposure to a wider range of regional and international investors.

The sustainability reports identify strengths and opportunities for improvement at Air Arabia. What is most important is that they will assist the Board and Management in establishing rational priorities going forward and provide benchmarks for measuring improvement..

About this report

Air Arabia's sustainability report provides information on our sustainability performance in a reasonable manner and is addressed to all stakeholders. Sustainability reporting enables us to better communicate our management's approach and performance of Air Arabia's material economic, environmental, social, and governance topics with our stakeholders together with our progress, performance and ambitions for the future.

We have structured the report around topics that were identified as of significant importance to our internal and external stakeholders. The report has been prepared under the framework of UAE's Vision 2021 to create a smart and sustainable city, and the strategic plans of each emirate and in accordance with the sustainable development goals (SDGs) set out by the United Nations for 2030.

This report enables us to identify opportunities to better measure, monitor, and manage these sustainability topics across all levels of our organization. We recognize the role we play in sustainable development, and endeavor to work closely with all our stakeholders in enhancing and integrating sustainability initiatives across our operations.

Message from Air Arabia Group CEO

“This report sets out the actions undertaken by Air Arabia group and our long-standing commitment to our Environmental, Social, and Governance (ESG) goals. Bringing innovation and technology into the industry remains a priority for us as a group, and an area of focus for our customers, shareholders, investors, and people. We have made tangible progress in conducting our businesses in a more sustainable manner, and integrating ESG initiatives across our operations”

The UAE has become a role model in promoting sustainable development in promoting sustainable development in line with the vision and directives of the wise leadership of His Highness Sheikh Mohamed bin Zayed Al Nahyan, President of the UAE, and His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai, to enhance climate action and support the shift towards a green economy. In October 2021, the UAE announced its Net Zero by 2050 strategic initiative, becoming the first country in the Middle East and North Africa to launch this strategic initiative.

At Air Arabia, we recognize that customers prefer airline services to be increasingly sympathetic to environmental, social and governance considerations. We remain committed to growing our sustainability efforts in alignment with the UAE’s visionary 50-year Economic Plan and the country’s economic strategy that prioritizes digitalization and environmental responsibility.

We are proud to present our second annual sustainability report, highlighting our commitment to our environmental, social and governance performance. In this report, we have highlighted new initiatives that have been implemented to help us build confidence and be a pillar of support for our employees, customers, and communities.

About Air Arabia

Air Arabia (PJSC), listed on the Dubai Financial Market, is the Middle East and North Africa's leading low-cost carrier (LCC) operator. Air Arabia commenced operations in October 2003 and currently operates a total fleet of 68 new Airbus A320 and A321 aircraft (end 2022), serving some 200 routes from seven hubs in the UAE (Abu Dhabi, Sharjah, RAK), Morocco, Egypt, Armenia, and Pakistan. Air Arabia is an award-winning airline that focuses on offering comfort, reliability, and value-for-money air travel. Air Arabia today consists of a group of airlines and companies offering travel and tourism services across the globe.

AirArabia UAE • Morocco • Egypt

AirArabia Engineering

AirArabia Simulator

AirArabia Academy

FlyJinnah

cozmotravel

الشارقة لخدمات الطيران Sharjah Aviation Services

ibyta b2b travel

ISA

CENTRO Sharjah

Radisson Blu HOTELS & RESORTS

sayara limousine & car rental

ACTION HOSPITALITY

alpha

OUR VISION

"To be one of the world's leading budget airlines" in terms of:

- **Profit Margin**
- **Innovation**
- **Reputation**
- **Operational Excellence**

OUR MISSION

"To revolutionize air travel in the region through an innovative business approach offering superb value for money and a safe, reliable operation" to achieve this,

- **We will be known for our low fares**
- **Grow our business profitably**
- **Build motivated multi-functional teams**
- **Demonstrate the highest operational standards**
- **Manage our costs ruthlessly**

Air Arabia operates a modern fleet comprised of an Airbus A320 family. While the A320neo builds on the A320 product line's position as the world's most advanced and fuel-efficient single-aisle aircraft family, the A321neo variant provides extended range for the A320neo family's longest fuselage version.

The carrier follows a strong and successful business model which focuses primarily on efficiency, optimization and resources.

Air Arabia is not only committed to providing affordable air travel but is also dedicated to uplifting the lives of those who are less fortunate. Taking responsibility and lead on social needs of local and international communities has been part of our success.

To that end the carrier has implemented an award winning corporate social responsibility (CSR) program for sustainable development with an emphasis on providing better education and healthcare for underprivileged communities.

Our Approach to ESG

Air Arabia is developing a holistic approach to sustainability across the seven hubs which lead to underline why understanding, anticipating, and effectively managing environmental, social and governance (ESG) matters is critical to delivering on our mission to serve our clients, customers, and communities.

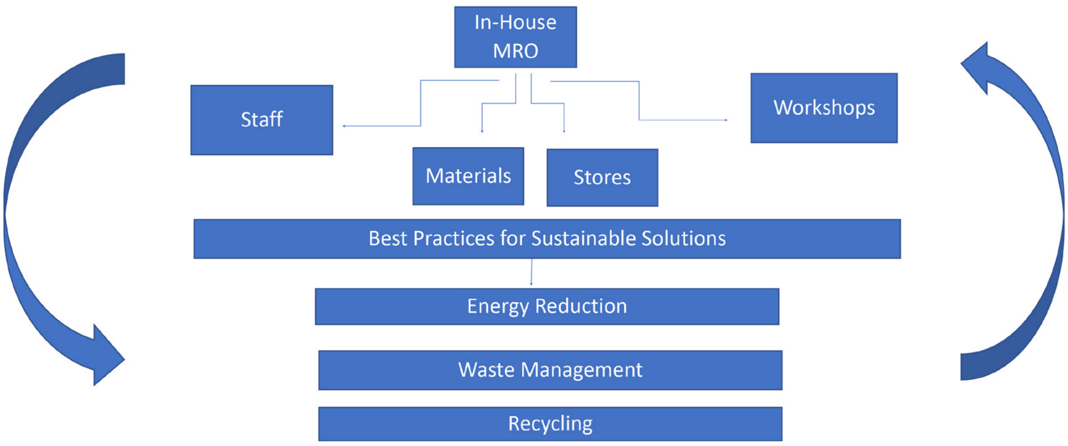
Air Arabia strives to provide clear, transparent information about how we manage and address the range of ESG issues we encounter in our business.

Since ESG issues touch nearly every aspect of our business, day-to-day management of the individual elements is distributed throughout our operations and functions. As part of our effort to take a more integrated approach to ESG management, we have recently taken steps to enhance our leadership and coordination of ESG efforts and reconsider the way these issues are overseen by our Board of Directors. We provide a wide range of updates to our shareholders at AGM to reconsider the way these issues are overseen as well as providing timely disclosures to relevant investors and lenders, promptly makes its financials available to all stakeholders, and is expanding its ESG reporting.

Air Arabia maintains a strong engineering team looking after MRO needs of the aircraft, which has become a key part of the airline's remarkable success story. This facility and its staff, equipment, stores, materials, and workshops are all 100% dedicated to the Airbus A320 family. Air Arabia integrate sustainable solutions to reduce the carbon footprint with four focus areas: reducing energy usage in facilities (offices); reducing business travel impact, managing e-waste, water conservation, pollution certificate etc.

Air Arabia's approach is in full compliance with the SCA and DFM requirements of issuing reports in accordance with the GRI Standards and in alignment with DFM ESG disclosure guidance. ESG matters are important consideration in how we do business, including our corporate governance systems that run at every level in the organization, risk management and methodology to serve customers and support for local communities. Our main driver is sustainability and efficiency embedded in the culture and management of the airline. Equally important, we believe that the core items that are critical of our ESG approach are practiced across the organization through efficient operations and environment friendly practices. For Air Arabia, this means we are leveraging our business and policy expertise, and presence to help drive an inclusive recovery, expand, and accelerate sustainability.

As a leader in the aviation, air services and travel industries, Air Arabia is committed to minimizing the environmental impact of the operations across all our businesses and activities. We aim to meet the needs of our customers while using energy and resources efficiently, minimizing waste, and operating our assets in the most environmentally responsible manner.



Chapter 2
Respecting the Environment

> **Air Arabia uses technological advancements to improve operations, products, and services for the benefit of the society**

Air Arabia is proactive on multiple fronts to minimize our facilities' environmental footprint and reduce natural resource consumption. This includes meeting and exceeding the requirements of air quality, water and waste standards, recycling and managing our energy usage.

Air Arabia uses technological advancements to improve operations, products, services, and solutions for the benefit of the society. For many years we have been working on reducing emissions by using less fuel as a response to the energy conservation act. Air Arabia is taking steps to mitigate the emission of fuel, including progressively transitioning its fleet with an average age of 4 to 5 years to the newest and most fuel-efficient aircraft on the market today and disposing of older, less fuel- efficient aircraft.

Air Arabia recognizes the considerable impact of its air transportation business on the environment and is working to reduce that environmental impact and protect the environment through a range of measures in all aspects of its business activities.

Air Arabia collaborates with different organizations to advance sustainable development as well as raising awareness about sustainability among employees by engaging in activities that has positive socio-economic impacts and promotes the vision of the company.

Air Arabia is effectively using limited resources through promoting the 3Rs (Reduce, Reuse, Recycle) on board by providing inflight bags across the entire fleet and applying the same in the offices. We continue to conduct activities such as reducing printed manuals, recycling beverage cans from aircraft cabins and offices. We strive to minimize our direct impacts on the environment while concurrently enhancing our services and solutions to help customers to improve their environmental and carbon performance toward meeting their sustainability objectives.

Emissions and Climate Change

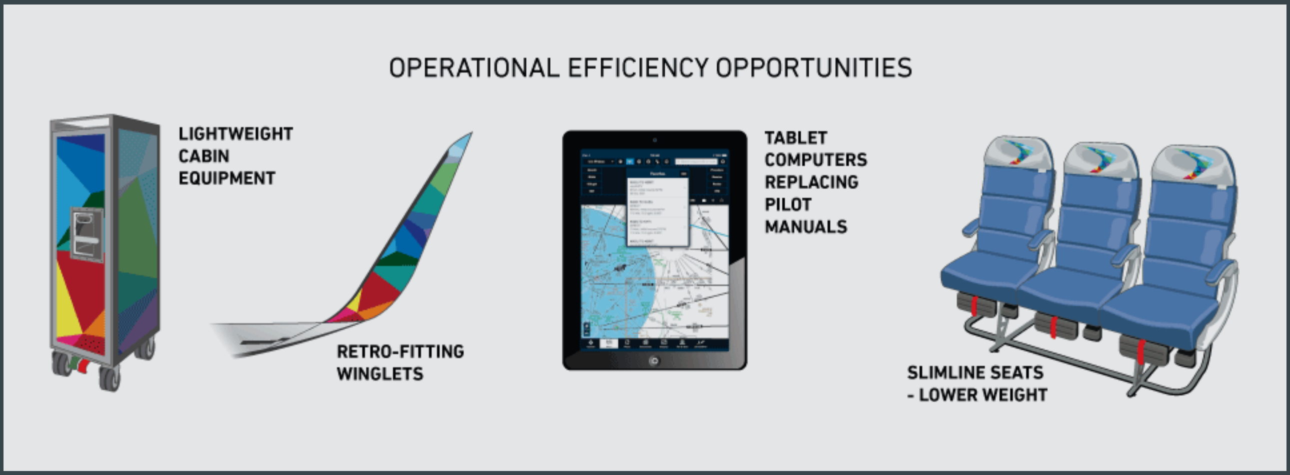
While the aviation industry is not the highest contributor to global emissions, it does make a significant contribution to the global response to climate change as well as emissions from flights that stay in the atmosphere and warm it for several centuries. Because aircraft emissions are released high in the atmosphere, they have a potent climate impact, triggering chemical reactions and atmospheric effects that heat the planet.

Climate change is a pressing global challenge, Air Arabia recognizes that responding to climate change is a particularly important issue for the sustainability of society. That is why we have incorporated climate change goals in our operations by adopting a policy of adding only brand-new aircraft that includes both Airbus 320 and Airbus 321 neo LR to our fleet with four years average fleet age to avoid unwanted emissions. While ambition is important, we know that what matters most is that we have a clear roadmap - with both a long-term vision and intermediate milestones - for how we will achieve it.

Efficiencies gained through operational improvements can make a big difference. At every step of a plane's operations there are opportunities to reduce fuel burn and consequently, emissions. Adopting a fleet strategy that consists of new aircraft is considered a key component of emission reduction, if not the most important element. Newer fleets are more fuel efficient and new aircraft also reduce maintenance costs which eventually contributes to less emissions and higher efficiency. We also save fuel through more efficient procedures and weight reduction measures. These can range from ensuring the plane's engines are clean to developing and using new arrivals procedures. For example, we taxi to the runway using just one engine instead of two.

Airports, airlines and air navigation service providers are also working together on so-called 'green departures' where aircraft can take off and climb at a steady rate to reach the most efficient phase of flight – the cruise – faster.

Despite their size, aircraft still burn less fuel when they have less weight on board, so airlines are finding ways to reduce the weight of a vast array of items carried – everything from food service trolleys to seats and carpets, to loading just the right amount of water for each flight, rather than filling the tanks each time. This results in significant savings, and we are considered one of the leading airlines worldwide in adopting such measures.



Carefully tailored techniques, which take advantage of sophisticated navigation technologies, are also being developed to determine the most appropriate flightpaths into airports, specifically those with difficult runway approaches – either in mountainous areas or to avoid flying over communities. These approach techniques can save millions of fuel tonnes and CO_2, as well as reducing the impact of aircraft noise around airports.

Sustainable Aviation Fuel (SAF)

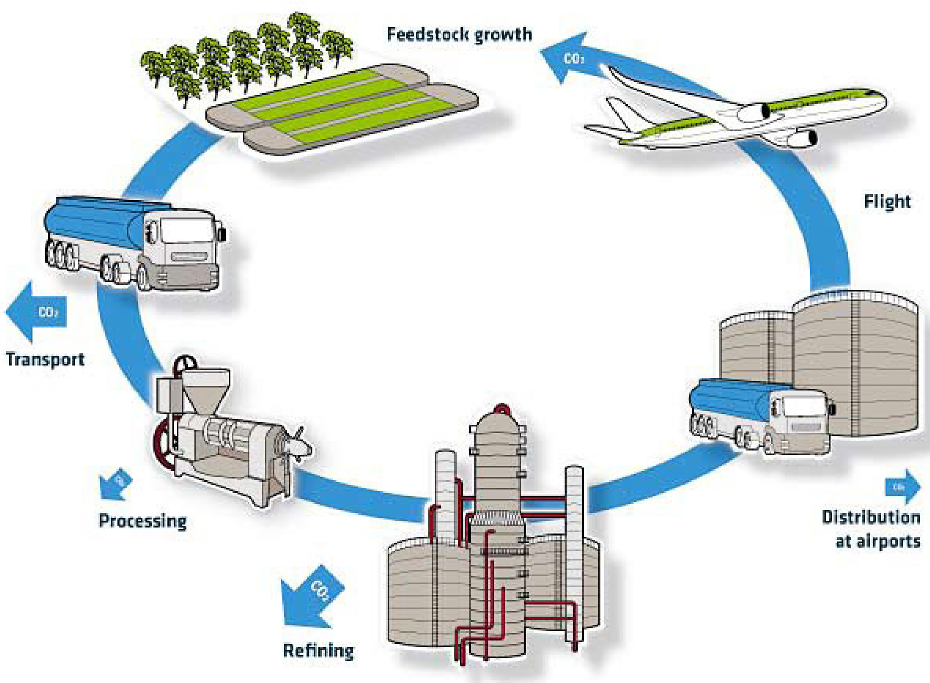
Sustainable Aviation Fuel is produced from sustainable feedstocks and is very similar in its chemistry to traditional fossil jet fuel, however, it is one of the most promising solutions when it comes to lowering aviation's environmental impact as it helps in reducing carbon emissions compared to the traditional jet fuel while using cooking oil and other non-palm waste oils from animals or plants; solid waste from homes and businesses, such as packaging, paper, textiles, and food scraps that would otherwise go to landfill or incineration. Other potential sources include forestry waste, such as waste wood, and energy crops, including fast growing plants.

Nowadays, airlines still face some key challenges to incorporate SAF in their operations. These challenges can be categorized in the cost, availability, and technology.

SAF is currently more costly than traditional fossil jet fuel due to the non-availability of current sustainable feedstocks and the ability to develop new production technologies. As technology matures it will become more efficient and so the expectation is that it will become less costly for airlines.

Air Arabia remains committed to ambitious emissions reduction goals and SAF has been identified as one of the key elements in helping achieve these goals. While wide-scale adoption and production of SAF at reasonable prices will require wide ranging cooperation and alignment of interests reach global net zero goals there needs to be aggressive and immediate action from many parties, including airlines, aircraft technology manufacturers, government, and the finance community to overcome the cost and supply challenges long plaguing the SAF market.

More and more governments are making bolder pledges with respect to the decarbonization of the aviation sector. Likewise, private sector aviation industry participants are continuing to set aggressive goals for themselves. Air Arabia continues to adopt the latest technology and techniques for fuel efficiency, while keep watching the development of SAF as it becomes a solution to consider as a fuel alternative.



Key Environmental Factors

According to the U.N. Environment Program, environmental sustainability involves making life choices that ensure an equal, if not better, way of life for future generations.

Environmental sustainability aims to improve the quality of human life without putting unnecessary strain on the earth›s supporting ecosystems.

At Air Arabia Group we continuously adopt innovation and technology to minimize the environmental impact of our operations across all business and activities. We aim to meet the needs of our customers while using energy and resources efficiently, minimizing waste, and operating our assets in the most environmentally responsible manner.

Carbon Emissions and Climate change

- Maintaining a young, fuel-efficient fleet
- Implementing fuel-saving operational techniques
- Optimizing ground transportation planning

Noise and Local Air Quality

- Operating a young, technologically-advances aircraft fleet
- Incorporating technology and innovation to reduce aircraft noise and emission.
- Developing operational procedure for the overall air quality

Materials and Waste

- Recycling from offices, operational facilities, and staff accommodation
- Comprehensive waste management processes and compliance to regulations
- Designing solutions to reduce plastic use and other waste from inflight service

Electricity and Water

- Installing equipment to increase energy and water efficiency in buildings
- Using new techniques to clean aircraft with less water.

Waste Management and Recycling

Solid waste management and disposal is one of the most significant issues in the environmental management of the airline industry. The economically sound and environmentally acceptable disposal of municipal solid waste is a major concern in many industrialized countries.

In 2015 Air Arabia has signed an MOU with Bee'ah – the leading environmental management

company in Sharjah. The MoU will have Air Arabia and Bee'ah collaborate and share knowledge and expertise in several key areas relating to both commercial activities and corporate social responsibility (CSR) projects.

As part of its dedication to the environment, Air Arabia works with Bee›ah to enhance its green credentials, augmenting its programme of recycling and waste disposal. It is anticipated that the MoU will encourage sustainable environmental practices to help engender a more prosperous and greener Sharjah.

Bee'ah supplied the recyclables collection containers such us Desk-side blue recycling bins to be placed at Air Arabia Head offices to develop and promote green offices and to encourage people to become more environmentally friendly and to promote recycling: paper, newspapers, cardboard, bottles, cans, plastic, and all other garbage. Additionally, all industrial waste generated by Air Arabia's maintenance hangar is collected and recycled in Bee'ah's world class waste management facility.

As part of the MOU, Bee'ah has endorsed a Recycle awareness campaign to promote the Reduce, Reuse and Recycle making sure to receive all recyclables and handle materials according to the environmental regulation and standards.

Reduce → Reuse → Recycle

Moreover, installing the reverse vending machine (RVM) in Air Arabia's head office, which is a device that takes empty and used bottles or cans, then returns money or other forms of incentivization to the recycler, depending on the quantity of receptacles recycled.

As a further collaboration towards a greener environment, to date, Air Arabia has recycled an estimated 17,000 kilograms of old crew uniforms through environmentally friendly means. In addition to the old uniform, Air Arabia implements a thorough recycling scheme for items used in its aircraft and during flights, including cardboard, paper, paper trays and cooking oil – all of which are recycled by Bee'ah. Every month, on average Air Arabia recycles 6000 kilograms of materials.

Air Arabia's sustainability initiatives are not just about recycling. The staff restaurant uses cutlery, plates and cups which are made from reusable materials.

17,000 kg of old uniform/
600 kg of materials

600 kg Materials

Indoor Air Quality

It is a challenge to provide a quality indoor environment at a reasonable energy cost. Current efforts to improve building energy efficiency, including goals of sustainability and net-zero energy use, are bringing more focus on how to simultaneously achieve energy efficiency and good indoor air quality (IAQ). While energy efficiency and IAQ are sometimes viewed as incompatible, there are many strategies that support both ends.

Air Arabia focuses on the quality of indoor air as it is initial to health and wellbeing through incorporating the environmental guidelines and operating platforms in the design of the aircraft in the early stages. Our fleet is equipped with high-protection HEPA filters that efficiently remove 99.99% of viruses and bacteria in the air. Air Arabia combines all new developments with standards and energy efficiencies that meet best in class practices and consider filtration, relative humidity, fresh air, and temperature control to ensure consistently high levels of air quality.

Chapter 3
Growing an Inclusive Workforce

> **“Our approach aims to strengthen our corporate culture and employee pride in working for a socially responsible organization, while bringing real community benefit”**

Social sustainability is about identifying and managing business impacts, both positive and negative, on people. The quality of a company’s relationships and engagement with its stakeholders is critical. Directly or indirectly, companies affect what happens to employees, workers in the value chain, customers, and local communities, and it is important to manage impacts proactively. There is also a need for more diverse representation within the workforce to enable different perspectives that can propel innovation. Air Arabia focuses on growing an inclusive and diverse workforce and contributing to a broader awareness of the benefits

Ethics and Human Rights

Ethics and integrity are considerable components of entrepreneurial practice at Air Arabia. It is a matter of fact for the Group to adhere to current laws and voluntary commitments, and to consciously respect ethical principles. An important consideration is that business conduct characterized by integrity is a key prerequisite for the Company's long-term success.

Air Arabia has focused on many corporate social responsibility projects and initiatives around the world as part of its dedication towards the community and the environment. The main objective of these projects and initiatives is to improve the quality of life for children, provide healthcare for elderly and raise funds to support communities.

"Charity Cloud" was implemented in 2007, as part of Air Arabia's CSR program, in collaboration with the Sharjah Charity International, to support economic development of underprivileged communities around the world. "Charity Cloud" is built on donations from passengers on-board and employees. The money raised from this charity is re-invested in educational and medical care establishments in different countries around the globe. Air Arabia also has a sport sponsoring program and a partnership with "Sharjah Humanitarian City" to help underprivileged communities.

Additionally, Air Arabia partnered with the Sharjah Humanitarian City (SHC) to help people of determination who are flying with the airline and to assist them at airports.

Team Building

Air Arabia depends on the dedication of our talented team members, who are committed to providing best-in-class service and reliability for our customers. Our culture is defined by our core values, which impact how we interact with each other, our users, our communities, and other stakeholders every day.

For an organization that is home to 90 different nationalities working together, Air Arabia is keen to provide a workplace that is inspiring, motivating, and above all, respectful. Across all our buildings, we incorporate high ceilings, natural light, and good ventilation to support the comfort and health of our users and employees.

Another aspect of team building is the continuous learning and motivation of the employees by understanding what motivates employees, identifying opportunities to improve processes and systems. Continual education and training are seen as a large part of Air Arabia's employees' development and growth through our dedicated Learning and Development (L&D) department as well as our training schools. We offer a variety of opportunities for team members to continue to develop their skills and remain up to date with industry trends.

3.2.1. Management Approach

Air Arabia continues to invest in its human resources as it believes they are the fundamental factors of success, and excellence, and to keep up with rapid changes to maintain the airline's leadership. Air Arabia fosters and supports behavior that drives employees to bring innovation and excellence into their work which contributes to sustainable growth for the long-term development by ensuring that all employees are given the same opportunities without discrimination based on sex, race, nationality, age or creed, in line with the policies and regulations of the UAE government. Air Arabia recognizes the value of its employees, and provides every resource available for employee development, including training to support engagement on all levels. Air Arabia opposes all forms of illegal and unfair preference among employee and is committed to making all decisions regarding recruitment, evaluation, promotion, training, work assignments, or any functional advantage based on competence and capacity in view of the laws and regulations of the UAE.

3.2.2. Gender Diversity and Equal Opportunities

Air Arabia values the individual differences and diversity of its employees and works to ensure that the work environment is safe, fair, and equitable, so that employee needs are met, and that a culture of diversity and non-exclusion is maintained. Air Arabia opposes all forms of illegal and unfair employee preference and is committed to making all decisions regarding recruitment, evaluation, promotion, training, work assignments, or any functional advantage on the basis of competence and capacity in accordance with UAE laws and regulations.

3.2.3. Retention Program

Air Arabia offers a wide spectrum of incentives to our employees, from a well-honed career path to promotions and bonuses, and performance-based pay. In addition to these incentives, we provide a challenging environment to stimulate growth. Our successful retention policy led to a low employee turnover ratio.

3.2.4 Emiratization Program

In accordance with the UAE Government's plans to attract local Emirati talents, Air Arabia pursues initiatives aimed at attracting Emiratis such as utilizing relations with universities and colleges to attract local talents and engaging in career fairs. Air Arabia also provides the opportunities for young local talents to join the airline as on-job training within the department of choice such as engineering and maintenance department and the hangar.

Community Engagement

At Air Arabia, our purpose is to advocate people on life's journey – a mission that revolutionize air travel in the region through an innovative business approach offering superb value for money and a safe, reliable operation

Community engagement is important and can lead to great outcomes, Air Arabia believes in responsibility towards team members and users, who, in turn, share their aspirations, concerns and values.

We achieve community engagement through various initiatives across multiple countries. Such initiatives are driven by staff and include employees from different departments and positions within the organization. An example to such community initiatives is when Air Arabia collaborated with Sharjah Social Empowerment; a foundation that helps renovate the homes of those who are in need.

A team of 14 Air Arabia employees helped renovate the house of a widow and her 3 children in Sharjah. The employees joined hands with social workers and on-site professionals to take the project forward and complete the task. Another initiative involved a trip to Bangalore in India and included employees who visit 2 orphanages and a home for the elderly. Air Arabia staff visited the sites during which clothes, dates and basic necessities, from food to soap, were distributed. Another initiative took place in Egypt where to young Egyptian children, Mahmoud and Jana, who are patients at the 57357 Children's Cancer Hospital in Egypt, have realized their dreams of taking to the skies, thanks to an initiative by Air Arabia staff. Air Arabia staff are involved in tens of initiatives every year and so far, have covered over 15 countries since the start.

Chapter 4
Promoting Responsible Business Conduct

“Our company is built on trust, which means everything we do and all decisions we make are governed by the principles of ethics, integrity, and respect for people and our planet. Our approach involves working within our company through health, safety, diversity, and promoting societal benefit through community investment”

Air Arabia has been one of the leading companies in applying the principles of corporate governance among the public companies. Air Arabia strongly believes in the importance of the practical application of governance practices and the strong adherence to the related laws & regulations and the operations within the general framework of the principles of corporate governance which preserves the rights and interests of the company, its investors, its management, and the investment environment surrounding it.

Therefore, Air Arabia, and all its subsidiaries and group companies are committed to all laws and regulations imposed upon them as a global aviation and as a public joint stock company. This covers Commercial Companies Law number 2 of 2015 and law number 26 of 2020 pertaining to commercial companies. The company is also committed to the strict application of Ministerial Decree No. (518) for the year 2009 followed by the resolution number 7 for the year 2016, and resolution number 3 of 2020 issued by the Minister of Economy and Chairman of the Securities and Commodities Authority regarding corporate governance and corporate discipline, and any decisions that may be issued or amended in future. This cultivates confidence of those major investment bodies around the globe to occupy a position within the owners of Air Arabia.

Board of Directors

Air Arabia has a strong, independent Board of Directors, composed of experienced members who are diverse with respect to background, skills, and experiences. The Board is committed to sound corporate governance in line with evolving best practices. The Board of Directors understand and appreciate the importance of ESG matters as well as their significance to our various stakeholders.

The Board includes several directors with skills and experience relevant to these topics and continues to gain knowledge about these evolving areas through, among other things, regular briefings, and discussions with internal subject matter experts. In addition to that, the Board discusses risk throughout the year, particularly when reviewing operating and strategic plans and when considering specific actions for approval.

Air Arabia's board of directors consists of 7 members which were appointed by the Annual General Meeting (AGM) of 2020 for three years:

1.1 Sheikh Abdullah Bin Mohammed Al Thani - Chairman of the Board

1.2 Adel Abdullah Al Ali - Executive member

1.3 Sheikh Mohammed Bin Abdullah Al Thani - Independent member

1.4 Sheikh Khalid Bin Issam Al Qassimi - Independent member

1.5 Waleed Ibrahim Al Sayegh - Independent member

1.6 Matar Al Blooshi - Independent member

1.7 Dr Ohoud not samer - Independent member

The members of the Board are chosen after a thorough and proper evaluation process. The members are qualified and experienced in engineering, technology, accounting and finance, administration, management, and business. They all have extensive experience as members of boards of organizations and companies. They oversee the organization and its operations. Air Arabia operates based on the proclamation and resolution of conflicts of interests, clear related party disclosures and its established Code of Conduct. The Board meets more frequently as needed, where they receive updates directly about the operations. The Board is updated on Air Arabia's main and strategic projects, including but not limited to, its financial and sustainability performance.

Board Code of Conduct

The Board code of conduct covers all individuals working for Air Arabia at all levels and grades including directors, senior managers, members of the Senior Management Group, employees (including permanent, temporary, and part-time employees), trainees, home workers, agency staff and contractors (collectively referred to as employees in this Code).

Air Arabia's code of ethics includes the following:

a) Conflicts of interest

b) Protection of confidential information and other assets

c) Disclosure and compliance with Listing Rules

d) Compliance with laws, rules, and regulatory regimes

e) Reporting

f) Money laundering and terrorist financing

g) Competition and fair dealing

h) Interaction with media shareholders

i) Personal Conduct

Air Arabia's Code of Conduct forms the platform for our efforts to ensure high standards of ethics and human rights within the Group. The Code summarizes our key policies and is a guide for employees on how to conduct themselves in line with the principles of ethics, integrity, and respect. It covers areas such as respect for people, anti-corruption, nondiscrimination, conflicts of interest, fraud, privacy of information, health, safety and respect for the environment, and constitutes the basis of our Ethics program. It also helps define our expectations throughout the value chain.

Air Arabia is fully committed to the highest standards of ethical conduct in running its business and in the personal behavior of its employees, members of the Senior Management Group and members of the board of directors and has issued this Code to provide guidance for you, as an employee to uphold these standards.

• Employee Engagement survey

Air Arabia evaluates the engagement of its employees through engagement surveys. The surveys include metrics on important aspects of the company›s efforts to act ethically, lead in diversity and respect human rights, including the understanding of our Code of Conduct, trust in the Ethics Helpline and equal opportunities. The employee engagement survey will be conducted annually with the aim of providing the management with good input on how to optimize the organization further. Our ambition is to become an employer of choice and to be one of the great companies to work for. We have received the results of the employee engagement survey, which are specific and detailed by department. During 2020 and 2021, Group functions, business areas and local business units conducted multiple employee surveys for their respective parts of the organization, on topics such as wellbeing, diversity and inclusion, and general engagement.

• Employee wellbeing

Air Arabia's approach to wellbeing is founded on the commitment to employee wellbeing in the Group People Policy, and is based on the work environment, office culture, and teamwork. Group level campaigns are organized on each of the aspects within the group.

• Health and safety

Health and safety have long been a fundamental part of our values and our sustainability agenda, with clear targets and processes in place to ensure real progress.

Key priorities and progress are that employees are covered by a reporting system (Integrated Quality and Safety Management System – IQSMS) to track incidents and hours worked and apply. All employees receive an induction program and safety training when they start at the airline in addition to annual training tailored to their function.

Corporate Governance Policies

Air Arabia is dedicated to keeping its shareholders fully informed of developments and valuable information affecting the company. Air Arabia endeavors to ensure that all shareholders have access to information about the company's business and that they have the opportunity to meet and hold positive discussions with the board of directors during the Company's General Assembly.

At present, Air Arabia uses the following channels to provide its shareholders with information about the company:

3.1. In the agenda, explanatory notes and the directors and auditors' financial statements reports accompany the notice of the company's Annual General Assembly.

3.2. At the Annual General Assembly where the shareholders can direct questions to the Chief Executive Officer, to the Chairman of the board of directors and to the external auditors about anything concerning the Company's business.

3.3. In disclosures made to the Dubai Financial Market and the Emirates Securities and Commodities Authority.

3.4.At the "Investor Relations" section on Air Arabia's website www.airarabia.com which contains the following information:

- Quarterly financial statements
- Studies and reviews on Air Arabia
- Updated information about the board of directors
- Press releases
- The governance report and information about corporate governance in general
- Information regarding the last Annual General Assembly.
- In at least 3 to 4 road shows and conferences locally and internationally to advise the public on its last update.
- The Annual report is published in both hard copy and soft copy which is available online for the public.
- At the end of every quarter via a conference call with Air Arabia investors which is attended by the Chief Executive Officer and Director of Finance.

AirArabia

airarabia.com