الجزيرة.
Jazeera.

Expanding and connecting the Middle East to Europe and Asia

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2019 HIGHLIGHTS

Operating Revenue
KD 103.7 million
+25.9%

Operating Profit
KD 14.2 million
+108.7%

Net Profit
KD 14.9 million
+124.1%

2.4 million pasengers
+20.6%

13 aircraft
+3

37 airports
+8

645 employees
Strengthened our team

Load Factor
77.5%
+2.3%

Utilization
13.3 hours
+5.8%

Yield
KD 41.5
+1.6%

eCommerce Sales
+16.3%

Ancillary Revenue
+35.0%

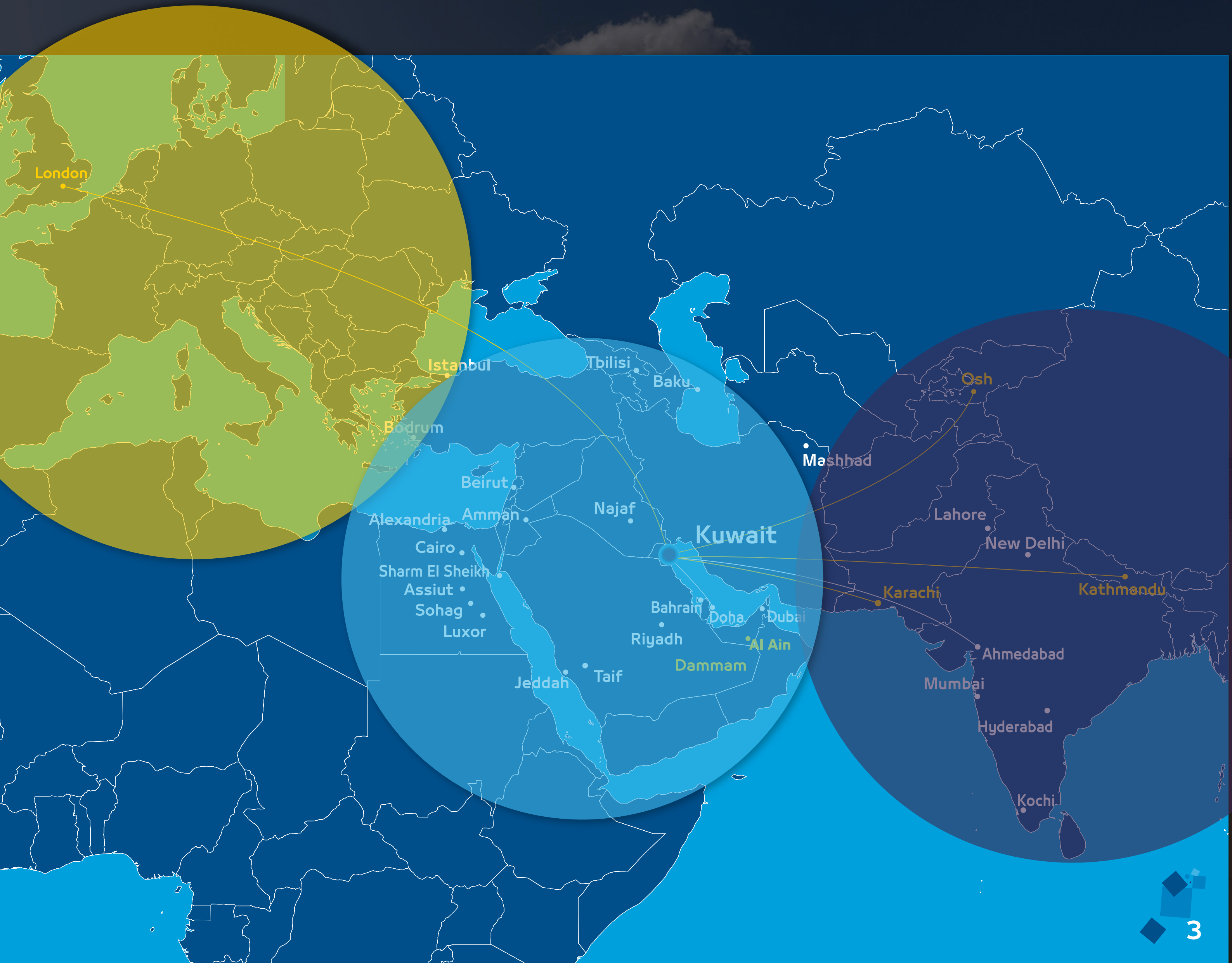
OPERATIONAL MILESTONES

Expanded Our Network

Europe
London, UK
Bodrum, Turkey
Sabiha Gokcen, Istanbul

Middle East
Dammam, KSA
Al Ain, UAE

Asia
Osh, Kyrgyzstan
Kathmandu, Nepal
Karachi, Pakistan



CHAIRMAN'S MESSAGE

Dear Shareholders,

As I write to you this letter, the world is witnessing a pandemic that has affected the aviation industry with flights being suspended in countries around the world since March 2020.

But as I will present to you here, our airline has continued to deliver on its growth plan during 2019, strengthening the foundations that have time and again enabled our airline to overcome past crises and ending the year with its best set of operating results in the airline's history.

Jazeera Airways continued to grow and expand its footprint in the Middle East, Europe and Asia. The expansion was supported by a growth in its fleet with the delivery of three new Airbus A320neo aircraft as well as growing operations at Jazeera Terminal T5 at Kuwait International Airport, which is the only example of an airline-owned terminal in the region.

2019 in review: Expanding the network and growing the fleet

Following its expansion in 2018 into the Indian Subcontinent market which satisfied a latent demand in the market and provided new opportunities for transit itineraries, the airline marked a new milestone in 2019 with the launch of a direct service to London Gatwick in late October with our newest A320neo aircraft. This made Jazeera Airways the first Low-Cost Carrier (LCC) in the Middle East to fly to the United Kingdom (UK) and also marked the first new service to the UK from Kuwait in 55 years. The expansion to London Gatwick not only satisfied travel between Kuwait and London, but also served a large customer-base for transit flights from the Indian Subcontinent, Gulf countries and other destinations to which we launched new services during the year.

Among these new services were underserved and high-potential traffic destinations of the Nepalese capital Kathmandu, Osh in Kyrgyzstan, the second largest city of Pakistan, Karachi in Pakistan, and Dammam in Saudi. With Kathmandu, Osh and Karachi, we have opened travel routes for leisure travelers, expatriates in the Middle East region travelling back home as well as transit flights for religious pilgrimage.

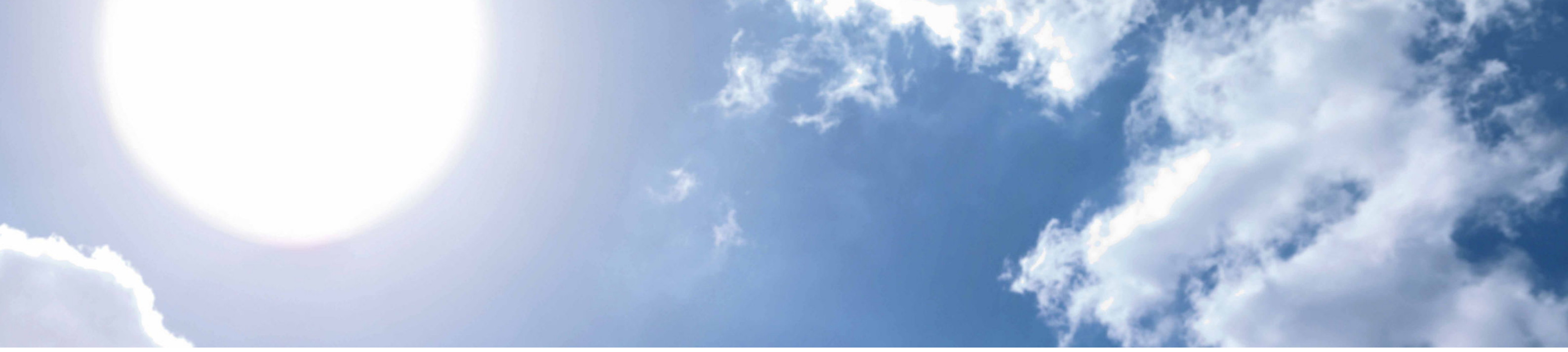
In addition, we've launched services to the high-demand touristic destinations of Istanbul with new routes to the Sabiha Gokcen International Airport, the Turkish coastal city of Bodrum and for the first time ever from Kuwait and one of the few routes serving UAE's family leisure destination, Al Ain.

Jazeera Airways supported these expansions with the delivery of three new Airbus A320neo aircraft in Q4 2019. The airline selected A320neos to cover destinations that increase our flying radius from Kuwait up to 6.5 hours, by utilizing CFM LEAP-1A engines and fuel-saving wingtip devices known as Sharklets. This aircraft also delivers reduced fuel consumption, engine noise and CO2 emissions, to below the current industry standard.

By the end of 2019, Jazeera Airways was serving 37 airports from Jazeera Terminal 5 with a fleet of 13 aircraft comprising of nine A320 and four of the A320neo.

Also by year end, Jazeera Airways carried 2.4 million passengers point to point to and from Kuwait as well as through the Kuwait hub on connecting flights.

In May 2019, the airline marked its first year of operations out of its Jazeera Terminal 5 (T5) at Kuwait International Airport. Designed to serve a capacity exceeding 3 million passengers annually and state-of-the-art check-in facilities, T5 enables passengers to enjoy a faster travel experience from parking to check-in to boarding through our dedicated gates, away from the congestion of the main terminal, especially during peak travel seasons.



By year end, T5 contributed to the Company's earnings with an operating profit of KD1.2 million for the year 2019, while serving 1,187,258 departing passengers, 969,999 arriving passengers and 325,135 transiting passengers.

New service agreements

In Q4 2019, Jazeera Airways signed an agreement with Airbus to provide the airline with components support for up to 29 A320ceos and A320neos aircraft as part of the Airbus Flight Hour Services (FHS). The agreement enables the airline to benefit from world-class services to maintain its operational excellence, giving it access to efficient and effective availability of spare parts to its young and growing fleet, as well as improving its reliability and on-time performance.

Best operating results in the airline's history

The significant leap in Jazeera Airways' profitability is the result of profitable growth coupled with an aggressive focus on cost management.

Jazeera Airways ended the year with a net profit of KD14.9 million, up 124.1% from last year, supported by a 20.6% increase in number of passengers, reaching 2.4 million, and a 25.9% increase in operating revenue to KD103.7 million.

Operationally, the airline registered an increase in operating profit by 108.7% to KD14.2 million, a 2.3% increase in load factor to 77.5% and an aircraft utilization of 13.3 hours. Yield stood at KWD41.5, up 1.6% from the previous year.

In the last quarter of the year (Q4 2019), the Company reported a net loss of KD1.2 million (including profit from sale of engine), up from a net loss of KD1.8 million in Q4 2018. Number of passengers increased by 28.5%, while operating revenue increased by 11.8% to KD20.9 million and aircraft utilization stood at 13.8 hours during Q4 2019.

Ancillary sources of revenue increased by 35.0% year-on-year and 43.2% in the last quarter.

Our outlook for 2020

While Jazeera Airways has previously announced plans to continue expanding its network and has introduced its new fare categories at the start of 2020 to enhance its position as a leading LCC, the Covid-19 pandemic has placed these plans on hold as we weather through this crisis.

As a private sector company, we are taking full responsibility to ensure our business continuity. Therefore, we have implemented decisive measures to safeguard our financial position

OPERATING REVENUE
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up 25.9%

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NET PROFIT
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PASSENGERS
2.4 million
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77.5%
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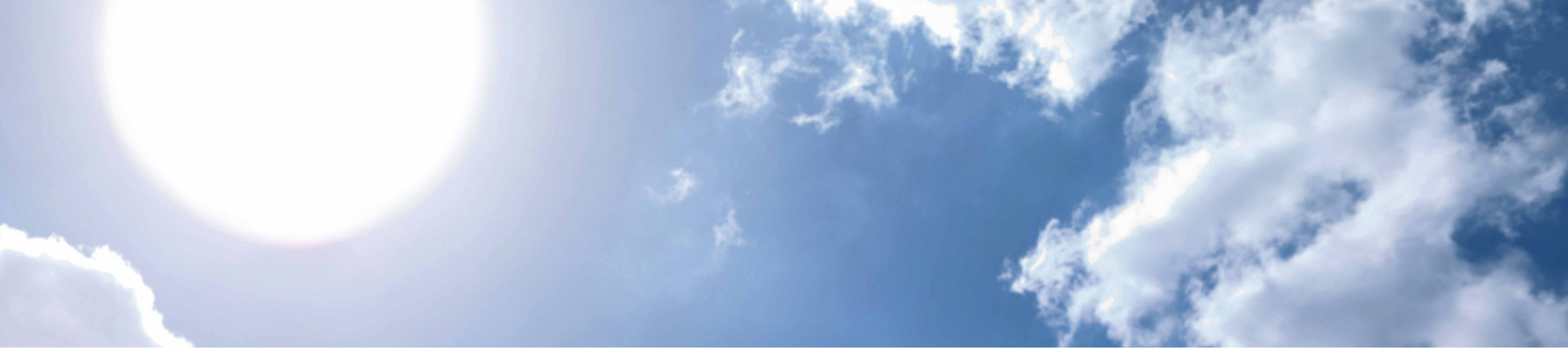
AIRCRAFT UTILIZATION
13.3 hours

FLEET
13 aircraft



caused by the Covid-19 pandemic, including the suspension of the 2019 dividend payment and activating the drawdown of bank facilities, that were not previously tapped, to support Jazeera's ongoing liquidity through the coming months. We have always taken prudent and pivotal actions in difficult circumstances. In such times, placing our employees and customers first is our priority.

We are committed to our role as a Kuwaiti national carrier and will continue to perform our part to ensure we can support the economy and uphold our national duty.

We're making our fleet available for full cargo flights to transport necessary produce and goods, and have proudly placed our fleet at the disposal of the State of Kuwait to support the tremendous efforts to repatriate citizens. We've also placed and Park & Fly facility, previously for long-term parking and remote check-in to setup the first Covid-19 drive-through testing center in the country in cooperation with the Ministry of Health.

In the past 15 years, we've weathered through many macro and micro-economic challenges, from a global financial crisis, a recession, geopolitical challenges in a number of the countries we serve, oil fluctuations, and regional overcapacity in a highly competitive environment driven by government-back airlines. We have confidence that Jazeera Airways will once again come out stronger from this crisis.

Our goal by the end of 2020 is not the bottom line, but our readiness for the following year, the year 2021. Until then, Jazeera Airways has a strong balance sheet and financial reserves enabling it to withstand difficult conditions for 27 months.

In these times, I thank our team for placing our Company first to safeguard its employees and customers as best as possible. I thank our shareholders for trusting in our management. And most importantly, I thank His Highness the Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah and His Crown Prince, Sheik Nawaf Al-Ahmad Al-Jaber Al-Sabah, the Government of Kuwait for the unrivaled support and commitment provided to our country.

Sincerely,

Marwan M. Boodai
Chairman

"In the past 15 years, we've weathered through many macro and micro-economic challenges, from a global financial crisis, a recession, geopolitical challenges in a number of the countries we serve, oil fluctuations, and regional overcapacity in a highly competitive environment driven by government-back airlines. We have confidence that Jazeera Airways will once again come out stronger from this crisis."

CEO'S MESSAGE

Dear Shareholders,

2019 was without a doubt another milestone year for Jazeera Airways with its continued expansion to new markets and importantly, to serving a wider and underserved customer-base.

We had embarked during the previous year on a bold expansion plan that opened high-demand routes, not previously served, to the Indian Subcontinent. These new services not only proved successful, but also brought new opportunities to route passengers through the Kuwait hub to their next destination on our airline. Our continued expansion in 2019 benefited from these opportunities.

Through it all, we focused on our low-cost value proposition and operational excellence to ensure every customer enjoys their experience when traveling with us. We also maintained our cost optimization program with new investments that aimed to efficiently manage our costs as we grow.

Our network: Expanding our customer-base

Our milestone expansion in 2019 was to the key market of the United Kingdom. On October 27, we became the first Low-Cost Carrier (LCC) in the Middle East to fly to the United Kingdom, landing at London Gatwick Airport South Terminal with our newest A320neo aircraft. With easy access to central London on the Gatwick Express, the new route strengthened Gatwick's network of connections to the Middle East and provided exciting new opportunities for students from Kuwait and the Gulf studying in the UK as well as for businesses of both countries.

As the only airline serving London Gatwick from Kuwait, Jazeera Airways grabbed a 100% market share. However, when combining both Gatwick and Heathrow airports, our airline earned a 1.6% market share with only two months of operations on a route served by established airlines for over five decades.

The London service not only focused on point-to-point sales as previously highlighted, but also on transit flights, connecting customers through Kuwait from Gulf countries and the Indian Subcontinent to London with value fares.

Connecting flights at value fares enabled us to tap into a wider customer-base travelling for leisure and religious tourism, business and trade, as well as simply visiting home.

We launched new routes to Istanbul's Sabiha Gokcen International Airport, the Turkish coastal city of Bodrum and Dammam in Saudi, all of which do not require introductions for the significant demand for them from Kuwait. We also started one of the few services to the touristic destination of Al Ain, UAE, and the first from Kuwait. Al Ain is ideally positioned to cater to families specifically from the Gulf.

Others launches came as part of our strategy to serve the large expatriate and business communities in Kuwait, as well as connect customers from our network to popular business, tourism and religious destinations in the Middle East and Europe through Kuwait.

Of these new services is the oldest city in Kyrgyzstan, Osh, which offers a rich touristic experience and enables us to serve customers from Kyrgyzstan, especially those going on religious pilgrimage.

Jazeera Airways also started serving Kathmandu, Nepal, which was ranked as the world's 19th top destination in 2019 by Trip Advisor. The new route supports efforts to strengthen economic trade between both countries and opens a new low-cost option from Nepal to the Middle East and Europe through Kuwait.

A new service to Karachi, Pakistan, followed. This was the first service in two decades between Kuwait and Karachi, and the second for Jazeera Airways to Pakistan. It supports the growing trade relations between both countries. In 2018, Kuwaiti exports to Pakistan crossed the $1.5 billion mark, mainly driven by oil exports, while exports from Pakistan to Kuwait reached $180 million. Kuwait is home to over 130,000 Pakistani citizens.

Our customers: Where do the fly

Gulf cities remain the leading destinations for our customers with 35.9% of them flying to the ten cities we serve. They are followed by the six Egyptians destinations to which 28.9% of our customers fly, then 17.3% to destinations in the Indian Subcontinent, 7.6% to East Europe and 6.5% to the Levant. 0.3% of our customers flew to London, taking into account that flights to the English capital only started at the end of October.

Our services: Ancillary revenues

Our dedicated Terminal 5 (T5) at Kuwait International Airport continued to be a significant game-changer for our operations and our customer-centric approach.

Serving 2.4 million passengers in 2019, T5 generated KD4.3 million with a little over 45% of retail spaces leased by end year, new sources of revenue from backlit screens and advertising areas, as well as operations starting at the visa entry desks to facilitate our customers' journey through the Terminal.

T5 is also home to VIV Lounge, the newest VIP lounge and service to be introduced at Kuwait International Airport. VIV Lounge offers an exclusive service for high-ranked officials, senior business executives and VIP passengers who are looking for a prioritized and private travel experience from arrival at the Airport to boarding their flight, as well as upon arrival at Kuwait International Airport.

Industry recognitions

Also in 2019, Jazeera Airways was named the "Aviation Company of the Year 2019" by the Arabian Business Kuwait Awards, and was selected winner of the Transport Project of the Year and Small Project of the Year awards by the 2019 MEED Quality Projects Awards in recognition of Jazeera's T5.

Investing in new capabilities, strengthening the team

In the last quarter of the year, we've started working on strengthening our capabilities overall. We hired four new key positions for Chief Operations Officer, Vice President of Engineering and Maintenance, Chief Executive

APRIL 2019
Sabiha Gokcen, Istanbul
Second airport in Istanbul

MAY 2019
Bodrum, Turkey
Summer destination

OCTOBER 2019
London Gatwick, UK
First LCC from GCC to UK

OCTOBER 2019
Kathmandu, Nepal
First direct route

NOVEMBER 2019
Osh, Kyrgyzstan
First direct route

NOVEMBER 2019
Karachi, Pakistan
First direct route

DECEMBER 2019
Al Ain, UAE
First direct route

DECEMBER 2019
Dammam, KSA
High traffic route

Officer of T5 and Vice President of Sales.
We also started investing in our in-house line maintenance to achieve operational efficiencies, and in January 2020, we received the Part 145 approval from Kuwait's Directorate General of Civil Aviation. Jazeera's engineering team has already executed the required line maintenance on one aircraft and will gradually increase the number of aircraft under its maintenance over the next few weeks. The cost savings expected from the in-house line maintenance is expected to reach 30%.

Reinforcing the LCC DNA of Jazeera Airways

Also by end year, we started developing a series of new services and fare categories applicable from 2020 that aim to give passengers more choices to customize their itinerary as per their needs and budget when travelling to the Middle East, Europe or Asia.

We are focusing on enabling them to choose how they want to travel.

Our new fare categories and services have been designed to make their journey with Jazeera Airways all the more personalized and enjoyable. Customers can choose from three fare categories in Economy Class: Light, Value or Extra, each providing them with a set of services to meet their needs, including additional ancillary options to choose their preferred seat, meal, extra baggage, access to the business lounge and more. We launched as well the first Priority Service in the Middle East that can be pre-purchased online. The Priority Service provides passengers with a faster travel experience with access to Priority Check-in, Priority Baggage and Priority Boarding.

Our customers can today enjoy great flexibility about the way they travel. They also have the choice to change their mind at the last minute and add on the service that best suits their needs. By producing these revenue-generating innovations we are able to maintain our low fare proposition but also provide differentiation in the market.

2020 challenges

The operating environment has been challenging during the early weeks of 2020 with tensions in the region and continued overcapacity on routes.

However, the biggest challenge as the Chairman highlighted in his letter is without a doubt the Covid-19 global pandemic which suspended flights in our region and around the world.

We have placed our assets and human resources at the disposal of the State of Kuwait in these difficult times. While we contribute to the repatriation of citizens, equip our facilities for the Ministry of Health to use and start cargo flights to support businesses, we are working on the plan for the resumption of flights.

We have enough cash reserves to support the process to return to operations. The process will start with airport opening to commercial flights, followed by a focus to gain passengers' trust once again. Safety measures will be mandated. Pilots and crews will wear protective gears, passengers will have to wear masks, and all our passengers will be screened for Covid-19 at arrival at our Kuwait Passenger Reception Center which we have already built and is up and running to screen repatriated citizens.

I thank the Jazeera Airways team who continue to deliver excellence and a fast turnaround in challenging circumstances and in every aspect of our business. I thank our Board of Directors for their continued support to the management team. And most importantly, I thank our customers and shareholders for choosing Jazeera Airways as we look forward to returning to business as usual.

Sincerely,

Rohit Ramachandran
Chief Executive Officer

2019 OPERATIONAL MILESTONES

Expanded Our Network

Launched 8 new routes: 3 in Europe, 2 in the Middle East and 3 in Asia. The milestone launch was our route to London Gatwick.

Grew Our Fleet

Took delivery of three new A320neos in 4Q19, bringing our fleet to 13 aircraft.

Strengthened Our Team

Hired four new key positions:
- Chief Operating Officer
- VP of Engineering & Maintenance
- CEO for T5
- VP of Sales.

NEW ROUTES

TAKING OFF TO LONDON GATWICK

Becoming the first LCC to operate a route between GCC and UK

Jazeera Airways took off in its first flight J9 1 to London on October 27, 2019 with its newest A320neo aircraft, becoming the first Low-Cost Carrier (LCC) in the Middle East to fly to the United Kingdom. The flight also marked the first new service to the UK from Kuwait in 55 years. Jazeera Airways' flights land at London Gatwick Airport South Terminal where access to the Gatwick Express train connects passengers directly to central London.

His Excellency Michael Davenport MBE, Her Majesty's Ambassador to Kuwait, Her Excellency Marie Masdupuy, the French Ambassador to Kuwait, His Excellency Stefan Mobs, the German Ambassador to Kuwait, Engineer Yousef Sulaiman Al Fouzan, Director General of Kuwait's DGCA and Chairman Marwan Boodai

His Excellency Michael Davenport MBE, Her Majesty's Ambassador to the State of Kuwait:

"We are proud of this new service made possible by the new Air Services Agreement signed last year between Britain and Kuwait. The launch coincides with our celebration to mark 120th anniversary of the Kuwaiti-British Treaty of Friendship.

"Britain and Kuwait are long-lasting partners, allies and friends, as we continue to broaden and deepen our relations in areas such as energy, education, healthcare and security. Trade and investment between our two countries are flourishing. The private sector in both countries have a big role to play in supporting these growing relations.

"More Kuwaitis are studying at British universities than ever before. More than 6,000 at the last count. Many of them receive visits from their friends and families in Kuwait. Britain is the most popular travel destination for residents of Kuwait. Britain, with its 28 UNESCO World Heritage sites and eight dedicated heritage cities, as well as 10 national parks, offers a vast array of places to explore. For many Kuwaitis, Britain's cities are a second home – not only London, but Manchester, Cardiff, Milton Keynes, and Glasgow. Last year, we welcomed over 150,000 Kuwaiti in Britain. Attracted by Britain's world-class luxury shopping, stunning countryside, unique cities and a vibrant calendar of cultural festivals and sporting events – not just premier league.

"The UK is also a founding nation of the Airbus consortium and one of the company's four home markets. I am therefore honoured to welcome here this morning my French and German colleagues. Building on a proud 100-year British aviation heritage, every wing on Airbus commercial aircraft is designed and manufactured in the UK.

"I congratulate Jazeera Airways on this landmark flight to London and welcome all passengers from Kuwait to Britain on board its new A320neo aircraft."

Engineer Yousef Sulaiman Al Fouzan, Director General of Kuwait's DGCA:

"We are pleased to take part of the launch of the first Jazeera Airways flight to UK. We believe in the role of the private sector in supporting the aviation sector. Flights to London is the first of six other destinations planned by Jazeera Airways, and support the DGCA's vision to increase air traffic to and from Kuwait International Airport. We wish more success to Kuwaiti airlines as the DGCA continues to provide its support to lift the position of the State of Kuwait in the aviation industry under the leadership of His Highness the Amir Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, his Crown Prince and the Government."

His Excellency Michael Davenport MBE, Her Majesty's Ambassador to Kuwait, His Excellency Stefan Mobs, the German Ambassador to Kuwait, Engineer Yousef Sulaiman Al Fouzan, Director General of Kuwait's DGCA and Chairman Marwan Boodai

His Excellency Khaled Abdulaziz Al-Duwaisan and Jazeera Airways Chairman Marwan Boodai on the A320neo that landed in London Gatwick on October 27

His Excellency Khaled Abdulaziz Al-Duwaisan with Jazeera Airways Chairman Marwan Boodai and Chief Executive Officer Rohit Ramachandran in front of the A320neo

First Jazeera Airways flight lands at London Gatwick

His Excellency Khaled Abdulaziz Al-Duwaisan with Jazeera Airways Chief Executive Officer Rohit Ramachandran at London Gatwick at the check-in counters for the first flight to Kuwait

EXPANDING IN EAST EUROPE

Sabiha Gokcen International Airport - Istanbul, Turkey

In April, we increased the number of flights to Istanbul with three new flights a week to Istanbul's Sabiha Gokcen International Airport (SAW), an addition to the existing daily flights to the new Istanbul Airport (IST). Sabiha Gokcen is located in the Asian side of Istanbul while Istanbul Airport is located on the European side of the city.

Bodrum, Turkey

Later in May, we started operating flights for the first time the coastal city of Bodrum in Turkey with three flights a week. Flights to Bodrum come in response to high demand during the peak travel season to the popular summer destination located on the Aegean Sea.

Her Excellency the Ambassador of Kyrgyzstan to the State of Kuwait, Ms. Samargyul Adamkulova, with the Jazeera Airways team

Osh, Kyrgyzstan

Jazeera Airways started serving the city of Osh in Kyrgyzstan with two return flights weekly starting in November. The new route is the first direct route between the Middle East and Osh, giving access to connecting flights between the second largest city in Kyrgyzstan and its majority Muslim population and other cities in the region, notably Jeddah and Medina.

The oldest city in Kyrgyzstan, Osh offers over 3,000 years of history to explore and will be another new option for leisure travelers for its unique scenery ideal for trekking, cultural and historical landmarks, as well as rich culinary experiences.

EXPANDING IN ASIA

Kathmandu, Nepal

The airline launched flights to Kathmandu's Tribhuvan International Airport (KTM) in November. The launch marks the first direct commercial flights to be operated between Kuwait and Kathmandu, Nepal, which is ranked the world's 19th top destination for 2019 as per Trip Advisor.

His Excellency the Ambassador Extraordinary and Plenipotentiary to Kuwait, Mr. Durga Prasad Bhandari, at the take-off of the first flight to Kathmandu's Tribhuvan International Airport (KTM)

The route opens a direct flight for travelers to enjoy the wonderful landscape and culture that Nepal has to offer, and supports efforts to strengthen economic trade between both countries and opens a new low cost option from Nepal to the Middle East and Europe through Kuwait.

Karachi, Pakistan

Jazeera Airways also launched direct flights to Karachi, Pakistan's most populous city and premier economic and social hub. The new service in the first in two decades between Kuwait and Karachi, and the second for the airline to Pakistan. It supports the growing trade relations between both countries. In 2018, Kuwaiti exports to Pakistan crossed the $1.5 billion mark, mainly driven by oil exports, while exports from Pakistan to Kuwait reached $180 million. The route also caters to the large expatriates of over 130,000 Pakistani citizens in Kuwait as well as connects customersin Karachi to popular business, tourism and religious destinations in our network.

The Chargé d'Affaires at the Embassy of Pakistan in Kuwait, Mr. Ashar Shahzad, attends the departure of the first flight to Karachi

EXPANDING IN IN THE MIDDLE EAST

Al Ain, UAE

On December 13, 2019, Jazeera Airways' flight J9 139 landed at Al Ain International Airport (ANN) at approximately 1:45 pm UAE time in the first ever direct service between the airport and Kuwait. The service was made possible with the support of Abu Dhabi Airports and the Department of Culture and Tourism – Abu Dhabi (DCT Abu Dhabi).

On arrival, the flight was welcomed by His Highness Sheikh Saeed Bin Tahnoun Bin Mohammed Al Nahyan, Chargé d'Affaires at the Kuwait Embassy His Excellency Sheikh Sabah Nasser Al-Sabah, Chairman, Abu Dhabi Airports His Excellency Sheikh Mohammed Bin Hamad Bin Tahnoon Al Nahyan, Acting Chief Operations Officer of Abu Dhabi Airports Mr. Ahmed Juma Al Shamsi, Director General of Al Ain International Airport Mr. Rashed Al Shamsi, and Acting Executive Director of Marketing and Communications, Department of Culture and Tourism - Abu Dhabi, Mr. Ali Hassan Al Shaiba.

His Highness Sheikh Saeed Bin Tahnoun Bin Mohammed Al Nahyan, with Chairman Marwan Boodai and Acting Executive Director of Marketing and Communications, Department of Culture and Tourism - Abu Dhabi, Mr. Ali Hassan Al Shaiba

Jazeera Airways Chairman, Marwan Boodai:

"Jazeera Airways' new flights to Al Ain is a milestone for our airline which has been growing steadily and providing a reliable service to customers in the Middle East, Asia and Europe. We are very pleased to be serving customers from Kuwait and our network with flights to the unique region of Al Ain. On behalf of our airline, I take this opportunity to extend our utmost gratitude to His Highness Sheikh Saeed Bin Tahnoun Bin Mohammed Al Nahyan and His Excellency Sheikh Sabah Nasser Al-Sabah for honoring us with their presence today, as well as to Abu Dhabi Airports and the Department of Culture and Tourism – Abu Dhabi for enabling this new service and allowing us to connect passengers from our network to discover the wonders of Al Ain."

Abu Dhabi Airports Chief Commercial Officer, Maarten De Groof:

"We are delighted that Jazeera Airways has chosen to launch a new route from Kuwait to Al Ain as part of its rapid expansion plans in the region. The new route will unlock more choices for passengers travelling between Kuwait City and the growing airport of Al Ain. The GCC has always been one of our largest and most significant markets and Jazeera Airways' new route will further expand Al Ain International Airport's connectivity in the region that will truly benefit consumers. "We look forward to building on our existing route portfolio across the Middle East and reinforcing Al Ain International Airport's position as a major gateway to Abu Dhabi that facilitates sustainable economic growth for the Emirate."

At the ceremony marking the first flight from Kuwait to land in Al Ain, UAE

Acting Executive Director of Tourism and Marketing at DCT – Abu Dhabi, Ali Hassan Al Shaiba:

"The new flight route marks a significant milestone in tourism between Kuwait and Abu Dhabi, thanks to Jazeera airways tremendous efforts. Our strong cultural ties and proximity make Kuwait a valuable tourism source for Abu Dhabi. We feel proud to witness the launch of this remarkable collaboration between the Department of Culture and Tourism - Abu Dhabi and Jazeera Airways, and we will be working closely with them to encourage travelers from Kuwait to discover the "heritage heartland" of the emirate and experience its unique offerings."

The direct flights between Kuwait and Al Ain opens a new route to explore the stunning views, rich heritage, and breathtaking nature of Al Ain, making it an ideal destination for family-friendly retreats and cultural excursions. Visitors to Al Ain can enjoy nature hikes, sightseeing, visits to some of the world's oldest architectural wonders, and unique Emirati heritage experiences.

His Highness Sheikh Saeed Bin Tahnoun Bin Mohammed Al Nahyan, with Chairman Marwan Boodai

Located approximately 160 kilometres East of Abu Dhabi city, Al Ain - the Oasis City - is the emirate's heritage heartland and one of the world's oldest continually inhabited settlements. It is home to UNESCO-inscribed World Heritage sites, a wealth of forts, oases, historic buildings and archaeological sites, and is a showcase of the country's unique heritage and history. Set among mountain heights, lush oases and towering palm plantations, the city also boasts a range of accommodation and conference options, an adventure water park and an award-winning zoo and wildlife park.

His Excellency the Ambassador of the United Arab Emirates (UAE) to Kuwait, Mr. Saqer Nasser Al Raisi, at T5 ahead of the inaugural flight to Al Ain, UAE

Jazeera Airways started its service to Dammam in the Kingdom of Saudi Arabia on December 19, flying to the capital of the Eastern Province three times a week on Tuesdays, Thursdays and Saturdays.

With over 10.4 million passengers in 2018, Dammam's King Fahd International Airport is the third largest airport in Saudi. The service will be Jazeera Airways' fifth destination in the Kingdom, following Riyadh, Jeddah, Medinah and Taif. The airline will provide residents of Dammam with flight connections to Hyderabad, Alexandria, Amman, Mumbai, Cochin and Kathmandu, mainly catering to the large expatriate segment and expanding trade relations.

With its status as the capital of the Eastern Province and a major administrative center for the Saudi oil industry, Dammam connects passengers to the sixth largest city of Saudi Arabia with direct and connecting flights at value fares, and to the larger Easter Province where around 15% of the Kingdom's population.

At the landing of the first Jazeera Alrways flight in Dammam

Checking in of the first flight back to Kuwait from Dammam

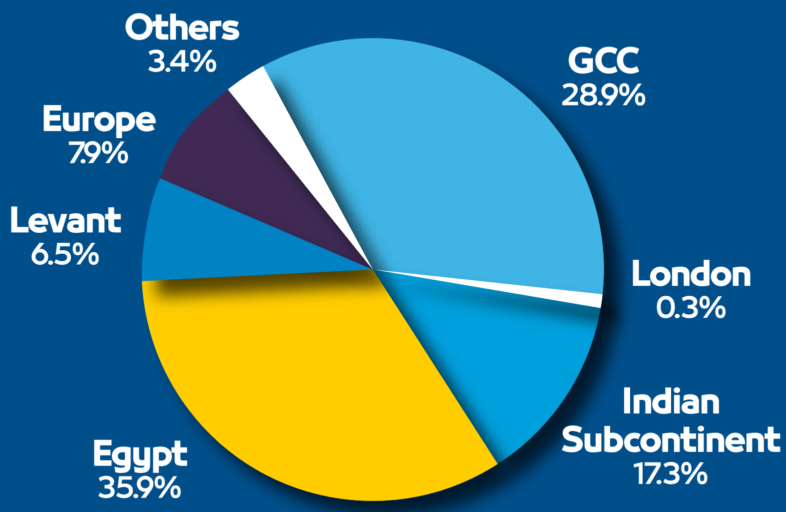
MARKET SHARES

2019 New Routes
Bodrum: May 2019, on hold in 4Q
London: October 2019
Kathmandu: October 2019, only airline on route
Osh: November 2019, only airline on route
Karachi: November 2019, only airline on route
Al Ain: December 2019, only airline on route
Dammam: December 2019, 4Q market share: 3.3%

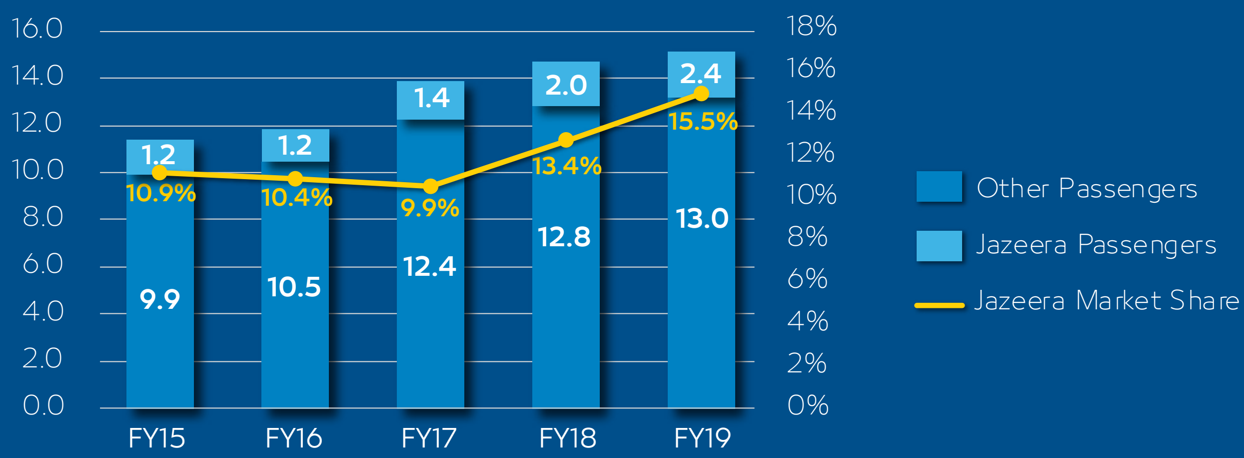
* Beirut is operated on a seasonal basis
** Medina is operated on a seasonal basis
*** Istanbul market share combines flights to new Istanbul International Airport and Sabiha Gokcen International Airport

MARKET SHARES

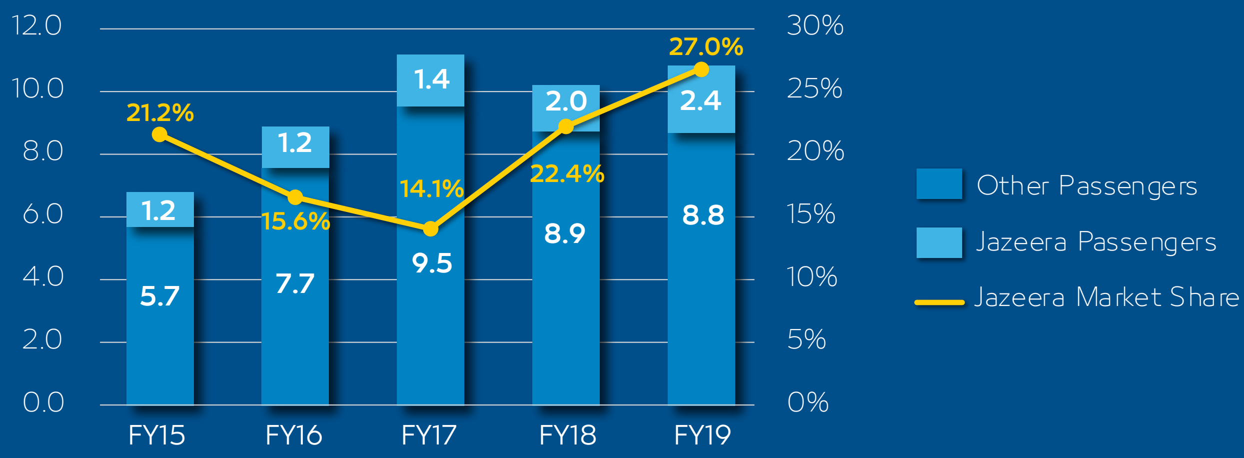
Where Do Our Customers Fly?



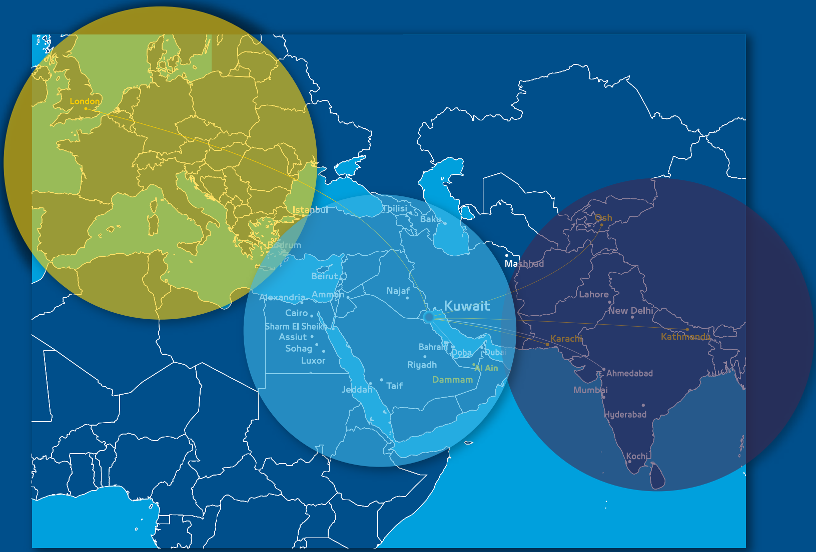
Our Market Share of Total Passengers - FY15 to FY18



Our Market Share on Operated Routes - FY15 to FY18



EXPANSION STRATEGY



6 West and East Europe

London Gatwick
Sabiha Gokcen, Istanbul
Bodrum, Turkey
Osh, Kyrgyzstan
Tbilisi, Georgia
Baku, Azerbaijan

2 Middle East

Al Ain, UAE
Dammam, KSA

8 Indian Subcontinent

Mumbai, India
Hyderabad, India
Ahmedabad, India
Kochi, India
New Delhi, India
Lahore, Pakistan
Karachi, Pakistan
Kathmandu, Nepal

Creating a connection hub via Kuwait throughout Jazeera's network to serve:

- More than one million Indian residents in Kuwait and eight million residents in the GCC
- Large expat community in Kuwait and the GCC
- Tourists segments in Kuwait and the GCC
- Tourists segments from Asia to Middle East and Europe

NEW AIRCRAFT

TAKING DELIVERY OF THREE NEW A320NEO

From the Airbus facilities in Germany

Jazeera Airways took delivery of three new Airbus A320neo aircraft from the Airbus facilities in Germany.

The first A320neo delivered in 2019 landed at Kuwait International Airport on the evening of Friday, October 18, while the second landed on the evening of Saturday, November 30, while the third on the evening of Friday, December 20.

Jazeera Airways moved to orders of A320neo aircraft to support its expanding network of destinations and enable the airline to benefit from an increased range while improving performance and cost savings. The A320neo supports longer haul flights to cities located at approximately 6.5 hours from Kuwait.

A320neo benefits and performance

The A320neo incorporates the CFM LEAP-1A engines and fuel-saving wingtip devices known as Sharklets. It offers savings in fuel burn, additional payload, increased range, lower operating costs and significant reduction in engine noise and CO2 emissions below the current industry standard.

October 2019

November 2019

December 2019

JAZEERA TERMINAL 5

FIRST TERMINAL OWNED BY A NON-GOVERNMENT AIRLINE IN THE MIDDLE EAST

First full year of operations

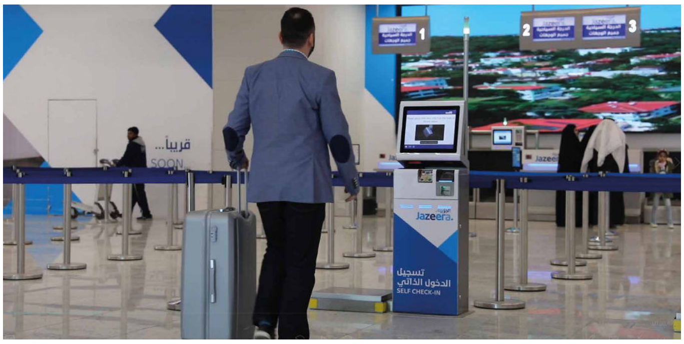
Jazeera Airways has been operating out of its dedicated Terminal 5 (T5) at the Kuwait International Airport since May 20, 2018. T5 is the first terminal owned by a non-government airline in the Middle East and helped ease traffic congestion at the Kuwait International Airport thanks to a design that aims to provide an easy, fast and seamless travel experience from parking to boarding, and vice versa.

T5 Updates:

- **Retail occupancy:** 45%
- **VIV, business lounge:** 264 sqm, profit share model
- **Backlit screens + advertising areas:** leased on revenue sharing basis
- **DGCA + PACI numbers:** Completed for leasing licensing
- **Visa entry desks:** Operational since 3Q19

Jazeera Airways continued to introduce services at its Terminal 5 (T5) at Kuwait International Airport, starting with state-of-the-art self-check-in kiosks and followed by a series of services and new offerings that add value to passengers and make their travel experience easier with Jazeera Airways.

Fast Self-Check-In Kiosks



Using the latest self-check-in kiosks available in the industry, passengers can print their boarding pass and baggage tag in less than a minute. They are required to enter their booking reference,

T5 PERFORMANCE IN 2019

PASSENGERS	REVENUE	EBITDA	NET PROFIT
2.4 million	KD4.3 million	KD2.1 million	KD1.2 million

scan their passport and ensure their bags do not contain restricted goods. After printing their boarding pass and baggage tags, passengers drop their bags off at the dedicated desk and then directly head to passport control.

The self-check-in kiosks service is available for passengers traveling to any destination served by Jazeera Airways.

T5 Call Center Number: 176

The new dedicated number of T5 serves passengers and their families to inquire about flights and other services. A Jazeera Help Team is also available at the terminal to guide passengers and respond to their queries.

Free WiFi at Gates

The WiFi internet connection service is available free for passengers when boarding at the T5 gates.

New Restaurants and Shops

New restaurants and shops opened at T5 to offer passengers a range of choices to dine, enjoy refreshments or shop for a last minute item.

Jazeera Business Lounge

The Jazeera Business Lounge is a 110 square-meter departure lounge that is accessible to passengers who choose to the service when flying with Jazeera Airways through T5.

The Lounge offers departing passengers a relaxed environment to unwind before their flight. Hot and cold menu options, shower and smoking rooms as well as hospitality facilities are provided to ensure their ultimate comfort. Passengers also benefit from free Wi-Fi, live streaming TV channels, a selection of reading material and business counter facilities to catch up on last-minute work.

ENGINEERING AND SERVICES

FLIGHT HOUR SERVICES AND GROUND HANDLING

Maintaining operational excellence

Flight Hour Services agreement with Airbus

In the last quarter of the year, Jazeera Airways signed an agreement with Airbus to provide the airline with components support for up to 29 A320ceos and A320neos aircraft as part of the Airbus Flight Hour Services (FHS).

The new support service expands on the airline's relationship with Airbus which started in 2004, and ensures efficient and effective availability of spare parts for the young and growing fleet of Jazeera Airways, in turn improving reliability, operational excellence and further improving its on-time performance.

Airbus will manage components services which will cover: pool, on-site stock at main base, warehousing, logistics, component maintenance service, and engineering.

Jazeera Airways Chairman, Marwan Boodai, and Airbus Chief Commercial Officer, Christian Scherer

Expansion in KSA

By year-end, Jazeera Airways signed a ground handling services contract with the Saudi Ground Services Company to provide it with support services in four airports in Saudi, including King Fahd International Airport in Dammam, Prince Mohammed Bin Abdulaziz International Airport in Medina and Taif International Airport. The contract comes in a step to support the airline's expansion in the Kingdom.

Jazeera Airways signs agreement with Saudi Ground Services Company

NEW SERVICES

JAZEERA HOLIDAYS

Travel packages to leading leisure destinations

The Company launched its new holidays service, Jazeera Holidays, in partnership with Sharjah-based Cozmo Travel, offering travelers travel packages to leading leisure destinations in the Middle East, India and Europe.

Through the new Jazeera Holidays portal holidays.jazeeraairways.com, travelers can select their destination of choice and then search through a wide range of hotels and local tour options. Destinations include Turkey, Georgia, Jordan, Azerbaijan, UAE, Egypt, Bahrain and India. Flights on Jazeera Airways are included in all packages.

Jazeera Holidays is a one-stop-shop platform that enables travelers to book great value holidays. With this new service, Jazeera Airways continues to enhance its customers' travel experience, giving them more choice for their leisure travel – whether for weekend breaks or longer vacations.

INDUSTRY AWARDS

AVIATION COMPANY OF THE YEAR 2019

By Arabian Businesss

Jazeera Airways was named the "Aviation Company of the Year 2019" by the Arabian Business Kuwait Awards.

Judged by a panel of editors and reporters, the airline was recognized and awarded for its operational success, outstanding performance and expansions during the year, in addition to the significant increase in number of passengers which saw a record growth of 46.4% by end of last year.

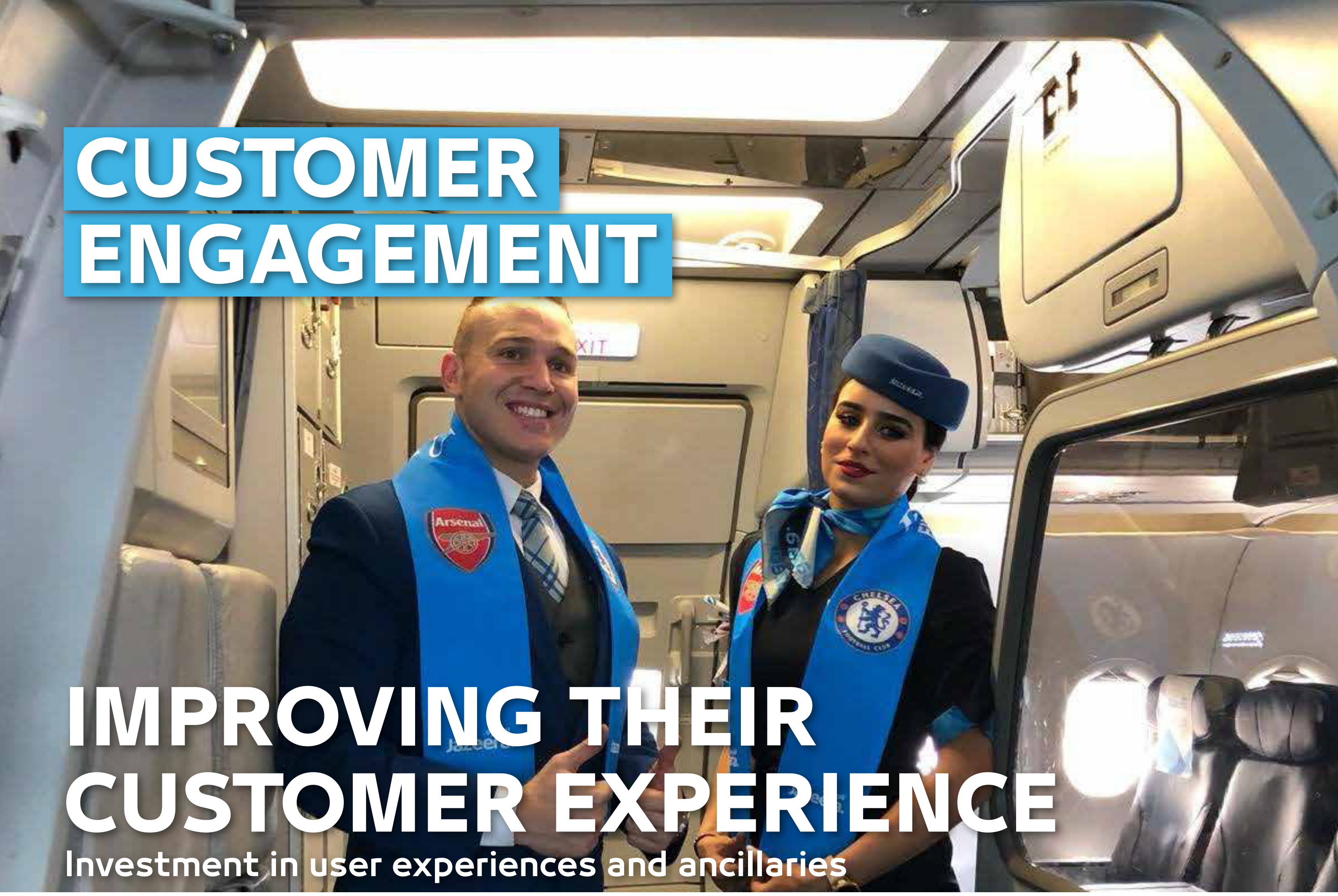
Jazeera Airways CEO, Rohit Ramachandran, said: "We are honored to receive such an industry title in recognition of our endeavors and achievements in 2018 and we have our customers to thank for their continued trust in our airline.

"2018 was a transformational year for Jazeera Airways as we continued to expand our network and enhance our services. We inaugurated the Jazeera Terminal (T5), took delivery of the first A320neo to be operated in the Middle East and continued to invest in innovative services that add value to our customers' experience, such as our Jazeera Screens in-flight entertainment. On top of that we were able to return KD7 million to our shareholders."

"We have a strong team to thank for these achievements as they continue to deliver excellence in every aspect of our business in one of the most competitive industries in the region and the world. 2019 is going to be another year of strong development, including new routes such as London Gatwick and the expansion of our fleet from 9 to 13 aircraft. We've made a fantastic start with Q1 2019 profits of KD1.5 million."

The Arabian Business Kuwait Awards recognize success and innovation across various industry sectors in Kuwait. The 2019 awards awarded top individuals and companies that have delivered success, innovation and excellence, as well as those that have made a vital contribution to the vibrancy of business within Kuwait. The awards represent the benchmark of success for individuals and companies and are organized by the ITP Media Group, owners and manager of leading news websites, portals, social media platforms, events, conferences, award ceremonies, magazines and books.

In the photo: Naser Al Obaid, Jazeera Airways Vice President-Ground Operations, receives the award on behalf of the airline



CUSTOMER ENGAGEMENT

IMPROVING THEIR CUSTOMER EXPERIENCE

Investment in user experiences and ancillaries

2019 is the year we embarked in improving our customers' experience across our website and mobile application to make booking faster and easier.

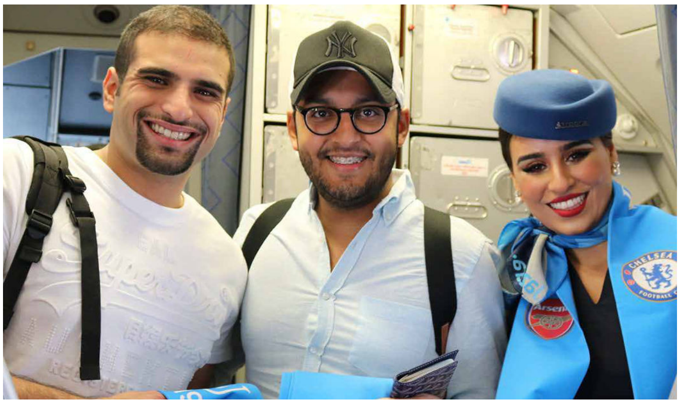
By the end of the year, we embarked in the redevelopment of our ecommerce platforms to meet the new fare categories that we would introduce in the beginning of 2020.

The redevelopment made managing bookings, the "My Trips" and online check-in functionalities accessible for all bookings.

Customers can also purchase ancillaries cthrough the website or mobile application, with the latter accepting credit card payments.

We also relaunched the Jazeera inflight magazine with an improved design and additional features for our customers to enjoy onboard our flights.

Our marketing campaigns were aimed to focus on key local markets for the first time to raise awareness for the brand and its routes in India, Egypt, Saudi, Qatar, UAE and Jordan.



Engaging with Football Fans

With the excitement of the UEFA Europa League season's biggest game to take place just two hours away from Kuwait, Jazeera Airways operated a special return flight to Baku to allow football enthusiast to enjoy the final game of the UEFA Europa League which will see Chelsea play against Arsenal at the Olympic Stadium in Baku.

The flight departed from Kuwait on Wednesday, May 29 at 11:30am and arrived in Baku at 14:50 local time. The return flight departed from Baku on Thursday, May 30 at 5:00am and arrived in Kuwait at 7:20am.

STRENGTHENING OUR TEAM

A SOLID TEAM FOR OUR GROWTH

As Kuwait's first private airlines, Jazeera Airways is built on great acumen and robust leadership. Each of our top leaders has shown themselves to be formidable in their managerial approach and unparalleled in their expertise, inspiring professionalism and high achievement throughout our organization.

We bring the most capable leadership team in the region to Jazeera Airways to connect us to their aviation industry expertise, passion and insight.

By the end of 2019, we were proud with the hiring of four new key positions: Chief Operating Officer, Vice President - Maintenance and Engineering, Chief Executive Officerof Jazeera Terminal (T5) and Vice President - Sales.

Rohit Ramachandran
Chief Executive Officer

Shaheen Alghanim
Chief Operating Officer

Krishnan Balakrishnan
Vice President, Finance

Robert Woods
Vice President, Maintenance and Engineering

Bader Almershed
Vice President-Industry Affairs

Captain Ayman Al Shammary
Vice President, Operations

Naser Al Obaid
Vice President, Ground Operations

Andrew Ward
Vice President, Marketing and Customer Experience

Jarrah R. J. M. Aldhafiri
Vice President, Quality, Safety and Security

Rafik Boghdady
Vice President, Sales

Ginny Sethi
Vice President, Human Capital

Praful Thummar
Vice President, Information Technology

Ratan Ratnakar
Vice President, Revenue Management and Network Planning

Manea Al Manea
Chief Executive Officerof Jazeera Terminal (T5)

Adival Magri
Head of Projects, Terminal Infrastructure

2020 OUTLOOK

Continue Network Expansion

As of March 2020, expansion plans are on hold due to the Covid-19 global pandemic.

Support with Fleet Expansion

As of March 2020, expansion plans are on hold due to the Covid-19 global pandemic.

Introducing New Fares

New fares categories introduced on January 6, 2020.

2020 OUTLOOK

Expansion of Network

Prior to the Covid-19 global pandemic which led to suspension of flights worldwide, Jazeera Airways has planned expansions in UAE, Bangladesh and KSA, as well as the increase of frequencies to key routes. These plans are on hold as we present this annual report.

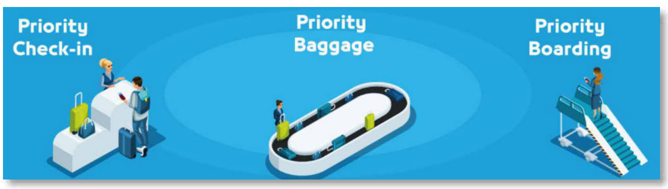
Expansion of Fleet

The expansion in the network was to be supported with the delivery of five new A320neos.

Reinforcing the LCC DNA of Jazeera Airways:

We introduced new fare categories at the start of 2020 to enhance our position as a leading LCC:

- From January 1, 2020, Jazeera Airways cancelled the Business Class to become a full low-cost economy carrier, with the exception of flights to Cairo and LGW
- This change in offering provides better revenue opportunities with the availability of more seats in the high load factor economy product
- A large part of the Business Class associated costs are eliminated by cutting costs on lounge access, complementary meals and others
- The single product model brings with it business process efficiencies, simplicity in operations and clarity of product definition.



Cost Saving Initiatives

CFM PBH* for LEAP Engines

- Agreement with CFM, the original equipment manufacturer (OEM) of the LEAP engines on the A320neo aircraft, covers all maintenance costs during the entire lifecycle of Jazeera's A320neo engines
- Jazeera pays an hourly charge per engine flying hour for the coverage under this contract
- The committed rate is very competitive and removes operating cost uncertainty for Jazeera for the next 20 years.

Airbus PBH* for Components

- Airbus PBH contract covers a major portion of the components on Jazeera's fleet
- This contract removes the uncertainty of the cost of repair/overhaul over the term of the aircraft life with Jazeera
- The Airbus components contract replaces an existing contract with a savings of ~40%

Part 145 Line Maintenance

- Kuwait Airways Engineering has been managing Jazeera's line maintenance since inception
- The growth of Jazeera's fleet has enabled it to execute part of the line maintenance in-house, achieving operational efficiencies
- Received the Part 145 approval from DGCA in January 2020
- Contract with Kuwait Airways Engineering was restructured for pay-per-use model effective April 1, 2020
- Jazeera's engineering team has already executed the required line maintenance on one aircraft and will gradually increase the number of aircraft under its maintenance over the next few weeks
- Cost savings expected is ~30%

* Power by the Hour

2019 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT

First: Framework

The role of the Board of Directors of Jazeera Airways K.S.C.P. is to achieve the Company's strategic objectives and thus achieve the objectives of the shareholders and has taken responsibility for complying with the governance standards in accordance with Law No. 7 of 2010 and its executive regulations and amendments. The Board of Directors had approved the Company's organizational structure and governance manual that defines the responsibilities, powers and communication channels between different administrative levels. It also regulates the relationship between shareholders, Board of Directors, Executive Management and stakeholders.

We list below the Company's Governance report for the fiscal year ended 31/12/2019. Jazeera Airways K.S.C.P. operates and implements governance standards and rules by applying best practices and a set of policies, procedures and mechanisms and determining the roles and responsibilities of the Board of Directors and the Executive Management of the Company, taking into consideration the protection of shareholders' rights, stakeholders, management, staff, and society.

Second: Guide on the Compliance with Governance Rules:

Rule One: Construct a Balanced Board Composition:

Brief on the composition of the Board of Directors as follows:

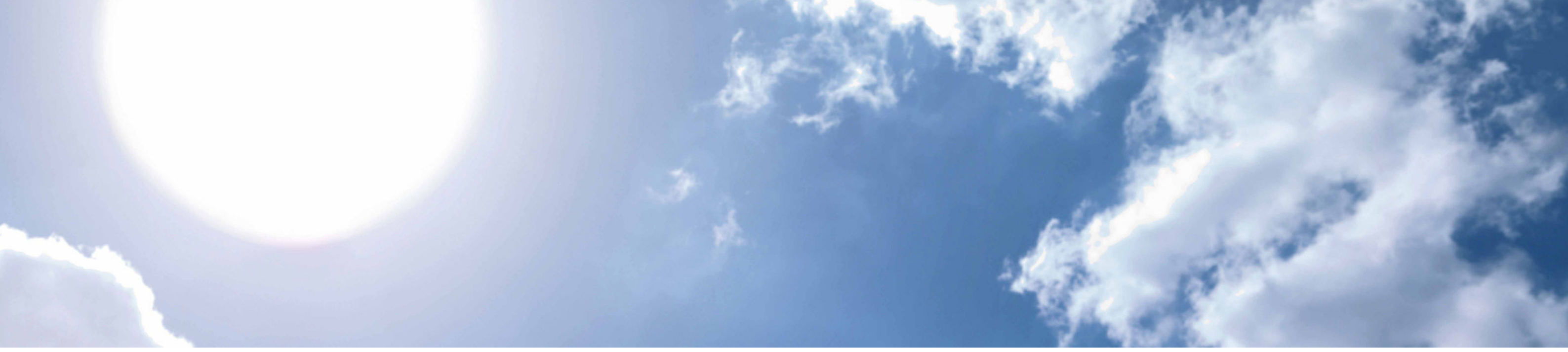
The Board of Directors of Jazeera Airways Company K.S.C.P. is composed of eight members who are elected by the general assembly for a period of three years. The Board of Directors of the Company had been properly composed in accordance with the Company's activity, volume and nature. The majority of Members of a Board of Directors are Non-Executive Members. The Board of Directors also includes two (2) independent members and all members have variety of experiences and specialized skills in order to enhance the efficiency of undertaking resolutions.

The Board of Directors is responsible for developing the Company's vision, mission, objectives and general strategy to achieve shareholders' expectations. The Board works to avoid conflicts of interest and priority is always in favor of the Company.

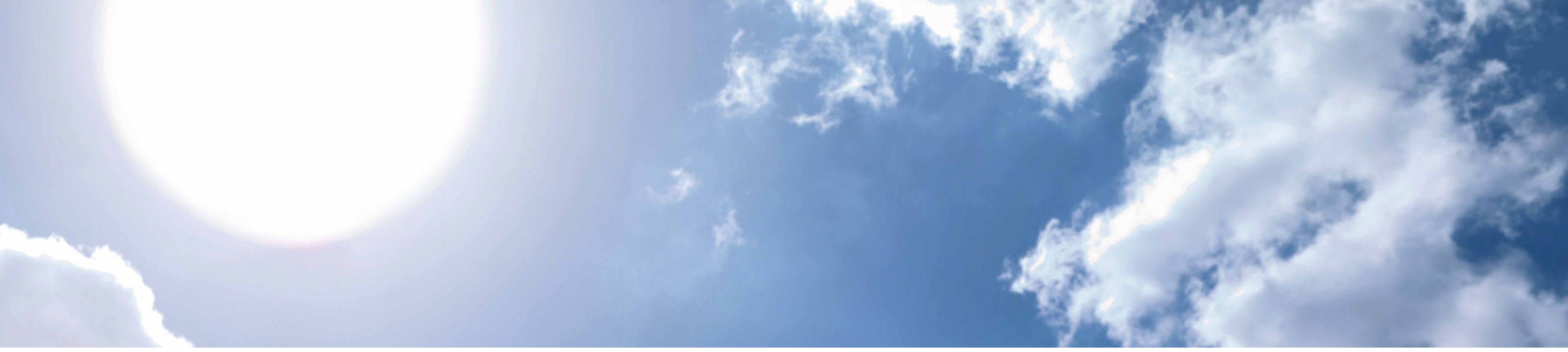
The Board has formed several committees derived from it to follow up the application of best practices. The Governance Guide outline the composition, roles, powers and responsibilities of the committees and the assessment of committees, executive management and Board of Directors and the determination of shareholders' rights, the establishment of code of ethics and the organizational policies of the Company.

The Board of Directors has also established the financial, administrative and operational authorities which define the authority of each of the "executive management, committees derived from the Board of Directors".
The Board of Directors had been composed in accordance with the provisions of companies' law and Capital Markets Authority guidelines. Below is brief on the composition of the Board of Directors:

Name	Classification	Qualifications and Experiences	Date of Election / Appointment
Marwan Marzouk Jassim Boodai	Non-Executive	Marwan has excellent management skills and experience in both financial and commercial sectors at the local and regional level for more than 30 years. He is the Vice Chairman of BoodaiCorp, the institutional founder of Jazeera Airways and many public and closed shareholding companies. Before chairing the Board, he was chairman of The Transport & Warehousing Group Co K.S.C. P. and Hilal Cement Company K.S.C.P.	30/4/2017
Mohamed Jassim Mohamed Al-Mousa	Non-Executive	Holding a degree in Industrial and Management Systems Engineering from Kuwait University. Right after obtaining the degree he worked in NICBM "National Industries Company for Building Materials" and MRC "Metal and Recycling Company". He has experience in projects management and he is a Co-Founder of Jamsons Company and since then is the Vice President and Managing Partner of the Company.	29/10/2017



Name	Classification	Qualifications and Experiences	Date of Election / Appointment
Marzouk Jassim Marzouk Boodai	Non-Executive	Holding a bachelor's degree in Management Information Systems from the Gulf University for Science and Technology. He has experience in development of logistic services, passenger transport, and heavy equipment. He is the chairman of Gulf Projects for Cooling and Electricity Co. K.S.C.P, Gulf Engineering Co K.S.C.C. and Kuwait Application Service Provider K.S.C.C. (KASP). He is also vice chairman and CEO of City Group Co. K.S.C.P.	30/4/2017
Ahmad Abdalla	Non-Executive	Holding a PhD in Control Systems (ME) from Columbia University in New York. He has extensive experience in areas of corporate governance, corporate finance, project management and Human Resources. He is Vice chairman of Gulf Projects for Cooling and Electricity Co. K.S.C.P, Gulf Engineering Co K.S.C.C. and Kuwait Application Service Provider K.S.C.C. (KASP). he worked in United States of America and Canada for 18 years where he held different positions in the areas of Management and IT consulting.	30/4/2017
Hany Mohamed Shawky Younis	Non-Executive	Holding a bachelor's degree in Commerce and Business Administration from Helwan University. He has extensive experience in management and acquisitions. He is a Board member of Gulf Projects for Cooling and Electricity Co. K.S.C.P, Gulf Engineering Co K.S.C.C. and Kuwait Application Service Provider K.S.C.C. (KASP). He was Vice Chairman of Global Investment House and the chairman of Jordan Trading Facilities Co.	30/4/2017
Dermot Edward Mannion	Non-Executive	He graduated from Trinity College Business School, Dublin. He is a Fellow of the Institute of Chartered Accountants in Ireland. He had over 30 years of experience in airline industry. He worked at Emirates Airlines and Aer Lingus. More recently, in the capacity of Vice Chairman of Royal Brunei Airlines.	8/2/2018
Yaan Mehdi Pavie	Independent	Yann holds a BBA/MS from the Fox School of Business and an MBA from the Wharton School, where he graduated as a Palmer Scholar. He has extensive experience in Merger and acquisition and he is the founder and Chairman of Gulf Merger. He was Chief Operating Officer and Board Member of NBK Capital.	15/10/2019
Bertrand Phillip Grabowski	Non-Executive	Holding a master degree in Business Administration from the University of Economics and Management Sciences in France. Grabowski is the Senior Strategic Advisor to Dubai Aerospace Enterprise, Industry Advisor to CPPIB, Member of the Advisory Committee at Hudson Structured Capital Management, Board Member of Flybondi, an Argentinean LCC since December 2016. Bertrand spent 11 years at DVB Bank SE as Board Member responsible for the whole Aviation activity of the Bank as well as Rail Financing. Under his leadership, a strong team effort has allowed the franchise of the Bank to expand to Aviation Asset Management and Aviation Advisory and enabled the bank to strengthen considerably in Aviation Investment Management to deliver growth of the Tokyo based Aviation platform. Before joining DVB, Bertrand spent four years at Citibank's London Asset Finance Group with primary responsibility over Europe and Japan. The Group delivered highly structured asset finance products out of Japan and Germany to first class airlines and railways operators all over the world. Before Citibank, Bertrand has worked in various positions at Banque Indosuez, renamed Credit Agricole Indosuez in Paris, Tokyo and New York. He was the Head of the Tokyo-based Asian Aviation Team for eight years and Tokyo Branch Manager, New York Branch Manager with direct responsibility over all American based Asset Finance and LBO / PE activities for three years.	29/10/2017
Krishnan Balakrishnan	Secretary	ACA and AICWA from India, holds 26 years of work experience through which nine years included the role of Company Secretary.	17/10/2018



Brief on the Company's Board of Directors' meetings:

The Company's Board of directors held seven meetings during the year 2019 and all the minutes of the meetings had been registered in the Company's register according to the requirements of corporate governance.

Board of Directors' meetings during 2019

Member Name	Meeting #1 19/2/2019	Meeting #2 22/4/2019	Meeting #3 24/4/2019	Meeting #4 5/8/2019	Meeting #5 4/11/2019	Meeting #6 26/11/2019	Meeting #7 26/11/2019
Marwan Marzouk Jassim Boodai (Chairman)	◆	◆	◆	◆	◆	◆	◆
Mohamed Jassim Mohamed Al-Mousa (Vice Chairman)	◆	◆	◆	◆	◆	◆	◆
Marzouk Jassim Marzouk Boodai (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆
Ahmad Abdalla (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆
Hany Mohamed Shawky Younis (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆
Dermot Edward Mannion (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆
Yaan Mehdi Pavie (Independent Member)	◆	◆	◆	◆	◆	◆	◆
Bertrand Phillip Grabowski (Independent Member)	◆	◆	◆	◆	◆	◆	◆

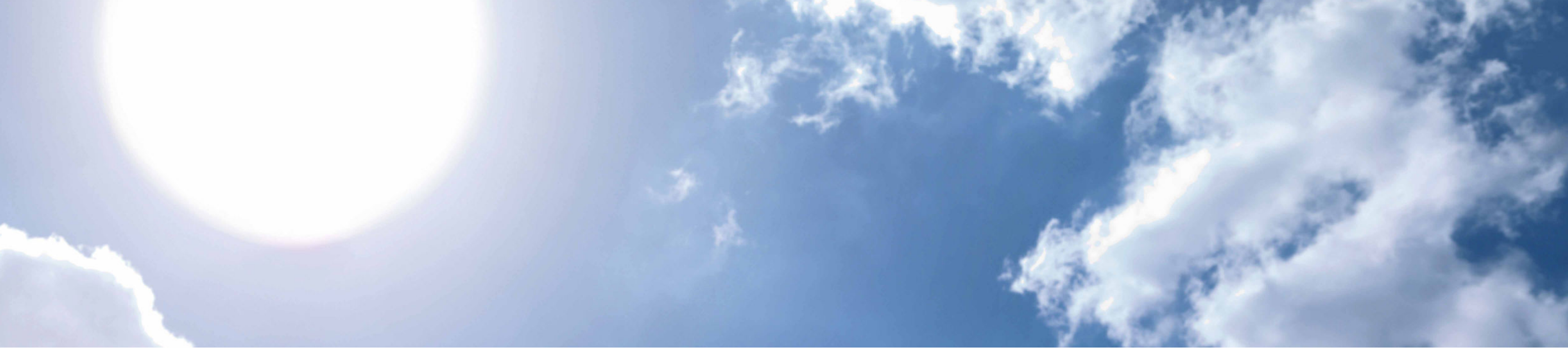
A summary of how to apply the requirements of registration, coordination and keeping the minutes of meetings of the Board of Directors of the Company.

The Board Secretary manages and coordinates all activities relating to the Board of Directors in accordance with relevant governance rules. The Board Secretary is appointed or removed by a resolution of the Board of Directors. The Board Secretary, under the Oversight of the Chairman ensures compliance with procedures approved by the board in relation to the circulation of information between the members, Board committees and the executive management. The Board Secretary also sets the Board meetings agendas and holds a special record for the minutes of The Board of Directors meetings. The Board Secretary also ensures the proper delivery, circulation of information and coordination between Board members and other stakeholders including the shareholders, Company departments and the concerned employees.

Coordinating and keeping minutes of the Board meetings

The Board of Directors Secretary is responsible for Coordinating and keeping minutes of the Board meetings as follows:

- Notifying the Board members about the Board meeting date three Business Days prior to the meeting.
- Providing the Board members with board agenda supported with required documents and information within three business days prior to Board meeting, except extraordinary meetings.
- Writing, recording and keeping all Board minutes of meetings and reports referred by and to the Board.
- Signing all minutes of meetings and all attending members.
- Ensuring that the Board members are following board-resolved procedures
- Ensuring that the Board members have full and quick access to all minutes of meetings, information and records in regard to the Company.
- Archiving the Board minutes of meetings and committees to be available for proper auditing.
- Prepare the agenda and resolutions to be approved by the ordinary and extraordinary general assemblies, and submit the agenda to other official authorities.



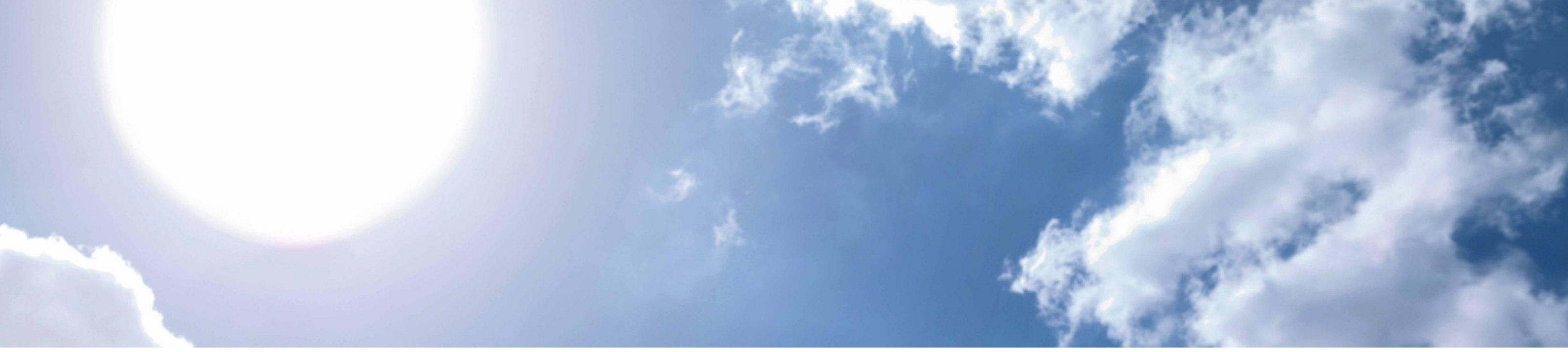
Rule 2: Establish appropriate roles and responsibilities

Brief on how the Company defines the policy of the roles, responsibilities and duties of each member of the Board of Directors and executive management as well as the powers and authorities delegated to the executive management:

The Board of Directors has all powers and authorities required to manage the Company and carry out all activities to achieve the Company's objectives in accordance with the Memorandum of Association and Articles of Association of the Company.

Roles and responsibilities of the Board of Directors:

1- Approving Company major goals, strategies, plans and policies, for example, at the minimum:
   a. The Company comprehensive strategy, main work plans, reviewing and directing the same.
   b. Company ideal capital structure and financial goals.
   c. Apparent policy for profits distribution of various types (cash/ non-cash) so that shareholders' and Company's interests are accomplished.
   d. Performance goals, execution pursuing and Company comprehensive performance.
   e. Company organizational, functional structures and periodic review.
2- Acknowledging annual estimated budgets and approving phase and annual financial information.
3- Supervising Company main capital expenses, assets ownership and disposal.
4- Ensuring the Company's commitment with policies and procedures that procure the Company's compliance with internal applicable rules and regulations.
5- Safeguarding accuracy and validity of the data and information to be disclosed in accordance with applicable disclosure and transparency policies and rules.
6- Constructing effective communication channels that enable the Company shareholders periodic and continuous access to Company various activities and any essential developments therein.
7- Setting corporate governance framework with general supervision and monitoring how effective it is and amending the same, if necessary.
8- Pursuing performance of each Board member and executive management member subject to Key Performance Indicators (KPIs).
9- Preparing annual report to be cited in the annual general assembly including the requirements and procedures of completing corporate governance rules and commitment degree thereof.
10- Forming specialized sub-committees where period, powers and responsibilities of the committee are clarified and how the Board shall monitor it. Formation resolution shall also include titles of members and determining their roles, rights and duties. This is in addition to assessing performance of the committees and their main members.
11- Ensuring that Company policies and procedures are transparent and clear so that resolutions' taking and governance principles are applied. This in addition to separating powers and authorities of both Board of Directors and executive management. In this regard, the Board had approved the following:
   a. Internal rules and regulations concerning the Company activity and its development, and any subsequent determination of competencies, roles, and responsibilities amongst different organizational levels.
   b. Approve authorization and execution policy of executive management assigned works.
12- Determine the powers authorized to executive management, resolution taking actions and authorization term. The Board had specified issues which it shall keep power to resolve. Periodic reports shall be referred to executive management in regard of its practicing the authorized powers.
13- Audit and supervise performance of executive management members and procuring their accomplishment of all assigned roles so that the Board can:
   a. Ensure that executive management work is in accordance with policies and procedures approved by the Board.
   b. Hold periodic meetings with executive management to discuss work issues and challenges as well as presenting and discussing important information in regard of the Company's activity.
   c. Set performance measures for executive management consistent with Company goals and strategy.
14- Determine the remuneration categories to be given for employees.
15- Appoint or remove any of executive management members.
16- Set a policy for regulating relationship with Stakeholders to protect their rights.
17- Set a mechanism to regulate dealings with Related Parties to avoid conflicts of interest.
18- Periodically ensure the applicable internal audit systems' efficiency in the Company:
   a. Ensuring validity of financial and accounting systems including those relate to financial reporting preparation.
   b. Ensuring the application of sound audit rules for risk measuring and management.
19- Recommending the appointment of independent auditors.
20- Approving the code of conduct, work ethics and the policies and procedures of the Company.



Executive Management

The activities of the Company are carried out by the executive management under the supervision and guidance of the CEOs with the aim of striking balance in the relations between the Company, its employees, investors and customers, and ensuring the work within the objectives of the Company and devoting its resources appropriately to meet its objectives and to be in line with the Company's policy and strategy.

CEOs and executive management are accountable to the Board of Directors for the Company's practices, activities and Company operations including the management roles and responsibilities in general and achievement of objectives, oversight of day-to-day operations of the Company's activities, participation in strategic planning, preparation of budgets and financial reports.

The executive management members have the qualifications and experience that enable them to carry out their assigned roles in accordance with the governance framework.

Roles and responsibilities of the Executive Management

1- Recommendations regarding the applied strategy to achieve improvement and development through plans. Implement of the Company strategic plans, related policies and internal regulations and ensuring their adequacy and effectiveness.
2- Execute all Company internal policies and regulations which are approved by Board of Directors.
3- Full responsibility toward Company general performance and work results.
4- Provide periodic financial and operational reports in a timely and accurate manner on the department's performance progress in Company's activity in light of strategic plans and objectives to be submitted to the Board of Directors.
5- Set integrated accounting system which keeps books, records and accounts that reflect in detail and accurately the financial statements and income accounts, which enable keeping the Company's assets and preparing financial statements in accordance with international accounting standards approved by the CMA.
6- Manage all activities, human and financial resources effectively to maximize profits, reduce expenses and achieving objectives and corporate strategy.
7- Follow up the delegation of the authorities and responsibilities granted in accordance with the delegation of the authority matrix.
8- Implement internal controls and risk management system, ensure their adequacy, effectiveness, and ensure compliance with risk appetite approved by the Board.
9- Supervision and follow-up to ensure the application of laws, regulations and policies including governance manual by employees in order to achieve the Company's strategy and providing reports containing recommendations on the constraints and required adjustments based on the application results.
10- Active participation in ethical values culture building and development in the Company.

Achievements of Board of Directors during the year.

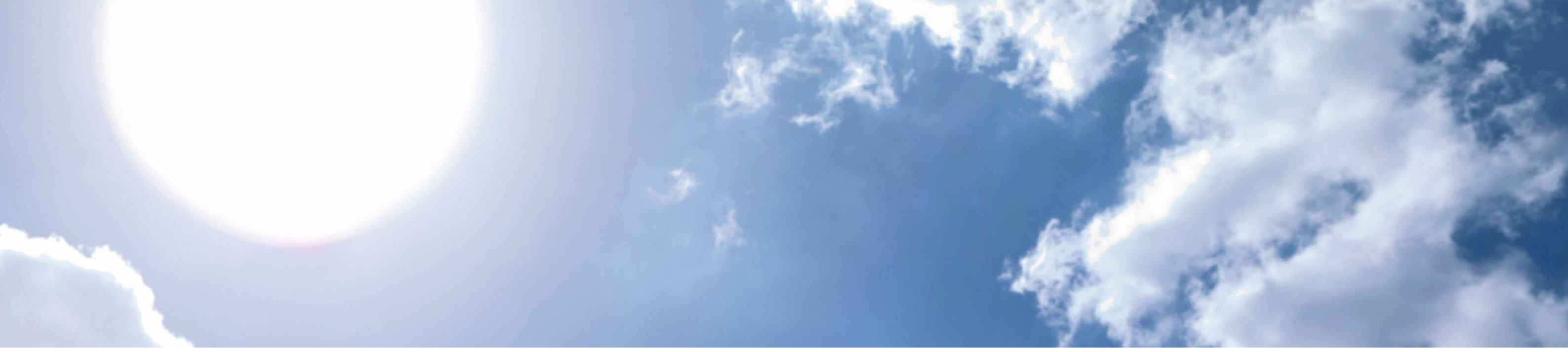
During the year, the Board of Directors presented numerous achievements as mentioned in the Board of Directors' report for 2019. The most important of these is the significant transformation of the Company's product as we've invested efforts to develop Jazeera Terminal T5 as it would enable us to enhance the travel experience we provide to our customers, independently from the set logistics in the main terminal of the Kuwait International Airport.

We invested in the development of digital infrastructure and on the website to facilitate the booking process, provide faster and better service to meet our customer's needs and to enhance our communication with them to increase the revenue of the Company.

On the aviation operational level, our team is working further to improve, organize network and increase aircraft utilization and the addition of new routes across the Middle East, Europe and India.

We launched eight new routes in 2019 London Gatwick, Bodrum Turkey, Osh Kyrgyzstan, Karachi Pakistan, Kathmandu Nepal, Al Ain United Arab Emirates, Damam Kingdom of Saudi Arabic and Sabiha Turkey.

As a result, Jazeera Airways ended the year 2019 with a record increase in the number of passengers 2.4 M, a 20.6 % increase from year 2018 and a high load factor of 77.5% a 2.3 % increase from year 2018. The aircraft utilization reaches 14.4 hours; a 5.8 % increase from year 2018 which demonstrating that demand for the Company's services is strong and increasing continuously.



Brief on the application of the formation requirements of independent specialized committees by the Board of Directors.

The Board of Directors has formed specialized committees to help in accomplishing board assigned roles in relation to supervision, strategic planning, governance, risk management and control. These committees have been formed in accordance with the applicable governance rules and resolution which include the committee chairman and titles of members.

First: Audit Committee

Tasks and achievements of the committee during the year:
- Reviewed periodical and annual financial statements for the year 2019.
- Provided the Board of Directors with its recommendations concerning re-appointment, of the external Auditors
- Consider the applied accounting policies and provide the Board of Directors with opinion and recommendation in this regard.
- Verify the Company compliance with related rules, policies and regulations.
- Review the outcomes of regulatory bodies reports and ensure that necessary measures were taken in this regard.
- Evaluate the extent of sufficiency of internal audit systems in place.
- Consider remarks of external auditors on the Company financial statements and follow up measures taken regarding them.
- Follow up works of external Auditors and ensure no services other than services related to audit functions are provided to the Company.

Date of the committee's formation: 17 October 2018
The committee's term: 3 Years
The committee's chairman: Hany Mohamed Shawky Younis
Members of the committee: Marzouk Jassim Marzouk Boodai
Yaan Mehdi Pavie

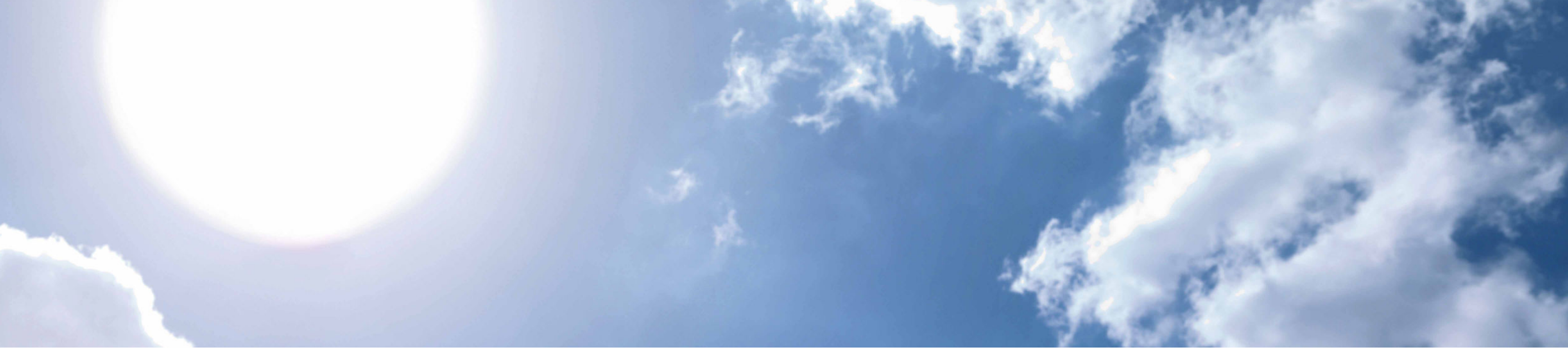
Numbers of meetings held during the year: 8 meetings as below:

Member Name	Position	Classification	Meeting #1 19/2/2019	Meeting #2 24/4/2019	Meeting #3 24/4/2019	Meeting #4 14/5/2019	Meeting #5 29/7/2019	Meeting #6 29/7/2019	Meeting #7 4/11/2019	Meeting #8 4/11/2019
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Marzouk Jassim Marzouk Boodai	Member	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆	◆	◆	◆	◆

The Company assigned an independent external consultancy office to carry out the internal audit of the Company's main operations. The committee followed up the internal audit process through direct meetings with the consultancy office responsible for the internal audit in its meetings No. 3, 4, 6 and 8.

Second: Risk Committee

Tasks and achievements of the committee during the year:
- Prepare and review risk management strategies and policies prior to getting them approved by the Board of Directors and verify application of such strategies and policies and that they are appropriate to the Company's nature and level of activities.
- Ensure that systems and resources are sufficient for risk management.
- Evaluate systems and mechanisms of identifying, measuring and monitoring various types of risks that may face the Company.
- Assist the Board of Directors to identify and evaluate the Company's acceptable risk level.
- Review the organizational structure of risk management and provide recommendations in this regards prior to its approval by the Board of Directors.



- Verify independence of the risk management employees from activities that result in subjecting the Company to risks.
- Verify that the risk management employees fully understand the risks surrounding the Company and raise awareness of employees concerning risk culture.
- Review issues raised by the related audit committee, which may affect risk management in the Company.

Date of the committee's formation: 17 October 2018
The committee's term: 3 Years
The committee's chairman: Hany Mohamed Shawky Younis
Members of the committee: Marzouk Jassim Marzouk Boodai
Yaan Mehdi Pavie

Numbers of meetings held during the year: 4 meetings as below:

Member Name	Position	Classification	Meeting #1 19/2/2019	Meeting #2 28/7/2019	Meeting #3 4/11/2019	Meeting #4 19/12/2019
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆
Marzouk Jassim Marzouk Boodai	Member	Non-Executive	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Non-Executive	◆	◆	◆	◆
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆

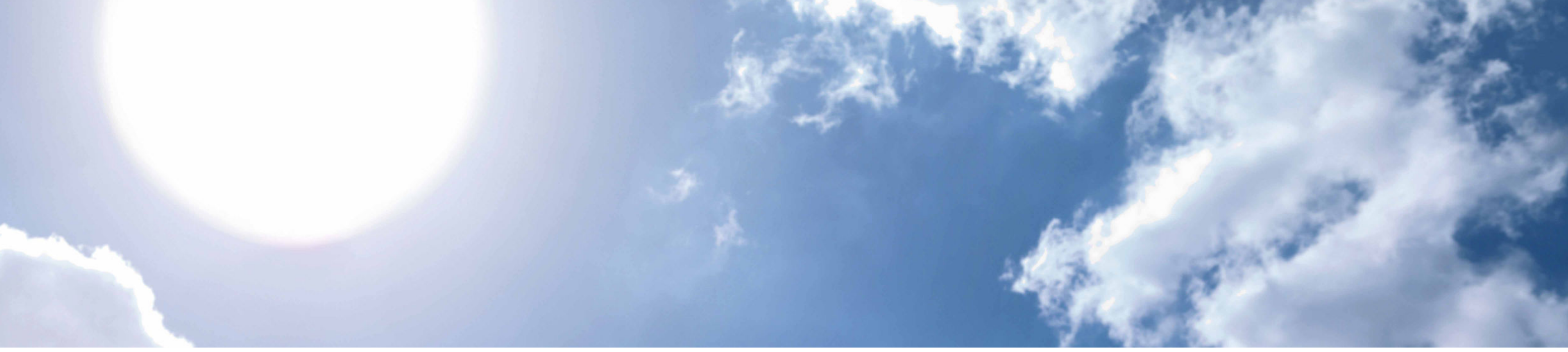
Third: Board Remuneration and Nominations Committee

Tasks and achievements of the committee during the year:
- Recommending nomination and re-nomination acceptance for Board of Directors Members and executive management members.
- Setting apparent policy for Board of Directors Members and executive management members' remunerations.
- Annual review of the required proper skill needs for board membership, importing applications for executive positions as required, studying and revising the applications.
- Determining various remuneration categories to be provided for employees.
- Preparing job description for Non-Executive Members of a Board of Directors and independent members.
- Ensuring that Members of a Board of Directors independency is valid.
- Preparing detailed annual report for all remunerations.

Date of the committee's formation: 17 October 2018
The committee's term: 3 Years
The committee's chairman: Ahmad Abdalla
Members of the committee: Marzouk Jassim Marzouk Boodai
Hany Mohamed Shawky Younis
Yaan Mehdi Pavie

Numbers of meetings held during the year: 2 meetings as below:

Member Name	Position	Classification	Meeting #1 27/6/2019	Meeting #2 26/12/2019
Ahmad Abdalla	Chairman	Non-Executive	◆	◆
Hany Shawky Younis	Member	Non-Executive	◆	◆
Marzouk Jassim Marzouk Boodai	Member	Non-Executive	◆	◆
Yaan Mehdi Pavie	Member	Independent	◆	◆
Krishnan Balakrishnan	Secretary		◆	◆



Brief on how the application of the requirements that allow the Board of Directors member to obtain accurate and timely information.

The Board of Directors had ensured that all the required information and data are provided in an accurate and timely manner. Mechanisms have been approved and headed by the board secretary guaranteeing the soundness and integrity of the Company's reports and also work towards constructing effective communication channels between the board Secretary and the members of board which ensure good delivery and distribution of information and coordination amongst the Members of a Board of Directors and other Stakeholders in the Company including shareholders and different departments in the Company and the employees.

The executive management provides full and accurate information and data on time for all the Members of a Board of Directors to help them perform and fulfill their duties and roles efficiently.

The Board of Directors is ensuring that all reports are prepared with high quality and accuracy. The executive management is providing these reports to Members of a Board of Directors on time to facilitate timely making resolutions.

Rule 3: Recruit Highly Qualified Candidates for Members of a Board of Directors and the Executive Management

Brief on the application of the formation requirements of the remunerations and nominations committee.

The Board remunerations and nominations committee helps the Board of Directors to accomplish its assigned roles related to effective compliance to remunerations and nominations applicable policies and procedures. It also reviews performance measures and appointment procedures for members of the Board of Directors and executive management and ensuring that the remunerations and nominations policy is in line with the strategic objectives of the Company.

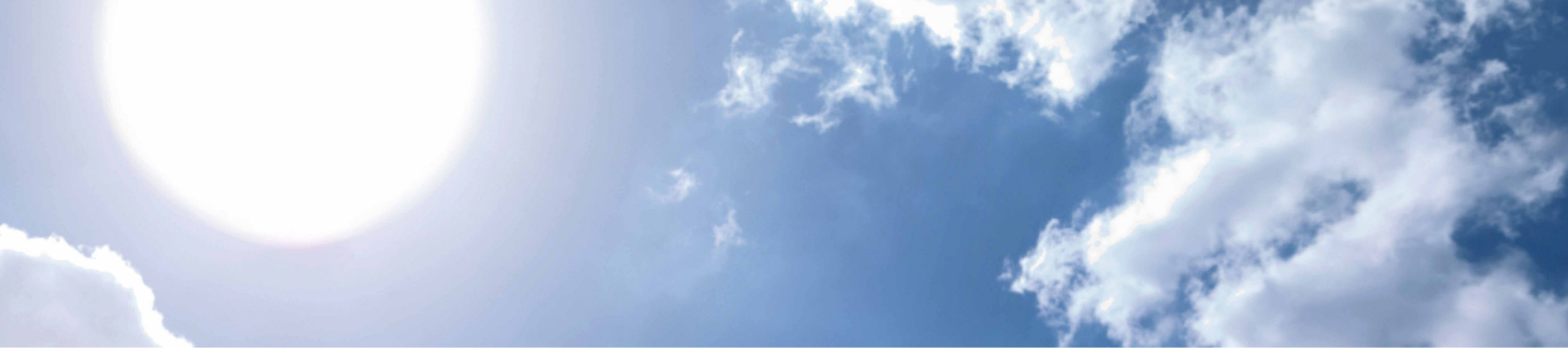
The Board remunerations and nominations committee had been formed and its term had determined from the date of the election of the Board of Directors until the end of the Board's membership period. The committee had been formed in compliance with the governance rules stipulated in article no. 4-1 of corporate governance manual. The formation of the committee includes one independent member and the chairman of the committee is non-executive member as below:

Member Name	Position	Classification
Ahmad Abdalla	Chairman	Non-Executive
Hany Shawky Younis	Member	Non-Executive
Marzouk Jassim Marzouk Boodai	Member	Non-Executive
Yaan Mehdi Pavie	Member	Independent
Krishnan Balakrishnan	Secretary	

Report on the remunerations to the Members of the Board of Directors and Executive Management

The Board remuneration and nominations committee in its meeting held on 26/12/2019 recommended not to distribute remunerations (except sitting fees, where contracted) to non-executive board members for the financial year ended 31/12/2019.

The Committee had prepared a detailed annual report for all remunerations given to thirteen members of executive management and had reviewed also both fixed compensation which is based on the responsibilities and variable remuneration related to the achievement of established targets and predefined goals for executive management.



Remuneration Report:

Category	Fixed Benefits KWD	Variable Remunerations KWD	Total remunerations KWD
Board of Directors	17,000	0	17,000
Members of the Executive Management	747,196	219,735	966,931

Rule 4: Safeguard the Integrity of Financial Reporting

Written undertakings by both the Board of Directors and the Executive Management of the soundness and integrity of the prepared financial reports.

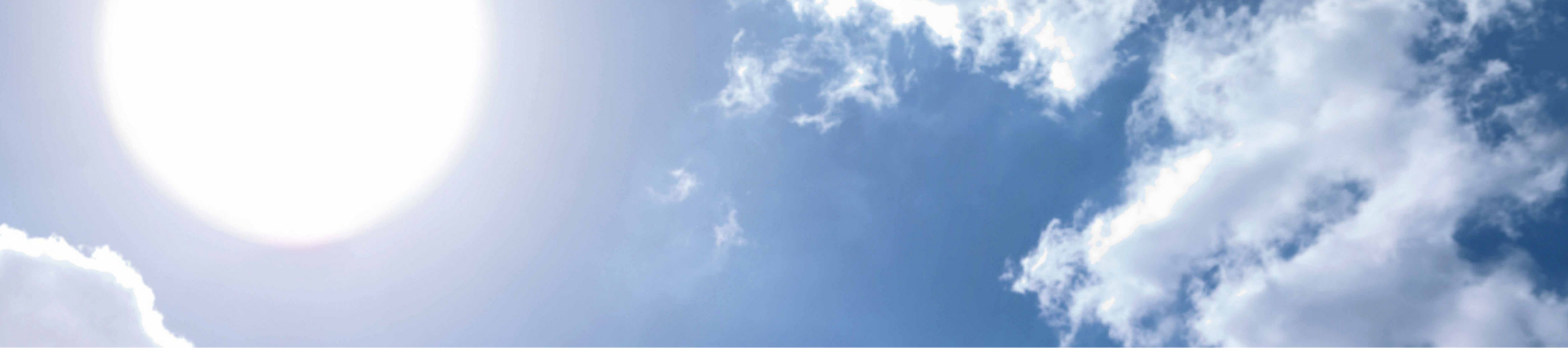
The members of the Board of Directors of Jazeera Airways K.S.C.P had assured that the financial statements and reports of the Company have been prepared and presented in a fair and sound manner and that the same reflects the Financial Position in the Company and operational results in accordance with accredited accounting standards applied in the State of Kuwait and approved by CMA. An acknowledgment with regard to the integrity of Financial Reporting for the year ended 31/12/2019 had been signed by the Board of Directors members.

Brief about the application of the formation requirements of the audit committee.

Audit Committee helps the Company's Board of Directors in fulfilling its oversight related roles to financial reporting, Internal Control system, auditing and Company's monitoring procedures for compliance with laws, regulations and professional code of conduct. Also assists the Company's Board of Directors in fulfilling its oversight related roles to current and potential risks inherent to the Company's activities. Identifying weaknesses and taking corrective action. Establishing the necessary controls that reducing risks and to determine the acceptable rate against the expected benefits and submit the relevant recommendations to Board of Directors. Determining the extent to which the governance rules are implemented to ensure that shareholders' objectives are in line with the Company's management objectives and to enhance investor confidence of system efficiency that protects their rights. The committee incorporates the culture of liability inside the Company through ensuring the soundness and integrity of financial reporting of the Company, in addition to sufficiency and effectiveness of the conditions of internal audit systems applied in the Company.

The Audit Committee had been formed in compliance with the governance rules stipulated in article no. 5-6 of corporate governance manual. The formation of the committee includes one independent member and the chairman of the committee is non-executive member and it includes also a member of educational, qualification and practical experience in the accounting and financial fields as below:

Member Name	Position	Classification
Hany Shawky Younis	Member	Non-Executive
Marzouk Jassim Marzouk Boodai	Member	Non-Executive
Yaan Mehdi Pavie	Member	Independent
Krishnan Balakrishnan	Secretary	



There were no conflicts between the recommendations of the audit committee and the resolutions of the Board of Directors.

Verification of the independence and neutrality of the external Auditor

The Board of Directors is working towards reducing potential conflicts of interest cases. The audit committee had verified the independence and integrity of the external auditor, by setting standards and principles for assessing its independence, so that it can recommend to the Board of Directors the appointment or re-appointment or change of the external auditor. It was verified that the external Auditor is independent from the Company and its Board of Directors and no services other than services related to the audit functions are provided to the Company, which may affect the auditors' neutrality or independency. It was verified also that the Auditor is listed in the Authority's external auditors register. Accordingly, the Audit Committee recommended to the Board of Directors the re-nomination and reappointment of the external auditor Deloitte & Touche (Al Wazzan & Co), the Ordinary General Assembly approved the reappointment of the auditor in its meeting held on 15/4/2019.

The audit committee held meeting with the external auditor to discuss opinions thereof prior to the submission of the annual financials to the Board of Directors to decide thereon. Also the external Auditor is invited to attend the meeting of general assemblies and recite the report prepared thereby before shareholders.

Rule 5: Apply Sound Systems of Risk Management and Internal Audit

A brief statement on the application of the formation requirements of a department/ an office/ an independent unit of risk management.

The Company has applied effective systems and procedures of risk management in order to be able to measure and monitor all types of risks to which the Company is exposed in order to identify, evaluate, measure and manage the main risks encountered by the Company.

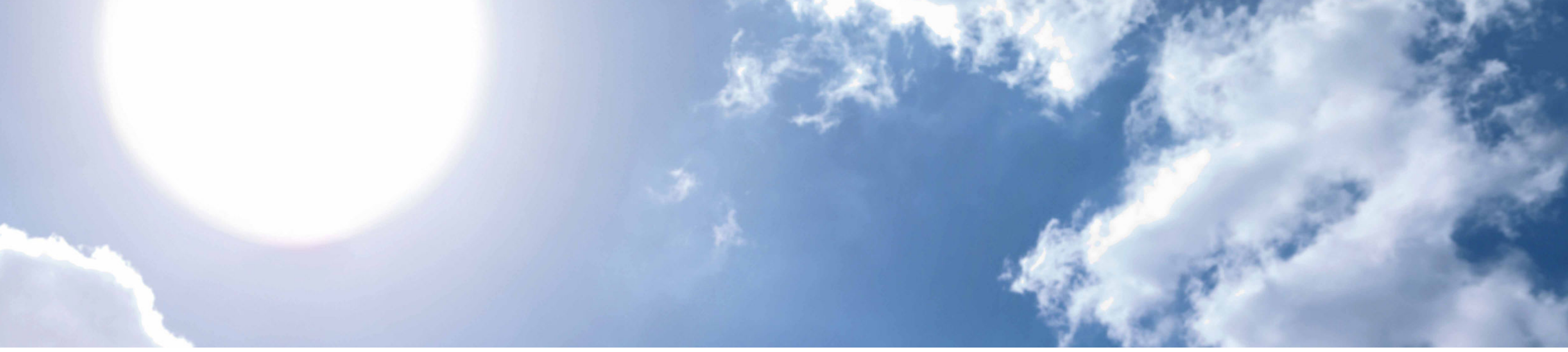
Risk management at the Company is the joint responsibility of the Company's management and its employees and it is ensured that and the importance of risk management is conveyed and the duties are carried out in line with the general risk management framework. The Company has a risk officer responsible to measure, monitor, and mitigate all types of risks encountered by the Company.

A brief about the application of the formation requirements of the risk management committee.

The risk committee provides adequate resources and appropriate systems to the risk management unit, and evaluates the systems and mechanisms for identifying, measuring and monitoring the various types of risks that the Company may be exposed to.

The risk committee had been formed in compliance with the governance rules stipulated in article no. 4-6 of corporate governance manual. The chairman of the committee is non-executive member as below:

Member Name	Position	Classification
Hany Shawky Younis	Member	Non-Executive
Marzouk Jassim Marzouk Boodai	Member	Non-Executive
Yaan Mehdi Pavie	Member	Independent
Krishnan Balakrishnan	Secretary	



Summary clarifying the control and internal audit systems.

The Board of Directors verifies the adequacy and effectiveness of the internal control systems necessary to the Company's operations, as well as verifies compliance with those systems. The Company has systems of control and internal audit that cover all the Company's activities. The systems of internal audit maintain the Company financial soundness, data accuracy, operations effectiveness. The Company applies the internal principles of the internal control of the dual audit as Sound identification of authorities and powers, entire segregation of roles and elimination of conflicts of interest and Dual signature.

A brief statement on the application of the formation requirements the internal audit department/ office/ unit.

The internal audit function is independent and reports directly to audit committee and accordingly to the Board of Directors. The main responsibilities as follows:
- Audit and supervision of efficiency and effectiveness of internal audit systems.
- Evaluate performance of the executive management in applying internal audit systems.
- Compare development of risk factors and the current systems to evaluate the extent of efficiency of the Company's daily business operations.

The Company had assigned an independent audit firm to evaluate and review the internal audit systems and prepare a report in this regard (Internal Control Report), which is submitted to the authority per annum.

The Company had assigned another independent audit firm to revise and evaluate the internal audit unit periodically every three years, and a copy of the report is provided to both the internal audit committee and the Board of Directors.

Rule 6: Promote Code of Conduct and Ethical Standards

A summary of the business charter including standards and determinants of code of conduct and ethical standards.

The Board of Directors approved the code of conduct and ethical standards for values in the Company. The integrity, accountability and respect are among the fundamental principles established in the code of conduct that includes best practices and professional behaviors in order to achieve the Company's interest, the interests of shareholders, and other stakeholders and not only the interests of a specific group, in addition to providing an opportunity for members of the Board of Directors, executive management and employees to achieve the Company's goals.

The code of conduct affirms the Company's policy and constitutes a guideline for:
- Enhancing honest and ethical conduct, which reflects positively on the Company
- Maintaining a corporate culture that upholds the integrity and dignity of each individual.
- Adhering to the laws, regulations and policies that govern the Company's activities and operations, and ensure a sound utilization of the Company's assets. The code of conduct includes ways in which each manager, official and employee deals with the Company stakeholders as well as the public. These codes ensure that the Company is viewed by others as one that is committed to the highest standards of integrity in all its transactions.

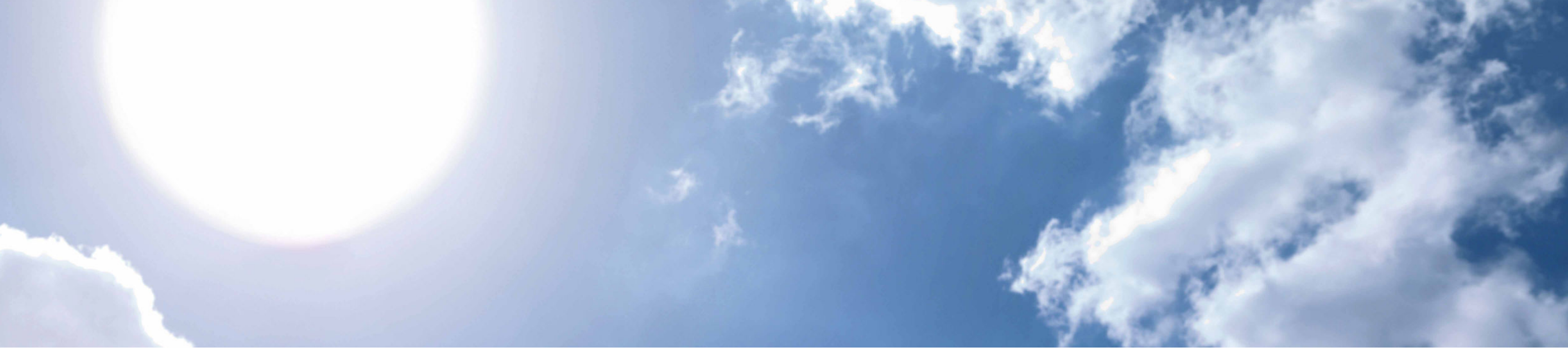
Summary of the policies and mechanisms on reducing the conflicts of interest

The Company applies procedures and mechanisms to avoid conflict of interests, whereby the members of the board are working towards the interests of shareholders, avoiding conflicts of interest, whether financial or non-financial, between their personal interests and carrying out their assigned roles.

These mechanisms aim to prevent conflicts of interest and use of internal information to achieve personal interests. These mechanisms are also part of the Company's commitment to integrity in dealing with related parties.

The Company had established a set policies and procedures to ensure that the Company's assets and resources are not used to achieve personal interests, including the following:

Related Party Transactions
Related party Policy clarifies the guiding principles on how to conduct and manage transactions with related parties, whether those transactions are between the Company and members of the Board of Directors or executive management and employees.



Information Confidentiality
The Board of Directors, the Executive Management and the employees are obligated to maintain the confidentiality of the information and data related to the Company, where policies and procedures have been put in place to prevent any possible internal information leaking that would harm the interests of those dealing with the Company.

Whistleblowing Policy
The Whistleblowing policy provides a work co-operative and transparency environment for all employees. It allows the employees to report unfair practices and inappropriate behaviors to the Board of Directors, and these procedures are carried out within a framework that ensures protection for Whistle blowers and the necessary investigation and supervision of these procedures are being provided.

Rule 7: Ensure Timely and High Quality Disclosure and Transparency

Summary of the application of mechanisms for presentation and accurate and transparent disclosure that define aspects, areas and characteristics of disclosure.

The Company applies mechanisms and policies for disclosure and transparency which set to achieve fairness and transparency, preventing conflicts of interest and exploiting internal information. These mechanisms and policies aims also to organize the Company's procedures to disclose the material information which covering all data that must be disclosed to the Capital Markets Authority and other stakeholders of the Company. The Company's website provides all complete, accurate and also disclosed information that all shareholders of the Company need. The following are some of what are included in the disclosure categories:

- Disclosure of material information.
- Disclosure of shareholders whose ownership reaches 5% or more of the Company's capital.
- Disclosure and update of the insider list.
- Disclosure of other periodic information.

Brief about the application of the requirements of the Board of Directors disclosure and executive management disclosures.

As per Capital Markets Authority requirements and the governance rules stipulated in article no. 8-6 of corporate governance manual, the Company had prepared a register of disclosures of the Members of a Board of Directors and such register is available to be reviewed and it is updated periodically.

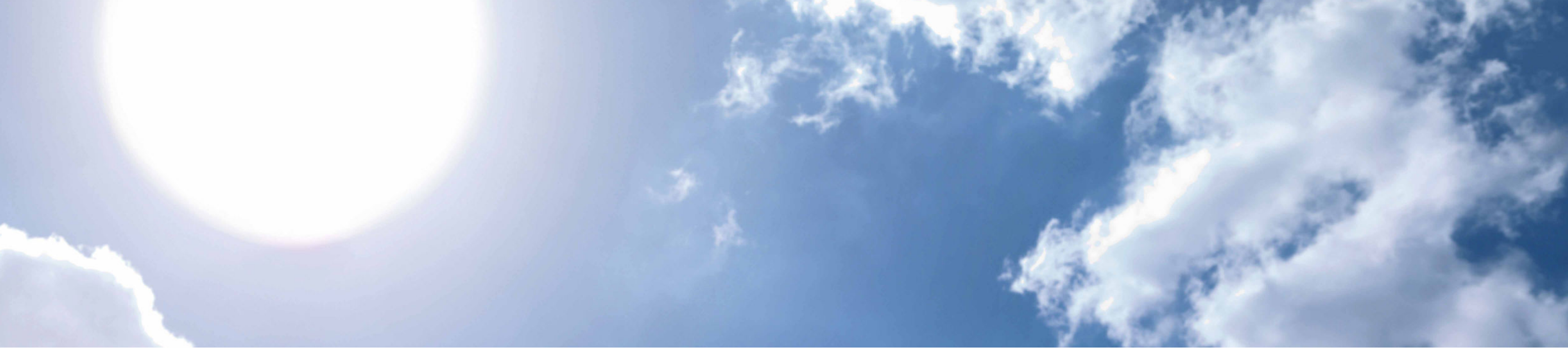
A brief statement on the application of the formation requirements of a unit of investors affairs.

The Company has an independent investor relations unit, which is responsible for providing the necessary data, information and reports to its shareholders and potential investors through the means of disclosures such as the Company's website, Boursa Kuwait website and the quarterly conference held with analyst and investors.

The investor relations unit is disclosing data, information, and reports on a timely and accurately manner as per governance rules in order to provide all information required by shareholders and potential investors.

Brief on how to develop the infrastructure for the information technology on which it shall significantly rely on in the disclosure processes

The Company had developed the infrastructure for the information technology on which it significantly relies on in the disclosure processes. In compliance with Corporate Governance rules stipulated in article no. 8-8 the Company has created a section on its website dedicated to corporate governance that displays all recent information and data that helps current and potential investors to exercise their rights and evaluate the Company's performance.
- The online disclosure system through Kuwait Stock Exchange website is followed
- Contact the Capital Market Authority through e-mail to provide all required information and disclosures.
- The Company website includes all the disclosures, financial results and periodic reports
- The Company website includes information about the Board of Directors and executive management as well as an overview of the most important policies and regulation.



Rule 8: Respect the Rights of Shareholders

A summary of the application of the requirements for the identification and protection of the general rights of shareholders, in order to ensure fairness and equality amongst all shareholders.

In compliance with CMA requirements and Corporate Governance rules, the Company MOA, AOA, polices and regulations include procedures and conditions necessary to protect the rights of stakeholders, especially shareholders. The Company also ensure having access by all shareholders to the rights in a manner that achieve fairness and equality. The general rights of shareholders include:

- List the ownership value of their shared investment in the Company records.
- Dispose Shares, including registration and transfer of ownership.
- Receive the decided share in dividends.
- Have access to data and information of the Company activity and operational and investment strategy regularly.
- Participate in meetings of the shareholders' general assembly and vote on the resolutions thereof.
- Elect Members of Board of Directors.
- Control performance of the Company, in general, and the Board of Directors, in particular.
- Hold the Company's Members of the Board of Directors or the executive management accountable if they fail to meet their assigned roles.

A summary of the creation of a special record at the Clearing Agency as part of the requirements for on-going monitoring of shareholders' data.

The Company has signed an agreement with Kuwait Clearing Company in order to keep a special record at the Clearing Agency, in which names, nationality, domicile and number of shares owned by each holder shall be recorded. Any changes to the registered data are recorded according to the data received by the clearing agency. Such record is being updated through follow up and coordination with the clearing Company.

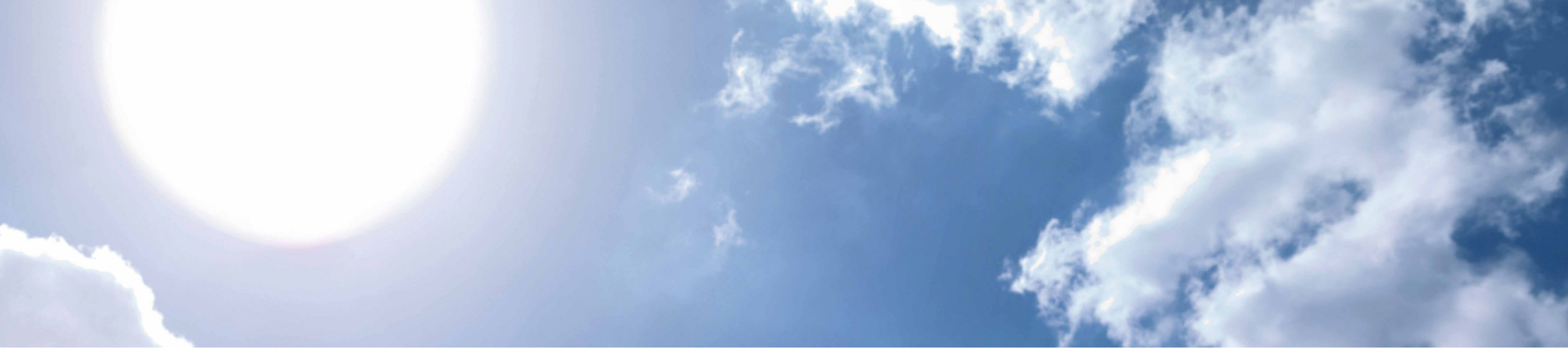
Brief on how to encourage shareholders to participate and vote in the Company's general assembly meetings.

The general assembly meeting is held upon the Board of Directors' invitation. The Company encourages shareholders to participate in the Company's general assembly meetings and vote on all its resolutions which considered an inherent right for all shareholders as stipulated in the Company Memorandum of Association, articles of association and rules of respecting the rights of shareholders. Each shareholder is entitled to attend the General Assembly meeting with no fees as individuals or via proxy in order to vote on all resolutions made by the Annual General Assembly with the availability of data related to board meetings agendas as well as Board of Directors report, Auditor's report, financial statements and all data included in the disclosure register through the Company website.

Rule 9: Recognize the Roles of Stakeholders

Brief about conditions and policies that ensure protection and recognition of the rights of stakeholders.

The Company had established a policy to protect stakeholders' rights. The policy is ensuring to protect the rights of stakeholders pursuant to the related applicable laws in the State of Kuwait such as such as the Labor Law and the Companies Law and its bylaws. This is in addition to concluded agreements between parties and additional undertakings made by the Company towards Stakeholders in order to reduce potential conflicts of interest, bearing in mind that none of the stakeholders get any advantages through dealings with agreements and transactions that take part in the Company usual activates. Through the Company's good financial performance, it had provided stability and job sustainability. The parties who were considered as stakeholders were identified through the policy, and guidelines were developed on how to protect these rights.



Brief on how to encourage stakeholders to keep track of the Company's various activities

The Board of Directors is working towards protecting the rights of stakeholders. The stakeholders in the Company were identified as follows:

Shareholders: The Company has established a policy to protect shareholders' rights as stipulated in the law and related instructions and as part of the corporate governance framework, in addition to effective communication with shareholders to know their views on various matters concerning the Company through the Investor Relations Unit.

Regulatory authorities: The Company adheres to the laws, executive regulations and instructions issued by the Capital Markets Authority, the Ministry of Commerce and Industry and any other related Regulatory authorities; it is also cooperating with all relevant regulatory authorities through follow-up as well as providing information, data, records and any all other requirements by representatives of the relevant regulatory authorities.

Customers: The Company is providing the best services to its customers and following up customers' suggestions and complaints; this is in addition to improving communication with customers through modern means of communication to support the customers easily and on time.

Employees: The Company is keen to recruit national labor and developing the skills of all the Company's employees. The Company's focus is on providing professional development and the necessary training programs and directing recruitment efforts towards recruiting and training the national labor.

Rule 10: Encourage and Enhance Performance

A summary of the application of the requirements for the development of mechanisms that allow Members of the Board of Directors and Executive Management to attend the training programs and courses regularly.

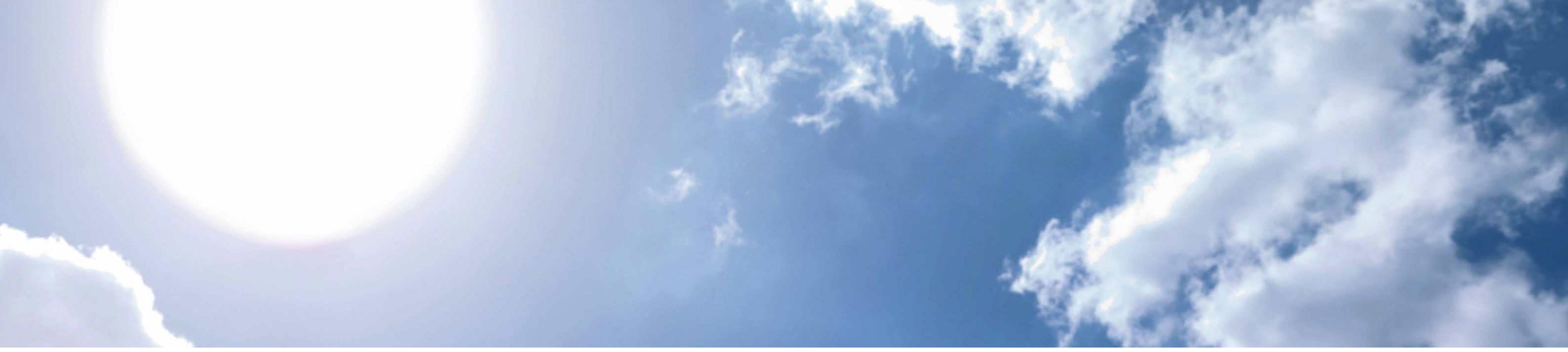
The continuous training of the Board of Directors Members and executive management is a cornerstone of good governance rules as it significantly contributes to enhance the Company performance; accordingly the Company had developed mechanisms that draw the interest of training aspects for the Members of a Board of Directors and executive management through training programs that ensure their well understand of the Company operations, strategy, goals financial and operational aspects of all Company activities and Legal and supervisory obligations.

Brief on how to evaluate the performance of the Board as a whole, and the performance of each Member of the Board of Directors and the Executive Management.

The Company had developed mechanisms to evaluate performance of the Board of Directors members and the executive management members periodically through Key Performance Indicators (KPIs) related to the extent of achieving strategic goals and the sufficiency of internal control systems and accordingly self-evaluation procedures are made for members of the Board of Directors and its committees and define a plan to develop the work of the Board of Directors as well as the necessary development and training aspects.

An overview of the Board of Director's efforts in asserting the importance of corporate value creation with the employees at the Company through achieving the Company's strategic goals and improving key performance indicators.

The Board of Directors is working on value creation inside the Company in the short, medium and long term, accordingly the Board had approved the code of conduct that asserting the existence of the means to follow these practices and adhere to the highest professional standards and corporate values. The extent of commitment to corporate values is linked with the performance evaluation of the employees to ensure achievement of the Company's strategic goals.



Rule 11: Focus on the Importance of Corporate Social Responsibility

A summary of the development of a policy to ensure a balance between each of the Company goals and society goals.

The Company had developed and applied a policy to achieve a balance between its goals and the goals that society seeks to achieve. Jazeera Airways is aligning its values and strategy with social and economic needs, the Company provides the community with the support necessary to achieve business and social benefits in the long term.

The Company has established an effective framework of social responsibility, including responsibilities towards society, environment, society categories, and stakeholder participation and employees' development. The Company also works to increase the degree of awareness of social responsibility among its employees by applying appropriate awareness and education programs ensuring employees good familiarity with goals of social responsibility exercised by the Company in a manner that contribute in enhancing the Company performance level.

The policy works to improve living, social, and economic conditions for workforce in several areas including:
- Assist in providing job opportunities and create proper conditions.
- Support and encourage national labor
- Enhancing efficiency and competitiveness of national labor.
- Contribute in the limitation of damages of negative phenomena that prevailing in the society.

Brief about the programs and mechanisms helping to highlight the Company's efforts exerted in the field of social work.

Jazeera Airways is committed to the participation in the local society in which it offers its services on various occasions through the provision of initiatives and activities that emphasize its social responsibility in several areas including culture, education and health. The Company participated in some social projects during the year 2019.

Graduate Development Program

Jazeera Airways offers exciting opportunities for young Kuwaiti nationals and fresh graduates. The Company helps fresh graduates to develop their skills and competencies in the field of Aviation by training them in all airline-related functions. The training includes practical on-the-job responsibilities with clearly defined objectives; accordingly, the Company had employed number of national labor during the year.

Dear Shareholders,

The Board of Directors of the Company has a firm belief that continuity in the compliance of the rules of good governance provides a clean environment of trust and safety and the promotion of justice, transparency and fairness of all parties from shareholders, investors and other stakeholders, which contributes to the growth of the Company and increases its profitability.

Marwan Marzouq Boodai
Chairman

AUDIT COMMITEE REPORT

The Audit Committee helps the Company's Board of Directors in fulfilling its oversight related roles to financial reporting, Internal Control system, auditing and Company's monitoring procedures for compliance with laws, regulations and professional code of conduct. Also assists the Company's Board of Directors in fulfilling its oversight related roles to current and potential risks inherent to the company's activities. Identifying weaknesses and taking corrective action. Establishing the necessary controls that reducing risks and to determine the acceptable rate against the expected benefits and submit the relevant recommendations to Board of Directors. Determining the extent to which the governance rules are implemented to ensure that shareholders' objectives are in line with the company's management objectives and to enhance investor confidence of system efficiency that protects their rights. The committee incorporates the culture of liability inside the company through ensuring the soundness and integrity of financial reporting of the company, in addition to sufficiency and effectiveness of the applicable internal audit systems.

Formation of the audit committee

The Audit Committee has been formed in compliance with the governance rules stipulated in article no. 5-6 of corporate governance manual. The formation of the committee includes one independent member and the chairman of the committee is non-executive member and it includes also a member of educational, qualification and practical experience in the accounting and financial fields as below:

Member Name	Position	Classification	Meeting #1 19/2/2019	Meeting #2 24/4/2019	Meeting #3 24/4/2019	Meeting #4 14/5/2019	Meeting #5 29/7/2019	Meeting #6 29/7/2019	Meeting #7 4/11/2019	Meeting #8 4/11/2019
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Marzouk Jassim Marzouk Boodai	Member	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆	◆	◆	◆	◆

The Company assigned an independent external consultancy office to carry out the internal audit of the company's main operations. The committee followed up the internal audit process through direct meetings with the consultancy office responsible for the internal audit in its meetings No. 3, 4, 6 and 8.

Tasks of the committee

- Review periodical financial statements prior to their submission to the Board of Directors and provide the Board with opinion and recommendation concerning them, in order to ensure fairness and transparency of financial statements.
- Provide the Board of Directors with its recommendations concerning the appointment, re-appointment, or replacement of the external Auditors, and specify the fees thereof.
- Consider the applied accounting policies and provide the Board of Directors with opinion and recommendation in this regard.
- Verify the company compliance with related rules, policies and regulations.
- Review the outcomes of regulatory bodies' reports and ensure that necessary measures were taken in this regard.
- Evaluate the extent of sufficiency of internal audit systems in place.
- Consider remarks of external auditors on the company financial statements and follow up measures taken regarding them.
- Follow up works of external Auditors and ensure no services other than services related to audit functions are provided to the company.

Marwan Marzouq Boodai
Chairman

BOARD ACKNOWLEDGEMENT

Acknowledgment with regard to the integrity of Financial Reporting

I, the Chairman together with the members of the Board of Directors of Jazeera Airways K.S.C.P acknowledge and undertake the accuracy and soundness of the financial data provided to the external auditor. We also assure that the financial statements and reports of the company have been prepared and presented in a fair and sound manner in accordance with Accredited Accounting Standards applied in the State of Kuwait, and that the same reflects the Financial Position in the company as of 31 December 2019 based on information and reports provided by the executive management and auditors with diligence after applying best practice to verify the accuracy and soundness of the Financial Reports.

Marwan Marzouq Jassim Boodai Chairman	**Mohammad J M Al Mousa** Vice Chairman
Marzouq Jassim Marzouq Boodai Board Member	**Ahmad Abdalla** Board Member
Hani Mohammad Shawqi Younes Board Member	**Dermot Edward Mannion** Board Member
Bertrand Philippe Grabowski Independent Board Member	**Yann Mehdi Pavie** Independent Board Member

2019 FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JAZEERA AIRWAYS K.S.C.P.

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Jazeera Airways K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to the disclosure in Note 1 to the consolidated financial statements that the consolidated financial statements for the year ended 31 December 2019 which were previously approved for issue by the Board of Directors on 11 February 2020 on which we had issued an unmodified audit report dated 20 February 2020 were amended following the decision of the Board of Directors in their meeting held on 19 March 2020 to cancel the distribution of proposed dividend for the year ended 31 December 2019 and for the disclosure of the matters in Note 31. Our report is not modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. 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 key audit matter below, our description of how our audit addressed the matter is provided in that context.

Revenue recognition

The Group recognises revenue from sale of passenger tickets in income when a passenger has flown or on expiry of ticket validity.

The amount and timing of revenue recognition involves complex information technology systems (IT) for tickets booked, utilised and expired. We have, therefore, considered revenue recognition as a key audit matter. The accounting policy for revenue recognition for passenger revenue is set out in note 2.13 to the consolidated financial statements.

We have evaluated the design and implementation of the key controls over passenger revenue recognition combined with appropriate substantive tests and analytical procedures. In addition, information technology audit specialist members of the audit team have performed the audit of the automated controls surrounding revenue recognition.

Adoption of new accounting standard – IFRS 16 – Leases

The Group applied IFRS 16 Leases, which replaced IAS 17 Leases and the related interpretations from the date of its initial application of 1 January 2019 that resulted in changes to accounting policies. The Group has adopted IFRS 16 retrospectively from 1 January 2019 and has not restated comparative information in accordance with the transitional provisions contain within IFRS 16 and recognised the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained earnings as disclosed in Note 29.

We have considered this as a key audit matter because the adoption and implementation of IFRS 16 resulted in significant changes to the consolidated financial statements of the Group, along with changes to processes, systems and controls; degree of judgements, which have been applied; and the estimates made in determining the impact of IFRS 16.

Our audit procedures included understanding of the Group's adoption of IFRS 16 and the identification of internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard. We assessed the design and implementation of key controls pertaining to the application of IFRS 16. Our substantive tests included, verifying the completeness of underlying lease contracts considered for application of IFRS 16 as on the date of transition; verifying on a sample basis the accuracy of recognised right of use assets and lease liabilities both on the transition date as well as the reporting date; verifying the incremental borrowing rates used for discounting the future lease payments; verifying whether the lease term used is the enforceable lease term in accordance with IFRS 16; assessing the key judgments applied and estimates made by the management and verifying whether the disclosures within the financial statements are in accordance with IFRSs

Other information included in the Group's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon.

We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

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

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

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 the management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty

exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated to 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.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit; and that the consolidated financial statements incorporate all information that is required by Companies' Law No. 1 of 2016, and its executive regulations; and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies' Law No. 1 of 2016, and its executive regulations; or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
31 March 2020

Consolidated Statement of Financial Position
as at 31 December 2019

	Note	2019	2018
		Kuwaiti Dinars	
ASSETS			
Non-current a ssets			
Property and equipment	3	20,819,335	21,971,472
Right of use assets	4	82,691,386	-
Advance for maintenance	5	11,613,952	14,166,560
Security deposits	6	3,043,855	2,609,919
		118,168,528	38,747,951
Current assets			
Inventories		312,557	247,113
Security deposits	6	1,172,192	1,914,890
Trade and other receivables	7	23,245,301	15,490,885
Cash and bank balances	8	23,754,647	6,465,306
		48,484,697	24,118,194
Total assets		166,653,225	62,866,145
LIABILITIES AND EQUITY			
Equity			
Attributable to Parent Company's shareholders			
Share capital	9	20,000,000	20,000,000
Legal reserve	10	5,835,242	4,294,462
Hedge Reserve		837,562	-
Retained earnings		13,569,535	13,541,950
Total equity		40,242,339	37,836,412
Non-current liabilities			
Post employment benefits	11	2,454,600	2,370,783
Maintenance payables	12	8,552,150	1,305,814
Lease liabilities	13	76,931,616	-
		87,938,366	3,676,597
Current liabilities			
Trade and other payables	14	21,728,149	17,057,940
Deferred revenue		4,712,704	4,295,196
Lease liabilities	13	12,031,667	-
		38,472,520	21,353,136
Total liabilities and equity		166,653,225	62,866,145

The accompanying notes are an integral part of these consolidated financial statements.

Marwan Marzouq Boodai
Chairman

Consolidated Statement of Income
Year ended 31 December 2019

	Note	2019	2018
			Kuwaiti Dinars
Revenue	15	103,698,648	82,369,370
Operating costs	16	(82,553,173)	69,835,144
Operating profit		21,145,475	12,534,226
Other income		489,877	582,381
General and administrative expenses	17	(6,897,211)	(5,707,070)
Finance costs		(165,960)	(73,202)
Foreign currency loss		(223,249)	(299,302)
Gain on sale and lease back of engines	18	1,159,835	-
Expected credit loss - financial assets		(100,969)	(61,380)
Profit before contributions and taxes		15,407,798	6,975,653
Zakat expense		(93,695)	(69,991)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(138,670)	(63,393)
National Labour Support Tax (NLST)		(234,236)	(174,977)
Profit for the year		14,941,197	6,667,292
Attributable to:			
Shareholders of the Parent Company		14,941,197	6,667,292
Earnings per share (fils)	19		
Basic & Diluted		74.71	33.34

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year ended 31 December 2019

	2019	2018
		Kuwaiti Dinars
Profit for the year	14,941,197	6,667,292
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-
Hedge reserve	837,562	-
Total comprehensive income for the year	15,778,759	6,667,292
Attributable to:		
Shareholders of the Parent Company	15,778,759	6,667,292

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Shareholders' Equity
Year ended 31 December 2019

Kuwaiti Dinars

	Share capital	Legal reserve	Hedge reserve	Retained earnings	Total equity
At 1 January 2019	20,000,000	4,294,462	-	13,541,950	37,836,412
Transition adjustment on adoption of IFRS 16 at 1 January 2019 (Note 2)	-	-	-	(6,372,832)	6,372,832
Balance as at 1 January 2019 (restated)	20,000,000	4,294,462	-	7,169,118	31,463,580
Total comprehensive income for the period	-	-	837,562	14,941,197	31,463,580
Transfers	-	1,540,780	-	(1,540,780)	-
Dividend Paid (Note 9)	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2019	20,000,000	5,835,242	837,562	13,569,535	40,242,339
At 1 January 2018	20,000,000	3,596,897	-	14,600,026	38,196,923
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	(27,803)	(27,803)
Balance as at 1 January 2018 (restated)	20,000,000	3,596,897	-	14,572,223	38,169,120
Total comprehensive income for the period	-	-	-	6,667,292	6,667,292
Transfer	-	697,565	-	(697,565)	-
Dividend (Note 9)	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2018	20,000,000	4,294,462	-	13,541,950	37,836,412

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows
Year ended 31 December 2019

	Note	2019	2018
		Kuwaiti Dinars	
Cash flows from operating activities			
Profit before contributions and taxes		15,407,798	6,975,653
Adjustments for:			
Depreciation	3,4	12,409,435	1,577,120
Finance costs		2,660,994	28,423
Foreign exchange loss		223,249	299,302
Provision for post employment benefits		406,376	540,000
Gain on sale and lease back		(1,159,835)	-
Expected credit loss on Financial Assets		100,969	61,380
Interest on security deposit		(61,176)	-
Provision for KFAS, Zakat & NLST		466,601	308,361
Operating profit before working capital changes		30,454,411	9,790,239
Decrease/(increase) in advance for maintenance		2,552,608	(1,318,331)
Increase in inventories		(65,444)	(12,378)
Increase in security deposits		(59,336)	(1,893,065)
Increase in trade and other receivables		(7,841,152)	(11,618,987)
Increase/(decrease) in maintenance payables		7,246,336	(411,317)
Increase in trade and other payables		4,045,372	6,568,071
Increase in deferred revenue		417,508	356,258
Post-employment benefits paid		(322,559)	(578,941)
Cash generated from operations		36,427,744	881,549
Paid to KFAS, Zakat & NLST		(308,363)	(376,591)
Net cash from operating activities		36,119,381	504,958
Cash flows from investing activities			
Purchase of property and equipment (net of disposal)	3	(4,314,900)	(9,779,185)
Sale of Engine		4,622,834	-
Net cash from/ (used in) investing activities		307,934	(9,779,185)
Cash flows from financing activities			
Dividend paid		(7,000,000)	(7,000,000)
Re-payment of lease liabilities (including finance cost)		(11,977,076)	
Finance costs paid		(165,960)	(28,423)
Net cash used in financing activities		(19,143,036)	(7,028,423)
Net increase/(decrease) in cash and cash equivalents		17,284,279	(16,302,650)
Cash and cash equivalents at			
beginning of year		6,465,306	22,778,406
Expected credit loss on Financial Assets		5,062	(10,450)
end of year		23,754,647	6,465,306

1. Constitution and activities

Jazeera Airways K.S.C.P. (the "Parent Company") was incorporated by Amiri Decree on 3 March 2004 as a Kuwaiti Public Shareholding Company under the laws of Kuwait and is engaged in the business of air transportation and commercial passenger services under a license from the Directorate General of Civil Aviation and operation and maintenance of an airport terminal in Kuwait (the Terminal).

The objects of the Company are –

- Air transportation services without the luxury services.
- Carry out all air transportation and other air services and all other related activities including people air transportation, cargo, goods and mails in Kuwait and abroad.
- Provide aircraft and other related asset purchasing services in favour of others and coordinate with the manufacturers.
- Provide both operating and financing lease services as needed and required by the clients "aviation companies".
- Market the aircraft to cover the medium and long-term needs of the aviation companies that ask for such services.
- Assist aviation companies to market their aircraft through sale or lease.
- Engage in providing and financing the technical support and various assets management services to aviation companies.
- Assist in co-investment processes specialized in the aviation industry.
- Invest whether partially or wholly in supplying aircraft, engines and spare parts as per needs of the clients "aviation companies" and manufacturers.
- Provide all aircraft related services to aviation companies and others whether in Kuwait or abroad, such as: handling, maintenance and other services.
- Booking tickets and passengers' services.
- Supply and deal in delivering and managing all services and products required by aviation sector, in order to properly carry out operations and maintain, support and provide aircraft customs brokerage services.
- Owning real estate and movable property to conduct its operations within the limits as stipulated by law.
- Providing services of financing aircraft purchase projects (in whole or in part) in light of the evaluation studies and determining the factors of risks associated with such projects.
- Establishing and utilizing aircraft service stations, warehouses, hangars, workshops, factories, as well as all machineries, devices and equipment related to the company's purposes.
- Investing in fields of air transportation of passengers, goods, facilities and utilities required to serve the company's purposes or its achievement.
- Founding and establishing branches and agencies of the company in Kuwait and abroad as well as conducting the businesses of ground, technical and commercial agency of Arabian and foreign airlines inside Kuwait and abroad.
- Providing service of tourism, travel and freight and conducting all its related businesses including land conveyance, holidays and flights' integrated services, car rental with or without a driver, as well as all touristic businesses related to the company's purposes, in addition to holding celebrations, competitions, exhibitions, currency exchange transactions and selling goods and products on the company's aircraft, offices and premises.
- Providing services of management and marketing in addition to the consultancy services related to the field of aircraft industry.
- Conducting all air cargo businesses inside and outside Kuwait within the limits as stipulated by law.
- Conducting all businesses of transporting, handling, distributing and customs clearance of goods related to air cargo.
- Establishing aviation, wireless studies, engineering, air and ground services institutes, in addition to training the technical personnel in the field of aviation and qualifying the Kuwaiti citizens in order to assume the technical, administrative and commercial businesses required to achieve the company's purposes.
- Owning and granting any privileges, leases or investments, as well as outsourcing any businesses or other rights related aircraft.
- Investing surplus funds in investment and real estate portfolios managed by specialized companies or entities.

The Parent Company has the following subsidiary:

Name of the Company	Country of Incorporation	Percentage of Holding	
		2019	2018
Al Sahaab Aviation Services W.L.L.	Kuwait	99.99%	99.99%

The remaining shareholding in the above subsidiary is held by a party for the beneficial interest of the Company.

The Parent Company and the subsidiary are together referred to in these consolidated financial position as the Group.

The address of the registered office of the Group is Kuwait International Airport, P.O. Box 29288, Safat 13153, Kuwait.

The consolidated financial statements for the year ended 31 December 2019 were previously authorised for issue by the Board of Directors on 11 February 2020. Those financial statements were amended following the decision of the Board of Directors in their meeting held on 19 March 2020 to cancel the distribution of proposed dividend for the year ended 31 December 2019, and for the disclosure of the matter in Note 31. Accordingly, these are the amended financial statements for the year ended 31 December 2019 based on the above decisions of the Board of Directors. These amended financial statements are approved by Board of Directors on 31 March 2020 are subject to the approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement.

These consolidated financial statements have been presented in Kuwaiti Dinar.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 28.

2.2 Changes in accounting policies and disclosures

Effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of IFRS 16 Leases from 1 January 2019 as summarised below and policy related to hedge mentioned in note 2.9.

Impact of adoption of IFRS 16 Leases

In the current year, the Group applied IFRS 16 Leases that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Instead, the Group has recognised the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings as at 1 January 2019. The accounting policies of this new standard are disclosed in Note 2.7. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is disclosed in Note 29

Accounting for maintenance of leased aircraft

The Group has contractual obligations to maintain aircraft held under leases. Previously, provisions were created over the term of the lease based on the estimated future costs of major airframe checks, engine shop visits and end of lease liabilities. Under IFRS 16, contractual maintenance obligations which are not dependent on the use of the aircraft are recognised in full on commencement of the lease. They are capitalised as part of the right of use asset at the inception of the lease and depreciated over the lease term. Contractual maintenance obligations which are dependent on the use of the aircraft are provided for over the term of the lease.

2.3 Standards issued but not yet effective

The following IFRSs have been issued/amended but is not yet effective and have not been early adopted by the Group. The Group will adopt them when they become effective.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Group anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, those outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

2.4 Business Combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets transferred, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Company separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Company uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

2.5 Consolidation

The Group consolidates the financial statements of the Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

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

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

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and profit or loss. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra Group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra Group transactions that are recognized in assets are eliminated in full. Intracompany losses that indicate an impairment is recognized in the consolidated financial statements.

When the Company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

Goodwill

Goodwill arising in a business combination is computed as the excess of the aggregate of: the consideration transferred; the non-controlling interests proportionate share in the recognized amounts of the acquiree's net identifiable assets at the acquisition date, if any; and in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Any deficit is a gain from a bargain purchase and is recognized directly in the consolidated statement of income.

Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of an entity include the carrying amount of goodwill relating to the entity or the portion sold.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated provisions for impairment, if any. The cost of property and equipment consists of their purchase price, other directly attributable costs incurred to bringing them up to operating condition and ready for their intended use and borrowing costs capitalised in accordance with the Group's accounting policy.

The cost of property and equipment less estimated residual values is depreciated on straight-line basis over their estimated useful lives as follows:

	Years
Leasehold improvements	5
Building	20
Furniture & equipment	3 - 5
Engines	15
Rotables	2 - 3
Vehicles	5

Capital work-in-progress is stated at cost. When the asset is ready for its intended use, it is transferred from capital work-in-progress to the appropriate category under property and equipment and is depreciated from that date.

Rotables are classified as property and equipment if they are expected to be used over more than one period and are depreciated over their useful lives.

An element of the cost of a new engine is attributed on acquisition to prepaid maintenance and is depreciated over a period of five years from the date of manufacture. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and major overhaul, are capitalised and depreciated over the length of the period benefiting from these enhancements. All other maintenance costs are charged to the income statement as incurred.

Repairs and maintenance costs are charged to the consolidated statement of income during the period in which they are incurred. Major modifications and improvements to property and equipment are capitalised and depreciated over the remaining useful life of the related asset.

The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The 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 income.

Manufacturers' credits

Credits received from manufacturers in connection with acquisition of aircraft and engines are reduced from the cost of the related aircraft and engines or are taken to consolidated statement of income, depending on the terms of the credit.

2.7 Leases

Policy applicable from 1 January 2019

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred for restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period. This is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income. The depreciation starts at the commencement date of the lease.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and lease back

The Group enters into sale and leaseback transactions whereby it sells either new or mid-life aircraft engines and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the consolidated statement of income to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

Policy applicable before 1 January 2019

Where the Group is the lessee

Operating lease

Leases of property and equipment under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to consolidated statement of income on a straight-line basis over the term of the lease.

Where the Group is the lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.8 Impairment of non-financial assets

If there is an indication that the carrying value of a non-financial asset such as property and equipment and right of use of assets is greater that its recoverable amount, it is tested for impairment and the asset is written down to its recoverable amount. Goodwill, if any, is tested, at least annually, for impairment.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In that case, they are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of property and equipment and goodwill.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal four to five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the four to five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. An impairment loss is recognized immediately in the consolidated profit or loss unless the relevant assets are carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previously recognized revaluation gain.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. That relating to goodwill cannot be reversed in a subsequent period.

2.9 Financial instruments

Classification of financial assets and financial liabilities

The Group classifies all its financial assets as "at amortised costs'.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at Fair Value through Profit or Loss. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Cash and bank balances, trade and other receivables and security deposits in the nature of financial assets and are classified as financial assets carried at amortised cost.

Financial liabilities

All financial liabilities are classified as "other than at fair value through profit or loss".

Recognition and de-recognition of financial assets and financial liabilities

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership of the financial asset, or when it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and when it no longer retains control over the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of income or in the statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

All financial assets or financial liabilities are initially measured at fair value including transaction costs that are directly attributable to the acquisition.

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Impairment of financial assets

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9.

The expected credit loss of a financial instrument is measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating range of possible outcomes; the time value of money; and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments except investments in equity instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

General approach

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

The Group incorporates forward-looking information based on expected changes in macro- economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized as the difference between the financial asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Any adjustments to the carrying amount of the financial asset arising from expected credit losses is recognized in profit or loss as an impairment gain or loss.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

Simplified approach

The Group applies the simplified approach to recognise lifetime expected credit losses for trade receivables. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component are categorised under stage 2 and lifetime ECL is recognised.

Event of default

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial assets are written off when there is no realistic prospect of recovery.

Derivative financial instruments

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk, interest rate risk and fuel price risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

In order to manage particular risks, the Group applies hedge accounting for transactions, which meet the specified criteria. At inception of the hedge relationship, the Group formal hedge accounting documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- 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 that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income (FVOCI) in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss on disposal of hedge item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the hedge reserve is reclassified immediately to profit or loss.

2.10 Inventories

Inventories, expendable parts and supplies are valued at the lower of weighted average cost and net realizable value after provision for slow moving and obsolete items.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current account with banks and time deposits with banks with original maturities not exceeding three months from acquisition date.

2.12 Post-employment benefits

The Group employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The present value of end of service indemnity payable, which is unfunded, is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date.

Re-measurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected within equity under "Other Reserves" and will not be reclassified to profit or loss.

Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognised.

2.13 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised service to a customer. The service is transferred when the customer obtains the control of service. The timing of the transfer of control of service, at point in time or over time, should be determined to recognise revenue. Accordingly, the specific revenue recognition criteria applied to significant elements of revenue is set out below:

Passenger revenue arises from the sale of flight seats, administration fees and service fees and is measured as the price paid by the customer. Passenger revenue is recognised when the performance obligation has been completed. This is when the flight takes place and revenue thus is recognised point in time. Amounts paid by 'no-show' customers are recognised as passenger revenue when the booked service is provided, as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Ancillary revenue includes revenue from the provision of checked baggage, allocated seating, change fees, inflight sales and cargo revenue. These are recognised when the performance obligation is complete, which is generally when the related flight takes place and is measured as the price paid by the customer for the service booked and thus revenue is recognised point in time.

Unearned revenue from flights not yet flown is held in the statement of financial position until the performance obligation is complete, when it is taken to statement of income.

The Group earns revenue from advertisement contracts which is recognised point over time in proportion to the period of contract.

2.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalised.

2.15 Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Group, it is the Kuwaiti Dinar and in the case of subsidiary it is their respective national currencies or the applicable foreign currency.

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of consolidated statement of financial position are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

2.16 Provisions for liabilities

Provisions for liabilities are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present obligation (legal or constructive) and the amount can be reliably estimated.

The Group, as a lessee, has a contractual obligation to repair and maintain leased aircraft to a level that meets specified redelivery conditions that aircraft airframes, engines, landing gear and auxiliary power units must meet at the end of the lease term. This requires the Group to schedule periodic maintenance for engine performance restoration and aircraft checks over the lease term to conform to aircraft manufacturer and regulatory specifications. The Group estimates the related maintenance costs based on the contractual reserve rates per hour or cycle in the related lease agreement and recognizes that amount in the statement of income for actual hours or cycles flown. This is subject to adjustment based on actual cost and engineering technical estimates derived from actual and estimated aircraft and engine usage to the next related maintenance check.

2.17 Fair value measurement

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments, fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.18 Income taxes

Income tax payable on profits is recognized as an expense in the period in which the profits arise, based on the applicable tax laws in each jurisdiction.

Deferred income tax is provided using the liability method on all temporary differences, at the date of the consolidated statement of financial position, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred tax assets are recognised for all temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each date of consolidated statement of financial position and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

2.19 Contingencies

Contingent assets are not recognised as an asset till realisation becomes virtually certain. Contingent liabilities are not recognized as liabilities unless, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present obligation (legal or constructive) and the amount can be reliably estimated.

3. Property and equipment

Kuwaiti Dinars

	Engines & rotables	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	Total
Cost						
As at 31 December 2017	8,551,829	2,125,741	2,167,366	28,986	5,810,029	18,683,951
Additions	1,384,420	576,619	818,264	-	6,999,882	9,779,185
Transfers	237,016	10,927,926	-	-	(11,164,942)	-
As at 31 December 2018	10,173,265	13,630,286	2,985,630	28,986	1,644,969	28,463,136
Additions	4,102,995	1,077,012	323,312	-	1,576,728	7,080,047
Transfers	520,498	1,548,789	464,989	-	(2,534,276)	-
Disposals	(7,631,958)	-	-	-	(63,240)	(7,695,198)
As at 31 December 2019	7,164,800	16,256,087	3,773,931	28,986	624,181	27,847,985
Depreciation						
As at 31 December 2017	1,471,550	1,310,216	2,109,330	23,448	-	4,914,544
Charge for the year	855,173	615,760	103,352	2,835	-	1,577,120
As at 31 December 2018	2,326,723	1,925,976	2,212,682	26,283	-	6,491,664
Charge for the year	1,452,540	995,077	258,007	1,621	-	2,707,245
Disposal	(2,170,259)	-	-	-	-	(2,170,259)
As at 31 December 2019	1,609,004	2,921,053	2,470,689	27,904	-	7,028,650
Net book value						
As at 31 December 2019	5,555,796	13,335,034	1,303,242	1,082	624,181	20,819,335
As at 31 December 2018	7,846,542	11,704,310	772,948	2,703	1,644,969	21,971,472

Leasehold improvements includes airport terminal and office building constructed on leasehold land amounting to KD 10,718,095 (31 December 2018: KD 10,452,287) and KD 1,187,777 (31 December 2018: KD 1,252,023) respectively.

Depreciation has been allocated in the consolidated statement of income as follows:

	Kuwaiti Dinars	
	2019	2018
Operating costs	2,451,364	1,474,097
General and administrative expenses	255,881	103,023
	2,707,245	1,577,120

4. Right of use assets

	Kuwaiti Dinars			
	Aircraft	**Aircraft engines**	**Leasehold land**	**Total**
Balance as of 1 January 2019	52,909,294	-	2,514,013	55,423,307
Add: Additions	34,056,343	2,913,926	-	36,970,269
Less: Depreciation	(9,394,795)	(40,420)	(266,975)	(9,702,190)
	77,570,842	2,873,506	2,247,038	82,691,386

The Group mostly leases aircraft and engines for its operations. Lease contracts are typically made for fixed periods of 6 to 14 years for aircraft, 2 to 12 years for the engines and 20 years for leasehold land.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

5. Advance for maintenance

This represents advance given to service provider for future maintenance of aircraft.

6. Security deposits

	Kuwaiti Dinars	
	2019	2018
Deposits with lessors	2,767,875	3,176,782
Other deposits	1,455,156	1,360,430
Expected credit loss	(6,984)	(12,403)
	4,216,047	4,524,809

The above is segregated as:

	Kuwaiti Dinars	
	2019	2018
Current	1,172,192	1,914,890
Non-current	3,043,855	2,609,919
	4,216,047	4,524,809

Deposits with lessors are payments made as security for any default in payment for lease rentals and maintenance obligation that the Group incurs under the lease contract. Any payment that is not expected to be reimbursed by the lessor is recognised immediately within operating expenses in the consolidated statement of income.

7. Trade and other receivables

	Kuwaiti Dinars	
	2019	2018
Trade receivables	3,362,722	1,727,353
Expected credit loss	(226,701)	(127,426)
	3,136,021	1,599,927
Prepayments	1,082,537	989,044
Other receivables	15,502,473	11,365,765
Others-credits receivables from engine manufacturer for warranty claimsand advance for maintenance	2,946,405	1,628,007
Derivative asset	681,899	-
Expected credit loss	(104,034)	(91,858)
	20,109,280	13,890,958
	23,245,301	15,490,885

The estimated total gross carrying amount of trade receivables and the ECL is as follows:

	Kuwaiti Dinars			
	2019		2018	
	Estimated total gross carrying amount at default	**Lifetime ECl**	**Estimated total gross carrying amount at default**	**Lifetime ECL**
Not due	2,853,613	2,791	1,539,145	2,099
30 - 90 days	145,770	2,335	45,580	231
Above 90 days	363,339	221,575	142,628	125,096
Total	3,362,722	226,701	1,727,353	127,426

The movement in the loss allowance:

	Kuwaiti Dinars	
	2019	2018
Opening balance	127,426	152,956
Charge for the year	99,275	-
Recoveries	-	(25,530)
	226,701	127,426

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Kuwaiti Dinars	
	2019	2018
Kuwaiti Dinars	5,584,028	1,768,868
US Dollars	17,265,227	13,243,519
UAE Dirham	45,196	13,553
Egyptian Pounds	41,573	132,660
Euro	60,206	15,084
Indian Rupees	264,419	365,324
Others	315,387	171,161
	23,576,036	15,710,169

8. Cash and bank balances

	Kuwaiti Dinars	
	2019	2018
Cash on hand	34,820	30,761
Current account with banks	3,520,247	3,303,510
Time deposits with banks	20,204,968	3,141,485
	23,760,035	6,475,756
Expected credit loss	(5,388)	(10,450)
Cash and cash equivalents in the statement of cash flows	23,754,647	6,465,306

The effective interest rate on time deposits as of 31 December 2019 was 2.80% to 3.90% (31 December 2018: 2.05% to 3%).

Cash and bank balances are denominated in the following currencies:

	Kuwaiti Dinars	
	2019	2018
Kuwaiti Dinars	21,781,895	4,008,510
US Dollars	384,645	1,092,438
UAE Dirham	153,395	7,997
Egyptian Pounds	177,445	143,095
Euro	29,350	30,558
Indian Rupees	207,131	677,911
Others	1,026,174	515,247
	23,760,035	6,475,756

9. Share capital

The authorised, issued and fully paid up share capital of the Parent Company as at 31 December 2019 is KD 20,000,000 (31 December 2018: KD 20,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2018: 200,000,000 shares of 100 fils each).

Dividend

The Annual General Assembly of the shareholders of the Parent Company held on 15 April 2019 approved the distribution of cash dividend of 35 fils per share to the shareholders, amounting to KD 7,000,000 for the year ended 31 December 2018 (31 December 2017: KD 7,000,000).

Proposed dividend

The Board of Directors, in their meeting held on 11 February 2020, recommended the distribution of a cash dividend of 67.5 fils per share, amounting to KD 13,500,000 for the year ended 31 December 2019 (31 December 2018: 35 fils per share amounting to KD 7,000,000) to the registered shareholders, which was subject to the approval of the annual general meeting. Subsequently, in their meeting held on 19 March 2020, the Board of Directors decided to cancel the decision on distribution of dividend for the year ended 31 December 2019.

10. Reserves

Legal reserve

In accordance with the Companies Law and the Parent Company's Articles of Association, 10% of net profit has to be appropriated to legal reserve. Accordingly, 10% of the profit before contributions to taxes has been appropriated to Legal Reserve. The legal reserve can be utilized only for distribution of a maximum dividend of up to 5% in years when the retained earnings are inadequate for this purpose.

Voluntary reserve

The Parent Company's Articles of Association stipulates that the Board of Directors shall propose appropriations to voluntary reserve, which should be approved by the shareholders. During the year, the Board of Directors did not propose any transfer to voluntary reserve. There is no restriction on the distribution of voluntary reserve.

11. Post-employment benefits

The Group measures its post-employment benefits liability using the projected unit credit method.

The Group provides post-employment benefits to its employees based on a defined benefit plan which is unfunded. The entitlement is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Kuwait Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

The plan typically exposes the Group to actuarial risks such as discount rate risk, salary risk and withdrawal risk.

- Discount rate risk: A decrease in the discount rate will increase the plan liability.
- Salary risk: The present value of the post-employment benefit plan liability is calculated by reference to the estimated future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the plan's liability.
- Withdrawal risk: Benefits are paid when an employee leaves employment either through resignation or retirement. The rate of withdrawal therefore affects the timing of the payment.

The most recent actuarial valuation of the present value of the post-employment benefit obligation was carried out at 31 December 2019. The present value of the post-employment benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions in determining the post-employment benefit obligation are discount rate of 3.5%, expected rate of salary increase of 3% and expected rate of withdrawal in the range of 5% to 30%.

Movements in the present value of the end of service benefits obligation in the current year were as follows:

	Kuwaiti Dinars
	2019
Balance at 1 January	2,370,783
Reduction in opening liability	(149,324)
Current service and interest cost	555,700
Benefits paid	(322,559)
	2,454,600

Sensitivity analysis on the post-employment benefits:

The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant:

- If the discount rate is higher/(lower) by 0.5%, the post-employment benefits obligation would decrease by KD 80,950 (increase by 87,350).
- If the expected salary growth is higher/(lower) by 0.5%, the post-employment benefits obligation would increase by KD 84,350 (decrease by KD 82,250).

The sensitivity analysis presented above may not be representative of the actual change in the end of service benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

12. Maintenance payables

The Group estimates maintenance payables of leased aircraft and related engines, landing gear and auxiliary power units based on its commitments as a lessee in the aircraft operating lease agreements.

13. Lease liabilities

	Kuwaiti Dinars
	2019
As on 1 January 2019	60,784,175
Additions	37,661,150
Finance Cost	2,495,034
Payments	(11,977,076)
	88,963,283

The above is segregated as:

	2019 Kuwaiti Dinars
Current	12,031,667
Non-current	76,931,616
	88,963,283

The Group does not have any lease contracts that contains variable lease payments not included in the measurement of lease liabilities.

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The Group's incremental borrowing ("IBR") rate applied to lease liabilities recognised in the statement of financial position on 31 December 2019 is 4%.

The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	Kuwaiti Dinars
	2019
Kuwait Dinars	2,530,629
US Dollars	86,432,654
	88,963,283

14. Trade and other payables

	Kuwaiti Dinars	
	2019	2018
Trade payables	7,872,342	7,576,649
Accrued expense	9,053,647	6,160,485
Tax payable	3,155,114	1,345,178
Staff leave payable	929,521	773,255
	717,525	1,202,373
	21,728,149	17,057,940

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	Kuwaiti Dinars	
	2019	2018
Kuwaiti Dinars	8,494,866	3,064,047
US Dollars	10,037,656	10,823,464
UAE Dirham	393,878	565,514
Egyptian Pounds	731,382	311,734
Indian Rupees	236,551	383,391
Euro	727,143	592,763
Others	1,106,673	1,317,027
	21,728,149	17,057,940

15. Revenue

Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	Kuwaiti Dinars	
	2019	2018
Passenger revenue	91,117,995	74,970,779
Ancillary revenue	7,806,089	5,950,347
Rental revenue	2,224,715	337,062
Passenger service fee	1,150,550	575,968
Facility ancillary revenue	905,655	338,371
Cargo revenue	493,644	196,843
	103,698,648	82,369,370

The Group has recognized the following liabilities related to contract with customers.

Contract liabilities

	Kuwaiti Dinars	
	31 December 2019	**1 January 2019**
Deferred revenue	4,712,704	4,295,196
	4,712,704	4,295,196

As permitted under IFRS 15, the Group does not disclose transaction price allocated to the remaining performance obligations as it primarily provides services that corresponds directly with the value transferred to the customer.

16. Operating costs

	Kuwaiti Dinars	
	2019	2018
Aircraft fuel	22,012,317	20,120,757
Overflying, landing and groundhandling charges	12,920,891	10,788,998
Staff costs	11,141,349	9,401,172
Lease maintenance	6,790,118	5,984,409
Depreciation	12,153,554	1,474,097
Aircraft maintenance	6,054,221	4,567,369
Lease rental	1,702,736	11,582,166
Finance cost on lease liabilities	2,495,034	-
Passenger meal	1,483,398	1,439,513
Reservation system expenses	1,327,772	896,503
Insurance	491,195	380,768
Others	3,980,588	3,199,392
	82,553,173	69,835,144

Lease rentals for the current year consist of short term lease payments.

17. General and administrative expenses

	Kuwaiti Dinars	
	2019	2018
Staff costs	3,173,305	2,551,502
Marketing	1,177,803	1,294,453
Depreciation	255,881	103,023
Rent	136,386	243,868
Professional and consultancy	296,686	275,532
Travel	172,771	154,252
Others	1,684,379	1,084,440
	6,897,211	5,707,070

18. Gain on sale and lease back

During the year, the Group completed the sale and leaseback of two engines (2018: Nil) and recorded a gain of KD 1,159,835. Engines sold are leased back for a period ranging from 2 to 12 years. The lease payments are fixed in nature. The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

19. Earnings per share

Earnings per share is calculated based on the earnings attributable to the equity shareholders of the Group for the year and the weighted average number of shares outstanding, as follows:

	2019	2018
Earnings for the year (in Kuwaiti Dinar)	14,941,197	6,667,292
Weighted average number of shares outstanding	200,000,000	200,000,000
Earnings per share (fils) - Basic and Diluted	74.71	33.34

20. Related party transactions and balances

In the ordinary course of business, the Group enters into transactions with related parties (directors, key managerial personnel and Group companies). Pricing policies and terms of these transactions are approved by the management. Transactions and balances with related parties not disclosed elsewhere in these financial statements are as follows:

	Kuwaiti Dinars	
	2019	2018
Balance		
Due from related parties	47,038	7,853
Transactions		
Sales and services	409,397	291,659
General and administrative expenses	721,813	535,462
Key management compensation		
Salaries and other employment benefits	805,407	792,645

21. Taxes

The Group has exemptions from tax liability under bilateral tax agreement with countries to which it operates passenger flights. However, the Group is contingently liable for any taxes that may finally be determined by the taxation authorities of those countries.

The Group is liable for alternate minimum tax on sale of four aircraft owned by Sahaab Aviation LLC, incorporated in the United States of America. In 2017, the Group paid this tax based on tax return filed and is awaiting the final tax assessment order.

22. Segment information

The Group's operating segment is the operation of passenger airline service and operation and maintenance of Terminal.

Following is the segment information of the year ended 31 December:

	Passenger airline service		Terminal operations		Total	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Segment revenue	99,417,728	81,117,971	4,280,920	1,251,399	103,698,648	82,369,370
Segment expenses	84,146,027	73,794,978	3,059,391	1,821,077	87,205,418	75,616,055
Gain on sale and lease back	1,159,835	-	-	-	1,159,835	-
Interest income (included in Other income)	415,728	295,540	-	-	415,728	295,540
Finance costs	2,537,834	73,202	123,161	-	2,660,995	73,202
Segment results	14,309,430	7,545,331	1,098,368	(569,678)	15,407,798	6,975,653
Assets:						
Segment assets	155,225,374	50,343,002	11,427,851	12,523,143	166,653,225	62,866,145
Liabilities:						
Segment liabilities	122,802,296	23,951,367	3,608,590	1,078,366	126,410,886	25,029,733
Capital expenditure	6,061,947	5,463,619	1,018,100	4,315,566	7,080,047	9,779,185
Depreciation	11,504,757	979,383	904,678	597,737	12,409,435	1,577,120

23. Derivative financial instruments

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data. The Group enters into Brent-oil forward contracts to hedge fuel price risks and these derivatives are designated as hedging instruments.

These fuel forward contracts are treated as cash-flow hedges of forecast fuel purchases for risks arising from the commodity price of fuel.

31 December 2019:	Kuwaiti Dinars	**Nominal quantity by term to maturity**		
	Positive fair value	**Within 3 months**	**3- 24 months**	**Notional quantity**
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	837,562	75,000	425,000	500,000

31 December 2018:	Kuwaiti Dinars	**Nominal quantity by term to maturity**		
	Positive fair value	**Within 3 months**	**3- 24 months**	**Notional quantity**
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	NIL	NIL	NIL	NIL

24. Contingent liabilities and Commitments

	Kuwaiti Dinars	
	2019	2018
Capital Commitments	383,800	1,229,830
Bank guarantees	22,351,703	5,872,103
	22,735,503	7,101,933

At 31 December 2019, the Group is committed to KD 243,377 for short-term leases.

The Kuwait's Ministry of Defence has raised a claim for an incident involving a Group's aircraft. The Group is fully insured against such incidents, and on the basis of legal advice, believes that the possibility of any loss on account of the claim is remote.

25. Operating lease arrangements

Group as a lessor

Operating leases, in which the Group is the lessor, relates space leased at the Terminal. These contracts does not contain any market review clauses in the event that the lessee exercise its option to renew. The lessee does not have an option to purchase at the expiry of the lease period.

Maturity analysis of operating lease receivable.

	Kuwaiti Dinars	
	2019	2018
Not later than 1 year	1,710,612	1,191,932
Later than 1 year but not later than 5 years	4,354,718	2,030,378
Later than 5 years	186,312	-
	6,251,642	3,222,310

26. Financial risk management

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. Risk management is carried out by the Group Finance function under policies approved by the Board of Directors. This function identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas such as foreign currency risk, interest rate risk, credit risk and investment of excess liquidity.

The significant risks that the Group is exposed to are discussed below:

(a) Market risk

(i) Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign currency exchange rates. The Group operates internationally and is exposed to foreign currency risk arising from various currency exposures. Foreign currency risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Group management has set up a policy that requires Group companies to manage their foreign currency risk against their functional currency. Foreign currency risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as trade and other receivables, deposits, cash and cash equivalents, trade and other payables and lease liabilities. The Group's exposure to foreign currencies have been disclosed in the Notes relating to the respective financial instruments.

If as at 31 December 2019, Kuwaiti Dinars had weakened against the major currencies by 5% with all other variables held constant the net impact on the profit/equity, as of 31 December 2018, is shown below:

	Kuwaiti Dinars	
	Impact on profit	
Currency	**2019**	2018
US Dollars	(3,941,022)	175,625
UAE Dirham	(9,764)	(27,198)
Egyptian Pounds	(25,618)	(1,799)
Euro	(7,350)	(16,887)
Indian Rupees	(12,780)	22,524
Others	11,744	(31,531)
Net impact	(3,984,790)	120,733

A 5% strengthening of the Kuwaiti Dinars against the above currencies would have had the equal but the opposite effect on profit for the year.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from time deposits with banks. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of income of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements wherever necessary.

At 31 December 2019, if interest rates at that date had been 50 basis points higher with all other variables held constant, profit for the year would have been higher by KD 17,727 (31 December 2018: profit would have been higher by KD 15,707).

A 50 basis points decrease in the interest rates at the date of statement of financial position would have had the equal but the opposite effect on profit for the year.

(iii) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market.

The Group is not exposed to equity price risk as it does not have any financial instrument exposed to equity price risk.

(iv) Fuel price risk

The airline industry is exposed to fluctuations in the price of jet fuel. The Group manages this risk by closely monitoring actual and forecasted jet fuel cost. The Group may use jet fuel commodity rate swaps to achieve a level of control over jet fuel costs so that profitability is not adversely affected.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group's to credit risk, consist principally of bank deposits and receivables. The Group manages this risk by placing deposits with high credit rating financial institutions. Credit risk with respect to receivables is limited due to the Group's credit management policies and dispersion across large number of customers.

The following table contains an analysis of the maximum credit risk exposure of financial instruments for which an ECL allowance is recognized:

	ECLApproach	Kuwaiti Dinars	
		2019	2018
Security deposits	General	4,216,047	4,524,809
Trade receivables	Simplified	3,362,722	1,727,353
Other receivables	General	15,502,473	11,365,765
Bank balances	General	23,725,215	6,444,995
Less: ECL		(343,107)	(242,138)
		48,069,230	23,820,784

The Group uses the low credit risk exemption based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk. All balances are placed with counter parties who are under investment grade credit rating except for KD 77,466 which is under non-investment grade credit rating.

Other receivables and Security deposits are due mainly from lessors of aircraft and deposits placed with airport authorities at various countries in which the Group operates. The Group does not hold any collateral or credit enhancement to cover its credit risks associated over these receivables.

The trade receivables largely comprise of amounts receivable from reputed travel agents and are substantially secured by bank guarantees. Concentration of credit risk is limited due to these agents being unrelated. The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Liquidity risk management includes maintaining sufficient cash, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Kuwaiti Dinars			
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2019				
Trade and other payables	21,728,149	-	-	-
Lease liabilities	15,318,642	15,179,626	25,828,464	47,961,144
	37,046,791	15,179,626	25,828,464	47,961,144
At 31 December 2018				
Trade and other payables	17,057,940	-	-	-
	17,057,940	-	-	-

27. Capital risk management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt. As at 31 December 2019 and 31 December 2018, the Group did not have any borrowing.

28. Critical accounting judgments and estimates

The Group makes estimates and assumptions that may affect amounts reported in these consolidated financial statements. Estimates are revised if changes occur in the circumstances on which the estimates were based. The areas where estimates and assumptions are significant to the financial statements, or areas involving a higher degree of judgement, are:

Leased aircraft maintenance costs

The Group incurs liabilities for maintenance costs in respect of its leased aircraft during the course of the lease term. A charge is made in the consolidated 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. Additional maintenance costs for aircraft engines are considered for accrual based on the engineering technical estimates of operational requirements. This requires a significant level of judgment to determine the estimated flying hours and cycles up to the next due and planned checks and the related cost at that time.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. Refer note 2.9 classification of financial assets for more information.

Impairment of financial assets

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through consolidated statement of income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer note 2.9 impairment of financial assets for more information.

Useful lives of property and equipment

The Group determines the estimated useful lives and residual values of property and equipment. Estimated useful lives could change significantly as a result of change in technology. The depreciation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management's judgements.

Accruals 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.

Extension and termination options in lease contracts

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable both by the Group and the respective lessor. 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 assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate. Management has applied judgments and estimates to determine the IBR at the commencement of lease.

29. Impact of adoption of IFRS 16

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement income;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Cost of Operations' in consolidated statement of income.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The Group's incremental borrowing ("IBR") rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 4%.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

	Kuwaiti Dinars
	2019
Operating lease commitments disclosed as at 31 December 2018	63,554,706
Add: adjustments as a result of different treatment of extension options	3,762,500
Add: in substance lease adjustments	2,384,830
	69,702,036
Discounted using the lessee's incremental borrowing rate of at the date of initial application	60,784,175

The Group has recognised KD 55,423,307 of right-of-use assets and KD 60,784,175 of lease liabilities upon transition to IFRS 16. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

30. Comparatives

Certain prior year amounts have been reclassified to conform with current presentation but with no effect on net profit or shareholder's equity.

31. Subsequent event

The outbreak of Novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group considers this event to be a non-adjusting event after the reporting period and therefore has not made any adjustments to the consolidated financial statements as a result of this matter. The outcome of this event is unknown and therefore the impact on the Group cannot be reasonably quantified at the date of issuance of these consolidated financial statements. Management is in the process of reassessing their trading and relevant cash flows using revised assumptions and incorporating down side scenarios. From the analysis performed so far, no liquidity crunch or matters having any impact on financial covenants have been identified. Management will continue to monitor the situation closely and utilize committed facilities, seek additional facilities, or take additional measures as a fall back plan in case the period of disruption becomes prolonged. These and other relevant matters will be considered in the determination of the Group's estimates in 2020.