

**Jazeera Airways K.S.C.P.
Kuwait**

**Condensed Consolidated Interim Financial Information (Unaudited)
and
Independent Auditor's Review Report
31 March 2020**

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REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF JAZEERA AIRWAYS K.S.C.P.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C.P. ("the Parent Company") and its subsidiary (together called "the Group") as at 31 March 2020, and the related condensed consolidated statements of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 1 of 2016 and its executive regulations or of the Memorandum of Incorporation and Articles of Association, as amended, of the Parent Company, during the three months period ended 31 March 2020, that might have had a material effect on the business of the Parent Company or on its financial position.



Talal Y. Al-Muzaini
License No. 209A
Deloitte & Touche
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Kuwait
12 August 2020

**Condensed Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2020**

	Note	Kuwaiti Dinars		
		31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
ASSETS				
Non-current assets				
Property and equipment	4	21,082,437	20,819,335	21,602,587
Right to use of asset	5	91,152,847	82,691,386	53,070,416
Advance for maintenance		13,232,847	11,613,952	13,890,662
Security deposits		2,961,475	3,043,855	2,294,709
		<u>128,429,606</u>	<u>118,168,528</u>	<u>90,858,374</u>
Current assets				
Inventories		321,755	312,557	244,204
Security deposits		1,134,392	1,172,192	1,914,890
Trade and other receivables		17,559,561	23,245,301	15,695,055
Cash and bank balances	6	33,445,387	23,754,647	11,352,179
		<u>52,461,095</u>	<u>48,484,697</u>	<u>29,206,328</u>
Total assets		<u>180,890,701</u>	<u>166,653,225</u>	<u>120,064,702</u>
LIABILITIES AND EQUITY				
Equity				
Share capital	7	20,000,000	20,000,000	20,000,000
Legal reserve		5,835,242	5,835,242	4,294,462
Hedge reserve		(4,615,764)	837,562	-
Retained earnings		7,550,898	13,569,535	9,230,883
Total equity		<u>28,770,376</u>	<u>40,242,339</u>	<u>33,525,345</u>
Non-current liabilities				
Post employment benefits		2,554,179	2,454,600	2,541,645
Maintenance payables		10,096,296	8,552,150	1,316,226
Lease liabilities	8	82,416,517	76,931,616	48,675,136
Murabaha payables	9	6,630,070	-	-
		<u>101,697,062</u>	<u>87,938,366</u>	<u>52,533,007</u>
Current liabilities				
Trade and other payables		26,562,042	21,728,149	19,206,221
Deferred revenue		764,866	4,712,704	4,953,799
Lease liabilities	8	17,581,042	12,031,667	9,846,330
Murabaha payables	9	369,930	-	-
Bank overdrafts	6	5,145,383	-	-
		<u>50,423,263</u>	<u>38,472,520</u>	<u>34,006,350</u>
Total liabilities and equity		<u>180,890,701</u>	<u>166,653,225</u>	<u>120,064,702</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.


Mohammad J M Almousa
Vice-chairman

**Jazeera Airways K.S.C.P.
Kuwait**

**Condensed Consolidated Statement of Income (Unaudited) -
Three months ended 31 March 2020**

	Note	Kuwaiti Dinars	
		Three months ended 31 March	
		2020	2019
Revenue	10	18,962,737	21,288,274
Operating costs	11	(21,021,237)	(17,078,827)
Operating (loss)/profit		<u>(2,058,500)</u>	<u>4,209,447</u>
Other operating (expenses)/ income		(660,586)	52,493
General and administrative expenses	12	(1,904,128)	(1,826,977)
Finance costs		(97,088)	(659,627)
Foreign currency (loss)/gain		(1,244,120)	(128,818)
Expected Credit Loss (ECL) - financial assets		(54,215)	(101,333)
(Loss)/profit before contribution and taxes		<u>(6,018,637)</u>	<u>1,545,185</u>
Zakat		-	(17,722)
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(14,497)
National Labour Support Tax		-	(44,304)
(Loss)/profit for the period		<u>(6,018,637)</u>	<u>1,468,662</u>
Attributable to:			
Shareholders of the Parent Company		<u>(6,018,637)</u>	<u>1,468,662</u>
(Loss)/earnings per share (fils)			
Basic & diluted	13	(30.09)	7.34

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**Jazeera Airways K.S.C.P.
Kuwait**

**Condensed Consolidated Statement of Comprehensive Income (Unaudited) -
Three months ended 31 March 2020**

	Kuwaiti Dinars	
	Three months ended 31 March	
	2020	2019
Profit/(Loss) for the period	(6,018,637)	1,468,662
Other comprehensive income		
Items that may be reclassified subsequently to statement of income		
Hedge Reserve – Cash flow hedge	(5,453,326)	-
Total comprehensive income for the period	(11,471,963)	1,468,662
Attributable to:		
Shareholders of the Parent Company	(11,471,963)	1,468,662

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**Jazeera Airways K.S.C.P.
Kuwait**

**Condensed Consolidated Statement of Changes in Equity (Unaudited) –
Three months ended 31 March 2020**

	Kuwaiti Dinars				
	Share capital	Legal reserve	Hedge Reserve	Retained earnings	Total equity
At 1 January 2020	20,000,000	5,835,242	837,562	13,569,535	40,242,339
Total comprehensive income for the period	-	-	(5,453,326)	(6,018,637)	(11,471,963)
At 31 March 2020	<u>20,000,000</u>	<u>5,835,242</u>	<u>(4,615,764)</u>	<u>7,550,898</u>	<u>28,770,376</u>
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	-	-	-	(5,779,729)	(5,779,729)
Balance as at 1 January 2019 (restated)	20,000,000	4,294,462	-	7,762,221	32,056,683
Total comprehensive income for the period	-	-	-	1,468,662	1,468,662
At 31 March 2019	<u>20,000,000</u>	<u>4,294,462</u>	<u>-</u>	<u>9,230,883</u>	<u>33,525,345</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows (Unaudited) –
Three months ended 31 March 2020

		Kuwaiti Dinars	
		31 March 2020	31 March 2019
Note		(Unaudited)	(Unaudited)
Cash flows from operating activities			
	(Loss)/Profit for the period	(6,018,637)	1,468,662
	<i>Adjustments for:</i>		
	Depreciation	3,926,359	2,875,535
	Finance costs	1,021,395	659,627
	Foreign exchange loss	1,244,120	128,818
	Provision for post-employment benefits	186,090	220,829
	Interest on security deposit	(16,113)	(15,398)
	Expected Credit Losses on financial assets	54,215	101,333
	Operating profit before working capital changes	397,429	5,439,406
	(Increase)/decrease in inventories	(9,198)	2,909
	Increase/(decrease) in trade and other receivables	5,735,627	(636,962)
	Increase in maintenance payables	1,544,146	10,412
	(Decrease)/increase in trade and other payables	(635,086)	2,019,462
	(Decrease)/increase in deferred revenue	(3,947,838)	658,603
	(Increase)/decrease in advance for maintenance	(1,618,895)	275,897
	Decrease/(increase) in security deposit	164,936	(55,012)
	Post-employment benefits paid	(86,511)	(49,966)
	Net cash from operating activities	<u>1,544,610</u>	<u>7,664,749</u>
Cash flows from investing activities			
	Purchase of property and equipment (net of disposal)	(926,131)	(244,599)
	Net cash used in investing activities	<u>(926,131)</u>	<u>(244,599)</u>
Cash flows from financing activities			
	Payment for lease liability	(2,976,034)	(2,531,392)
	Finance costs paid	(97,088)	(1,885)
	Murabaha payable facility	7,000,000	-
	Net cash from/(used in) financing activities	<u>3,926,878</u>	<u>(2,533,277)</u>
	Net increase in cash and cash equivalents	4,545,357	4,886,873
	Cash and cash equivalents at beginning of period	6 23,754,647	6,465,306
	Cash and cash equivalents at end of period	6 <u>28,300,004</u>	<u>11,352,179</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

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.

The objects of the Parent Company are –

- Air transportation and related activities
- Investing surplus funds in investment and real estate portfolios managed by specialized companies or entities.

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

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

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 12 August 2020.

2. Basis of preparation and significant accounting policies

This condensed consolidated interim financial information of the Group is prepared in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting.

This condensed consolidated interim financial information does not contain all information and disclosures required for complete consolidated financial information prepared in accordance with International Financial Reporting Standards ("IFRS"). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in this condensed consolidated interim financial information. Operating results for the three months ended 31 March 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020. For more details, refer to the annual audited consolidated financial information of the Group for the financial year ended 31 December 2019.

The condensed consolidated interim financial information is presented in Kuwaiti Dinars ("KD").

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities.

Effective from March 7, 2020 the Director General of Civil Aviation (DGCA), Kuwait suspended inbound and outbound flights to Kuwait from 7 countries as a preventive measure to contain the spread of COVID-19. Further, the oil prices also witnessed unprecedented volatility during this period.

From March 13, 2020 the aircraft were completely grounded and with limited operation in April to June 2020 for repatriation flight and cargo-only flights. The economic fallout of COVID-19 crisis is significant and is evolving impacting the key performance indicators of the Group.

Business continuity planning and liquidity management

The Group is closely monitoring the situation and has activated its business continuity plan and other risk management practices to manage the business disruption in order to boost the liquidity and sustain the business.

The management made a number of decisions, including reorienting aircraft for cargo flights, reducing costs, negotiating with lessors for deferral and concessions of lease payments, identifying additional opportunities to increase liquidity such as cancellation of dividend and postponing planned capital expenses. To date, the Group has reached agreements with a number of counterparties on deferral and/or restructuring of payments; negotiations are underway with lessors and aircraft manufacturers to delay the delivery of aircraft.

- Cancellation of dividend of 67.5 fils per share, amounting to KD 13,500,000 for the year ended 31 December 2019 which was approved by the shareholders in the AGM (see note 7)
- Deferral of all non- essential costs and all capital expenditures;

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2020

- Voluntary salary reduction for all employees of 50% effective March 1, 2020 for a period of 7 months;
- Reduction in the total head count of staff.
- Seeking waivers from the Kuwait Government for all charges levied by Airports, Fuel and other government organisations.
- Seeking waivers from the various key service providers;
- Seeking waivers from aircraft and engine Lessors from payment of lease rent for the aircraft;
- Drawing down of murabaha payables facility which were earlier not used and new facilities to help build a war chest to weather the challenges. As at the reporting date, the Group has a sound liquidity position with KD 33.4 million of available funds;

The Group also constructed a medical facility at the Kuwait Airport to conduct medical checks on all arriving passengers under the supervision of the Ministry of Health to help in identifying infected passengers for quarantining.

Depending on the easing of lockdowns and travel restrictions around the world, the Group will make a gradual return to service and serve its passengers. The Group will adapt its operating procedures to ensure its passengers and its people are properly protected in this new environment and in line with any new requirements in the industry.

The DGCA have announced a gradual resumption of operations from 1 August 2020.

The Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed consolidated interim financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustments to the condensed consolidated interim financial information. Refer note 18 on the impact of COVID-19 on the significant accounting estimates and judgements.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. At the present time the projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unchanged from 31 December 2019. As a result, these condensed consolidated interim financial information have been appropriately prepared on a going concern basis.

3. Changes in accounting policy and disclosures

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial information for the year ended 31 December 2019.

Lease Modification

In May 2020, IASB issued amendment to IFRS 16 that allowed lessees to apply a practical expedient which permits them not to assess whether rent concessions that occur as a direct consequence of the COVID-19 pandemic and meets below specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications.

- a. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b. any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- c. there is no substantive change to other terms and conditions of the lease.

Accordingly the Group has reassessed the lease liability based on the concession terms agreed with the lessor and elected not apply the above practical expedient.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2020

4. Property and equipment

	Kuwaiti Dinars					
	Engines & rotables	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	Total
Cost						
As at 31 December 2019	7,164,800	16,256,087	3,773,931	28,986	624,181	27,847,985
Additions	-	223,428	38,921	-	694,733	957,082
Disposals	-	-	-	-	(30,951)	(30,951)
As at 31 March 2020	<u>7,164,800</u>	<u>16,479,515</u>	<u>3,812,852</u>	<u>28,986</u>	<u>1,287,963</u>	<u>28,774,116</u>
Depreciation						
As at 31 December 2019	1,609,004	2,921,053	2,470,689	27,904	-	7,028,650
Charge for the period	270,329	291,959	100,585	357	-	663,230
As at 31 March 2020	<u>1,879,333</u>	<u>3,213,012</u>	<u>2,571,274</u>	<u>28,261</u>	<u>-</u>	<u>7,691,880</u>
Net book value						
As at 31 March 2020	<u>5,285,467</u>	<u>13,266,503</u>	<u>1,241,578</u>	<u>725</u>	<u>1,288,164</u>	<u>21,082,437</u>
As at 31 December 2019	<u>5,555,796</u>	<u>13,335,034</u>	<u>1,303,242</u>	<u>1,082</u>	<u>624,181</u>	<u>20,819,335</u>
As at 31 March 2019	<u>7,517,581</u>	<u>11,511,387</u>	<u>806,299</u>	<u>2,151</u>	<u>1,765,169</u>	<u>21,602,587</u>

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

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2020	2019
Operating costs	562,345	329,511
General and administrative expenses	100,885	283,973
	<u>663,230</u>	<u>613,484</u>

5. Right of use assets

	Kuwaiti Dinars			
	Aircraft	Aircraft engines	Leasehold land	Total
Cost				
As at 31 December 2019	86,965,637	2,913,926	2,514,013	92,393,576
Additions	10,782,311	-	1,108,276	11,890,587
Modification	(165,997)	-	-	(165,997)
As at 31 March 2020	<u>97,581,951</u>	<u>2,913,926</u>	<u>3,622,289</u>	<u>104,118,166</u>
Depreciation				
As at 31 December 2019	9,394,795	40,420	266,975	9,702,190
Charge for the period	3,120,163	77,547	65,419	3,263,129
As at 31 March 2020	<u>12,514,958</u>	<u>117,967</u>	<u>332,394</u>	<u>12,965,319</u>
Net book value				
As at 31 March 2020	<u>85,066,993</u>	<u>2,795,959</u>	<u>3,289,895</u>	<u>91,152,847</u>
As at 31 December 2019	<u>77,570,842</u>	<u>2,873,506</u>	<u>2,247,038</u>	<u>82,691,386</u>
As at 31 March 2019	<u>50,645,564</u>	<u>-</u>	<u>2,424,852</u>	<u>53,070,416</u>

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2020

6. Cash and bank balances

	Kuwaiti Dinars		
	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Cash on hand	61,724	34,820	34,004
Current account with banks	1,281,156	3,520,247	3,860,194
Time deposits with banks	32,104,967	20,204,968	7,487,768
	<u>33,447,847</u>	<u>23,760,035</u>	<u>11,381,966</u>
Expected credit loss	(2,460)	(5,388)	(29,787)
	<u>33,445,387</u>	<u>23,754,647</u>	<u>11,352,179</u>
Overdraft	(5,145,383)	-	-
Cash and cash equivalents in the statement of cash flows	<u>28,300,004</u>	<u>23,754,647</u>	<u>11,352,179</u>

The effective interest rate as of 31 March 2020 was 2.07% to 3.89 % (31 December 2019: 2.8% to 3.9%, 31 March 2019: 2.8% to 3.37%). Overdraft facility is from a local banks and carries effective interest rate of 1% to 1.5% per annum over the Central Bank of Kuwait discount rate ("CBDR").

7. Share capital

The authorised, issued and fully paid up share capital of the Parent Company as at 31 March 2020 is KD 20,000,000 paid in cash (31 December 2019: KD 20,000,000; 31 March 2019: KD 20,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2019: 200,000,000 shares of 100 fils each; 31 March 2019: 200,000,000 shares of 100 fils each).

The Annual General Assembly of the shareholders of the Group held on 22 June 2020 approved Board of Director's recommendation to not distribute dividends to the shareholders for the year ended 31 December 2019 (31 December 2018: KD 7,000,000: 35 fils per share).

8. Lease liabilities

	Kuwaiti Dinars		
	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
At the beginning of the period/year	88,963,283	60,784,175	60,784,175
Additions	11,890,587	37,617,177	-
Modification	(165,997)	-	-
Finance Cost	924,307	2,495,034	657,742
Payments	(2,976,034)	(11,977,076)	(2,531,292)
Foreign currency loss/(gain)	1,361,413	43,973	(389,059)
At the end of the period/year	<u>99,997,559</u>	<u>88,963,283</u>	<u>58,521,466</u>

	Kuwaiti Dinars		
	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Current	17,581,042	12,031,667	9,846,330
Non-current	82,416,517	76,931,616	48,675,136
	<u>99,997,559</u>	<u>88,963,283</u>	<u>58,521,466</u>

The Group's weighted average incremental borrowing rate applied to the modified lease contracts was 4%.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2020

9. Murabaha payables

During the period, the Company had drawn an amount of KD 7,000,000 from an existing facility with a local commercial bank repayable in 5 years. The facility carries finance cost of 1% over CBDR.

10. Revenue

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2020	2019
Passenger revenue	16,143,267	18,657,957
Ancillary revenue	1,843,672	1,641,684
Facility ancillary revenue	160,686	191,461
Lease revenue	437,189	467,558
Passenger service fees	267,643	246,216
Cargo revenue	110,280	83,398
	<u>18,962,737</u>	<u>21,288,274</u>

11. Operating cost

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2020	2019
Aircraft fuel	4,773,016	4,630,461
Overflying, landing and ground handling charges	3,285,629	2,841,516
Staff costs	2,742,315	2,761,918
Depreciation (Refer Note 4&5)	3,825,474	2,412,222
Lease maintenance	1,562,598	-
Aircraft maintenance	1,874,828	2,962,239
Finance cost	924,307	-
Lease rental	250,059	-
Catering expenses	65,009	312,220
Insurance	225,231	105,914
Others	1,492,771	1,052,337
	<u>21,021,237</u>	<u>17,078,827</u>

12. General and administrative expenses

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2020	2019
Staff costs	980,726	754,227
Marketing	265,472	216,744
Depreciation (Refer Note 4)	100,885	283,936
Professional and consultancy	103,458	56,997
Travel	41,291	34,990
Rent	4,150	33,718
Others	408,146	446,365
	<u>1,904,128</u>	<u>1,826,977</u>

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2020

13. Earnings per share

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

	Three months ended 31 March (Unaudited)	
	2020	2019
Earnings for the period (in Kuwaiti Dinar)	(6,018,637)	1,468,662
Weighted average number of shares outstanding	200,000,000	200,000,000
Earnings per share (fils) – Basic & Diluted	(30.09)	7.34

14. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. 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 Group's management. Transactions and balances with related parties not disclosed elsewhere in this condensed consolidated interim financial information are as follows:

	Kuwaiti Dinars		
	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Balances			
Due from a related party	55,787	47,038	14,182

	Kuwaiti Dinars	
	2020	2019
Transactions		
Sales and services	71,475	61,152
General and administrative expenses	125,653	221,644
Key management compensation		
Salaries and other employment benefits	175,177	212,580

15. 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 three months ended 31 March:

	Kuwaiti Dinars					
	Passenger airline Service		Terminal operations		Total	
	2020	2019	2020	2019	2020	2019
Segment revenue	18,097,218	20,389,290	865,519	898,984	18,962,737	21,288,274
Segment expenses	22,609,636	18,361,614	689,756	774,341	23,299,392	19,135,955
Interest income (included in Other income)	(660,587)	52,493	-	-	(660,587)	52,493
Finance costs	995,374	631,362	26,201	28,265	1,021,395	659,627
Segment results	(6,168,379)	1,448,807	149,742	96,378	(6,018,637)	1,545,185
Assets:						
Segment assets	165,716,113	105,035,400	15,174,588	15,029,302	180,890,701	120,064,702
Liabilities:						
Segment liabilities	147,701,908	82,647,907	4,418,417	3,891,450	152,120,325	86,539,357
Capital expenditure	515,533	145,986	410,598	98,613	926,131	244,599
Depreciation	3,638,362	2,605,085	287,997	270,487	3,926,359	2,875,572

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

31 March 2020:	Kuwaiti Dinars	Nominal quantity by term to maturity		
		Negative fair value	Within 3 months	3- 24 months
<i>Derivatives held for hedging:</i>	4,615,764	25,000	910,000	935,000
<i>Cash flow hedges-Commodity (oil) forward contracts</i>				

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2020

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

17. Commitments and contingent liabilities

	Kuwaiti Din7rs		
	31 March 2020 (Unaudited)	31 December 2019 (Audited)	31 March 2019 (Unaudited)
Capital Commitments	717,205	383,800	1,172,309
Bank guarantees	24,929,602	22,351,703	12,311,141
	<u>25,646,807</u>	<u>22,735,503</u>	<u>13,483,450</u>

The above bank guarantee include guarantee to the lessors amounting to KD 18,885,200 for the aircraft maintenance in lieu of payments for Maintenance Reserve under the lease agreement.

18. Impact of COVID-19

The financial results of the Group in the future periods will continue to depend on the pace of recovery in demand for air travel in the world.

The management cannot, at this stage, reliably estimate recovery. Given the unpredictability of the duration and magnitude of the COVID-19 pandemic in the world, the actual impact on the Group's future profitability, financial position and cash flows may differ from current estimates and assumptions made.

Impairment of non-financial assets

In accordance with IAS 36 "Impairment of assets", at the end of each reporting period, an entity is required to assess whether there is any indication that any non-monetary assets, like ROU asset, may be impaired. The impact of COVID - 19 on the airline industry is such a trigger event. The Group has conducted the impairment test with the recoverable value determined by reference to the value in use. To forecast cash flows, the Group business plan was adopted as the basis, considering the reduction in demand for air transportation in 2020-2021 in connection with a COVID-19 pandemic and return to pre-crisis performance after that with the following assumptions:

- i) The economic situation in Kuwait: maintaining the growth rate of the economy, maintaining demand through savings, maintaining the supply volume on the scheduled passenger transportation market;
- ii) After cancellation of restrictions will be 2-3 flights per week to the capitals of large countries. Recovery due to deferred demand and maintaining business traffic;
- iii) Pre-crisis assumptions are adopted going forward from 2022.

The discount rate used (WACC) was 9.5% p.a. for the entire forecasting period and a terminal growth rate of Nil. Based on the aforementioned test, no impairment was recognised.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2020

The Group has also performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors results in any impairment.

Derivative financial instruments

The Group has outstanding derivative contracts which were purchased to reduce commodity price risk arising from variability in the price of oil. These fuel forward contracts are treated as cash-flow hedges of forecast fuel purchases for risks arising from the commodity price of fuel.

Hedge ineffectiveness and discontinuation

As a result of the reduction in the operations due to COVID-19 pandemic, the Group's consumption for jet fuel were significantly reduced, causing a proportion of derivatives previously considered as hedge to become ineffective. As a result, a net charge of KD 938,997 was recognised in other operating (expenses)/income in the condensed consolidated statement of income primarily due to the discontinuation of hedge accounting for impacted derivatives.

In assessing whether future exposures are still expected to occur, the Group made estimates regarding future jet fuel consumption requirements (Refer Note 16). These estimates used assumptions based on the length of anticipated fleet grounding, the expected recovery of customer demand and subsequent flying schedule.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments. Based on management assessment there are no additional provision to be recognized or contingent liabilities to be disclosed.