

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

**Condensed Consolidated Interim Financial Information (Unaudited)  
and  
Independent Auditor's Review Report  
30 June 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 Company") and its subsidiary (together called "the Group") as at 30 June 2020 and the related condensed consolidated statements of income and comprehensive income for three-month and six-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the six-month 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 Company, during the six months period ended 30 June 2020, that might have had a material effect on the business of the Company or on its financial position.



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

Kuwait  
12 August 2020

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

**Condensed Consolidated Statement of Financial Position (Unaudited)  
as at 30 June 2020**

		Kuwaiti Dinars			
		<b>30 June 2020</b>	<b>31 December 2019</b>	<b>30 June 2019</b>	
Note		<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	
<b>ASSETS</b>					
<b>Non-current assets</b>					
	Property and equipment	4	20,558,205	20,819,335	25,745,834
	Right of use asset	5	88,119,317	82,691,386	50,805,219
	Advance for maintenance		13,744,499	11,613,952	13,425,959
	Security deposits		2,996,352	3,043,855	2,269,201
			<u>125,418,373</u>	<u>118,168,528</u>	<u>92,246,213</u>
<b>Current assets</b>					
	Inventories		351,066	312,557	278,181
	Security deposits		990,030	1,172,192	2,226,004
	Trade and other receivables		22,644,889	23,245,301	11,833,884
	Cash and bank balances	6	27,970,902	23,754,647	12,713,287
			<u>51,956,887</u>	<u>48,484,697</u>	<u>27,051,356</u>
	<b>Total assets</b>		<u>177,375,260</u>	<u>166,653,225</u>	<u>119,297,569</u>
<b>LIABILITIES AND EQUITY</b>					
<b>Equity</b>					
	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		(3,264,741)	837,562	-
	Retained earnings		3,623,469	13,569,535	6,977,779
	<b>Total equity</b>		<u>26,193,970</u>	<u>40,242,339</u>	<u>31,272,241</u>
<b>Non-current liabilities</b>					
	Post-employment benefits		2,679,219	2,454,600	2,613,930
	Maintenance payables		10,459,886	8,552,150	2,031,557
	Lease liabilities	8	79,912,690	76,931,616	46,648,353
	Murabaha payables	9	6,281,119	-	-
			<u>99,332,914</u>	<u>87,938,366</u>	<u>51,293,840</u>
<b>Current liabilities</b>					
	Trade and other payables		24,200,800	21,728,149	17,058,778
	Deferred revenue		201,728	4,712,704	10,007,108
	Lease liabilities	8	20,905,734	12,031,667	9,665,602
	Murabaha payables	9	718,881	-	-
	Bank overdrafts	6	5,821,233	-	-
			<u>51,848,376</u>	<u>38,472,520</u>	<u>36,731,488</u>
	<b>Total liabilities and equity</b>		<u>177,375,260</u>	<u>166,653,225</u>	<u>119,297,569</u>

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

**Mohammad J M Almdusa  
Vice-chairman**

**Condensed Consolidated Statement of Income (Unaudited) -  
Six months ended 30 June 2020**

	Note	Kuwaiti Dinars			
		Three months ended 30 June		Six months ended 30 June	
		2020	2019	2020	2019
Revenue	10	7,736,065	26,037,856	26,698,802	47,326,130
Operating costs	11	(10,558,338)	(19,249,903)	(31,579,575)	(36,986,472)
<b>Operating (loss)/profit</b>		<b>(2,822,273)</b>	<b>6,787,953</b>	<b>(4,880,773)</b>	<b>10,339,658</b>
Other operating (expenses)/ income		491,498	56,424	(169,089)	108,917
General and administrative expenses	12	(1,379,241)	(1,942,973)	(3,283,369)	(3,769,950)
Finance costs		(172,893)	-	(269,981)	(1,885)
Foreign currency gain/(loss)		36,452	65,133	(1,207,668)	(63,685)
Expected Credit Loss (ECL) - financial assets		(80,971)	3,437	(135,186)	(97,896)
<b>(Loss)/profit before contribution and taxes</b>		<b>(3,927,428)</b>	<b>4,969,974</b>	<b>(9,946,066)</b>	<b>6,515,159</b>
Zakat		-	(50,844)	-	(68,566)
Contribution to Kuwait Foundation for the Advancement of Sciences		-	(45,122)	-	(59,619)
National Labour Support Tax		-	(127,112)	-	(171,416)
<b>(Loss)/profit for the period</b>		<b>(3,927,428)</b>	<b>4,746,896</b>	<b>(9,946,066)</b>	<b>6,215,558</b>
<b>Attributable to:</b>					
Shareholders of the Parent Company		<b>(3,927,428)</b>	<b>4,746,896</b>	<b>(9,946,066)</b>	<b>6,215,558</b>
<b>(Loss)/earnings per share (fils) -</b>					
Basic & diluted	13	<b>(19.64)</b>	<b>23.73</b>	<b>(49.73)</b>	<b>31.08</b>

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) -  
Six months ended 30 June 2020**

	Kuwaiti Dinars			
	Three months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019
(Loss)/profit for the period	(3,927,428)	4,746,896	(9,946,066)	6,215,558
<b>Other comprehensive income</b>				
Items that may be reclassified subsequently to statement of income				
Hedge Reserve – Cash flow hedge	(1,351,023)	-	(4,102,303)	-
<b>Total comprehensive income for the period</b>	<u>(5,278,451)</u>	<u>4,746,896</u>	<u>(14,048,369)</u>	<u>6,215,558</u>
<b>Attributable to:</b>				
Shareholders of the Parent Company	<u>(5,278,451)</u>	<u>4,746,896</u>	<u>(14,048,369)</u>	<u>6,215,558</u>

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

**Condensed Consolidated Statement of Changes in Equity (Unaudited) –  
Six months ended 30 June 2020**

	Kuwaiti Dinars				
	<b>Share capital</b>	<b>Legal reserve</b>	<b>Hedge reserve</b>	<b>Retained earnings</b>	<b>Total equity</b>
At 1 January 2020	20,000,000	5,835,242	837,562	13,569,535	40,242,339
Total comprehensive income for the period	-	-	(4,102,303)	(9,946,066)	(14,048,369)
At 30 June 2020	<u>20,000,000</u>	<u>5,835,242</u>	<u>(3,264,741)</u>	<u>3,623,469</u>	<u>26,193,970</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)	<u>20,000,000</u>	<u>4,294,462</u>	<u>-</u>	<u>7,762,221</u>	<u>32,056,683</u>
Total comprehensive income for the period	-	-	-	6,215,558	6,215,558
Dividend	-	-	-	(7,000,000)	(7,000,000)
At 30 June 2019	<u>20,000,000</u>	<u>4,294,462</u>	<u>-</u>	<u>6,977,779</u>	<u>31,272,241</u>

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

**Condensed Consolidated Statement of Cash Flows (Unaudited) –  
Six months ended 30 June 2020**

	Note	Kuwaiti Dinars	
		<b>30 June 2020 (Unaudited)</b>	<b>30 June 2019 (Unaudited)</b>
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period		(9,946,066)	6,215,558
<i>Adjustments for:</i>			
Depreciation	4,5	8,055,394	5,802,632
Finance costs		2,151,204	1,145,239
Foreign exchange loss		1,207,668	63,685
Provision for post-employment benefits		373,478	440,999
Interest on security deposit		(32,369)	(67,003)
Expected credit loss on financial assets		135,186	97,896
Operating profit before working capital changes		1,944,495	13,699,006
Increase in inventories		(38,509)	(31,068)
Decrease in trade and other receivables		642,303	871,080
Decrease/(increase) in security deposit		331,758	(110,490)
Increase in maintenance payables		1,907,736	725,743
Decrease/(increase) in advance for maintenance		(2,130,547)	740,601
Decrease in trade and other payables		(1,800,002)	(62,847)
(Decrease)/ increase in deferred revenue		(4,510,976)	5,711,912
Post-employment benefits paid		(148,859)	(197,852)
Net cash (used in)/ from operating activities		<u>(3,802,601)</u>	<u>21,346,085</u>
<b>Cash flows from investing activities</b>			
Purchase of property and equipment (net of disposal)	4	(1,200,362)	(2,347,801)
Net cash used in investing activities		<u>(1,200,362)</u>	<u>(2,347,801)</u>
<b>Cash flows from financing activities</b>			
Dividend paid		-	(7,000,000)
Re-payment for lease liabilities		(3,332,034)	(5,748,418)
Murabaha payable facility	9	7,000,000	-
Finance costs paid		(269,981)	(1,885)
Net cash from financing activities		<u>3,397,985</u>	<u>(12,750,303)</u>
<b>Net decrease in cash and cash equivalents</b>			
		(1,604,978)	6,247,981
Cash and cash equivalents at beginning of period	6	23,754,647	6,465,306
<b>Cash and cash equivalents at end of period</b>	<b>6</b>	<b><u>22,149,669</u></b>	<b><u>12,713,287</u></b>

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 "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.

The 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 statements 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 six months ended 30 June 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 statements of the Group for the financial year ended 31 December 2019.

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

**Impact of COVID-19 and current economic scenario**

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. Following is the summary measures adopted by the Group:

- 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;
- 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 from Murabaha facility which was 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 27.97 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.

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

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.

- 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;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- 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.

**4. Property and equipment**

	Kuwaiti Dinars					
	<b>Engines &amp; rotables</b>	<b>Leasehold improvements</b>	<b>Furniture &amp; equipment</b>	<b>Vehicles</b>	<b>Capital work-in-progress</b>	<b>Total</b>
<b>Cost</b>						
As at 31 December 2019	7,164,800	16,256,087	3,773,931	28,986	624,181	27,847,985
Additions	-	277,912	54,968	-	898,433	1,231,313
Disposal	-	-	-	-	(30,951)	(30,951)
As at 30 June 2020	<u>7,164,800</u>	<u>16,533,999</u>	<u>3,828,899</u>	<u>28,986</u>	<u>1,491,663</u>	<u>29,048,347</u>
<b>Depreciation</b>						
As at 31 December 2019	1,609,004	2,921,053	2,470,689	27,904	-	7,028,650
Charge for the period	646,952	612,112	201,714	714	-	1,461,492
As at 30 June 2020	<u>2,255,956</u>	<u>3,533,165</u>	<u>2,672,403</u>	<u>28,618</u>	<u>-</u>	<u>8,490,142</u>
<b>Net book value</b>						
As at 30 June 2020	<u>4,908,844</u>	<u>13,000,834</u>	<u>1,156,496</u>	<u>368</u>	<u>1,491,663</u>	<u>20,558,205</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 30 June 2019	<u>11,214,713</u>	<u>12,590,393</u>	<u>896,055</u>	<u>1,795</u>	<u>1,042,878</u>	<u>25,745,834</u>

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

	Kuwaiti Dinars		Kuwaiti Dinars	
	<b>Three months ended 30 June (Unaudited)</b>		<b>Six months ended 30 June (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Operating costs	697,115	406,221	1,259,799	735,732
General and administrative expenses	100,807	255,642	201,693	539,615
	<u>797,922</u>	<u>661,863</u>	<u>1,461,492</u>	<u>1,275,347</u>

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

**5. Right of use assets**

	Kuwaiti Dinars			<b>Total</b>
	<b>Aircraft</b>	<b>Aircraft engines</b>	<b>Leasehold land</b>	
<b>Cost</b>				
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	131,246	-	-	131,246
As at 30 June 2020	<u>97,879,194</u>	<u>2,913,926</u>	<u>3,622,289</u>	<u>104,415,409</u>
<b>Depreciation</b>				
As at 31 December 2019	9,394,795	40,420	266,975	9,702,190
Charge for the period	6,270,232	155,094	168,576	6,593,902
As at 30 June 2020	<u>15,665,027</u>	<u>195,514</u>	<u>435,551</u>	<u>16,296,092</u>
<b>Net book value</b>				
As at 30 June 2020	<u>82,214,167</u>	<u>2,718,412</u>	<u>3,186,738</u>	<u>88,119,317</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 30 June 2019	<u>48,446,500</u>	<u>-</u>	<u>2,358,719</u>	<u>50,805,219</u>

**6. Cash and bank balances**

	Kuwaiti Dinars		
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 June 2019 (Unaudited)</b>
Cash on hand	79,253	34,820	36,316
Current account with banks	1,753,481	3,520,247	4,486,303
Time deposits with banks	26,144,968	20,204,968	8,204,968
	<u>27,977,702</u>	<u>23,760,035</u>	<u>12,727,587</u>
Expected credit loss	(6,800)	(5,388)	(14,300)
Cash and cash equivalents in the statement of cash flows	27,970,902	23,754,647	12,713,287
Less : Overdrafts	(5,821,233)	-	-
Cash and cash equivalents in the statement of cash flows	<u>22,149,669</u>	<u>23,754,647</u>	<u>12,713,287</u>

The effective interest rate as of 30 June 2020 was 1.5% to 3.89% (31 December 2019: 2.80% to 3.90%, 30 June 2019: 2.80% to 3.85%). 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 30 June 2020 is KD 20,000,000 paid in cash (31 December 2019: KD 20,000,000; 30 June 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; 30 June 2019: 200,000,000 shares of 100 fils each).

*Dividend*

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).

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

**8. Lease liabilities**

	Kuwaiti Dinars		
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 June 2019 (Unaudited)</b>
At the beginning of the period/year	88,963,283	60,784,175	60,784,175
Additions	11,890,587	37,617,177	-
Modification	131,246	-	-
Finance Cost	1,881,223	2,495,034	1,143,354
Payments	(3,332,034)	(11,977,076)	(5,748,418)
Foreign currency (loss)/gain	1,284,119	43,973	134,844
At the end of the period/year	<u>100,818,424</u>	<u>88,963,283</u>	<u>56,313,955</u>

  

	Kuwaiti Dinars		
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 June 2019 (Unaudited)</b>
Current	20,905,734	12,031,667	9,665,602
Non-current	79,912,690	76,931,616	46,648,353
	<u>100,818,424</u>	<u>88,963,283</u>	<u>56,313,955</u>

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

**9. Murabaha payables**

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

**10. Revenue**

	Kuwaiti Dinars			
	<b>Three months ended 30 June (Unaudited)</b>		<b>Six months ended 30 June (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Passenger revenue	6,942,967	22,959,998	23,086,234	41,617,955
Ancillary revenue	136,885	1,944,267	1,980,556	3,585,951
Facility ancillary revenue	25,781	223,958	186,467	415,419
Rental revenue	18,440	446,677	455,630	914,235
Passenger service fees	36,284	326,052	303,927	572,268
Cargo revenue	575,708	136,904	685,988	220,302
	<u>7,736,065</u>	<u>26,037,856</u>	<u>26,698,802</u>	<u>47,326,130</u>

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

**11. Operating costs**

	Kuwaiti Dinars			
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2020	2019	2020	2019
Aircraft fuel	722,220	5,467,997	5,495,236	10,098,458
Overflying, landing and ground handling charges	950,022	2,884,088	4,235,652	5,725,604
Staff costs	1,448,933	2,713,996	4,191,248	5,475,914
Depreciation	4,027,972	2,671,417	7,853,701	5,263,017
Finance cost	956,916	485,612	1,881,223	1,143,354
Lease maintenance	454,478	1,527,167	2,017,075	3,033,416
Aircraft maintenance	1,027,435	1,474,288	2,902,263	2,819,307
Catering expenses	50,644	475,976	115,653	917,768
Insurance	191,443	103,248	416,674	209,162
Lease rental	248,399	362,536	498,458	362,536
Others	479,876	1,083,578	1,972,392	1,937,936
	<u>10,558,338</u>	<u>19,249,903</u>	<u>31,579,575</u>	<u>36,986,472</u>

**12. General and administrative expenses**

	Kuwaiti Dinars			
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2020	2019	2020	2019
Staff costs	866,028	740,939	1,849,986	1,495,164
Marketing	68,000	339,223	334,985	556,757
Depreciation	100,807	255,642	201,693	539,615
Professional and consultancy	38,167	61,464	141,625	120,837
Travel	5,136	36,229	46,427	71,218
Rent	5,315	35,542	9,465	71,060
Others	295,788	473,934	699,188	915,299
	<u>1,379,241</u>	<u>1,942,973</u>	<u>3,283,369</u>	<u>3,769,950</u>

**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 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2020	2019	2020	2019
Earnings for the period (in Kuwaiti Dinar)	(3,927,428)	4,746,896	(9,946,066)	6,215,558
Weighted average number of shares outstanding	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>	<u>200,000,000</u>
<b>Earnings per share (fils) – Basic &amp; Diluted</b>	<u>(19.64)</u>	<u>23.73</u>	<u>(49.73)</u>	<u>31.08</u>

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

**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		
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 June 2019 (Unaudited)</b>
	<b>Balances</b>		
Due from related parties	69,320	47,038	82,152

  

	Kuwaiti Dinars			
	<b>Three months ended 30 June (Unaudited)</b>		<b>Six months ended 30 June (Unaudited)</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
<b>Transactions</b>				
Sales and services	17,806	197,471	89,281	258,623
General and administrative expenses	40,309	153,624	165,961	375,268
<b>Key management compensation</b>				
Salaries and other employment benefits	105,642	170,953	280,189	383,173

**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 six months ended 30 June:

	Kuwaiti Dinars					
	<b>Passenger airline Service</b>		<b>Terminal operations</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Segment revenue	25,752,778	45,430,459	946,024	1,895,671	26,698,802	47,326,130
Segment expenses	32,981,984	38,272,174	1,342,591	1,502,475	34,324,575	39,774,649
Interest income (included in Other income)	(169,089)	108,917	-	-	(169,089)	108,917
Finance costs	2,072,105	1,088,425	79,099	56,814	2,151,204	1,145,239
Segment results	(9,470,400)	6,178,777	(475,666)	336,382	(9,946,066)	6,515,159
<b>Assets:</b>						
Segment assets	162,512,624	104,390,549	14,862,636	14,907,020	177,375,260	119,297,569
<b>Liabilities:</b>						
Segment liabilities	146,721,871	84,139,964	4,459,419	3,885,364	151,181,290	88,025,328
Capital expenditure	744,008	4,847,339	456,354	202,370	1,200,362	5,049,709
Depreciation	7,445,869	5,170,524	609,525	632,107	8,055,394	5,802,631

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2020**

**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.

<b>30 June 2020:</b>	Kuwaiti Dinars	<b>Nominal quantity by term to maturity</b>		
	<b>Negative fair value</b>	<b>Within 3 months</b>	<b>3- 24 months</b>	<b>Notional quantity</b>
				<b>Barrels</b>
<i>Derivatives held for hedging:</i>	3,264,741	175,000	610,000	785,000
<i>Cash flow hedges-Commodity (oil) forward contracts</i>				

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

<b>30 June 2019:</b>	Kuwaiti Dinars	<b>Nominal quantity by term to maturity</b>		
	<b>Positive fair value</b>	<b>Within 3 months</b>	<b>3- 24 months</b>	<b>Notional quantity</b>
				<b>Barrels</b>
<i>Derivatives held for hedging:</i>				
<i>Cash flow hedges-Commodity (oil) forward contracts</i>	-	-	-	-

**17. Commitments and contingent liabilities**

	Kuwaiti Dinars		
	<b>30 June 2020 (Unaudited)</b>	<b>31 December 2019 (Audited)</b>	<b>30 June 2019 (Unaudited)</b>
Capital commitments	665,256	383,800	-
Bank guarantees	26,887,152	22,351,703	16,812,438
	<u>27,552,408</u>	<u>22,735,503</u>	<u>16,812,438</u>

The above bank guarantee include guarantee to the lessors amounting to KD 20,863,073 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.

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 693,366 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.