

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

**Condensed Consolidated Interim Financial Information (Unaudited)  
and  
Independent Auditor's Review Report  
31 March 2021**

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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 31 March 2021, and the related condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income for the three months then ended and the related 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 interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this 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 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 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 three months period ended 31 March 2021, that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the three-months period ended 31 March 2021, that might have had a material effect on the business of the Company or on its financial position.



**Bader A. Al-Wazzan**

**License No. 62A**

**Deloitte & Touche - Al-Wazzan & Co.**

Kuwait

10 May 2021

Condensed Consolidated Statement of Financial Position (Unaudited)  
as at 31 March 2021

	Note	Kuwaiti Dinars		
		31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property and equipment	3	20,320,432	20,458,884	21,082,437
Right to use asset	4	102,077,119	93,806,490	91,152,847
Advance for maintenance		1,654,632	1,563,057	13,232,847
Security deposits		1,138,733	1,135,557	2,961,475
		<u>125,190,916</u>	<u>116,963,988</u>	<u>128,429,606</u>
<b>Current assets</b>				
Inventories		424,798	382,274	321,755
Security deposits		1,305,034	1,309,946	1,134,392
Trade and other receivables		25,499,830	24,300,207	17,559,561
Cash and bank balances	5	17,595,706	19,668,737	33,445,387
		<u>44,825,368</u>	<u>45,661,164</u>	<u>52,461,095</u>
<b>Total assets</b>		<u>170,016,284</u>	<u>162,625,152</u>	<u>180,890,701</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Equity</b>				
Share capital	6	20,000,000	20,000,000	20,000,000
Legal reserve		-	-	5,835,242
Hedge reserve		-	(1,027,778)	(4,615,764)
(Accumulated loss)/retained earnings		(12,174,219)	(6,995,957)	7,550,898
<b>Total equity</b>		<u>7,825,781</u>	<u>11,976,265</u>	<u>28,770,376</u>
<b>Non-current liabilities</b>				
Post-employment benefits		2,572,111	2,481,900	2,554,179
Maintenance payables		15,937,994	11,304,324	10,096,296
Lease liabilities	7	94,394,671	89,634,444	82,416,517
Murabaha payables		5,719,021	6,139,022	6,630,070
		<u>118,623,797</u>	<u>109,559,690</u>	<u>101,697,062</u>
<b>Current liabilities</b>				
Maintenance payables		4,050,469	6,684,165	-
Trade and other payables		14,097,711	12,790,550	26,562,042
Deferred revenue		1,887,513	264,051	764,866
Lease liabilities	7	17,483,720	16,048,245	17,581,042
Murabaha payables		840,000	883,498	369,930
Bank overdrafts	5	5,207,293	4,418,688	5,145,383
		<u>43,566,706</u>	<u>41,089,197</u>	<u>50,423,263</u>
<b>Total liabilities and equity</b>		<u>170,016,284</u>	<u>162,625,152</u>	<u>180,890,701</u>

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



Mohammad J M Al Mousa  
Vice-chairman

**Condensed Consolidated Statement of Profit or Loss (Unaudited) -  
Three months ended 31 March 2021**

	Note	Kuwaiti Dinars	
		Three months ended	
		31 March	
		2021	2020
Revenue	9	8,137,370	18,962,737
Operating costs	10	(12,248,798)	(20,096,930)
<b>Gross loss</b>		<u>(4,111,428)</u>	<u>(1,134,193)</u>
Other operating income/(expenses)		462,696	(660,586)
General and administrative expenses	11	(1,201,305)	(1,904,128)
Finance costs		(1,248,617)	(1,021,395)
Foreign currency gain/(loss)		1,008,748	(1,244,120)
Expected Credit Loss (ECL) - financial assets		(88,356)	(54,215)
<b>Loss before contribution and taxes</b>		<u>(5,178,262)</u>	<u>(6,018,637)</u>
Zakat		-	-
Contribution to Kuwait Foundation for the Advancement of Sciences		-	-
National Labour Support Tax		-	-
<b>Loss for the period</b>		<u>(5,178,262)</u>	<u>(6,018,637)</u>
<b>Attributable to:</b>			
Shareholders of the Parent Company		<u>(5,178,262)</u>	<u>(6,018,637)</u>
<b>Loss per share (fils)</b>			
Basic & diluted	12	(25.9)	(30.09)

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

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited) -  
Three months ended 31 March 2021**

	Kuwaiti Dinars	
	<b>Three months ended 31 March</b>	
	<b>2021</b>	<b>2020</b>
Loss for the period	(5,178,262)	(6,018,637)
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to statement of income		
Hedge Reserve – Cash flow hedge	1,027,778	(5,453,326)
<b>Total comprehensive income for the period</b>	<b>(4,150,484)</b>	<b>(11,471,963)</b>
<b>Attributable to:</b>		
Shareholders of the Parent Company	(4,150,484)	(11,471,963)

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

**Condensed Consolidated Statement of Changes in Equity (Unaudited) –  
Three months ended 31 March 2021**

	Kuwaiti Dinars				Total equity
	Share capital	Legal reserve	Hedge Reserve	(Accumulated loss)/retained earnings	
At 1 January 2021	20,000,000	-	(1,027,778)	(6,995,957)	11,976,265
Total comprehensive income/(loss) for the period	-	-	1,027,778	(5,178,262)	(4,150,484)
At 31 March 2021	20,000,000	-	-	(12,174,219)	7,825,781
As 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	20,000,000	5,835,242	(4,615,764)	7,550,898	28,770,376

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 2021**

	Note	Kuwaiti Dinars	
		31 March 2021 (Unaudited)	31 March 2020 (Unaudited)
<b>Cash flows from operating activities</b>			
Loss for the period		(5,178,262)	(6,018,637)
<i>Adjustments for:</i>			
Depreciation	3,4	3,657,221	3,926,359
Finance costs		1,248,617	1,021,395
Foreign exchange (gain)/loss		(1,008,748)	1,244,120
Provision for post-employment benefits		166,711	186,090
Interest on security deposit		(11,073)	(16,113)
Expected Credit Losses on financial assets		88,356	54,215
Operating profit before working capital changes		(1,037,178)	397,429
Increase in inventories		(42,524)	(9,198)
(Increase)/decrease in trade and other receivables		(257,358)	5,735,627
Increase in maintenance payables		957,579	1,544,146
Increase /(decrease) in trade and other payables		1,335,467	(635,086)
Increase/(decrease) in deferred revenue		1,623,462	(3,947,838)
Decrease in advance for maintenance		(91,575)	(1,618,895)
Decrease in security deposit		(74,968)	164,936
Post-employment benefits paid		(76,500)	(86,511)
Net cash from operating activities		2,336,405	1,544,610
<b>Cash flows from investing activities</b>			
Purchase of property and equipment (net of disposal)	3	(375,492)	(926,131)
Net cash used in investing activities		(375,492)	(926,131)
<b>Cash flows from financing activities</b>			
Payment for lease liability		(4,185,821)	(2,976,034)
Finance costs paid		(173,229)	(97,088)
Murabaha payable facility		(463,499)	7,000,000
Net cash (used in)/ from financing activities		(4,822,549)	3,926,878
<b>Net (decrease)/increase in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period	5	3,105,431	550,029
<b>Cash and cash equivalents at end of period</b>	<b>5</b>	<b>243,795</b>	<b>5,095,386</b>

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



**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2021**

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**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 Company and its subsidiary are together referred to in these condensed consolidated interim financial information 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 10 May 2021.

**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 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For more details, refer to the annual audited consolidated financial information of the Group for the financial year ended 31 December 2020.

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 August 1, 2020 the Director General of Civil Aviation (DGCA), Kuwait had announced a gradual resumption of operations.

However, late in February 2021 the operations were again impacted due to second wave of pandemic. The economic fallout of COVID-19 crisis is significant and evolving, impacting the key performance indicators of the Group. However, the restrictions on airport operations are expected to be relaxed in phases commencing from June 2021. With the increased pace of vaccinations in Kuwait and region, the demand for air travel is expected to increase in Summer 2021.

**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.

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.

In addition to the measures adopted by the Group during previous year, the Board of Directors’ of the Parent

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2021**

Company have proposed a rights issue amounting to KD 10 million (including share premium of KD 8 million) subject to regulatory approval and by the shareholders in the Extra ordinary General Meeting.

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 adjustment to the condensed consolidated interim financial information. Refer note 17 on the impact of COVID-19 on the significant accounting estimates and judgements.

Going concern

During the period, the Group has incurred a net loss of KD 5,178,262 and, as of that date, the accumulated losses amounted to KD 12,174,219. 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 2020. Further, as disclosed above, with the Board of Directors' proposal to a right issue will further strengthen the liquidity position of the Group. These events and conditions do not indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as going concern. As a result, this condensed consolidated interim financial information have been appropriately prepared on a going concern basis.

Given the unpredictability of the duration and magnitude of the COVID-19 pandemic in the world, its actual impact on the Group's future profitability, financial position and cash flows may differ from current estimates and assumptions of management.

**3. Property and equipment**

	Kuwaiti Dinars					
	Engines & rotables	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in- progress	Total
<b>Cost</b>						
As at 31 December 2020	7,164,800	16,994,557	3,924,161	28,986	1,481,235	29,593,739
Additions	-	28,911	23,134	-	323,447	375,492
As at 31 March 2021	7,164,800	17,023,468	3,947,295	28,986	1,804,682	29,969,231
<b>Depreciation</b>						
As at 31 December 2020	2,005,578	4,215,519	2,884,772	28,986	-	9,134,855
Charge for the period	99,144	308,782	106,018	-	-	513,944
As at 31 March 2021	2,104,722	4,524,301	2,990,790	28,986	-	9,648,799
<b>Net book value</b>						
As at 31 March 2021	5,060,078	12,499,167	956,505	-	1,804,682	20,320,432
As at 31 December 2020	5,159,222	12,779,038	1,039,389	-	1,481,235	20,458,884
As at 31 March 2020	5,285,467	13,266,503	1,241,578	725	1,288,164	21,082,437

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2021

Depreciation has been allocated in the condensed consolidated statement of profit or loss as follows:

	Kuwaiti Dinars	
	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2021</b>	<b>2020</b>
Operating costs	408,025	562,345
General and administrative expenses	105,919	100,885
	<u>513,944</u>	<u>663,230</u>

4. Right of use assets

	Kuwaiti Dinars			
	<b>Aircraft</b>	<b>Aircraft engines</b>	<b>Leasehold land</b>	<b>Total</b>
<b>Cost</b>				
As at 31 December 2020	109,876,320	2,931,994	3,504,601	116,312,915
Additions	11,413,906	-	-	11,413,906
As at 31 March 2021	<u>121,290,226</u>	<u>2,931,994</u>	<u>3,504,601</u>	<u>127,726,821</u>
<b>Depreciation</b>				
As at 31 December 2020	21,509,980	352,312	644,133	22,506,425
Charge for the period	2,964,558	76,695	102,024	3,143,277
As at 31 March 2021	<u>24,474,538</u>	<u>429,007</u>	<u>746,157</u>	<u>25,649,702</u>
<b>Net book value</b>				
As at 31 March 2021	<u>96,815,688</u>	<u>2,502,987</u>	<u>2,758,444</u>	<u>102,077,119</u>
As at 31 December 2020	<u>88,366,340</u>	<u>2,579,682</u>	<u>2,860,468</u>	<u>93,806,490</u>
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>

5. Cash and bank balances

	Kuwaiti Dinars		
	<b>31 March 2021 (Unaudited)</b>	<b>31 December 2020 (Audited)</b>	<b>31 March 2020 (Unaudited)</b>
Cash on hand	61,305	67,879	61,724
Current account with banks	1,395,211	1,461,669	1,281,156
Time deposits with banks	16,144,968	18,144,968	32,104,967
	<u>17,601,484</u>	<u>19,674,516</u>	<u>33,447,847</u>
Expected credit loss	(5,778)	(5,779)	(2,460)
	<u>17,595,706</u>	<u>19,668,737</u>	<u>33,445,387</u>
Overdraft	(5,207,293)	(4,418,688)	(5,145,383)
Deposits with original maturity exceeding three months	(12,144,618)	(12,144,618)	(23,204,618)
Cash and cash equivalents in the statement of cash flows	<u>243,795</u>	<u>3,105,431</u>	<u>5,095,386</u>

The effective interest rate as of 31 March 2021 was 1.65% to 1.76% (31 December 2020: 1.4% to 3.02%, 31 March 2020: 2.07% to 3.89 %). Overdraft facility is from a local bank and carries effective interest rate of 1% to 1.5% per annum over the Central Bank of Kuwait discount rate ("CBDR").

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2021

6. Share capital

The authorised, issued and fully paid up share capital of the Parent Company as at 31 March 2021 is KD 20,000,000 paid in cash (31 December 2020: KD 20,000,000; 31 March 2020: KD 20,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2020: 200,000,000 shares of 100 fils each; 31 March 2020: 200,000,000 shares of 100 fils each).

7. Lease liabilities

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
At the beginning of the period/year	105,682,689	88,963,283	88,963,283
Additions	10,371,111	11,696,668	11,890,587
Modification	-	9,037,870	(165,997)
Finance Cost	1,075,388	3,985,768	924,307
Payments	(4,185,821)	(8,301,491)	(2,976,034)
Foreign currency (gain)/ loss	(1,064,976)	300,591	1,361,413
At the end of the period/year	111,878,391	105,682,689	99,997,559

The above is segregated as:

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Current	17,483,720	16,048,245	17,581,042
Non-current	94,394,671	89,634,444	82,416,517
	111,878,391	105,682,689	99,997,559

8. 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.

9. Revenue

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2021	2020
Passenger revenue	6,674,495	16,143,267
Ancillary revenue	676,737	1,843,672
Facility ancillary revenue	88,078	160,686
Lease revenue	199,093	437,189
Passenger service fees	56,853	267,643
Cargo revenue	442,114	110,280
	8,137,370	18,962,737

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2021

10. Operating cost

	Kuwaiti Dinars	
	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2021</b>	<b>2020</b>
Aircraft fuel	1,431,536	4,773,016
Overflying, landing and ground handling charges	1,317,315	3,285,629
Staff costs	1,688,390	2,742,315
Depreciation (Refer Note 3&4)	3,551,302	3,825,474
Aircraft maintenance cost	3,366,552	3,437,426
Lease rental	-	250,059
Passenger meals	66,987	65,009
Insurance	246,203	225,231
Others	580,513	1,492,771
	<u>12,248,798</u>	<u>20,096,930</u>

11. General and administrative expenses

	Kuwaiti Dinars	
	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2021</b>	<b>2020</b>
Staff costs	533,956	980,726
Marketing	34,290	265,472
Depreciation (Refer Note 3)	105,919	100,885
Professional and consultancy	119,956	103,458
Travel	15,207	41,291
Rent	6,848	4,150
Others	385,129	408,146
	<u>1,201,305</u>	<u>1,904,128</u>

12. 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:

	Kuwaiti Dinars	
	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2021</b>	<b>2020</b>
Earnings for the period (in Kuwaiti Dinar)	(5,178,262)	(6,018,637)
Weighted average number of shares outstanding	200,000,000	200,000,000
<b>Earnings per share (fils) – Basic &amp; Diluted</b>	<u>(25.9)</u>	<u>(30.09)</u>

13. 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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2021

are as follows:

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
	<b>Balances</b>		
Due from a related party	36,423	1,550	55,787
			Kuwaiti Dinars
			<b>Three months ended 31 March (Unaudited)</b>
			<b>2021</b>
			<b>2020</b>
<b>Transactions</b>			
Sales and services		41,738	71,475
General and administrative expenses		154,538	125,653
<b>Key management compensation</b>			
Salaries and other employment benefits		147,330	175,177

**14. Segment information**

The Group's operating segments are 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	
	2021	2020	2021	2020	2021	2020
Segment revenue	7,793,346	18,136,818	344,024	825,919	8,137,370	18,962,737
Segment expenses	11,857,105	22,609,365	672,606	690,028	12,529,711	23,299,393
Other operating income/(expenses)	462,696	(660,586)	-	-	462,696	(660,586)
Finance costs	1,180,731	995,646	67,886	25,749	1,248,617	1,021,395
Segment results [(loss)/profit]	(4,781,794)	(6,128,779)	(396,468)	110,142	(5,178,262)	(6,018,637)
<b>Assets:</b>						
Segment assets	152,562,858	162,646,345	17,453,426	18,244,356	170,016,284	180,890,701
<b>Liabilities:</b>						
Segment liabilities	157,522,565	147,701,854	4,667,938	4,418,471	162,190,503	152,120,325
Capital expenditure	279,880	515,533	95,612	410,598	375,492	926,131
Depreciation	3,329,808	3,638,362	327,413	287,997	3,657,221	3,926,359

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2021

15. 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.

Hedge discontinuation

During the period, considering the economic volatility, the Group decided to terminate its contract by unwinding its hedge with its counterparties. As a result, a net gain of KD 314,876 was recognised in other operating income in the condensed consolidated statement of profit or loss.

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

31 March 2021:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Negative fair value	Within 3 months	3- 24 months	Notional quantity Barrels

*Derivatives held for hedging:*

<i>Cash flow hedges-Commodity (oil) forward contracts</i>	-	-	-	-
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31 December 2020:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Positive fair value	Within 3 months	3- 24 months	Notional quantity Barrels

*Derivatives held for hedging:*

<i>Cash flow hedges-Commodity (oil) forward contracts</i>	1,865,340	145,000	390,000	535,000
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31 March 2020:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Positive fair value	Within 3 months	3- 24 months	Notional quantity Barrels

*Derivatives held for hedging:*

<i>Cash flow hedges-Commodity (oil) forward contracts</i>	4,615,764	25,000	910,000	935,000
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16. Commitments and contingent liabilities

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
Capital Commitments	79,557	109,467	717,205
Bank guarantees	28,667,602	28,769,037	24,929,602
	<u>28,747,159</u>	<u>28,878,504</u>	<u>25,646,807</u>

**Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 31 March 2021**

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The above bank guarantee include guarantee to the lessors amounting to KD 19,447,601 (31 December 2020: KD 23,891,184; 31 March 2020: KD 18,885,200) for the aircraft maintenance in lieu of payments for Maintenance Reserve under the lease agreement.

**17. 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 continuing impact of COVID - 19 on the airline industry is such a trigger event. To forecast cash flows, the Group's business plan was adopted as the basis, considering the reduction in demand for air transportation in till mid-2021 and return to pre-crisis performance after that.

The discount rate used (WACC) was 10.5% 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.

**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.