2020: Year of Challenges

A challenging year for the global economy, and specifically the travel and tourism industry, 2020 was also a test to the agility and flexibility of our airline, our team, and our assets. After all the year's challenges, we cannot wait to continue expanding.

الجزيرة.
Jazeera.

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CHAIRMAN'S MESSAGE

Dear Shareholders,

2020 was, without a doubt, one of the most challenging years for the global economy and more specifically, the travel and tourism industry. Never had airlines witnessed a pandemic that would suspend and limit flights in every country around the world for over a year. It is no surprise that the International Air Transport Association (IATA) qualified 2020 as the "Worst Year in History for Air Travel Demand".

While Jazeera Airways has previously announced plans to continue expanding its network and has introduced its new Fare Options at the start of 2020 to enhance its position as a leading Low-Cost Carrier (LCC), the Covid-19 pandemic has postponed some of these plans as the airline weathers through the crisis.

Instead, the focus during 2020 was shifted towards reallocation of assets and resources to support efforts in the fight against the pandemic as well as to continue serving the local community, passengers and the economy as best as it can in a commitment to our role as a Kuwaiti national carrier upholding its national duty.

PRE-PANDEMIC: PREPARING TO EXPAND

By the end of 2019, Jazeera had recorded its best year ever and was ready to continue growing and expanding its footprint in the Middle East, Europe and Asia, having already expanded into new countries in Asia, specifically the Indian Subcontinent, and launched its milestone route to London, UK. The expansion was supported by the delivery of new Airbus A320neo aircraft as well as growing operations at Jazeera Terminal T5 at Kuwait International Airport (KWI).

We kicked off the year with the launch of a series of new services and the new Fare Options to give passengers more choices to customize their itinerary as per their needs and budget when travelling with Jazeera. These options today offer passengers three alternatives when booking on Economy Class: Light, Value or Extra, each providing a set of services to meet their needs.

START OF THE PANDEMIC 2020: THE START OF THE COVID-19 CRISIS

On March 13, Kuwait International Airport suspended flights while airports around the world started restricting traffic or closing borders.

The extent of the pandemic was without a doubt not foreseen back in March 2020. However, Jazeera took immediate action to safeguard its position against airport closures and ensure its business continuity as a private company.

The airline suspended its 2019 dividend payment, activated the drawdown of bank facilities that were not previously tapped and renegotiated cost structures with suppliers and aircraft manufacturers. We were very prudent in our cash management and closed the year with enough cash coverage for the upcoming 20 months without the need to access any additional external funding. Operationally, Jazeera turned to operating full-cargo flights.

By August 1, 2020, flights resumed at KWI with extremely limited capacity with flights from 34 countries, and later in the year 35, were suspended. These suspended flights included high traffic destinations. Despite these, Jazeera launched three new services, two of them to the leisure, unrestricted touristic destinations of Trabzon (Turkey) and Muscat (Oman), in addition to Dhaka (Bangladesh) to serve expats in Kuwait and the Middle East through direct and connecting flights.

SUPPORTING GOVERNMENT EFFORTS AGAINST COVID-19

Jazeera is proud to have participated in the largest air bridge repatriation program ever launched by the State of Kuwait. The airline operated over 60 flights bringing home over 6,800 Kuwaiti nationals. The repatriation flights extended from March 25 to May 10 and flew citizens back from London, Warsaw, Moscow, Yerevan, Riyadh, Manama, Dubai, Doha, Amman, Istanbul, Alexandria, Cairo, Najaf, Tehran, Tbilisi and Sarajevo.

The airline also built the Kuwait Passenger Reception Centre (KPRC), in coordination with the Directorate General of Civil Aviation (DGCA) and the Ministry of Health at Kuwait International Airport to support the medical screening of all inbound passengers.

In addition to these efforts, Jazeera converted its Park & Fly facility in record time for the use by the Ministry of Health to perform the first drive-through virus tests in Kuwait. Jazeera's design and engineering team reconfigured the facility to comply with the stringent requirements of the local health authorities. A second drive-through testing facility has also been constructed by the Jazeera team at Jaber Al-Ahmad national stadium.

By the end of June, Jazeera announced offering 50,000 free round-trip tickets to frontline heroes fighting the Covid-19 pandemic in the State of Kuwait.

FINANCIAL & OPERATIONAL PERFORMANCE

Jazeera ended the year with an unrestricted cash balance of KD19.7 million; a solid sign of how the company managed to navigate through a very tough and exceptional year and a confirmation of Jazeera's solid and stable cash position. At the end of year, the airline's cash burn was approximately KD1.0 million per month, enabling the airline to sustain its operations for 20 months without the need to access any additional external funding.

Operating revenue for 2020 stood at KD41.4 million while the company reported a net loss of KD26.4 million impacted by various one-offs and adverse accounting treatment specifically related to IFRS 16, which combined were equivalent to KD15.0 million.

Following the suspension of flights, the number of passengers flown during the year subsequently came in at 696,093, down from 2.4 million in 2019. The load factor achieved was 64.3%, while yield increased by 38.4% to KD57.4.

The airline's performance was in line with industry benchmarks. Its number of passengers decreased by 71% during the year in comparison to 72.9% in the Middle East and 65.9%

CASH BALANCE
KD**19.7** million

CASH BURN
KD**1.0** million
per month

OPERATING REVENUE
KD**41.4** million

NET LOSS
KD**26.4** million

ONE-OFFS
KD**15.0** million
related to IFRS 16

CHAIRMAN'S MESSAGE

worldwide, while load factor decreased by 13.2% in comparison to 18.9% for the Middle East and 19.2% worldwide.

THE FIVE-YEAR BUSINESS PLAN

When looking at our airline's growth in the three years preceding 2020, Jazeera started 2017 with seven aircraft and ended with 13 aircraft in 2019. It started with 19 destinations and ended with 37. Earnings also almost doubled in the three-year period, reaching the highest recorded profits. If it wasn't for the exceptional year of 2020, Jazeera was headed to continued growth in that direction.

As vaccines roll out and travel returns, Jazeera foresees continued growth thanks to the solid positions and fundamentals of its airline business as well as revenue-generating infrastructure and Terminal 5 (T5). T5 is after all an integral part of the business model of Jazeera and has proved its value and its ability to support the airline's operations.

With these in hand, Jazeera plans to increase its fleet from 13 aircraft to 30 aircraft by 2025, supporting a growing network that will reach 69 destinations, serving approximately 5.4 million passengers across the Middle East, Asia and Europe.

The company will be achieving its outlook through economies of scale to improve margins as fleet and operations continue to grow, cost optimizations, network expansion driven by increased frequencies in the Indian Subcontinent, CIS, GCC and East Africa regions, as well as developing its infrastructure facilities at our hub, KWI.

MOVING FORWARD

Jazeera's flexible business model has proved once again its success in adapting to times of crisis to protect its customers, employees and shareholders' rights. We were able to reallocate our resources to support our local community and economy in a commitment to our role as a Kuwaiti national carrier, serve our customers when government regulations permitted and continued to commit to our obligations.

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

2020 was specifically exceptional in Kuwait with very strict restrictions and a conservative approach to fighting the pandemic when compared to neighboring countries and the situation of other LCCs in the world. With the start of 2021, these restrictions continue, challenging growth in the first half of the year.

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

The airline management's mandate remains one: Preserve the company's cash position. I am proud to say that our team has exceeded expectations in such times.

As for the outlook on travel, high demand will always be there. With the Government of Kuwait taking bold steps to vaccinating its people, vaccines rolling out worldwide and airports easing restrictions, we expect travel to gradually return starting from the second half of 2021. IATA's baseline for 2021 is for a 50.4% improvement on 2020 demand that would bring the industry to 50.6% of 2019 levels.

Jazeera will be announcing several new launches in the coming few months and will take delivery of four new aircraft during 2021 that will complement the company's expanding fleet and network growth.

As we conclude, we would like to commemorate the late Amir, Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah, for his unrivaled support and empowerment of the private sector. Jazeera was established under his ruling. We look forward to continued growth and achievement under the leadership of His Highness the Amir, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and His Crown Prince, Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah. I also extend our gratitude to the Government of Kuwait for enabling us to support the tremendous efforts invested in fighting the pandemic.

And last but not least, I thank our team for placing our company first to safeguard its employees and customers as best as possible, and thank our shareholders for trusting in our management.

Sincerely,

Marwan M. Boodai
Chairman

Converting Park & Fly into a Covid-19 drive-through testing center

The Big Thank You: Rewarding frontline heroes with free tickets


Taking part in the repatriation efforts of the State of Kuwait

CEO'S MESSAGE

Dear Shareholders,

The year of the pandemic was a test to the validity of our strategy and a challenge to our growth model that proved successful in the past three years. It was also a testimony to the agility of our airline, our team, and our assets.

Despite the loss reported in 2020 earnings, the results were expected and at the level planned for. Jazeera was operating in a very difficult environment, more restrictive than what other airlines had to endure in other regions around the world. Nonetheless, we managed to withstand the storm and set our company up for a positive future as soon as the Covid-19 pandemic recedes, and travel resumes.

Our team had one mandate: Sustain our business. And thanks to a great team, we are proud to have delivered.

NEW ROUTES AND SERVICES

The airline embarked in 2020 on a new era of its expansion plan following milestone services to London, the Indian Subcontinent and many underserved destinations that cater to large expat communities in the Middle East.

The year started with the launch of a series of new services and Fare Options applicable from 2020 that aim to give passengers more choices to customize their itinerary as per their needs and budget when travelling to the Middle East, Europe or Asia. We focused on enabling them to choose how they want to travel and design their journey with the services they need. Our new fare options and services have been designed to make their journey with Jazeera Airways all the more personalized and enjoyable. We were also the first airline in the Middle East to offer a Priority Service that passengers can pre-purchase online.

Jazeera passengers are now able to choose from three Fare Options in Economy Class: Light, Value or Extra, each providing them with a set of services to meet their needs. Passengers of Economy Class Light, the lowest fare category, are allowed a carry-on and a small bag, and can add on the services they require for their travel itinerary. Passengers of Economy Class Value are additionally allowed 20 kilograms in checked-in baggage allowance, while passengers of Economy Class Extra are allowed 30 kilograms in checked-in baggage allowance, priority check-in and the ability to choose from the Preferred Seats located on rows 4 to 10.

Despite traffic limitations at Kuwait International Airport (KWI), Jazeera launched its first service to the touristic destination of Trabzon on August 3, with two return flights per week every Monday and Friday. A second new service followed to Dhaka on October 1, and a third with weekly flights to Muscat on November 2. The airline also continued to serve schedule commercial flights to approved destinations in Turkey, in addition to Dubai and for a limited time, to Saudi Arabia.

OPPORTUNITIES DURING CRISIS

KWI suspended all arriving flights on March 13. Aside from repatriation flights, only one-way departing flights were permitted, meaning flights returning to Kuwait would be empty.

The initial flights resumption plan announced by the Government of Kuwait planned to resume air travel on August 1, 2020. The resumption, however, did not go as planned and a list of 34 banned countries was announced concurrently. Flights from these countries were suspended. The list comprised many of our active high traffic destinations, including India, Pakistan, Egypt, Lebanon, Nepal and UK (which was added to the list in December 2020).

Amidst this situation, we shifted our focus to connecting traffic opportunities. With most of our traffic flows to and from Kuwait closed, our team decided to look at demand for connecting traffic from points that were not linked before. We started carrying traffic from Dhaka to Riyadh, from Kathmandu in Nepal to Dubai, from Kathmandu to Doha, and so on and so forth. We avoided the challenges of getting passengers to enter Kuwait, which of course in many cases was not possible. Jazeera also operated one-way flights to destinations located up to 6 hours from Kuwait, including high demand destinations in the Indian Subcontinent to serve local expat communities visiting home.

REALLOCATING CAPACITY TO FULL-CARGO FLIGHTS

From the start of the pandemic, we made our fleet available for full cargo flights to transport necessary produce and goods to support business continuity with a capacity of up to 15 tons per aircraft and within a range of six hours flying time from Kuwait.

Our team did a phenomenal job in operating the cargo flights. We acquired the cargo business know-how and received the necessary certification from the Kuwait Directorate General of Civil Aviation and from Airbus. Within two weeks, we were already transporting necessary produce and goods and successfully transported flights full of goods and commodities.

JAZEERA TERMINAL 5 & OTHER FACILITIES

The restrictions on airport capacity throughout the year impacted performance at Kuwait International Airport in general and specifically the Jazeera Terminal 5 (T5). With passengers unable to travel easily, traffic flows through T5 were indeed affected. Accordingly, we waived several months of rent for our tenants. All the income related to passenger charges and fees was reduced drastically as well. Revenue from Park & Fly also stopped from March 13, and until the end of the year as it was converted to the first Covid-19 drive-through testing center in Kuwait.

This affected the revenue generating power of T5 as it closed the year with a reported revenue of KD1.3 million and a net loss of KD1.4 million.

However, we did not stop our business development initiatives. We took this time to set up T5 for the next phase of growth and exploit the opportunities that it presents in the future. Some of these include developing our VIP terminal. VIV commenced operations during the year and served private flights and general aviation for arriving and departing passengers from Kuwait not only from our terminal, but all the others as well. We also started works on a new, exciting, duty-free related initiative that aims to increase revenue generated. Additionally, we are finally closing construction of a key operational support building that will

PRE-PANDEMIC
PLANNED BOLD EXPANSION
in Middle East, Asia & Europe

DURING PANDEMIC
OPERATING FULL-CARGO FLIGHTS
to support business continuity

DURING PANDEMIC
MAINTAINED AIRCRAFT ORDER
negotiated payments structure

DURING PANDEMIC
FOCUSED ON CONNECTING FLIGHTS
an opportunity during KWI closure

DURING PANDEMIC
DEVELOPMENT OF FACILITIES
to support future growth

CEO'S MESSAGE

streamline operations considerably, as well as in-house functions such as catering, line maintenance, ground operations equipment, and so on.

2021 OUTLOOK AND READINESS

The start of 2021 is not very different from what we initially expected or forecasted walking into the year. The year started with restrictions on inbound capacity at KWI, which is, until the day of publishing this annual report, limited to Kuwaiti nationals and to 1,000 passengers per day – all airlines inclusive. This is a significant decrease from the average 43,000 passengers per day before the pandemic. Jazeera has therefore continued with its operating strategy to serve points that were previously not connected. We've increased frequency to points like Bangladesh and Saudi Arabia for example.

As the rollout of the vaccination accelerates in Kuwait and worldwide, restrictions at KWI will be lifted slowly, but surely. This will encourage more people to travel and demand is expected to be high throughout the summer season.

Our pilots, cabin crew and supporting teams have also all received the vaccination. We have been committed at Jazeera Airways to the safety of our passengers, and of course, the communities we serve. We have been heavily engaged in local efforts to fight the spread of the pandemic and continue to do so by ensuring we maintain health and safety measures in our aircraft and facilities. Our passengers can rest assured that they are flying in extremely safe environments when flying with Jazeera Airways.

At the time of writing the 2020 annual report, Jazeera had conducted a survey amongst 4,500 customers, which revealed that 31% of Kuwaiti respondents plan to travel at least five times in the coming 12 months, while 58% among all nationalities plan to travel at least three times in the coming 12 months. With these numbers, we foresee significantly more activity in the second half of the year, especially around the months of July and August.

As we prepare to cater to upcoming demand, Jazeera is prepared to conduct PCR tests at T5 upon arrival and is working closely with local authorities to ensure its readiness to integrate systems related to PCR test results and the Covid-19 passport.

The worse of the pandemic is perhaps behind us today. As we take the next step, Jazeera is equipped with a strong financial position and an experienced team that continues to deliver excellence and a fast turnaround in challenging circumstances and in every aspect of our business.

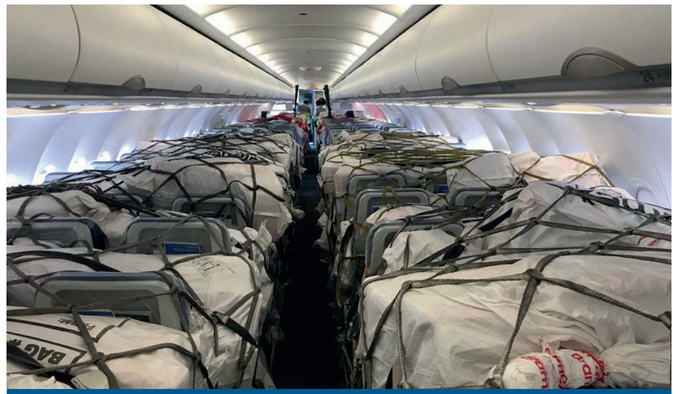
I thank the Board of Directors and our shareholders for their trust in our team. We thank the frontline heroes in Kuwait and the world for their tremendous efforts that we have witnessed first-hand. And most importantly, we thank our loyal customers, and the new ones we have acquired following the pandemic, for choosing Jazeera. We, just as them, cannot wait to fly again.

Sincerely,

Rohit Ramachandran
Chief Executive Officer

> **"Our pilots, cabin crew and supporting teams have also all received the vaccination. We have been committed at Jazeera Airways to the safety of our passengers, and of course, the communities we serve. Our passengers can rest assured that they are flying in extremely safe environments when flying with Jazeera Airways."**

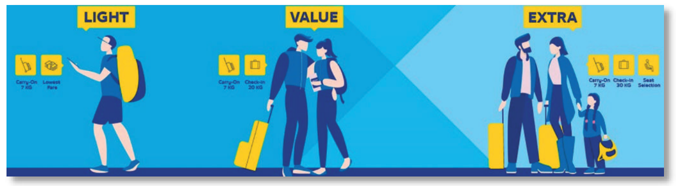
Operating our new service to Trabzon, Turkey


Operating full-cargo flights during the suspension of air traffic


Celebrating Women's Day with all-women cabin crew

REINFORCING JAZEERA'S LCC DNA

Introducing the new Fare Options to enhance our position as a leading LCC, providing better revenue opportunities with the availability of more seats in the high load factor economy product.



FINANCIAL AND OPERATIONAL HIGHLIGHTS

FINANCIAL PERFORMANCE

PASSENGERS	LOAD FACTOR	UTILIZATION	YIELD
696.1 thousand	64.3 %	4.2 hours	KD57.4
-71.0%	-13.2%	-71.0%	38.4%

OPERATING REVENUE	OPERATING LOSS	NET LOSS
KD41.4 million	KD20.7 million	KD26.4 million
-60.1%	-223.5%	-276.6%

* Earnings impacted by various one-offs and adverse accounting treatment specifically related to IFRS 16, which combined were equivalent to KD15.0 million.

FINANCIAL POSITION

UNRESTRICTED CASH
KD19.7 million

Jazeera was very prudent in its cash management and closed the year with enough cash coverage for the upcoming 20 months without the need to access any additional external funding.

CASH BURN
KD1.0 million
per month

Immediate measures undertaken to safeguard the airline's position against airport closures and ensure its business continuity as a private company:
- Suspended the 2019 dividend payment,
- Activated the drawdown of bank facilities that were not previously tapped,
- Renegotiated cost structures with suppliers and aircraft manufacturers.

SUPPORTING EFFORTS IN THE FIGHT AGAINST THE COVID-19 PANDEMIC

REPATRIATION OF CITIZENS

60 flights bringing home over 6,800 Kuwaiti nationals from around the world.

CONVERTING PARK & FLY INTO A TESTING CENTER

Inaugurating the first drive-through virus testing center in Kuwait.

SUPPORTING BUSINESS CONTINUITY

Operating full-cargo flights at a capacity of 15 tons per aircraft within a six-hour range.

GRANTED 50,000 FREE ROUND-TRIP TICKETS

Gifting KD5 million worth of tickets to thank frontline heroes fighting the pandemic.

ROUTE LAUNCHES

TRABZON, TURKEY	DHAKA, BANGLADESH	MUSCAT, OMAN
First service to the touristic destination started on August 3 with two return flights per week, bringing number of airports serves in Turkey to 4 with 11 flights per week.	Service to Dhaka started on October 1, 2020, offering direct flights from Kuwait to Dhaka as well as connecting flights to cities in the Middle East.	Flights to the capital of the Sultanate of Oman, Muscat, started on November 2, 2020, offering direct flights between Kuwait and Muscat once a week every Monday.

BEGINNING 2020 WITH EXPANSION PLANS

INTRODUCING OUR NEW FARE CATEGORIES

With the beginning of the year, Jazeera Airways introduced a series of new services and Fare Options applicable from 2020 that aim to give passengers more choices to customize their itinerary as per their needs and budget when travelling to the Middle East, Europe or Asia.

The step comes as the airline continues to expand and offer passengers more places to visit, enabling them to choose how they want to travel. The new Fare Options and services have been designed to make their journey with Jazeera Airways all the more personalized and enjoyable.

Passengers are now able to choose from three fare categories in Economy Class: Light, Value or Extra, each providing them with a set of services to meet their needs. Passengers of Economy Class Light, the lowest fare category, are allowed a carry-on and a small bag, and can add on the services they require for their travel itinerary. Passengers of Economy Class Value are additionally allowed 20 kilograms in checked-in baggage allowance, while passengers of Economy Class Extra are allowed 30 kilograms in checked-in baggage allowance, priority check-in and the ability to choose from the Preferred Seats located on rows 4 to 10.

A new Priority Service was also introduced to provide passengers with a faster travel experience: access to Priority Check-in, Priority Baggage and Priority Boarding. Charges are KD10 one-way and will be available at all airports. Passengers on connecting flights will pay KD15 for the one-way service for both flights.

When planning or managing their booking, passengers can choose a seat of their preference from a variety of options. Should they not reserve a seat ahead of the flight, a standard seat will be assigned to them at check-in.

Having moved to an all-Economy fleet configuration (except on Cairo flights), the new Seat Selection starts with Premium Seats located on rows 1 to 3, which provides generous legroom with a 33-inch seat pitch. Passengers of these rows also have a first selection from the Jazeera Café menu. As for the Preferred Seats, they are located on rows 4 to 10 where they provide a 31-inch seat pitch and Economy Class Extra passengers can reserve it for free. The Extra Legroom Seats are located on rows 11 and 12, giving passengers the maximum legroom in the 35 to 38-inch seat pitch. The Standard Seats with 28-30-inch seat pitch are located on rows 13 to 28 / 29 and are designed for the best comfort at great value.

Passengers can also add on excess baggage whether at check-in and upon availability for Light travelers, or ahead of time for both Value and Extra travelers. They can also add on access to the Jazeera Business Lounge and a meal from Jazeera Café.

Today, Jazeera's customers can enjoy great flexibility about the way they travel. They also have the choice to change their mind at the last minute and add on the service that best suits their needs.

SIGNING OF LEAP-1A ENGINE SERVICES AGREEMENT

Jazeera signed a long-term Rate Per Flight Hours (RPFH) agreement with CFM International to support the LEAP-1A engines that power the airline's fleet of Airbus A320neo aircraft. The agreement, which is valued at USD1.3 billion, covers a minimum of 20 aircraft and five spare engines, with the option of including additional aircraft as Jazeera Airways continues to expand its fleet. Under the terms of the agreement, CFM Services guarantees maintenance costs for Jazeera's LEAP-1A engines on a dollar per engine-flight-hour basis.

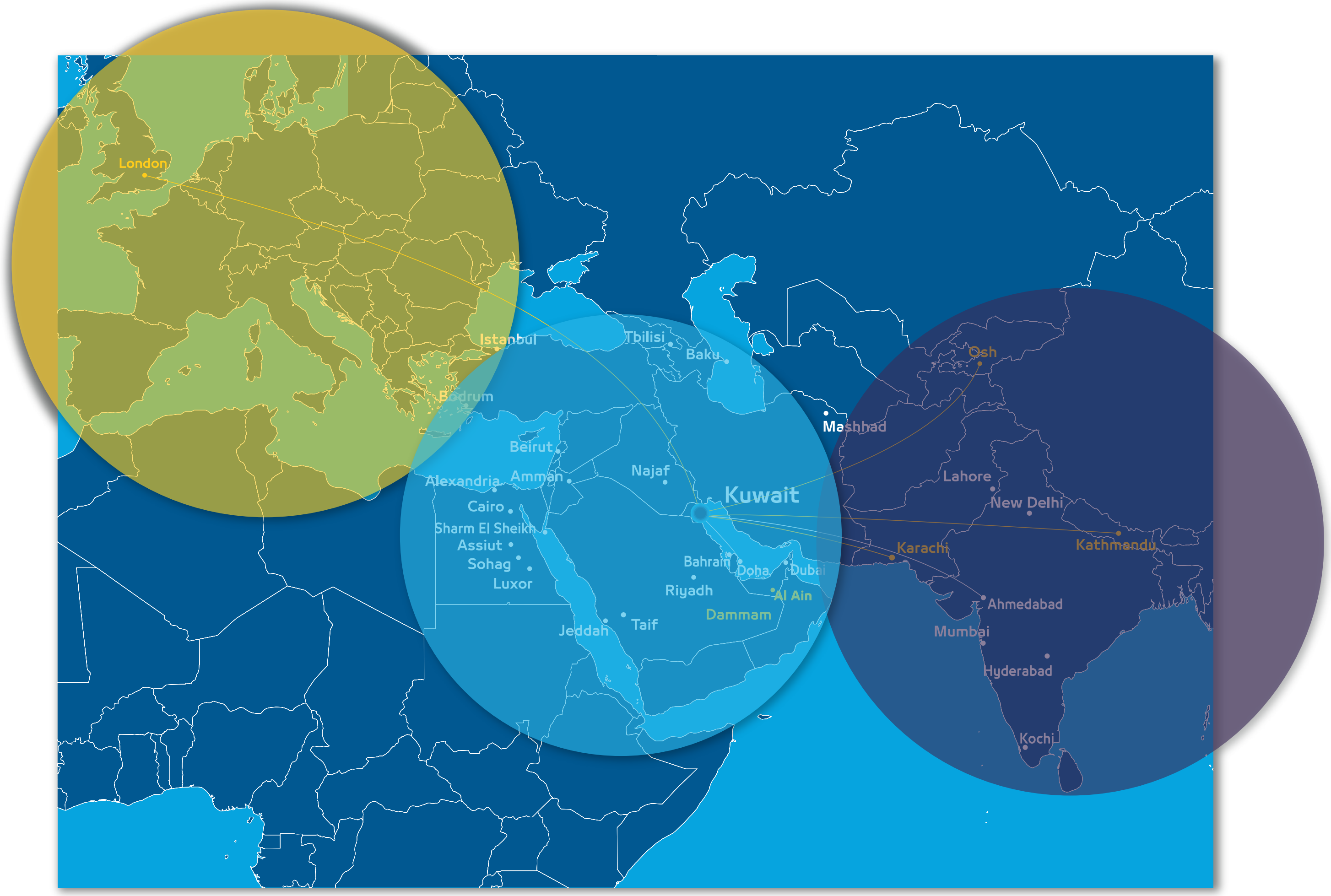
In May 2018, Jazeera Airways became the first LEAP-1A-powered A320neo operator in the Middle East and the fleet has since logged more than 6,000 flight hours. The airline also operates nine CFM56-5B-powered A320ceo aircraft. The LEAP engine is a real asset to the airline's daily operations in harsh environments and it plans to introduce more of these engines in the coming months.

CFM International's advanced LEAP-1A engine continues to set a new industry standard for fuel efficiency and asset utilization as the fleet continues the most rapid build-up in commercial aviation history.

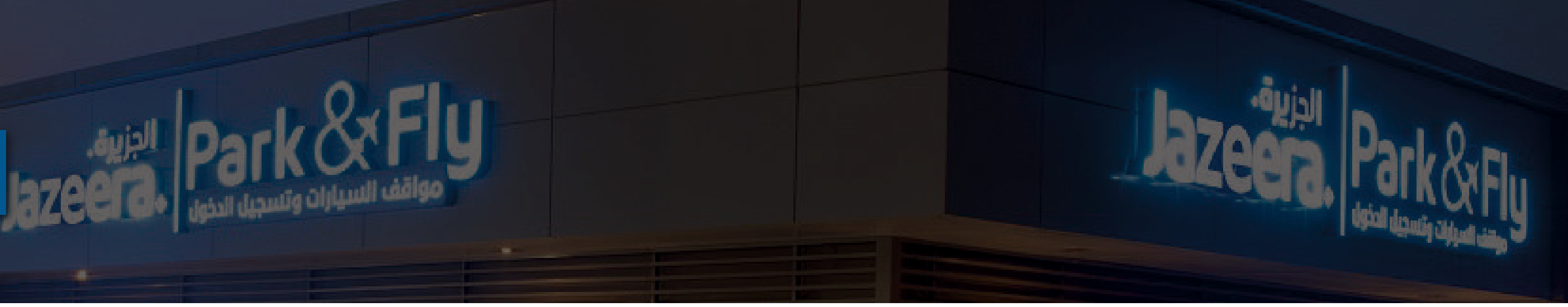
PLANNED EXPANSION FOR THE REST OF 2020

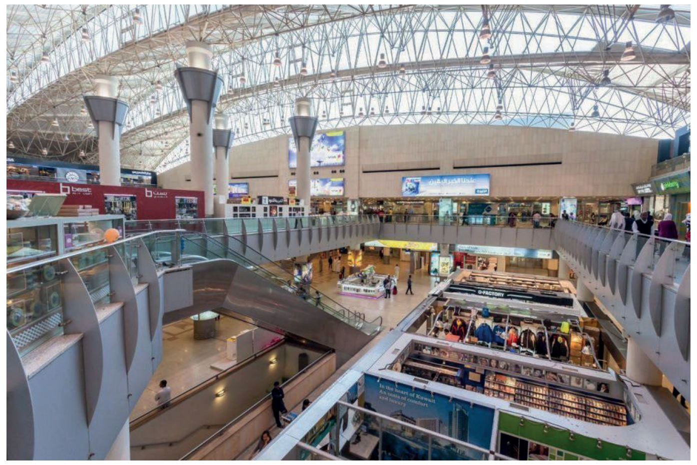
As Jazeera Airways looked forward to continuing its expansion in 2020 and the coming years with a focus in its home region, the Middle East, as well as Europe and Asia, the airline's expansion plans were placed on hold with airports within its network and worldwide closing borders to curb the spread of the Covid-19 virus, announced officially as a pandemic by mid-March 2020.

The airline had planned new direct services from Kuwait to Sharjah in UAE, Chittagong and Dhaka in Bangladesh, Qassim and Hail in KSA, in addition to new opportunities in the European market within a 6.5-hour flight radius. The expansion was supported by a growing fleet and a customer-centric offering in which our customers choose to fly the way they prefer.



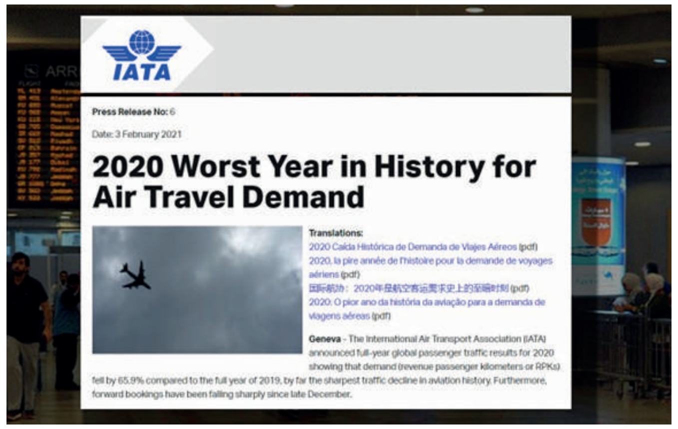
REALLOCATING CAPACITY DURING THE PANDEMIC





THE LOCAL, REGIONAL AND GLOBAL SITUATION

The International Air Transport Association (IATA) qualified 2020 as the "Worst Year in History for Air Travel Demand".



IATA

Press Release No: 6

Date: 3 February 2021

2020 Worst Year in History for Air Travel Demand

Translations:
2020 Caída Histórica de Demanda de Viajes Aéreos (pdf)
2020, la pire année de l'histoire pour la demande de voyages aériens (pdf)
国际航协：2020年是航空客运需求史上的至暗时刻 (pdf)
2020: O pior ano da história da aviação para a demanda de viagens aéreas (pdf)

Geneva - The International Air Transport Association (IATA) announced full-year global passenger traffic results for 2020 showing that demand (revenue passenger kilometers or RPKs) fell by 65.9% compared to the full year of 2019, by far the sharpest traffic decline in aviation history. Furthermore, forward bookings have been falling sharply since late December.

Worlwide, airlines registered a total loss of US$118 million as demand and revenue passenger kilometers (RPK) both dropped by 65.9%. Load factor reached 62.8%, down 19.2%, and the available seat kilometers fell 56.5%.

In the Middle East, demand dropped by 72.9%, while revenue passenger kilometers (RPK) dropped by 65.2%. Load factor reached 57.3%, down 18.9%, and the available seat kilometers fell 63.3%.

TRAVEL RESTRICTIONS IN KUWAIT

Following close to a six-month suspension of flights at Kuwait International Airport (KWI), traffic returned with very limited capacity. Commercial flights from 34 countries were suspended, and the number increased to 35 by December.

Six countries on the list are high traffic destinations for Jazeera and the travel sector in Kuwait. These included India, Pakistan, Egypt, Lebanon, Nepal and UK.

OPERATIONALLY, WHAT WE DID

Focus on Charter and Connecting Flights

We started operating point to point and connecting flights from and through KWI, specifically between Asia and the Middle East as well as Asia and Europe.

Launch of New Destinations:

We launched flights to serve demand for "Covid-safe" touristic destinations as well as high demand destinations that are underserved to offer connecting flights.

Undertook Decisive Measures to Safeguard our Financial Position

We suspended previously announced dividends for the record year of 2019, activated the bank drawdowns and downsized the number of employees.

HOW WE ENDED THE YEAR

Jazeera's performance was in line with industry benchmarks. Its number of passengers decreased by 71% during the year in comparison to 72.9% in the Middle East and 65.9% worldwide, while load factor decreased by 13.2% in comparison to 18.9% for the Middle East and 19.2% worldwide.

OUR CONTRIBUTION IN THE FIGHT AGAINST THE PANDEMIC

Redirecting Capacity and Capabilities to Cargo Flights

Jazeera Airways started operating full-cargo flights with a capacity of up to 15 tons per aircraft and within a range of six hours flying time from Kuwait following the suspension of commercial flights at Kuwait International Airport. The airline carried over 1,600 tons of cargo in H1 2020.

Placing Our Fleet and Facilities at The Disposal of The State Of Kuwait:

Jazeera Airways is proud to have participated in the largest air bridge repatriation program ever launched by the State of Kuwait. The airline operated over 60 flights bringing home over 6,800 Kuwaiti nationals. The repatriation flights extended from March 25 to May 10 and flew citizens flew citizens back from London, Warsaw, Moscow, Yerevan, Riyadh, Manama, Dubai, Doha, Amman, Istanbul, Alexandria, Cairo, Najaf, Tehran, Tbilisi and Sarajevo.

The airline also built the Kuwait Passenger Reception Centre (KPRC), in coordination with the Directorate General of Civil Aviation (DGCA) and the Ministry of Health at Kuwait International Airport to support the medical screening of all inbound passengers.

Converting Park & Fly into a Drive-Through Testing Center

In addition to these efforts, Jazeera Airways converted its Park & Fly facility in record time for the use by the Ministry of Health to perform the first drive-through virus tests in Kuwait. Jazeera Airways' design and engineering team reconfigured the facility to comply with the stringent requirements of the local health authorities. A second drive-through testing facility has also been constructed by the Jazeera Airways team at the Jaber Al-Ahmad national stadium.

The Big Thank You to Frontline Heroes

By the end of June, Jazeera Airways announced offering 50,000 free round-trip tickets to frontline heroes fighting the Covid-19 pandemic in the State of Kuwait. The total value of these tickets is estimated at KD5 million.

FINANCIAL PERFORMANCE

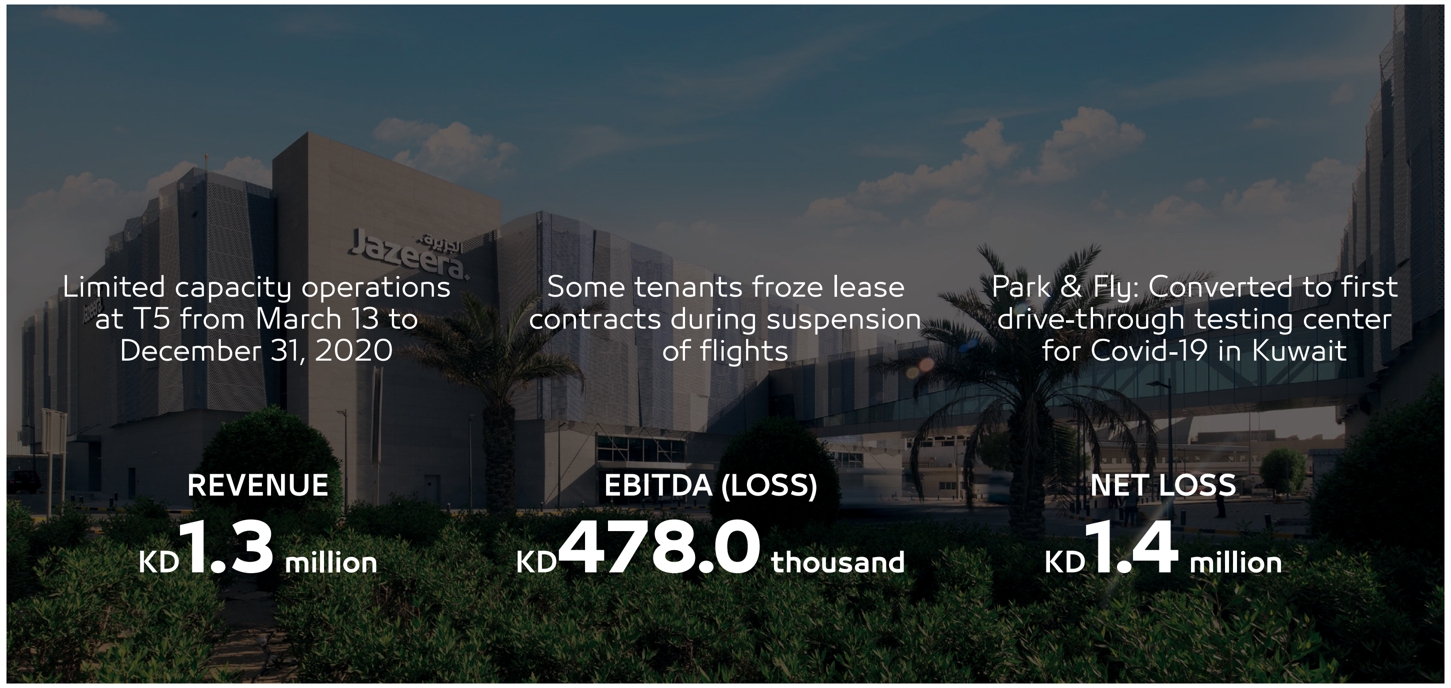
FINANCIAL PERFORMANCE

OPERATING REVENUE	OPERATING LOSS	NET LOSS
KD41.4 million	KD20.7 million	KD26.4 million
-60.1%	-223.5%	-276.6%

* Earnings impacted by various one-offs and adverse accounting treatment specifically related to IFRS 16, which combined were equivalent to KD15.0 million:

In KD	One-time impact on FY20 P&L
Fuel Hedge	1.6 million
Provisions / Write off	2.2million
IFRS 16 lease cash waivers not recognized	6.4million
Maintenance restructuring	4.8million
Total	**15.0 million**

TERMINAL 5 PERFORMANCE



COST CONTROL MEASURES

SUSPENDED DIVIDENDS	ACTIVATED BANK FACILITIES	COST CONTROLS
Suspended previous recommendation to distribute dividends for the financial year ending December 31, 2019.	Activated the drawdown of bank facilities that were not previously tapped to support Jazeera's ongoing liquidity through the coming months.	Reduced number of employees by 37%, voluntary 50% salary reductions for higher management, negotiated waivers with aircraft lessors, and reduced overall overhead bill.

CASH POSITION AND CASH BURN

Jazeera maintains a healthy asset base and a very strong unrestricted cash balance, which stood at KD19.7 million by the end of the 2020 financial year, close to its cash position of KD23.8 million in December 2019. In addition, a guaranteed government collection of KD3.2 million is scheduled in 2021 in return for costs of repatriation flights.

With its precautionary measures and its strong cash position, Jazeera has ensured its business continuity in the coming 20 months, safeguarding its shareholders' value should operations remain derailed by the prolonged closure of Kuwait International Airport.

Today, these precautionary measures, coupled with prudent cost controls and flexible business model, will enable Jazeera to sustain operations for 20 months at a cash burn rate of KD1.0 million per month.

UNRESTRICTED CASH
KD19.7 million

CASH BURN
KD1.0 million
per month

Cash end FY20	KD19,668,737	
Change in Cash	KD15,527,118	
Add: Government	KD3,200,000	Confirmed dues to be collected in 1Q21
FY20 Cash burn	KD12,327,118	
Monthly Cash burn	KD1,027,260	Inclusive of all operating expenses and hedge costs

OPERATIONAL PERFORMANCE

OPERATIONAL DEVELOPMENTS

Q1	Q2	Q3	Q4
35 destinations	**Suspension of all commercial flights at KWI**	**Limited capacity commercial flights and charters**	**New routes + flights suspension at KWI during holidays season**
+ planned services to 6 new destinations	- Focus on repatriation and charter flights - KWI restricts inbound flights from 34 countries	- Commercial flights to: Turkey, Dubai & KSA - Continued charters to India, Bangladesh, Nepal - Ongoing restrictions on inbound travel	- New routes to Muscat and Dhaka - End of year demand not served because of suspension of flights in the last week of the year - Restriction increased to 35 countries

TERMINAL 5 UPDATES

NEW DUTY FREE

New duty free shop at T5 to start operating as from April

VIV

VIV serves private flights at Kuwait International Airport

SUPPORT BUILDING

Development of support building for Jazeera operations and catering at T5 to start soon

CELEBRATING WOMEN'S DAY WITH AN ALL-WOMEN CREW

On March 8, Jazeera Airways took off with an all-women cabin crew and First Officer, Multani Charan, on board flight J9 611 that departed from Kuwait to Tbilisi, Georgia. The crew included Senior Cabin Crew Member, Mirna Elsabbahy, Cabin Crew Members, Rubab Abbas, Ibtissam Meftah and Ayesha Salem.

NEW SAFETY PROCEDURES WHEN TRAVELLING

AIRCRAFT AND TERMINAL DISINFECTION

Jazeera operates an expanding fleet of new Airbus A320neo aircraft, all equipped with the High Efficiency Particulate Air (HEPA) air filters that have been proven effective in reducing transmission rates, removing dust, allergens, bacteria, viruses and other irritating particles. Constant airflow ensures that the cabin air is refreshed every 90 minutes throughout the flight.

The airline also performs an anti-viral disinfection program in which it sprays the cabins after each flight, as well as fumigates them using anti-viral high pressure disinfection sprays on seats and throughout the cabin. Disinfectant chemicals used are internationally approved and safe for all passengers.

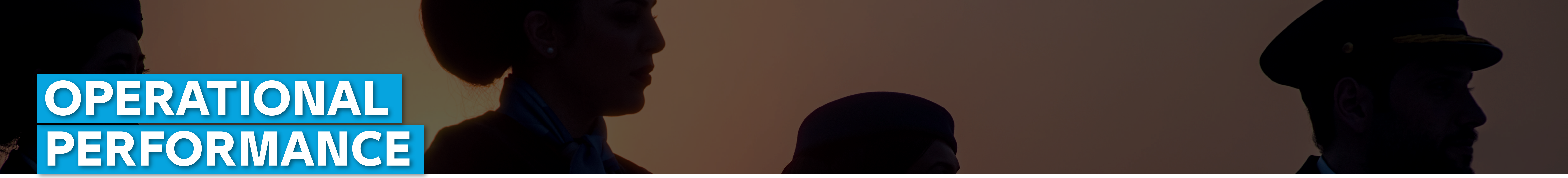
Jazeera Airways has also taken every safety and precautionary measure on its aircraft and at Jazeera Terminal T5 in Kuwait to ensure passengers fly safely. Social distancing markers are on the floor throughout the terminal to maintain a safe distance from other passengers.

SAFE CHECK-IN PROCEDURES

Passengers must check-in online and download their boarding pass on the Jazeera App or print it from the website. Check-in is also available up to 24 hours prior to the flight departure at the T5 Car Park, where passengers can drop their baggage and collect their boarding pass. When arriving at T5, passengers can proceed directly to immigration.

PRECAUTIONARY MEASURES

Passengers and crew members are mandated to wear medical face masks at all times.



OPERATIONAL PERFORMANCE

LAUNCHING NEW ROUTES TO SERVE DEMAND

TRABZON: HIGH-DEMAND TOURISTIC DESTINATION

Jazeera started operating a new service to the touristic destination of Trabzon in Turkey on August 3, with two return flights per week every Monday and Friday. The new service brought the total number of flights operated to Turkey 11 flights per week to four airports in Turkey, namely Istanbul International Airport, Sabiha Gokcen International Airport, Milas-Bodrum Airport and Trabzon Airport.

Turkey has always been a great destination with high demand for tourism, so it was only natural to introduce a new getaway in the country for our passengers to explore the historical landmarks, attractions and rich culture that lies on the Black Sea coast. The launch follows over four months of flights suspended at Kuwait International Airport.

Trabzon is located in the north east of Turkey and overlooks the Black Sea. The city is know for its historical landmarks from the Hagia Sophia, Trabzon Castle, Fatih Mosque to many other mosques, parks and museums. Trabzon is unique for its mountains that fall into the Black Sea and from which one can enjoy the rich culinary palette of the Turkish cuisine.

DHAKA: DEMAND FROM EXPATRIATES

Flights to the capital of Bangladesh, Dhaka, aimed at introducing direct flights between Kuwait and Dhaka as well as transit flights to cities in the Middle East. The new route serves the Bangladeshi community in Kuwait with a direct service as well Bangladeshis in other cities in the Middle East, giving them access to a value offer. Flights land at Hazrat Shahjalal International Airport with flights on Tuesdays and Thursdays from Kuwait and Wednesdays and Thursdays from Dhaka.

MUSCAT: A LEISURE DESTINATION

Jazeera launched its third new service in 2020 to the capital of the Sultanate of Oman, Muscat, on November 2, 2020, offering direct flights between Kuwait and Muscat once a week every Monday.

While restrictions on capacity at Kuwait International Airport continued, Jazeera focused on offering additional leisure options to the Kuwait market. Muscat and Oman generally are very popular with Kuwaitis. With these new flights, passengers can enjoy the rich history and culture of the capital, enjoy shopping, clifftop landmarks, old forts, museums flower-filled parks and seafood over the sandy beaches. Scenically wedged between mountains and ocean, the city has a character quite distinct and hospitable to visitors.

INTRODUCING 'DUO SEAT'

With traffic returning slowly but gradually at Kuwait International Airport, Jazeera introduced 'Duo Seat' that enables passengers to book the middle seat next to them in addition to their seat when travelling, giving passengers more comfort and security on their flight.

The price of the seat excludes taxes making it an attractive option, with discounts of up to 40% off a regular ticket price. Duo Seat can be booked online at jazeeraairways.com, on the Jazeera App or through travel agents.

A POSITIVE OUTLOOK FOR 2021 AND BEYOND

CONTINUED PRESSURES AND CHALLENGES

As we enter 2021, revenue remains under pressure due to limited capacity available at Kuwait International Airport (KWI) as well as competition from airlines, triggered by the limited demand.

The plan for a gradual return of capacity at KWI remains postponed, leading to limited daily utilization of our aircraft. Suspension of inbound flights from 35 countries continued at KWI, in addition to limiting arrival to Kuwaiti nationals and for a total of 1,000 passengers per day. Passengers still require a PCR certificate with a negative result valid 72 hours before arrival date at KWI. Mandatory home/institutional quarantine of 14 days for all arriving passengers in Kuwait.

Most airports within our network are not expected to resume full capacity until second half of 2021.

EXPECTED RECOVERY STARTING 2021

Travel is expected to recover gradually in 2021 as vaccines roll out in Kuwait and elsewhere in the world. The acceleration of vaccinations is expected to soften restrictions at KWI where a PCR testing on arrival at the airport will be mandated.

SLOW EXPANSION

Jazeera has mantainted its order to take delivery of four new A320neo this year. One has already been delivered in Q1 2021. The fleet expansion will support the launch of new routes planned for the year and the coming years.

HIGH YIELD

Driven by restricted capacity, yields are expected to remain high in 2021. The trend is foreseen for the region and the world as government slowly loosen restrictions on commercial flights traffic and airlines start to build up capcity.

THE 2021 TO 2025

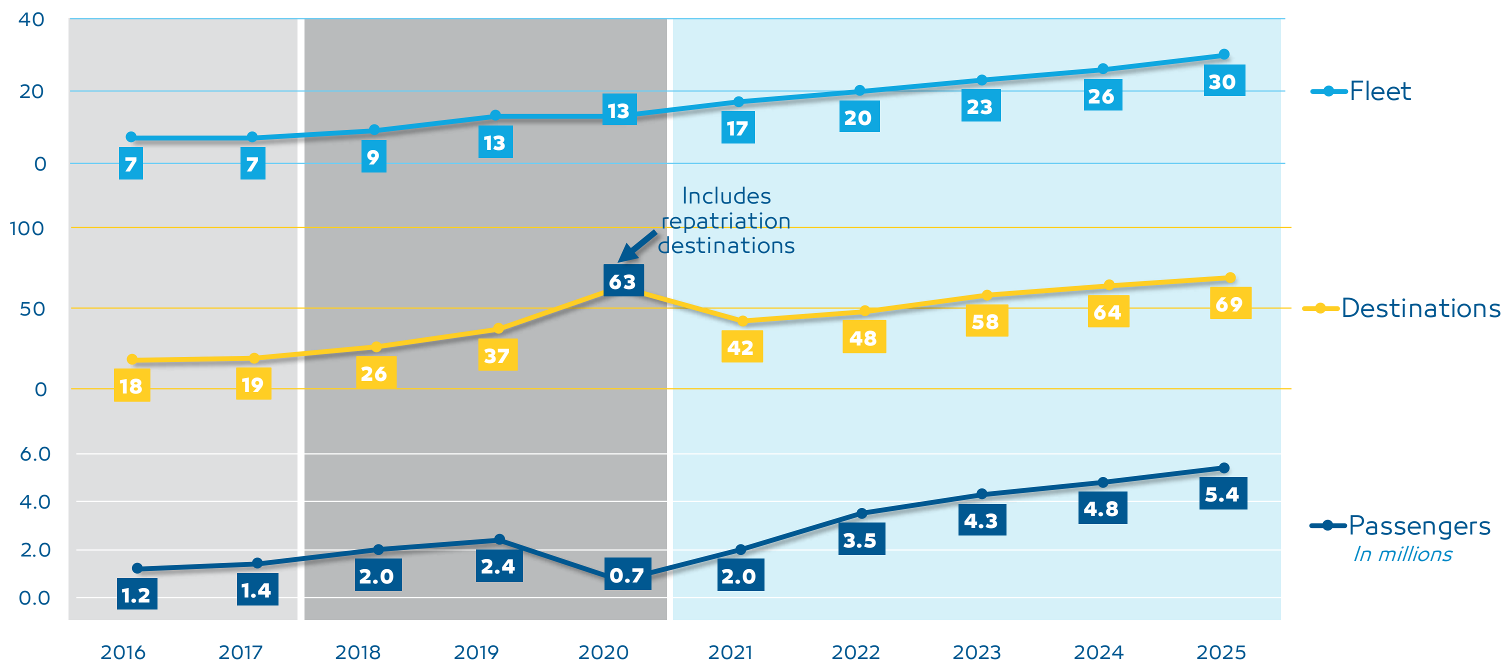
When looking at our airline's growth in the three years preceding 2020, Jazeera started 2017 with seven aircraft and ended with 13 aircraft in 2019. It started with 19 destinations and ended with 37. Earnings also almost doubled in the three-year period, reaching the highest recorded profits. If it wasn't for the exceptional year of 2020, Jazeera was headed to continued growth in that direction.

As vaccines roll out and travel returns, Jazeera foresees continued growth thanks to the solid positions and fundamentals of its airline business as well as revenue-generating infrastructure and Terminal 5 (T5). T5 is after all an integral part of the business model of Jazeera and has proved its value and its ability to support the airline's operations.

With these in hand, Jazeera plans to increase its fleet from 13 aircraft to 30 aircraft by 2025, supporting a growing network that will reach 69 destinations, serving approximately 5.4 million passengers across the Middle East, Asia and Europe.

The company will be achieving its outlook through economies of scale to improve margins as fleet and operations continue to grow, cost optimizations, network expansion driven by increased frequencies in the Indian Subcontinent, CIS, GCC and East Africa regions, as well as developing its infrastructure facilities at our hub, KWI.

THE BUSINESS PLAN IN NUMBERS



THE FOCUS

ECONOMIES OF SCALE	COST OPTIMIZATION	NETWORK GROWTH	INFRASTRUCTURE

CORPORATE GOVERNANCE REPORT

First: Framework

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

We list below the Company's Governance report for the fiscal year ended 31/12/2020. Jazeera Airways K.S.C.P. operates and implements governance standards and rules by applying best practices and a set of policies, procedures and mechanisms and determining the roles and responsibilities of the Board of Directors and the Executive Management of the Company, taking into consideration the protection of shareholders' rights, stakeholders, management, staff, and society.

Second: Guide on the Compliance with Governance Rules:

Rule One: Construct a Balanced Board Composition:

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

The Board of Directors of Jazeera Airways Company K.S.C.P. is composed of eight members who were elected by the general assembly on 10/11/2020 for a period of three years. The Board of Directors of the company had been properly composed in accordance with the company's activity, volume and nature. The majority of Members of a Board of Directors are Non-Executive Members. The Board of Directors also includes two (2) independent members and all members have variety of experiences and specialized skills in order to enhance the efficiency of undertaking resolutions.

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

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

The Board of Directors has also established the financial, administrative and operational authorities which define the authority of each of the "executive management, committees derived from the Board of Directors".

The Board of Directors had been composed in accordance with the provisions of companies' law and Capital Markets Authority guidelines. Below is brief on the composition of the Board of Directors:

Name	Classification	Qualifications and Experiences	Date of Election / Appointment
Marwan Marzouq Jassim Boodai	Non-Executive	Marwan has excellent management skills and experience in both financial and commercial sectors at the local and regional level for more than 30 years. He is the Vice Chairman of Boodai Corp, the institutional founder of Jazeera Airways and many public and closed Shareholding companies Before chairing the Board; he was chairman of The Transport & Warehousing Group Co K.S.C. P. and Hilal Cement Company K.S.C. P.	10/11/2020
Mohamed Jassim Mohamed Al-Mousa	Non-Executive	Holding a degree in Industrial and Management Systems Engineering from Kuwait University. Right after obtaining the degree he worked in NICBM "National Industries Company for Building Materials" and MRC "Metal and Recycling Company". He has experience in projects management and he is a Co-Founder of Jamsons Company and since then is the Vice President and Managing Partner of the Company.	10/11/2020
Marzouq Jassim Marzouq Boodai	Non-Executive	Holding a bachelor's degree in Management Information Systems from the Gulf University for Science and Technology. He has experience in development of logistic services, passenger transport, and heavy equipment. He is the chairman of City Group Co. K.S.C.P., Gulf Engineering Co K.S.C.C. and Kuwait Application Service Provider K.S.C.C. (KASP).	10/11/2020
Ahmad Abdalla	Non-Executive	Holding a PhD in Control Systems (ME) from Columbia University in New York. He has extensive experience in areas of corporate governance, corporate finance, project management and Human Resources. He is Vice chairman of Gulf Projects For Cooling and Electricity Co. K.S.C.P, Gulf Engineering Co K.S.C.C. and Kuwait Application Service Provider K.S.C.C. (KASP). he worked in United States of America and Canada for 18 years where he held different positions in the areas of Management and IT consulting.	10/11/2020
Hany Mohamed Shawky Younis	Non-Executive	Holding a bachelor's degree in Commerce and Business Administration from Helwan University. He has extensive experience in management and acquisitions. He is the Vice Chairman of City Group Co. K.S.C.P., He is a Board member of Gulf Projects For Cooling and Electricity Co. K.S.C.P, Gulf Engineering Co K.S.C.C. , Kuwait Application Service Provider K.S.C.C. (KASP) and Helal Cement Company K.S.C.P. He was Vice Chairman of Global Investment House and the chairman of Jordan Trading Facilities Co.	10/11/2020
Dermot Edward Mannion	Non-Executive	He graduated from Trinity College Business School, Dublin. He is a Fellow of the Institute of Chartered Accountants in Ireland. He had over 30 years of experience in airline industry. He worked at Emirates Airlines and Aer Lingus. More recently, in the capacity of Vice Chairman of Royal Brunei Airlines.	10/11/2020
Yaan Mehdi Pavie	Independent	Yann holds a BBA/MS from the Fox School of Business and an MBA from the Wharton School, where he graduated as a Palmer Scholar. He has extensive experience in Merger and acquisition and he is the founder and Chairman of Gulf Merger. He was Chief Operating Officer and Board Member of NBK Capital.	10/11/2020
Bertrand Phillip Grabowski	Independent	Holding a master degree in Business Administration from the University of Economics and Management Sciences in France. Grabowski is the Senior Strategic Advisor to Dubai Aerospace Enterprise, Industry Advisor to CPPIB, Member of the Advisory Committee at Hudson Structured Capital Management, Board Member of Flybondi, an Argentinean LCC since December 2016. Bertrand spent 11 years at DVB Bank SE as Board Member responsible for the whole Aviation activity of the Bank as well as Rail Financing. Under his leadership, a strong team effort has allowed the franchise of the Bank to expand to Aviation Asset Management and Aviation Advisory and enabled the bank to strengthen considerably in Aviation Investment Management to deliver growth of the Tokyo based Aviation platform. Before joining DVB, Bertrand spent four years at Citibank's London Asset Finance Group with primary responsibility over Europe and Japan. The Group delivered highly structured asset finance products out of Japan and Germany to first class airlines and railways operators all over the world. Before Citibank, Bertrand has worked in various positions at Banque Indosuez, renamed Credit Agricole Indosuez in Paris, Tokyo and New York. He was the Head of the Tokyo-based Asian Aviation Team for eight years and Tokyo Branch Manager, New York Branch Manager with direct responsibility over all American based Asset Finance and LBO / PE activities for three years.	10/11/2020
Krishnan Balakrishnan	Secretary	ACA and AICWA from India, Krishnan holds 26 years of work experience of which nine years are in the role of Company Secretary.	10/11/2020

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

The Company's Board of Directors held twelve meetings during the year 2020 and all the minutes of the meetings had been registered in the company's register according to the requirements of corporate governance.

Board of Directors' meetings during 2020

Member Name	Meeting #1 16/01/2020	Meeting #2 11/02/2020	Meeting #3 04/03/2020	Meeting #4 19/03/2020	Meeting #5 31/03/2020	Meeting #6 05/05/2020	Meeting #7 12/08/2020	Meeting #3 05/10/2020	Meeting #4 03/11/2020	Meeting #5 10/11/2020	Meeting #6 14/12/2020	Meeting #7 15/12/2020
Marwan Marzouq Jassim Boodai (Chairman)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Mohamed Jassim Mohamed Al-Mousa (Vice Chairman)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Marzouq Jassim Marzouq Boodai (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Ahmad Abdalla (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Hany Mohamed Shawky Younis (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Dermot Edward Mannion (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Yaan Mehdi Pavie (Independent Member)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Bertrand Phillip Grabowski (Independent Member)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆

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

The Board Secretary whose appointed by the Board of Directors on 10/11/2020 manages and coordinates all activities relating to the Board of Directors in accordance with relevant governance rules. Also the Board Secretary, under the Oversight of the Chairman ensures compliance with procedures approved by the board in relation to the circulation of information between the members, Board committees and the executive management. The Board Secretary also sets the Board meetings agendas and holds a special record for the minutes of The Board of Directors meetings. The Board Secretary also ensures the proper delivery, circulation of information and coordination between Board members and other stakeholders including the shareholders, Company departments and the concerned employees.

Coordinating and keeping minutes of the Board meetings procedures

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

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

Rule 2: Establish appropriate roles and responsibilities

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

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

Roles and responsibilities of the Board of Directors:

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

Executive Management

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

The executive management is responsible for the Company's practices, activities and company operations. The executive management roles and responsibilities in general are the achievement of objectives, oversight of day-to-day operations of the Company's activities, participation in strategic planning, preparation of budgets and financial reports.

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

Roles and responsibilities of the Executive Management

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

Achievements of Board of Directors during the year.

In line with the Board roles and responsibilities, the Board had:

- Approved the interim financial statements
- Approved the annual audited consolidated financial statements for the year ended 31/12/2019.
- Approved the amendments of some of the company's articles of Associations and adding a new article and recommended the same to Extraordinary General Meeting on 22/06/2020.
- Approved the budget for the year 2021.
- Follow up and monitor the performance of the Board committees.
- Recommended the appointment of independent auditors.
- Reviewed and updated the policies and procedures relating to corporate governance rules.

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

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

First: Audit Committee

Tasks and achievements of the committee during the year:
- Reviewed periodical and annual financial statements for the year 2020.
- Provided the Board of Directors with its recommendations concerning re-appointment, of the external Auditors
- Consider the applied accounting policies and provide the Board of Directors with opinion and recommendation in this regard.
- Verify the company compliance with related rules, policies and regulations.
- Review the outcomes of regulatory bodies reports and ensure that necessary measures were taken in this regard.
- Evaluate the extent of sufficiency of internal audit systems in place.
- Consider remarks of external auditors on the company financial statements and follow up measures taken regarding them.
- Follow up works of external Auditors and ensure no services other than services related to audit functions are provided to the company.

Date of the committee's formation: 10 November 2020 **The committee's term:** 3 Years
The committee's chairman: Hany Mohamed Shawky Younis
Members of the committee: Marzouq Jassim Marzouq Boodai
Yaan Mehdi Pavie

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

Member Name	Position	Classification	Meeting #1 13/02/2020	Meeting #2 09/02/2020	Meeting #3 29/03/2020	Meeting #4 29/03/2020	Meeting #5 10/08/2020	Meeting #6 10/08/2020	Meeting #7 02/11/2020	Meeting #8 24/12/2020
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Marzouq Jassim Marzouq Boodai	Member	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Independent	◆	◆	◆	◆	◆	◆	◆	◆
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆	◆	◆	◆	◆

- The Company assigned an independent external consultancy office to carry out the internal audit of the company's main operations. The committee followed up the internal audit process through direct meetings with the consultancy office responsible for the internal audit in its meetings No. 1,3,5 and 8.

Second: Risk Committee

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

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

Date of the committee's formation: 10 November 2020 **The committee's term:** 3 Years
The committee's chairman: Hany Mohamed Shawky Younis
Members of the committee: Marzouq Jassim Marzouq Boodai
Yaan Mehdi Pavie

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

Member Name	Position	Classification	Meeting #1 13/01/2020	Meeting #2 05/04/2020	Meeting #3 10/08/2020	Meeting #4 16/12/2020
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆
Marzouq Jassim Marzouq Boodai	Member	Non-Executive	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Independent	◆	◆	◆	◆
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆

Third: Board Remuneration and Nominations Committee

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

Date of the committee's formation: 10 November 2020 **The committee's term:** 3 Years
The committee's chairman: Ahmad Abdalla
Members of the committee: Marzouq Jassim Marzouq Boodai
Hany Mohamed Shawky Younis
Yaan Mehdi Pavie

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

Member Name	Position	Classification	Meeting #1 25/06/2020	Meeting #2 23/12/2020
Ahmad Abdalla	Chairman	Non-Executive	◆	◆
Hany Shawky Younis	Member	Non-Executive	◆	◆
Marzouq Jassim Marzouq Boodai	Member	Non-Executive	◆	◆
Yaan Mehdi Pavie	Member	Independent	◆	◆
Krishnan Balakrishnan	Secretary		◆	◆

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

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

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

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

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

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

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

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

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

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

The Board remuneration and nominations committee recommended not to distribute remunerations (except sitting fees, where contracted) to board members for the financial year ended 31/12/2020.

The Committee reviewed both fixed compensation which is based on the responsibilities and variable remuneration related to the achievement of established targets and predefined goals for all members of the executive management.

Remuneration Report:

Category	Fixed Benefits KWD	Variable Remunerations KWD	Total remunerations KWD
Board of Directors	30,570	0	30,570
Members of the Executive Management	599,636	0	599,636

Rule 4: Safeguard the Integrity of Financial Reporting

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

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

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

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

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

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

There were no conflicts between the recommendations of the audit committee and the resolutions of the Board of Directors during the year 2020.

Verification of the independence and neutrality of the external Auditor

The Board of Directors is working towards reducing potential conflicts of interest cases. The audit committee had verified the independence and integrity of the external auditor, by setting standards and principles for assessing its independence, so that it can recommend to the Board of Directors the appointment or re-appointment or change of the external auditor. It was verified that the external Auditor is independent from the company and its Board of Directors and no services other than services related to the audit functions are provided to the company, which may affect the auditors' neutrality or independency. It was verified also that the Auditor is listed in the Authority's external auditors register. Accordingly, the Audit Committee recommended to the Board of Directors the re-nomination and reappointment of the external auditor Deloitte & Touche (Al Wazzan & Co), the Ordinary General Assembly approved the reappointment of the auditor in its meeting held on 22/06/2020.

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

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

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

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

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

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

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

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

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

Summary clarifying the control and internal audit systems.

The Board of Directors verifies the adequacy and effectiveness of the internal control systems necessary to the company's operations, as well as verifies compliance with those systems. The company has effective internal control and internal audit systems that cover all the company's activities to maintain the company financial soundness, data accuracy, operations effectiveness. The company applies the internal principles of the internal control through:

- Sound identification of authorities and responsibilities,

- Entire segregation of roles and elimination of conflicts of interest.

- Inspection and dual audit

- Dual signature.

- Approved Authority Matrix and segregation of duties.

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

The internal audit function is independent and reports directly to audit committee and accordingly to the board of directors. The main responsibilities as follows:

- Audit and supervision of efficiency and effectiveness of internal audit systems.

- Evaluate performance of the executive management in applying internal audit systems.

- Compare development of risk factors and the current systems to evaluate the extent of efficiency of the company's daily business operations.

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

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

Rule 6: Promote Code of Conduct and Ethical Standards

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

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

The code of conduct affirms the company's policy and constitutes a guideline for:

- Enhancing honest and ethical conduct, which reflects positively on the company

- Maintaining a corporate culture that upholds the integrity and dignity of each individual.

- Adhering to the laws, regulations and policies that govern the company's activities and operations, and ensure a sound utilization of the company's assets. The code of conduct includes ways in which each manager, official and employee deals with the company stakeholders as well as the public. These codes ensure that the company is viewed by others as one that is committed to the highest standards of integrity in all its transactions.

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

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

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

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

Related party transactions

Related party Policy clarifies the guiding principles on how to conduct and manage transactions with related parties.

Information Confidentiality

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

Whistleblowing Policy

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

Rule 7: Ensure Timely and High Quality Disclosure and Transparency

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

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

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

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

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

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

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

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

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

The Company had developed the infrastructure for the information technology on which it significantly relies on in the disclosure processes. In compliance with Corporate Governance rules stipulated in article no. 8-8 the company has created a section on its website dedicated to corporate governance that displays all recent information and data that helps current and potential investors to exercise their rights and evaluate the company's performance.

- The online disclosure system through Kuwait Stock Exchange website is followed
- Contact the Capital Market Authority through e-mail to provide all required information and disclosures.
- The company website includes all the disclosures, financial results and periodic reports
- The company website includes information about the board of directors and executive management as well as an overview of the most important policies and regulation.

Rule 8: Respect the Rights of Shareholders

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

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

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

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

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

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

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

Rule 9: Recognize the Roles of Stakeholders

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

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

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

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

Shareholders:	The Company has established a policy to protect shareholders' rights as stipulated in the law and related instructions and as part of the corporate governance framework, in addition to effective communication with shareholders to know their views on various matters concerning the Company through the Investor Relations Unit.
Regulatory authorities:	The Company adheres to the laws, executive regulations and instructions issued by the Capital Markets Authority, the Ministry of Commerce and Industry and any other related Regulatory authorities; it is also cooperating with all relevant regulatory authorities through follow-up as well as providing information, data, records and any all other requirements by representatives of the relevant regulatory authorities.
Customers:	The Company is providing the best services to its customers and following up customers' suggestions and complaints; this is in addition to improving communication with customers through modern means of communication to support the customers easily and on time.
Employees:	The Company is keen to recruit national labor and developing the skills of all the Company's employees. The Company's focus is on providing professional development and the necessary training programs and directing recruitment efforts towards recruiting and training the national labor.

Rule 10: Encourage and Enhance Performance

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

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

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

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

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

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

Rule 11: Focus on the Importance of Corporate Social Responsibility

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

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

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

The policy works to improve living, social, and economic conditions for workforce in several areas including:

- Assist in providing job opportunities and create proper conditions.

- Support and encourage national labour

- Enhancing efficiency and competitiveness of national labour.

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

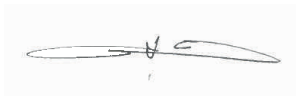
Jazeera Airways is committed to the participation in the local society in which it offers its services on various occasions through the provision of initiatives and activities that emphasize its social responsibility in several areas including culture, education and health. The Company during the year 2020 had been placed its fleet of 14 aircraft and its crew at the disposal of the government to support its efforts to return the Kuwaiti citizens to the country as well as serve for transporting medical products and equipment needed.

Graduate Development Program

Jazeera Airways offers exciting opportunities for young Kuwaiti nationals and fresh graduates. The company helps fresh graduates to develop their skills and competencies in the field of Aviation by training them in all airline-related functions. The training includes practical on-the-job responsibilities with clearly defined objectives.

Dear Shareholders,

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



Marwan Marzouq Boodai
Chairman

AUDIT COMMITEE REPORT

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

Formation of the audit committee

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

Member Name	Position	Classification	Meeting #1 13/02/2020	Meeting #2 09/02/2020	Meeting #3 29/03/2020	Meeting #4 29/03/2020	Meeting #5 10/08/2020	Meeting #6 10/08/2020	Meeting #7 02/11/2020	Meeting #8 24/12/2020
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Marzouq Jassim Marzouq Boodai	Member	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Independent	◆	◆	◆	◆	◆	◆	◆	◆
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆	◆	◆	◆	◆

The Company assigned an independent external consultancy office to carry out the internal audit of the company's main operations. The committee followed up the internal audit process through direct meetings with the consultancy office responsible for the internal audit in its meetings No. 1,3,5 and 8.

Tasks of the committee

- Reviewed periodical and annual financial statements for the year 2020.
- Provided the Board of Directors with its recommendations concerning re-appointment, of the external Auditors
- Consider the applied accounting policies and provide the Board of Directors with opinion and recommendation in this regard.
- Verify the company compliance with related rules, policies and regulations.
- Review the outcomes of regulatory bodies reports and ensure that necessary measures were taken in this regard.
- Evaluate the extent of sufficiency of internal audit systems in place.
- Consider remarks of external auditors on the company financial statements and follow up measures taken regarding them.
- Follow up works of external Auditors and ensure no services other than services related to audit functions are provided to the company.

Marwan Marzouq Boodai
Chairman

BOARD ACKNOWLEDGEMENT

Acknowledgment with regard to the integrity of Financial Reporting

I, the Chairman together with the members of the Board of Directors of Jazeera Airways K.S.C.P acknowledge and undertake the accuracy and soundness of the financial data provided to the external auditor. We also assure that the financial statements and reports of the company have been prepared and presented in a fair and sound manner in accordance with Accredited Accounting Standards applied in the State of Kuwait, and that the same reflects the Financial Position in the company as of 31 December 2020 based on information and reports provided by the executive management and auditors with diligence after applying best practice to verify the accuracy and soundness of the Financial Reports.

Marwan Marzouq Jassim Boodai
Chairman

Mohammad J M Al Mousa
Vice Chairman

Marzouq Jassim Marzouq Boodai
Board Member

Ahmad Abdalla
Board Member

Hani Mohammad Shawqi Younes
Board Member

Dermot Edward Mannion
Board Member

Yann Mehdi Pavie
Independent Board Member

Bertrand Philippe Grabowski
Independent Board Member

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.

Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174 Safat 13062
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080
www.deloitte.com

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Jazeera Airways K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Total passenger and ancillary revenue recognized by the Group during the year amounted to KD 38,522,518. The Group recognises revenue from sale of passenger tickets in income when a passenger has flown or on expiry of ticket validity. The determination of passenger and ancillary revenue recognised involves complex information technology systems (IT) for tickets booked, utilised and expired. We have considered revenue recognition as a key audit matter as it involves complicated IT systems that handle large volumes of transaction data. The accounting policy for revenue recognition for passenger revenue is set out in note 2.12 to the consolidated financial statements.	**Our audit procedures included:** • evaluation of the relevant IT systems, with the assistance of our internal IT specialists. • assessment of the relevant controls to determine if they had been designed and implemented effectively and tested the controls to determine if they were operating effectively. • for passenger and ancillary service system used by the Group, we obtained and assessed the assurance report attesting the appropriateness and effectiveness of the internal control systems established by the service provider. • testing samples of passenger revenue transactions recorded during the year by verifying the consideration received and the evidence of when the services were provided. We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of non-monetary assets At 31 December 2020, the aggregate value of non-monetary assets which mainly consist of right of use assets, amounted to KD 115,828,431 (2019: KD 115,124,673) which represents 71% of the total assets. The impact of COVID - 19 on the airline industry was a trigger event that required the Group to assess whether there is any indication that any non-monetary assets, like right of use asset, may be impaired. The impairment test performed by the management is significant to our audit because the assessment of the recoverable amount under the value-in-use basis is complex and requires considerable judgment on the part of management many of which are forward-looking. Estimates of future cash flows are based on management's views of variables such as the recovery of growth in the airline sector, government regulations, economic conditions such as the economic growth and expected yields. Given the unpredictability of the duration and magnitude of the COVID-19 pandemic in the world, we identified the impairment testing of non-monetary assets as a key audit matter. The Group's policy on assessing impairment of non- monetary assets is set out in note 2.7 and related disclosure is in note 29 to the consolidated financial statements. The Group concluded that non- monetary assets are not impaired.	**Our audit procedures included:** • an evaluation of design and implementation and performed operating effectiveness of controls over the impairment assessment process. • with the support of our internal valuation experts, we benchmarked and challenged key assumptions forming the Group's value-in-use calculation including the cash flow projections and discount rate. • assessment of the cash flow forecast by considering the reduction in demand for air transportation and the gradual return to pre- Covid performance and comparing the discount rate and growth rate to market data. • performed a sensitivity analysis of the cash flow forecast. • reperformed the mathematical accuracy of the impairment test performed by management. We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.
Going concern assessment - Impact of COVID-19 on the Group 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 and airline industry. 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. As a result of the above and the loss incurred during the year of KD 26,400,734, the Group has assessed the impact of the COVID-19 outbreak on its ability to continue as a going concern. Management performed a going concern assessment considering the reduction in demand for air transportation, regulatory conditions, expectations regarding timing of routes being restarted, passenger demand on those routes and expected margins. In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations with a particular focus on the Group's ability to continue as a going concern. Management concluded based on these forecasts and sensitivities, that it was appropriate to prepare the financial statements on a going concern basis. We considered this to be a key audit matter due to the evolving nature of the pandemic, the uncertainties involved and the significant level of judgement applied in the management forecast. Refer to note 2.1 in the financial statements relating to this matter.	**Our audit procedures included:** • reviewed management's assessment in relation to going concern. • discussed with management and the Board the critical estimates and judgements applied in their assessments in order to understand and challenge the rationale underlying the judgements and sensitivities applied and estimates made as a result of COVID-19. • challenged the underlying cash flow projections and performed sensitivity analysis to assess the impact of the key assumptions underlying the forecast such as future flight demand, and the level of cash utilization in a no flight scenario; We also assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other information included in the Group's 2020 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, and by the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violation of the Companies Law No. 1 of 2016 and its Executive Regulations, as amended, or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have

occurred during the year ended 31 December 2020 that might have had a material effect on the business of the Parent Company or on its financial position.

We further report that, during the course of our audit, 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 year ended 31 December 2020, that might have had a material effect on the business of the Parent Company or on its financial position.

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

Kuwait
22 February 2021

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	Kuwaiti Dinars 2020	Kuwaiti Dinars 2019
Non - current assets			
Property and equipment	3	20,458,884	20,819,335
Right of use assets	4	93,806,490	82,691,386
Advance for maintenance	5	1,563,057	11,613,952
Security deposits	6	1,135,557	3,043,855
		116,963,988	118,168,528
Current assets			
Inventories		382,274	312,557
Security deposits	6	1,309,946	1,172,192
Trade and other receivables	7	116,963,988	23,245,301
Cash and bank balances	8	19,668,737	23,754,647
		45,661,164	48,484,697
Total assets		162,625,152	166,653,225
LIABILITIES AND EQUITY			
Equity			
Attributable to Parent Company's shareholders			
Share capital	9	20,000,000	20,000,000
Legal reserve	10	-	5,835,242
Hedge r eserve	23	(1,027,778)	837,562
(Accumulated losses)/ Retained earnings		(6,995,957)	13,569,535
Total equity		11,976,265	40,242,339
Non - current liabilities			
Post employment benefits	11	2,481,900	2,454,600
Maintenance payables	12	11,304,324	8,552,150
Lease liabilities	13	89,634,444	76,931,616
Murabaha payables	14	6,139,022	-
		109,559,690	87,938,366
Current liabilities			
Maintenance payables	12	6,684,165	3,617,308
Lease liabilities	13	16,048,245	12,031,667
Murabaha payables	14	883,498	-
Trade and other payables	15	12,790,550	18,110,841
Deferred revenue	16	264,051	4,712,704
Bank overdrafts	8	4,418,688	-
		41,089,197	38,472,520
Total liabilities and equity		162,625,152	166,653,225

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

Marwan Marzouq Boodai
Chairman

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	Kuwaiti Dinars 2020	Kuwaiti Dinars 2019
Revenue	16	41,370,384	103,698,648
Operating costs	17	(55,661,556)	(80,058,139)
Gross (loss)/profit		(14,291,172)	23,640,509
Other operating income		279,609	489,877
General and administrative expenses	18	(6,392,917)	(6,897,211)
Finance costs		(4,522,062)	(2,660,994)
Foreign currency loss		(520,773)	(223,249)
Gain on sale and lease back of engines	19	-	1,159,835
Expected credit loss financial assets		(953,419)	(100,969)
(Loss)/profit before contribution and taxes		(26,400,734)	15,407,798
Zakat expense		-	(93,695)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(138,670)
National Labour Support Tax (NLST)		-	(234,236)
Loss/(profit) for the year		(26,400,734)	14,941,197
Attributable to:			
Shareholders of the Parent Company		(26,400,734)	14,941,197
(Loss)/earnings per share (fils)	20		
Basic & Diluted		(132)	74.71

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

Consolidated Statement of Financial Position
as at 31 December 2020

	Kuwaiti Dinars				
	Share capital	Legal reserve	Hedge reserve	(Accumulated losses)/Retained earnings	Total equity
At 1 January 2020	20,000,000	5,835,242	837,562	13,569,535	40,242,339
Total comprehensive loss for the period	-	-	(1,865,340)	(26,400,734)	(28,266,074)
Transfer	-	(5,835,242)	-	5,835,242	-
At 31 December 2020	20,000,000	-	(1,027,778)	(6,995,957)	11,976,265
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	-	-	-	(6,372,832)	(6,372,832)
Balance as at 1 January 2019 (restated)	20,000,000	4,294,462	-	7,169,118	31,463,580
Total comprehensive income for the period	-	-	837,562	14,941,197	15,778,759
Transfer	-	1,540,780	-	(1,540,780)	-
Dividend	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2019	20,000,000	5,835,242	837,562	13,569,535	40,242,339

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

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	Kuwaiti Dinars	
		2020	2019
Cash flows from operating activities			
(Loss)/profit before contributions and taxes		(26,400,734)	15,407,798
Adjustments for:			
Depreciation	3,4	14,910,440	12,409,435
Finance costs		4,522,061	2,660,994
Foreign exchange loss		520,37	223,249
Provision for post employment benefits	11	685,831	406,376
Gain on sale and lease back		-	(1,159,835)
Expected credit loss on financial assets		953,419	100,969
Interest on security deposit		(57,486)	(61,176)
Provision for KFAS, Zakat & NLST		-	466,601
Cash flows from operating activities before working capital changes		(4,865,696)	30,454,411
Decrease in advance for maintenance		10,050,895	2,552,608
Increase in inventories		(69,717)	(65,444)
Decrease /(increase)in security deposits		1,754,988	(59,336)
Increase in trade and other receivables		(2,059,15)	(7,841,12)
Increase in maintenance payables		2,651,030	7,246,336
(Decrease)/increase in trade and other payables		(6,837,768)	4,045,372
(Decrease)/increase in deferred revenue		(4,448,653)	417,508
Post-employment benefits paid	11	(658,531)	(322,559)
Cash (used in) /generated from operations		(4,482,608)	36,427,744
Paid to KFAS, Zakat & NLST		(461,362)	(308,363)
Net cash (used in)/from operating activities		(4,943,969)	36,119,381
Cash flows from investing activities			
Purchase of property and equipment	3	(1,745,754)	(4,314,900)
Sale of engine		-	4,622,834
Deposits maturing after three months		7,060,000	(19,204,618)
Net cash from /(used in) investing activities		5,314,246	(18,896,684)
Cash flows from financing activities			
Dividend paid		-	(7,000,000)
Murabaha payable	14	7,022,520	-
Repayment of lease liabilities (including finance cost)	13	(8,301,491)	(11,977,076)
Finance costs paid		(536,294)	(165,960)
Net cash used in financing activities		(1,815,265)	(19,143,036)
Net decrease in cash and cash equivalents		(1,444,988)	(1,920,339)
Cash and cash equivalents at			
beginning of year	8	4,550,029	6,465,306
Expected credit loss on Financial Assets		390	5,062
end of year	8	3,105,431	4,550,029

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

1. Constitution and activities

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

The objects of the Company are –

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

The Parent Company has the following subsidiary:

Name of the Company	Country of Incorporation	Percentage of Holding 2020	Percentage of Holding 2019
Al Sahaab Aviation Services W.L.L.	Kuwait	99.99%	99.99%

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

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

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

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

These consolidated financial statements have been presented in Kuwaiti Dinar.

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

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 DGCA have announced a gradual resumption of operations from 1 August 2020. The economic fallout of COVID-19 crisis is significant and 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;
- 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 authorities and other government organisations;
- Obtained waivers and reduction in charges from the various key service providers;
- Obtained waivers and exemption from aircraft and engine lessors from payment of lease rent for the aircraft in lieu of extension of the lease term; and
- 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 19 million of available funds.

Following DGCA's permission for gradual resumption of operations, the Group resumed its flights to and from some of its destinations subject to regulatory conditions. Depending on the easing of lockdowns and travel restrictions around the world, the Group will make a gradual return to other destinations to serve its passengers. The Group has adopted 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 Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements. Refer note 29 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. However, there exists a risk of another wave of pandemic and plausible prolongation of its consequential impact on air travel and the industry. The projections have been prepared covering the Group's future performance, capital and liquidity (refer note 29). The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.2 Changes in accounting policies and disclosures

Effective for the current year

The Group has applied the following new and revised IFRS Standards that have been issued and effective:

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The application of these amendments did not have a significant impact on the Group's consolidated financial statements, since the Group does not have exposure to LIBOR linked financial instruments.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID- 19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

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 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

The application of these amendments did not have a significant impact on the Group's consolidated financial statements.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

Standards issued but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.	The effective date is yet to be set. Earlier application is permitted.
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 – Reference to the Conceptual Framework The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references.
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.	1 January 2022, with early application permitted.

New and revised IFRSs	Effective for annual periods beginning on or after
The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost. The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018–2020 The Annual Improvements include amendments to four Standards.	
IFRS 1 First-time Adoption of International Financial Reporting Standards The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).	1 January 2022, with early application permitted.
IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.	1 January 2022, with early application permitted.
IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.	No effective date is stated.

New and revised IFRSs	Effective for annual periods beginning on or after
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: – changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and – hedge accounting. Change in basis for determining cash flows The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. The Group does not have exposure to IBOR reforms. Hedge accounting The amendments provide exceptions to the hedge accounting requirements in the following areas. – Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. – When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined. – When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged. – If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.	January 1, 2021

The management does not expect the adoption of the Standards and Interpretations listed above to have a material impact on the consolidated financial statements of the Group in future periods.

2.3 Business Combinations

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

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

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

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

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

2.4 Consolidation

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

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

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

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

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

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

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

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

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

Goodwill

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

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

2.5 Property and equipment

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

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

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

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

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

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

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

The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Manufacturers' credits

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

2.6 Leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

Lease payments included in measurement of the lease liability comprise the following payments:

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

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

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

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

Subsequent measurement

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

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

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

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

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "operating cost" in statement of income.

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

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

Sale and lease back

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

Where the Group is the lessor

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

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

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

2.7 Impairment of non-financial assets

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

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

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

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

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates

the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. That relating to goodwill cannot be reversed in a subsequent period.

2.8 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Classification of financial assets and financial liabilities

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

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

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

Business model assessment

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

Contractual cash flow characteristics test

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

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

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

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

Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Recognition and de-recognition of financial assets and financial liabilities

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

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

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

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

Impairment of financial assets

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

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

General approach

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

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

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

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

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

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

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

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

Simplified approach

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

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

For amounts due from banks, the Group uses the low credit risk exemption as permitted by IFRS 9 based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk.

Financial instrument is determined to have low credit risk if:

The financial instrument has a low risk of default,

- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Credit-impaired financial assets

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 90 days.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there

is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and other receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of income.

Derivative financial instruments

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

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

Hedge accounting

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

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

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

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

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Fair value hedges

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

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

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

Cash flow hedges

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

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

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

2.9 Inventories

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

2.10 Cash and cash equivalents

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

2.11 Post-employment benefits

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

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

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

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

2.12 Revenue recognition

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

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

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

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

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

2.13 Borrowing costs

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

2.14 Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Group, it is the Kuwaiti Dinars.

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

2.15 Provisions for liabilities

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

The Group, as a lessee, has a contractual obligation to repair and maintain leased aircraft to a level that meets specified redelivery conditions that aircraft airframes, engines, landing gear and auxiliary power units must meet at the end of the lease term. This requires

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the Group to schedule periodic maintenance for engine performance restoration and aircraft checks over the lease term to conform to aircraft manufacturer and regulatory specifications. The Group estimates the related maintenance costs based on the contractual reserve rates per hour or cycle in the related lease agreement and recognizes that amount in the statement of income for actual hours or cycles flown. This is subject to adjustment based on actual cost and engineering technical estimates derived from actual and estimated aircraft and engine usage to the next related maintenance check.

2.16 Fair value measurement

Fair values

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

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

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

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

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

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

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

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

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

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

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

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

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

2.17 Income taxes

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

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

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

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

2.18 Contingencies

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

3. Property and equipment

	Engines & rotables	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	Total
	Kuwaiti Dinars					
Cost						
As at 31 December 2018	10,173,265	13,630,286	2,985,630	28,986	1,644,969	28,463,136
Additions	4,102,995	1,077,012	323,312	-	1,576,728	7,080,047
Transfers	520,498	1,548,789	464,989	-	(2,534,276)	-
Disposals	(7,631,958)	-	-	-	(63,240)	(7,695,198)
As at 31 December 2019	7,164,800	16,256,087	3,773,931	28,986	624,181	27,847,985
Additions	-	652,601	103,704	-	989,449	1,745,754
Transfers	-	85,869	46,526	-	(132,395)	-
As at 31 December 2020	7,164,800	16,994,557	3,924,161	28,986	1,481,235	29,593,739
Depreciation						
As at 31 December 2018	2,326,723	1,925,976	2,212,682	26,283	-	6,491,664
Charge for the year	1,452,540	995,077	258,007	1,621	-	2,707,245
Disposal	(2,170,259)	-	-	-	-	(2,170,259)
As at 31 December 2019	1,609,004	2,921,053	2,470,689	27,904	-	7,028,650
Charge for the year	396,574	1,294,466	414,083	1,082	-	2,106,205
As at 31 December 2020	2,005,578	4,215,519	2,884,772	28,986	-	9,134,855
Net book value						
As at 31 December 2020	5,159,222	12,779,038	1,039,389	-	1,481,235	20,458,884
As at 31 December 2019	5,555,796	13,335,034	1,303,242	1,082	624,181	20,819,335

Leasehold improvements includes airport terminal and office building including park & fly constructed on leasehold land amounting to KD 10,484,217 (31 December 2019: KD 10,718,095) and KD 983,727 (31 December 2019: KD 1,187,777) respectively.

Capital work in progress includes additions of KD 516,404 which represent costs incurred on the extension of airport terminal.

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

	Kuwaiti Dinars	
	2020	2019
Operating costs	1,691,991	2,451,364
General and administrative expenses	414,214	255,881
	2,106,205	2,707,245

4. 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	10,811,884	-	1,108,276	11,920,160
Modification	11,999,179	-	-	11,999,179
As at 31 December 2020	11,999,179	2,913,926	3,622,289	116,312,915
Depreciation				
As at 31 December 2019	9,394,795	40,420	266,975	9,702,190
Charge for the period	12,115,185	311,892	377,158	12,804,235
As at 31 December 2020	21,509,980	352,312	644,133	22,506,425
Net book value				
As at 31 December 2020	88,266,720	2,561,614	2,978,156	93,806,490

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

During the year, the Group renegotiated the terms for all of its aircraft lease contracts with the lessors. The lease period was extended for a period of 22 months to 24 months under revised payment terms that included waivers of payment of lease rent in 2020.

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

5. Advance for maintenance

This represents advance given to service provider for future maintenance of aircraft. During the year, the Group terminated its maintenance contract with one of its service providers.

6. Security deposits

	Kuwaiti Dinars	
	2020	**2019**
Deposits with lessors	1,140,615	2,767,875
Other deposits	1,309,946	1,455,156
Expected credit loss	(5,058)	(6,984)
	2,445,503	4,216,047

The above is segregated as:

	Kuwaiti Dinars	
	2020	**2019**
Current	1,309,946	1,172,192
Non-current	1,135,557	3,043,855
	2,445,503	4,216,047

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

7. Trade and other receivables

	Kuwaiti Dinars	
	2020	**2019**
Trade receivables	5,523,544	3,362,722
Expected credit loss	(359,818)	(226,701)
	5,163,726	3,136,021
Prepayments	1,509,500	1,082,537
Other receivables	14,289,475	15,502,473
Others- credits receivables from engine manufacturer for warranty claims and advance for maintenance	4,263,378	2,946,405
Derivative asset	-	681,899
Expected credit loss	(925,872)	(104,034)
	19,136,481	20,109,280
	24,300,207	23,245,301

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

	Kuwaiti Dinars	
	2020	**2019**
Kuwaiti Dinars	7,915,304	5,469,761
US Dollars	15,672,664	17,069,344
UAE Dirham	37,512	45,164
Egyptian Pounds	17,798	41,530
Euro	190,783	57,543
Indian Rupees	299,893	261,821
Others	166,253	300,138
	24,300,207	23,245,301

8. Cash and bank balances

	Kuwaiti Dinars	
	2020	**2019**
Cash on hand	67,879	34,820
Current account with banks	1,461,669	3,520,247
Time deposits with banks	18,144,968	20,204,968
Expected credit loss	(5,779)	(5,388)
	19,668,737	23,754,647
Less: Overdrafts	(4,418,688)	-
Deposits for original maturity for more than three months	(12,144,618)	(19,204,618)
Cash and cash equivalents in the statement of cash flows	3,105,431	4,550,029

The effective interest rate on time deposits as of 31 December 2020 was 1.4% to 3.02% (31 December 2019: 2.80% to 3.90%). 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").

Cash and bank balances are denominated in the following currencies:

	Kuwaiti Dinars	
	2020	2019
Kuwaiti Dinars	18,746,884	21,781,895
US Dollars	304,287	384,645
UAE Dirham	66,066	153,395
Egyptian Pounds	148,127	177,445
Indian Rupees	202,252	207,131
Others	206,900	1,055,524
	19,674,516	23,760,035

9. Share capital

The authorised, issued and fully paid up share capital of the Parent Company as at 31 December 2020 is KD 20,000,000 (31 December 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).

10. Reserves

Legal reserve

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

Voluntary reserve

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

11. Post-employment benefits

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

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

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

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

The most recent actuarial valuation of the present value of the post-employment benefit obligation was carried out at 31 December 2020. The present value of the post-employment benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions in determining the post-employment benefit obligation are discount rate of 2% (2019: 3.5%), expected rate of salary increase of Nil (2019: 3%) and expected rate of withdrawal in the range of 5% to 30% (2019: 5% to 30%).

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

	Kuwaiti Dinars	
	2020	**2019**
Balance at 1 January	2,454,600	2,370,783
Reduction in opening liability	-	(149,324)
Current service and interest cost	685,831	555,700
Benefits paid	(658,531)	(322,559)
	2,481,900	2,454,600

Sensitivity analysis on the post-employment benefits:

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

- If the discount rate is higher/(lower) by 0.5%, the post-employment benefits obligation would decrease by KD 72,700 (increase by KD 77,900).
- If the expected salary growth is higher/(lower) by 0.5%, the post-employment benefits obligation would increase by KD 36,200 (decrease by KD 34,400).

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

12. Maintenance payables

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

Movement

	Kuwaiti Dinars	
	2020	**2019**
At the beginning of the year	12,169,458	1,305,814
Charge for the year	9,865,081	13,540,731
Utilized during the year	(4,046,050)	(2,677,087)
At the end of the year	17,988,489	12,169,458

	Kuwaiti Dinars	
	2020	**2019**
Current	6,684,165	3,617,308
Non-Current	11,304,324	8,552,150
	17,988,489	12,169,458

The split of the current / non-current maintenance provision is based on the current expected maintenance event timings. If actual aircraft usage varies from expectation the timing of the utilisation of the maintenance provision could result in a material change in the classification between current and non-current.

13. Lease liabilities

	Kuwaiti Dinars	
	2020	**2019**
At the beginning of the year	88,963,283	60,784,175
Additions	11,696,668	37,617,177
Modification	9,037,870	-
Finance costs	3,985,768	2,495,034
Payments	(8,301,491)	(11,977,076)
Foreign currency	300,591	43,973
At the end of the year	105,682,689	88,963,283

The above is segregated as:

	Kuwaiti Dinars	
	2020	**2019**
Current	16,048,245	12,031,667
No-current	89,634,444	76,931,616
	105,682,689	88,963,283

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

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

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

	Kuwaiti Dinars	
	2020	**2019**
Kuwait Dinars	3,576,646	2,530,629
US Dollars	102,106,043	86,432,654
	105,682,689	88,963,283

14. Murabaha payables

This represents amount payable that was drawn down from an existing facility with a local commercial bank in local currency, repayable in 5 years. The facility carries finance cost of 1% over CBDR.

The current and non-current amounts are as follows:

	Kuwaiti Dinars	
	2020	**2019**
Current	883,498	-
No-current	6,139,022	-
	7,022,520	-

15. Trade and other payables

	Kuwaiti Dinars	
	2020	**2019**
Trade payables	3,789,429	4,255,034
Accrued expense	4,945,452	9,053,647
Tax payable	1,925,235	3,155,114
Staff leave payable	996,785	929,521
Others	653,071	717,525
Derivative liabilities	480,578	-
	12,790,550	18,110,841

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

	Kuwaiti Dinars	
	2020	**2019**
Kuwaiti Dinars	10,646,920	8,494,866
US Dollars	573,255	6,420,348
UAE Dirham	259,843	393,878
Egyptian Pounds	166,958	731,382
Euro	129,070	236,551
Indian Rupees	616,257	727,143
Others	398,247	1,106,673
	12,790,550	18,110,841

16. Revenue

Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	Kuwaiti Dinars	
	2020	**2019**
Passenger revenue	35,545,041	91,117,995
Ancillary revenue	2,977,477	7,806,089
Rental revenue	645,463	2,224,715
Passenger service fee	344,530	1,150,550
Facility ancillary revenue	358,031	905,655
Cargo revenue	1,499,842	493,644
	41,370,384	103,698,648

All revenue except rental revenue are recognised point in time.

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

Contract liabilities

	Kuwaiti Dinars	
	2020	**2019**
Deferred revenue	264,051	4,712,704
	264,051	4,712,704

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

17. Operating costs

	Kuwaiti Dinars	
	2020	**2019**
Aircraft maintenance cost	13,959,396	12,844,339
Depreciation	14,496,226	12,153,554
Aircraft fuel	7,684,310	22,012,317
Staff costs	7,188,048	11,141,349
Overflying, landing and ground handling charges	6,811,690	12,920,891
Lease rentals	850,848	1,702,736
Insurance	848,590	491,195
Passenger meal	625,964	1,483,398
Reservation system expenses	761,548	1,327,772
Others	2,434,936	3,980,588
	55,661,556	80,058,139

Lease rentals for the current year consist of short-term lease payments and variable lease payment.

18. General and administrative expenses

	Kuwaiti Dinars	
	2020	**2019**
Staff costs	3,651,047	3,173,305
Marketing	455,273	1,177,803
Depreciation	414,214	255,881
Professional and consultancy	305,745	296,686
Travel	82,150	172,771
Others	1,484,488	1,820,765
	6,392,917	6,897,211

19. Gain on sale and lease back

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

20. Earnings per share

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

	2020	**2019**
Earnings for the year (in Kuwaiti Dinar)	(26,400,734)	14,941,197
Weighted average number of shares outstanding	200,000,000	200,000,000
Earnings per share (fils)– Basic and Diluted	(132)	74.71

21. Related party transactions and balances

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

	Kuwaiti Dinars	
	2020	**2019**
Balance		
Due from related parties	1,550	47,038
Transactions		
Sales and services	194,523	409,397
General and administrative expenses	355,565	721,813
Key management compensation		
Salaries and other employment benefits	599,636	805,407

22. Segment information

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

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

	Passenger airline Service		Terminal operations		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Segment revenue	40,022,360	99,417,728	I ,348,024	4,280,920	41,370,384	103,698,648
Segment expenses	61,008,328	84,146,027	2,520,338	3,059,391	63,528,666	87,205,418
Gain on sale and lease back	-	1,159,835	-	-	-	1,159,835
Interest income (included in Other income)	279,609	415,728	-	-	279,609	415,728
Finance costs	4,246,718	2,537,834	275,343	123,161	4,522,061	2,660,995
Segment results	(24,953,077)	14,309,430	(1,447,657)	1,098,368	(26,400,734)	15,407,798
Assets:						
Segment assets	144,616,632	155,225,374	18,008,520	11,427,851	162,625,152	166,653,225
Liabilities:						
Segment liabilities	146,377,628	122,802,296	4,271,259	3,608,590	150,648,887	126,410,886
Capital expenditure	814,249	6,061,947	931,505	1,018,100	1,745,754	7,080,047
Depreciation	13,645,868	11,504,757	1,264,572	904,678	14,910,440	12,409,435

23. Derivative financial instruments

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

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

31 December 2020	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Negative fair value	**Within 3 months**	**3- 24 months**	**Notional quantity**
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	1,865,340	145,000	390,000	535,000

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

24. Contingent liabilities and commitments

	Kuwaiti Dinars	
	2020	**2019**
Capital commitments	1,027,923	383,800
Bank guarantees	28,769,037	22,351,703
	29,796,960	22,735,503

The above bank guarantee include guarantee to the lessors amounting to KD 23,891,184 (31 December 2019: 17,792,815) for the aircraft maintenance in lieu of payments of Maintenance Reserve under the lease agreement.

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

25. Operating lease arrangements

Group as a lessor

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

Maturity analysis of operating lease receivable.

	Kuwaiti Dinars	
	2020	**2019**
Not later than 1 year	1,855,789	1,710,612
Later than 1 year but not later than 5 years	2,986,164	4,354,718
Later than 5 years	18,751	186,312
	4,860,704	6,251,642

26. Financial risk management

Financial risk factors

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

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

(a) Market risk

(i) Foreign currency risk

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

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

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

If as at 31 December 2020, Kuwaiti Dinars had weakened against the major currencies by 5% with all other variables held constant the net impact on the profit/equity, as of 31 December 2020, is shown below:

	Kuwaiti Dinars	
	Impact on profit	
Currency	**2020**	**2019**
US Dollars	(5,189,119)	(4,225,081)
UAE Dirham	(7,663)	(18,223)
Egyptian Pounds	188	(768)
Euro	3,717	(15,618)
Indian Rupees	(1,901)	1,133
Others	1,824	6,429
Net impact	(5,192,954)	(4,252,128)

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

(ii) Interest rate risk

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

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

At 31 December 2020, if interest rates at that date had been 50 basis points higher with all other variables held constant, profit for the year would have been higher by KD 33,519 (31 December 2019: profit would have been higher by KD 101,025).

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

(iii) Equity price risk

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

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

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(iv) Fuel price risk

The airline industry is exposed to fluctuations in the price of jet fuel. The Group manages this risk by closely monitoring actual and forecasted jet fuel cost. The Group uses, in line with the Board approved policy, Brent-oil forward contracts to achieve a level of control over jet fuel costs so that profitability is not adversely affected. The objective of the fuel price risk management policy is to provide protection against sudden and significant increases in jet fuel prices, thus mitigating volatility in both cash and the income statement in the short-term. The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to statement of income:

31 December 2020

	Kuwaiti Dinars					
Hedged items	Current period hedging gains (losses) recognised in OCI	Amount of hedge ineffectiveness recognised in statement of income	Due to hedged future cash flows being no longer expected to occur	Line item in statement of income in which hedge ineffectiveness and future cash flows being no longer expected to occur is included	Due to hedged item affecting statement of income	Line item in P/L in which hedged item affecting statement of income is included
Forward fuel contract	(1,887,941)	(353,116)	(624,284)	Other operating income/(expense)	(650,222)	Aircraft Fuel Cost

31 December 2019

	Kuwaiti Dinars					
Hedged items	Current period hedging gains (losses) recognised in OCI	Amount of hedge ineffectiveness recognised in statement of income	Due to hedged future cash flows being no longer expected to occur	Line item in statement of income in which hedge ineffectiveness and future cash flows being no longer expected to occur is included	Due to hedged item affecting statement of income	Line item in P/L in which hedged item affecting statement of income is included
Forward fuel contract	837,562	-	-	Other operating income/(expense)	7,783	Aircraft Fuel Cost

(b) Credit risk

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

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:

	Kuwaiti Dinars		
	Trade receivables	**Other receivables**	**Total**
31 December 2018	127,426	91,858	219,284
Increase in allowance	99,275	12,176	111,451
31 December 2019	226,701	104,034	330,735
Increase in allowance	133,117	821,838	954,955
31 December 2020	359,818	925,872	1,285,690

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

	Kuwaiti Dinars			
	2020		**2019**	
	Estimated total gross carrying amount at default	**Lifetime ECL**	**Estimated total gross carrying amount at default**	**Lifetime ECL**
Not due	4,107,615	6,851	2,853,613	2,791
30 – 90 days	786,619	8,914	145,770	2,335
Above 90 days	629,310	344,053	363,339	221,575
Total	5,523,544	359,818	3,362,722	226,701

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

	ECL Approach	Kuwaiti Dinars	
		2020	**2019**
Security deposits	General	2,450,561	4,223,031
Trade receivables	Simplified	5,523,544	3,362,722
Other receivables	General	14,289,475	15,502,473
Bank balances	General	19,606,637	23,725,215
Less: ECL		(1,296,527)	(343,107)
		40,573,690	46,470,334

The Group uses the low credit risk exemption based on the external rating agency credit grades except for trade receivables for which simplified approach is applied. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk. All balances are placed with counter parties who are under investment grade credit rating except for KD 96,679 (2019: KD 77,466) which is under non-investment grade credit rating.

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

The trade receivables largely comprise of amounts receivable from reputed travel agents and are substantially secured by bank guarantees. Concentration of credit risk is limited due to these agents being unrelated. The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default which are above 90 days. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

(c) Liquidity risk

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

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

	Kuwaiti Dinars			
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2020				
Trade and other payables	12,790,550	-	-	-
Lease liabilities	18,134,955	14,394,271	40,492,730	43,427,699
Bank overdrafts	4,418,688	-	-	-
Murabah payables	998,726	977,726	2,807,177	2,817,759
Maintenance payables	6,784,975	5,753,033	6,213,266	932,140
	43,127,894	21,125,030	49,513,173	47,177,598
At 31 December 2019				
Trade and other payables	18,110,841	-	-	-
Lease liabilities	15,318,642	15,179,626	25,828,464	47,961,144
Maintenance payables	3,617,308	4,116,465	2,435,137	2,000,548
	37,046,791	19,296,091	28,263,601	49,961,692

27. Capital risk management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at the consolidated statement of financial position dates were as follows:

	Kuwaiti Dinars	
	2020	**2019**
Total borrowings including lease liabilities (refer note ١٤ and note ١٣)	112,705,209	88,963,283
Less: Cash and bank balances (refer note ٨)	(15,255,828)	(23,760,035)
Net debt	97,4449,381	65,203,248
Total equity	11,976,265	40,242,339
Total capital	109,425,646	105,445,587
Gearing ratio	**89%**	**62%**

28. Critical accounting judgments and estimates

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

Leased aircraft maintenance costs

The Group incurs liabilities for maintenance costs in respect of its leased aircraft during the course of the lease term. A charge is made in the consolidated statement of income each month based on the number of flight hours or cycles used to build up an accrual to cover the cost of heavy-duty maintenance checks when they occur. Additional maintenance costs for aircraft engines are considered for accrual based on the engineering technical estimates of operational requirements. This requires a significant level of judgment to determine the estimated flying hours and cycles up to the next due and planned checks and the related cost at that time.

Classification of financial assets

The Group determines the classification of financial assets based on the assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding. Refer note 2.8 classification of financial assets for more information.

Impairment of financial assets

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through consolidated statement of income except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer note 2.8 impairment of financial assets for more information.

Impairment of non-financial assets

The Group tests non-financial assets for impairment to determine their recoverable amounts based on value-in-use calculations or at fair value less costs to sell when the indicators of impairment exist. The value in use includes estimates on growth rates of future cash flows, number of years used in the cash flow model and the discount rates.

Useful lives of property and equipment

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

Contingent liabilities

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

Accruals for aircraft flying costs

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

Extension and termination options in lease contracts

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable both by the Group and the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lessee is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

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

Hedge accounting -Estimation on usage of fuel

In assessing whether future exposures are still expected to occur, the Group makes estimates regarding future jet fuel consumption requirements. These are based on assumption on the length of anticipated fleet grounding, the expected recovery of customer demand and subsequent flying schedule.

29. 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.

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) Gradual resumption of volumes to achieve the 2019 levels. Recovery due to deferred demand and maintaining business traffic;

The discount rate used (WACC) was 9.65% p.a. for the entire forecasting period and a terminal growth rate of Nil. Based on the aforementioned test, no impairment was recognised. No impairment assessment was performed in 2019 as there was no indication of impairment.

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.

Expected credit loss on financial assets

The uncertainties caused by COVID-19 required the Group to consider the impact of higher volatility in the forward-looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2020. The Group updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate. Further information on the Group's policy on expected credit losses is disclosed in Note 2.8.

Hedge discontinuation and ineffectiveness

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.

In assessing whether future exposures are still expected to occur, the Group made estimates regarding future jet fuel consumption requirements. 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.