

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

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

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C.P. ("the Company") and its subsidiary (together called "the Group") as at 30 June 2021 and the related condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income for three-month and six-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

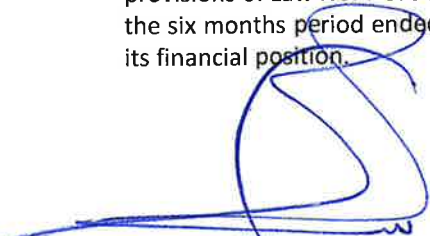
Conclusion

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 1 of 2016 and its executive regulations or of the Memorandum of Incorporation and Articles of Association, as amended, of the Company, during the six months period ended 30 June 2020, that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the six months period ended 30 June 2021, that might have had a material effect on the business of the Company or on its financial position.



Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche - Al-Wazzan & Co.

Kuwait
11 August 2021

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 June 2021

	Note	Kuwaiti Dinars		
		30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
ASSETS				
Non-current assets				
Property and equipment	3	19,888,630	20,458,884	20,558,205
Right of use asset	4	101,467,593	93,806,490	88,119,317
Advance for maintenance		1,695,327	1,563,057	13,744,499
Security deposits		1,189,303	1,135,557	2,996,352
		<u>124,240,853</u>	<u>116,963,988</u>	<u>125,418,373</u>
Current assets				
Inventories		597,155	382,274	351,066
Security deposits		1,305,034	1,309,946	990,030
Trade and other receivables		18,639,523	24,300,207	22,644,889
Cash and bank balances	5	19,071,848	19,668,737	27,970,902
		<u>39,613,560</u>	<u>45,661,164</u>	<u>51,956,887</u>
Total assets		<u>163,854,413</u>	<u>162,625,152</u>	<u>177,375,260</u>
LIABILITIES AND EQUITY				
Equity				
Share capital	6	20,000,000	20,000,000	20,000,000
Legal reserve		-	-	5,835,242
Hedge reserve		-	(1,027,778)	(3,264,741)
(Accumulated losses)/Retained earnings	6	(18,689,231)	(6,995,957)	3,623,469
Total equity		<u>1,310,769</u>	<u>11,976,265</u>	<u>26,193,970</u>
Non-current liabilities				
Post-employment benefits		2,685,560	2,481,900	2,679,219
Maintenance payables		15,183,307	11,304,324	10,459,886
Lease liabilities	7	93,994,750	89,634,444	79,912,690
Murabaha payables		5,719,021	6,139,022	6,281,119
		<u>117,582,638</u>	<u>109,559,690</u>	<u>99,332,914</u>
Current liabilities				
Trade and other payables		15,401,192	12,790,550	24,200,800
Maintenance payables		3,375,715	6,684,165	-
Deferred revenue		3,181,503	264,051	201,728
Lease liabilities	7	17,227,435	16,048,245	20,905,734
Murabaha payables		840,000	883,498	718,881
Bank overdrafts	5	4,935,161	4,418,688	5,821,233
		<u>44,961,006</u>	<u>41,089,197</u>	<u>51,848,376</u>
Total liabilities and equity		<u>163,854,413</u>	<u>162,625,152</u>	<u>177,375,260</u>

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


Mohammad J M Almoussa
Vice-chairman

**Condensed Consolidated Statement of Profit or Loss (Unaudited) -
Six months ended 30 June 2021**

		Kuwaiti Dinars			
		Three months ended 30 June		Six months ended 30 June	
Note		2021	2020	2021	2020
	Revenue	7,416,089	7,736,065	15,553,459	26,698,802
	Operating costs	(12,144,161)	(9,601,422)	(24,392,959)	(29,698,352)
	Operating loss	(4,728,072)	(1,865,357)	(8,839,500)	(2,999,550)
	Other operating income/(expenses)	78,778	491,498	541,474	(169,089)
	Gain on sale and lease back of engine	412,069	-	412,069	-
	General and administrative expenses	(1,242,549)	(1,379,241)	(2,443,854)	(3,283,369)
	Finance costs	(1,248,607)	(1,129,809)	(2,497,224)	(2,151,204)
	Foreign currency gain/(loss)	270,206	36,452	1,278,954	(1,207,668)
	Expected Credit Loss (ECL) - financial assets	(56,837)	(80,971)	(145,193)	(135,186)
	Loss before contribution and taxes	(6,515,012)	(3,927,428)	(11,693,274)	(9,946,066)
	Zakat	-	-	-	-
	Contribution to Kuwait Foundation for the Advancement of Sciences	-	-	-	-
	National Labour Support Tax	-	-	-	-
	Loss for the period	(6,515,012)	(3,927,428)	(11,693,274)	(9,946,066)
	Attributable to:				
	Shareholders of the Parent Company	(6,515,012)	(3,927,428)	(11,693,274)	(9,946,066)
	Loss per share (fils) -				
	Basic & diluted	(32.58)	(19.64)	(58.47)	(49.73)

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

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited) -
Six months ended 30 June 2021**

	Kuwaiti Dinars			
	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
Loss for the period	(6,515,012)	(3,927,428)	(11,693,274)	(9,946,066)
Other comprehensive income				
Items that may be reclassified subsequently to statement of profit or loss				
Hedge Reserve – Cash flow hedge	-	(1,351,023)	1,027,778	(4,102,303)
Total comprehensive loss for the period	<u>(6,515,012)</u>	<u>(5,278,451)</u>	<u>(10,665,496)</u>	<u>(14,048,369)</u>
Attributable to:				
Shareholders of the Parent Company	<u>(6,515,012)</u>	<u>(5,278,451)</u>	<u>(10,665,496)</u>	<u>(14,048,369)</u>

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

**Condensed Consolidated Statement of Changes in Equity (Unaudited) –
Six months ended 30 June 2021**

	Kuwaiti Dinars				Total equity
	Share capital	Legal reserve	Hedge reserve	(Accumulated Losses)/ Retained earnings	
At 1 January 2021	20,000,000	-	(1,027,778)	(6,995,957)	11,976,265
Total comprehensive loss for the period	-	-	1,027,778	(11,693,274)	(10,665,496)
At 30 June 2021	20,000,000	-	-	(18,689,231)	1,310,769
At 1 January 2020	20,000,000	5,835,242	837,562	13,569,535	40,242,339
Total comprehensive loss for the period	-	-	(4,102,303)	(9,946,066)	(14,048,369)
At 30 June 2020	20,000,000	5,835,242	(3,264,741)	3,623,469	26,193,970

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

**Condensed Consolidated Statement of Cash Flows (Unaudited) –
Six months ended 30 June 2021**

	Note	Kuwaiti Dinars	
		30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Cash flows from operating activities			
Loss for the period		(11,693,274)	(9,946,066)
<i>Adjustments for:</i>			
Depreciation	3,4	7,356,938	8,055,394
Finance costs		2,497,224	2,151,204
Foreign exchange (gain)/loss		(1,278,954)	1,207,668
Gain on sale and lease back of engine	3	(412,069)	-
Provision for post-employment benefits		370,760	373,478
Interest on security deposit		(11,032)	(32,369)
Expected credit loss on financial assets		145,193	135,186
Cash flows from operating activities before working capital changes		(3,025,214)	1,944,495
Increase in inventories		(214,881)	(38,509)
Decrease in trade and other receivables		7,280,350	642,303
Decrease in security deposit		54,541	331,758
(Decrease)/increase in maintenance payables		(2,194,253)	1,907,736
Decrease in advance for maintenance		(132,270)	(2,130,547)
Increase/(decrease) in trade and other payables		2,340,707	(1,800,002)
Increase/(decrease) in deferred revenue		2,917,452	(4,510,976)
Post-employment benefits paid		(167,100)	(148,859)
Net cash from/(used in) operating activities		6,859,332	(3,802,601)
Cash flows from investing activities			
Purchase of property and equipment	3	(4,081,448)	(1,200,362)
Proceed from sale and lease back of engine	3	5,283,775	-
Deposits maturing after three months		6,300,000	14,880,883
Net cash from investing activities		7,502,327	13,680,521
Cash flows from financing activities			
Re-payment for lease liabilities		(6,214,298)	(1,450,811)
Finance costs paid		(2,497,224)	(2,151,204)
(Re-payment)/drawdown Murabaha payable facility		(463,499)	7,000,000
Net cash (used in)/from financing activities		(9,175,021)	3,397,985
Net (decrease)/increase in cash and cash equivalents		5,186,638	13,275,905
Cash and cash equivalents at beginning of period	5	3,105,431	1,728,796
Cash and cash equivalents at end of period	5	8,292,069	15,004,701
Non-cash transactions			
Operating activities			
Payment of aircraft maintenance through credits from engine manufacturer for warranty claims		1,337,308	-
Investing activities			
Purchase of property and equipment through credits from engine manufacturer for warranty claims		701,563	-
Total non-cash transactions		2,038,871	-

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

1. Constitution and activities

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

The objects of the Parent Company are –

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

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

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

The condensed consolidated interim financial information was approved for issue by the Board of Directors on 11 August 2021.

2. Basis of preparation and significant accounting policies

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

This condensed consolidated interim financial information does not contain all information and disclosures required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in this condensed consolidated interim financial information. Operating results for the six months ended 30 June 2021 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2021. For more details, refer to the annual audited consolidated financial statements of the Group for the financial year ended 31 December 2020.

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

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The economic fallout of COVID-19 crisis is significant and evolving, impacting the key performance indicators of the Group. Effective from August 1, 2020 the Director General of Civil Aviation (DGCA), Kuwait had announced a gradual resumption of operations.

In late February 2021 the operations were again impacted due to second wave of pandemic. However, DGCA on 27 July 2021 has announced removal of restrictions for travel of passengers provided, they are fully vaccinated with vaccines approved by the Kuwait Ministry of Health. The restrictions on airport operations are being relaxed on a phased manner from 1 August 2021. With the increased pace of vaccinations in Kuwait and region, the demand for air travel is expected to increase from summer 2021.

Business continuity planning and liquidity management

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

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

The Company also completed a rights issue amounting to KD 10 million (including share premium of KD 8 million) in July 2021. The rights issue which opened in June was fully subscribed to and closed in July 2021. The increase in share capital was also registered in the Commercial register. The Board of Director has also proposed to restructure the share capital by setting off the accumulated losses against the share premium subject to the regulatory and shareholders’ approvals.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2021

The Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed consolidated interim financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustment to the condensed consolidated interim financial information. Refer note 16 on the impact of COVID-19 on the significant accounting estimates and judgements.

Going concern

During the period, the Group has incurred a net loss of KD 11,693,274 and, as of that date, the accumulated losses amounted to KD 18,689,231. These events and conditions do not indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as going concern due the following.

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The Group also performed a sensitivity analysis by varying these input factors by a reasonably possible margin. At the present time the projections and the sensitivity analysis, show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unchanged from 31 December 2020.

Further, as disclosed above, with the Company has completed right issue which was fully subscribed would further strengthen the liquidity position of the Group. As a result, this condensed consolidated interim financial information have been appropriately prepared on a going concern basis.

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

3. Property and equipment

	Kuwaiti Dinars					
	Engines & rotables	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	Total
Cost						
As at 31 December 2020	7,164,800	16,994,557	3,924,161	28,986	1,481,235	29,593,739
Additions	4,324,701	32,770	37,399	-	388,745	4,783,615
Transfers	-	126,663	3,300	-	(129,963)	-
Disposal	(4,324,701)	-	-	-	-	(4,324,701)
As at 30 June 2021	7,164,800	17,153,990	3,964,860	28,986	1,740,017	30,052,653
Depreciation						
As at 31 December 2020	2,005,578	4,215,519	2,884,772	28,986	-	9,134,855
Charge for the period	198,287	619,114	211,767	-	-	1,029,168
As at 30 June 2021	2,203,865	4,834,633	3,096,539	28,986	-	10,164,023
Net book value						
As at 30 June 2021	4,960,935	12,319,357	868,321	-	1,740,017	19,888,630
As at 31 December 2020	5,159,222	12,779,038	1,039,389	-	1,481,235	20,458,884
As at 30 June 2020	4,908,844	13,000,834	1,156,496	368	1,491,663	20,558,205

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2021

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

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2021	2020	2021	2020
Operating costs	409,576	697,115	817,601	1,259,799
General and administrative expenses	105,648	100,807	211,567	201,693
	<u>515,224</u>	<u>797,922</u>	<u>1,029,168</u>	<u>1,461,492</u>

During the period, the Group completed the sale and leaseback of one engines (2020: Nil) and recorded a gain of KD 412,069. Engine sold are leased back for a period of 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.

4. Right of use assets

	Kuwaiti Dinars			
	Aircraft	Aircraft engines	Leasehold land	Total
Cost				
As at 31 December 2020	109,876,320	2,931,994	3,504,601	116,312,915
Additions	11,522,291	2,466,582	-	13,988,873
As at 30 June 2021	<u>121,398,611</u>	<u>5,398,576</u>	<u>3,504,601</u>	<u>130,301,788</u>
Depreciation				
As at 31 December 2020	21,509,980	352,312	644,133	22,506,425
Charge for the period	5,968,347	154,242	205,181	6,327,770
As at 30 June 2021	<u>27,478,327</u>	<u>506,554</u>	<u>849,314</u>	<u>28,834,195</u>
Net book value				
As at 30 June 2021	<u>93,920,284</u>	<u>4,892,022</u>	<u>2,655,287</u>	<u>101,467,593</u>
As at 31 December 2020	<u>88,366,340</u>	<u>2,579,682</u>	<u>2,860,468</u>	<u>93,806,490</u>
As at 30 June 2020	<u>82,214,167</u>	<u>2,718,412</u>	<u>3,186,738</u>	<u>88,119,317</u>

5. Cash and bank balances

	Kuwaiti Dinars		
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
	Cash on hand	94,116	67,879
Current account with banks	4,138,543	1,461,669	1,753,481
Time deposits with banks	14,844,968	18,144,968	26,144,968
	<u>19,077,627</u>	<u>19,674,516</u>	<u>27,977,702</u>
Expected credit loss	(5,779)	(5,779)	(6,800)
	<u>19,071,848</u>	<u>19,668,737</u>	<u>27,970,902</u>
Overdrafts	(4,935,161)	(4,418,688)	(5,821,233)
Deposits with original maturity exceeding three months	(5,844,618)	(12,144,618)	(7,144,968)
Cash and cash equivalents in the statement of cash flows	<u>8,292,069</u>	<u>3,105,431</u>	<u>15,004,701</u>

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2021

The effective interest rate as of 30 June 2021 was 1.3% to 2.275% (31 December 2020: 1.4% to 3.02%, 30 June 2020: 1.5% to 3.89%). Overdraft facility is from a local bank and carries effective interest rate of 1% to 1.5% per annum over the Central Bank of Kuwait discount rate (“CBDR”).

6. Share capital

The authorised, issued and fully paid up share capital of the Parent Company as at 30 June 2021 is KD 20,000,000 paid in cash (31 December 2020: KD 20,000,000; 30 June 2020: KD 20,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2020: 200,000,000 shares of 100 fils each; 30 June 2020: 200,000,000 shares of 100 fils each).

On completion of the rights issue allotment on 14 July 2021 (Note 2), the authorised, issued and fully paid up share capital of the Parent Company increased to KD 22,000,000 paid in cash comprising of 220,000,000 shares of 100 fils each. The rights issue was for KD 10 million comprising 20 million shares of nominal value of 100 fils each amounting to KD 2 Million and share premium of 400 fils each amounting to KD 8 Million.

Accumulated Losses and Share capital restructuring

The Accumulated Losses of KD 18,689,231 exceeds 75% of the Share Capital as of the Balance Sheet date. The Board of Director in their meeting held on 11 August 2021 has proposed to restructure the share capital by setting off the accumulated losses against the share premium subject to regulatory and shareholders’ approvals. The reduced Accumulated Losses post this adjustment will be KD 10,689,231, which is 49% of the increased share capital.

7. Lease liabilities

	Kuwaiti Dinars		
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
At the beginning of the period/year	105,682,689	88,963,283	88,963,283
Additions	13,108,402	11,696,668	11,890,587
Modification	-	9,037,870	131,246
Finance Cost	2,210,388	3,985,768	1,881,223
Payments	(8,424,686)	(8,301,491)	(3,332,034)
Foreign currency (gain)/loss	(1,354,608)	300,591	1,284,119
At the end of the period/year	111,222,185	105,682,689	100,818,424

The above is segregated as:

	Kuwaiti Dinars		
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Current	17,227,435	16,048,245	20,905,734
Non-current	93,994,750	89,634,444	79,912,690
	111,222,185	105,682,689	100,818,424

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2021

8. Revenue

	Kuwaiti Dinars			
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2021	2020	2021	2020
Passenger revenue	5,879,466	6,942,967	12,553,961	23,086,234
Ancillary revenue	750,015	136,885	1,426,752	1,980,556
Facility ancillary revenue	-	25,781	88,078	186,467
Rental revenue	247,985	18,440	447,078	455,630
Passenger service fees	58,126	36,284	114,979	303,927
Cargo revenue	480,497	575,708	922,611	685,988
	<u>7,416,089</u>	<u>7,736,065</u>	<u>15,553,459</u>	<u>26,698,802</u>

9. Operating costs

	Kuwaiti Dinars			
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2021	2020	2021	2020
Aircraft fuel	1,549,049	722,220	2,980,585	5,495,236
Overflying, landing and ground handling charges	1,317,755	950,022	2,635,070	4,235,652
Staff costs	1,744,143	1,448,933	3,432,533	4,191,248
Depreciation (Refer Note 3&4)	3,594,069	4,027,972	7,145,371	7,853,701
Aircraft maintenance cost	3,080,672	1,481,913	6,447,224	4,919,338
Lease rental	-	248,399	-	498,458
Passenger meals	72,686	50,644	139,673	115,653
Insurance	249,165	191,443	495,368	416,674
Others	536,622	479,876	1,117,135	1,972,392
	<u>12,144,161</u>	<u>9,601,422</u>	<u>24,392,959</u>	<u>29,698,352</u>

10. General and administrative expenses

	Kuwaiti Dinars			
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2021	2020	2021	2020
Staff costs	562,983	866,028	1,096,939	1,849,986
Marketing	82,830	68,000	117,120	334,985
Depreciation (Refer Note 3)	105,648	100,807	211,567	201,693
Professional and consultancy	79,354	38,167	199,310	141,625
Travel	32,202	5,136	47,409	46,427
Rent	6,385	5,315	13,233	9,465
Others	373,147	295,788	758,276	699,188
	<u>1,242,549</u>	<u>1,379,241</u>	<u>2,443,854</u>	<u>3,283,369</u>

11. Loss per share

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2021

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2021	2020	2021	2020
Loss for the period (in Kuwaiti Dinar)	(6,515,012)	(3,927,428)	(11,693,274)	(9,946,066)
Weighted average number of shares outstanding	200,000,000	200,000,000	200,000,000	200,000,000
Loss per share (fils) – Basic & Diluted	(32.58)	(19.64)	(58.47)	(49.73)

12. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the ordinary course of business, the Group enters into transactions with related parties (directors, key managerial personnel and group companies). Pricing policies and terms of these transactions are approved by the Group's management. Transactions and balances with related parties not disclosed elsewhere in this condensed consolidated interim financial information are as follows:

	Kuwaiti Dinars		
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Balances			
Due from related parties	18,021	1,550	69,320

	Kuwaiti Dinars			
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2021	2020	2021	2020
Transactions				
Sales and services	38,747	17,806	80,485	89,281
General and administrative expenses	174,185	40,309	328,723	165,961
Key management compensation				
Salaries and other employment benefits	134,030	105,642	281,360	280,189

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2021

13. Segment information

The Group's operating segments are the operation of passenger airline service and operation and maintenance of Terminal.

Following is the segment information of the six months ended 30 June:

	Kuwaiti Dinars					
	Passenger airline Service		Terminal operations		Total	
	2021	2020	2021	2020	2021	2020
Segment revenue	14,903,323	25,752,778	650,136	946,024	15,553,459	26,698,802
Segment expenses	24,359,199	32,981,984	1,343,853	1,342,591	25,703,052	34,324,575
Other operating income/(expenses)	541,474	(169,089)	-	-	541,474	(169,089)
Gain on sale and lease back of engine	412,069	-	-	-	412,069	-
Finance costs	2,363,722	2,072,105	133,502	79,099	2,497,224	2,151,204
Segment results	<u>(10,866,055)</u>	<u>(9,470,400)</u>	<u>(827,219)</u>	<u>(475,666)</u>	<u>(11,693,274)</u>	<u>(9,946,066)</u>
Assets:						
Segment assets	146,676,232	162,512,624	17,178,181	14,862,636	<u>163,854,413</u>	<u>177,375,260</u>
Liabilities:						
Segment liabilities	157,582,358	146,721,871	4,961,286	4,459,419	<u>162,543,644</u>	<u>151,181,290</u>
Capital expenditure	307,824	744,008	151,091	456,354	<u>458,915</u>	<u>1,200,362</u>
Depreciation	6,702,257	7,445,869	654,681	609,525	<u>7,356,938</u>	<u>8,055,394</u>

14. Derivative financial instruments

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

Hedge discontinuation

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

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2021

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

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

Derivatives held for hedging:

Cash flow hedges-Commodity (oil) forward contracts

- - - -

31 December 2020:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Positive fair value	Within 3 months	3- 24 months	Notional quantity Barrels

Derivatives held for hedging:

Cash flow hedges-Commodity (oil) forward contracts

1,865,340 145,000 390,000 535,000

30 June 2020:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Positive fair value	Within 3 months	3- 24 months	Notional quantity Barrels

Derivatives held for hedging:

Cash flow hedges-Commodity (oil) forward contracts

3,264,741 175,000 610,000 785,000

15. Commitments and contingent liabilities

	Kuwaiti Dinars		
	30 June 2021 (Unaudited)	31 December 2020 (Audited)	30 June 2020 (Unaudited)
Capital commitments	192,340	109,467	665,256
Bank guarantees	28,364,386	28,769,037	26,887,152
	28,556,726	28,878,504	27,552,408

The above bank guarantee include guarantee to the lessors amounting to KD 20,934,028 (31 December 2020: KD 23,891,184; 30 June 2020: KD 20,863,073) for the aircraft maintenance in lieu of payments for Maintenance Reserve under the lease agreement.

16. Impact of COVID-19

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

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

Impairment of non-financial assets

In accordance with IAS 36 “Impairment of assets”, at the end of each reporting period, an entity is required to assess whether there is any indication that any non-monetary assets, like ROU asset, may be impaired. The continuing impact of COVID - 19 on the airline industry is such a trigger event. To forecast cash flows, the Group’s business plan was adopted as the basis, considering the reduction in demand for air transportation till mid-2021 and return to pre-crisis performance after that.

The discount rate used (WACC) was 10.5% p.a. for the entire forecasting period and no terminal growth rate. Based on the aforementioned test, no impairment was recognised.

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

Commitments and contingent liabilities

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