

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

**Condensed Consolidated Interim Financial Information (Unaudited)
and
Independent Auditor's Review Report
30 September 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 September 2021 and the related condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income for three-month and nine-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine-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 nine months period ended 30 September 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, nothing has come to our attention that causes us to believe that there is 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 nine months period ended 30 September 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

1 November 2021

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

	Note	Kuwaiti Dinars		
		30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
ASSETS				
Non-current assets				
Property and equipment	3	19,416,816	20,458,884	20,157,839
Right of use asset	4	119,707,495	93,806,490	92,441,278
Advance for maintenance		1,886,245	1,563,057	14,178,308
Security deposits		1,222,710	1,135,557	1,666,709
		<u>142,233,266</u>	<u>116,963,988</u>	<u>128,444,134</u>
Current assets				
Inventories		740,217	382,274	404,684
Security deposits		1,305,034	1,309,946	1,655,991
Trade and other receivables		19,494,343	24,300,207	20,868,086
Cash and bank balances	5	40,861,477	19,668,737	23,343,239
		<u>62,401,071</u>	<u>45,661,164</u>	<u>46,272,000</u>
Total assets		<u>204,634,337</u>	<u>162,625,152</u>	<u>174,716,134</u>
LIABILITIES AND EQUITY				
Equity				
Share capital	6	22,000,000	20,000,000	20,000,000
Legal reserve		-	-	5,835,242
Hedge reserve		-	(1,027,778)	(2,373,001)
Retained earnings/(Accumulated losses)	6	1,074,656	(6,995,957)	(1,972,510)
Total equity		<u>23,074,656</u>	<u>11,976,265</u>	<u>21,489,731</u>
Non-current liabilities				
Post-employment benefits		2,745,413	2,481,900	2,692,605
Maintenance payables		11,826,642	11,304,324	11,338,781
Lease liabilities	7	109,740,714	89,634,444	92,431,099
Murabaha payables		5,299,021	6,139,022	5,932,168
		<u>129,611,790</u>	<u>109,559,690</u>	<u>112,394,653</u>
Current liabilities				
Trade and other payables		17,356,433	12,790,550	17,395,389
Maintenance payables		8,149,905	6,684,165	-
Deferred revenue		6,049,113	264,051	1,008,733
Lease liabilities	7	19,552,440	16,048,245	14,933,482
Murabaha payables		840,000	883,498	1,053,839
Bank overdrafts	5	-	4,418,688	6,440,307
		<u>51,947,891</u>	<u>41,089,197</u>	<u>40,831,750</u>
Total liabilities and equity		<u>204,634,337</u>	<u>162,625,152</u>	<u>174,716,134</u>

The accompanying notes from 1 to 16 are an integral part of this condensed consolidated interim financial information.


Mohammad J M Almousa
Vice-chairman

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

		Kuwaiti Dinars			
		Three months ended 30 September		Nine months ended 30 September	
Note		2021	2020	2021	2020
	Revenue	31,718,937	6,079,357	47,272,396	32,778,159
	Operating costs	(17,405,030)	(10,047,062)	(41,797,989)	(39,745,413)
	Operating profit/(loss)	14,313,907	(3,967,705)	5,474,407	(6,967,254)
	Other operating income	156,865	308,122	698,339	139,033
	Gain on sale and lease back of engine	-	-	412,069	-
	General and administrative expenses	(1,477,339)	(1,559,507)	(3,921,193)	(4,842,875)
	Finance costs	(1,301,757)	(1,160,561)	(3,798,981)	(3,311,766)
	Foreign exchange currency gain/(loss)	145,399	770,170	1,424,353	(437,498)
	Expected Credit Loss (ECL) – (provision)/write back	(73,188)	13,501	(218,381)	(121,685)
	Profit/(loss) before contribution and taxes	11,763,887	(5,595,980)	70,613	(15,542,045)
	Zakat	-	-	-	-
	Contribution to Kuwait Foundation for the Advancement of Sciences	-	-	-	-
	National Labour Support Tax	-	-	-	-
	Net profit/(loss) for the period	11,763,887	(5,595,980)	70,613	(15,542,045)
	Attributable to:				
	Shareholders of the Parent Company	11,763,887	(5,595,980)	70,613	(15,542,045)
	Earnings/(loss) per share (fils) -				
	Basic & diluted	55.9	(27.41)	0.34	(76.11)

The accompanying notes from 1 to 16 are an integral part of this condensed consolidated interim financial information.

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

	Kuwaiti Dinars			
	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Net Profit/(loss) for the period	11,763,887	(5,595,980)	70,613	(15,542,045)
Other comprehensive income				
Items that may be reclassified subsequently to statement of profit or loss				
Hedge Reserve – Cash flow hedge	-	891,740	1,027,778	(3,210,563)
Total comprehensive income/(loss) for the period	<u>11,763,887</u>	<u>(4,704,240)</u>	<u>1,098,391</u>	<u>(18,752,608)</u>
Attributable to:				
Shareholders of the Parent Company	<u>11,763,887</u>	<u>(4,704,240)</u>	<u>1,098,391</u>	<u>(18,752,608)</u>

The accompanying notes from 1 to 16 are an integral part of this condensed consolidated interim financial information.

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

	Kuwaiti Dinars					Total equity
	Share capital	Share Premium	Legal reserve	Hedge reserve	Retained earnings/ (Accumulated Losses)	
At 1 January 2021	20,000,000	-	-	(1,027,778)	(6,995,957)	11,976,265
Issue of Share Capital	2,000,000	8,000,000	-	-	-	10,000,000
Transfer (note 6)	-	(8,000,000)	-	-	8,000,000	-
Other comprehensive income for the period	-	-	-	1,027,778	-	1,027,778
Profit for the period	-	-	-	-	70,613	70,613
At 30 September 2021	<u>22,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,074,656</u>	<u>23,074,656</u>
At 1 January 2020	20,000,000	-	5,835,242	837,562	13,569,535	40,242,339
Other comprehensive expense for the period	-	-	-	(3,210,563)	-	(3,210,563)
Loss for the period	-	-	-	-	(15,542,045)	(15,542,045)
At 30 September 2020	<u>20,000,000</u>	<u>-</u>	<u>5,835,242</u>	<u>(2,373,001)</u>	<u>(1,972,510)</u>	<u>21,489,731</u>

The accompanying notes from 1 to 16 are an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Statement of Cash Flows (Unaudited) –
Nine months ended 30 September 2021**

	Note	Kuwaiti Dinars	
		30 September 2021 (Unaudited)	30 September 2020 (Unaudited)
Cash flows from operating activities			
Profit/(loss) for the period		70,613	(15,542,045)
<i>Adjustments for:</i>			
Depreciation	3,4	11,341,516	12,184,499
Finance costs		3,798,981	3,311,766
Foreign exchange currency (gain)/loss		(1,424,353)	437,498
Gain on sale and lease back of engine	3	(412,069)	-
Provision for post-employment benefits		534,826	561,407
Other operating income- interest income		(310,217)	(614,030)
Expected credit loss on financial assets		218,381	121,685
Cash flows from operating activities before working capital changes		13,817,678	460,780
Increase in inventories		(357,943)	(92,127)
Decrease in trade and other receivables		6,343,723	2,398,087
Decrease in security deposit		33,318	1,027,616
Increase in maintenance payables		2,709,614	2,786,631
Increase in advance for maintenance		(323,188)	(2,564,356)
Increase/(decrease) in trade and other payables		4,363,188	(7,826,613)
Increase/(decrease) in deferred revenue		5,785,062	(3,703,971)
Post-employment benefits paid		(271,313)	(323,402)
Net cash from/(used in) operating activities		32,100,139	(7,837,355)
Cash flows from investing activities			
Purchase of property and equipment	3	(4,149,099)	(1,711,582)
Proceed from sale and lease back of engine	3	4,736,770	-
Receipt of interest income		282,138	565,564
Deposits maturing after three months		(16,855,382)	17,204,618
Net cash (used in)/from investing activities		(15,985,573)	16,058,600
Cash flows from financing activities			
Proceeds from rights issue (note 6)		10,000,000	-
Re-payment for lease liabilities		(12,703,499)	(1,542,582)
Proceeds from Murabaha payables		-	7,000,000
Finance costs paid		(3,764,895)	(3,311,766)
Re-payment Murabaha payable facility		(883,499)	(13,994)
Net cash (used in)/from financing activities		(7,351,893)	2,131,658
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of period	5	3,105,431	4,550,029
Expected credit loss on financial assets		(6,627)	-
Cash and cash equivalents at end of period	5	11,861,477	14,902,932
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 from 1 to 16 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 objectives 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 1 November 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 nine months ended 30 September 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 interim financial information is presented in Kuwaiti Dinars (“KD”).

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group 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 economic fallout of COVID-19 crisis is significant and evolving, impacting the key performance indicators of the Group. The gradual recovery was again impacted by the second wave of pandemic in February 2021. With the increased public vaccination program across the countries in the GCC region, as well as the ongoing vaccination around the world, the DGCA on 27 July 2021 announced removal of restrictions for travel of passengers provided they are fully vaccinated with vaccines approved by the Kuwait Ministry of Health. The restrictions in Kuwait airport operations were also relaxed in a phased manner from 1 August 2021 and with full capacity being permitted from 1 November 2021.

During this period, the Group commenced all its key international routes. Passenger volumes have recovered and is expected to further improve though its magnitude and duration will depend on COVID-19 related uncertainties.

The Group is closely monitoring the situation and 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 Company restructured the share capital by setting off the accumulated losses against the share premium of KD 8 million (see note 6).

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

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

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	33,824	54,551	19,780	417,806	4,850,662
Transfers	-	422,471	410,192	-	(832,663)	-
Disposal	(4,324,701)	-	-	-	-	(4,324,701)
As at 30 September 2021	7,164,800	17,450,852	4,388,904	48,766	1,066,378	30,119,700
Depreciation						
As at 31 December 2020	2,005,578	4,215,519	2,884,772	28,986	-	9,134,855
Charge for the period	297,432	931,965	338,276	356	-	1,568,029
As at 30 September 2021	2,303,010	5,147,484	3,223,048	29,342	-	10,702,884
Net book value						
As at 30 September 2021	4,861,790	12,303,368	1,165,856	19,424	1,066,378	19,416,816
As at 31 December 2020	5,159,222	12,779,038	1,039,389	-	1,481,235	20,458,884
As at 30 September 2020	4,461,800	13,025,238	1,092,209	-	1,578,592	20,157,839

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

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2021	2020	2021	2020
Operating costs	412,450	809,322	1,230,051	2,069,117
General and administrative expenses	126,411	102,198	337,978	303,961
	538,861	911,520	1,568,029	2,373,078

During the period, the Group completed the sale and leaseback of one its 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 facilitate transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

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

4. Right of use assets

	Kuwaiti Dinars			Total
	Aircraft	Aircraft engines	Leasehold land	
Cost				
As at 31 December 2020	109,876,320	2,931,994	3,504,601	116,312,915
Additions	33,207,910	2,466,582	-	35,674,492
As at 30 September 2021	<u>143,084,230</u>	<u>5,398,576</u>	<u>3,504,601</u>	<u>151,987,407</u>
Depreciation				
As at 31 December 2020	21,509,980	352,312	644,133	22,506,425
Charge for the period	9,179,588	284,427	309,472	9,773,487
As at 30 September 2021	<u>30,689,568</u>	<u>636,739</u>	<u>953,605</u>	<u>32,279,912</u>
Net book value				
As at 30 September 2021	<u>112,394,662</u>	<u>4,761,837</u>	<u>2,550,996</u>	<u>119,707,495</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 September 2020	<u>86,718,818</u>	<u>2,640,013</u>	<u>3,082,447</u>	<u>92,441,278</u>

5. Cash and bank balances

	Kuwaiti Dinars		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Cash on hand	88,976	67,879	76,335
Current account with banks	4,939,938	1,461,669	2,127,714
Time deposits with banks	35,844,968	18,144,968	21,144,968
	<u>40,873,882</u>	<u>19,674,516</u>	<u>23,349,017</u>
Expected credit loss	(12,405)	(5,779)	(5,778)
	<u>40,861,477</u>	<u>19,668,737</u>	<u>23,343,239</u>
Less: Overdrafts	-	(4,418,688)	(6,440,307)
Deposits for original maturity for more than 3 months	(29,000,000)	(12,144,618)	(2,000,000)
Cash and cash equivalents in the statement of cash flows	<u>11,861,477</u>	<u>3,105,431</u>	<u>14,902,932</u>

The effective interest rate as of 30 September 2021 was 1.375% to 2.4% (31 December 2020: 1.4% to 3.02%, 30 September 2020: 1.45% to 3.125%). Overdraft facility is from local banks and carries effective interest rate of 1% to 1.5% per annum over the Central Bank of Kuwait discount rate ("CBDR").

6. Share capital

	Kuwaiti Dinars		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Authorised, issued and fully paid in cash: 220,000,000 (31 December 2020: 200,000,000; 30 September 2020: 200,000,000) shares of 100 fils each	22,000,000	20,000,000	20,000,000

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

On completion of the rights issue allotment on 14 July 2021, 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.

Share capital restructuring

The General Meeting held on 20 September 2021 has approved to restructure the share capital as below:

	Kuwaiti Dinars
Accumulated losses as on 1 January 2021	(6,995,957)
Loss for the six-months period ended 30 June 2021	(11,693,274)
Offset against share premium	8,000,000
Balance after offset against share premium	(10,689,231)
Profit for 3 months period ended 30 September 2021	11,763,887
Balance as on 30 September 2021	1,074,656

7. Lease liabilities

	Kuwaiti Dinars		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
At the beginning of the period/year	105,682,689	88,963,283	88,963,283
Additions	34,416,888	11,696,668	11,920,160
Modification	-	9,037,870	7,641,153
Finance costs	3,350,655	3,985,768	2,907,704
Payments	(12,703,499)	(8,301,491)	(4,450,286)
Foreign exchange currency (gain)/loss	(1,453,578)	300,591	382,567
At the end of the period/year	129,293,154	105,682,689	107,364,581

The above is segregated as:

	Kuwaiti Dinars		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Current	19,552,440	16,048,245	14,933,482
Non-current	109,740,714	89,634,444	92,431,099
	129,293,154	105,682,689	107,364,581

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 September 2021

8. Revenue

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2021	2020	2021	2020
Passenger revenue	28,212,824	5,122,049	40,766,785	28,208,283
Ancillary revenue	1,765,360	335,092	3,192,112	2,363,706
Facility ancillary revenue	24,960	63,797	113,038	250,264
Rental revenue	318,130	91,403	765,208	548,775
Passenger service fees	634,126	51,359	749,105	305,486
Cargo revenue	763,537	415,657	1,686,148	1,101,645
	<u>31,718,937</u>	<u>6,079,357</u>	<u>47,272,396</u>	<u>32,778,159</u>

9. Operating costs

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2021	2020	2021	2020
Aircraft fuel	3,592,071	1,058,976	6,572,656	6,554,212
Overflying, landing and ground handling charges	2,631,328	1,033,430	5,266,398	5,269,081
Staff costs	2,243,236	1,275,600	5,675,769	5,466,848
Depreciation	3,858,167	4,026,876	11,003,538	11,880,538
Aircraft maintenance	3,837,216	1,665,302	10,284,440	6,584,641
Passenger meals	19,938	62,676	159,611	552,460
Insurance	255,203	196,829	750,571	613,503
Lease rental (short term)	-	259,804	-	758,262
Others	967,871	467,569	2,085,006	2,065,868
	<u>17,405,030</u>	<u>10,047,062</u>	<u>41,797,989</u>	<u>39,745,413</u>

10. General and administrative expenses

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September		30 September	
	(Unaudited)		(Unaudited)	
	2021	2020	2021	2020
Staff costs	638,069	909,313	1,735,008	2,752,537
Marketing	248,179	86,380	365,299	421,365
Depreciation	126,411	102,198	337,978	303,961
Professional and consultancy	108,498	67,314	307,808	210,189
Travel	24,907	6,023	72,316	52,450
Others	331,275	388,279	1,102,784	1,102,373
	<u>1,477,339</u>	<u>1,559,507</u>	<u>3,921,193</u>	<u>4,842,875</u>

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

11. Earnings/(loss) per share

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

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2021	2020	2021	2020
Net Profit/(loss) for the period	11,763,887	(5,595,980)	70,613	(15,542,045)
Weighted average number of shares outstanding	210,447,771	204,195,402	210,447,771	204,195,402
Earnings/(loss) per share (fils) – Basic	55.9	(27.41)	0.34	(76.11)
Earnings/(loss) per share (fils) – Diluted	55.9	(27.41)	0.34	(76.11)

Basic and diluted loss per share from operations reported for the three and nine months ended 30 September 2020 before retrospective adjustment relating to issue of rights shares were as follows:

	30 September 2020 (Unaudited)	
	Three months Ended	Nine months Ended
Loss per share (fils) – Basic	(27.97)	(77.71)
Loss per share (fils) – Diluted	(27.97)	(77.71)

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 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)	
Balances				
Due from related parties	89,000	1,550	99,079	
	Kuwaiti Dinars			
	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2021	2020	2021	2020
Transactions				
Sales and services	135,019	57,266	215,505	146,546
General and administrative expenses	63,442	105,774	392,165	271,735
Key management compensation				
Salaries and other employment benefits	149,430	133,768	430,790	413,957

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 September 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 nine months ended 30 September:

	Kuwaiti Dinars					
	Passenger airline Service		Terminal operations		Total	
	2021	2020	2021	2020	2021	2020
Segment revenue	45,645,043	31,625,576	1,627,353	1,152,583	47,272,396	32,778,159
Segment expenses	42,657,448	43,075,304	1,855,762	2,072,167	44,513,210	45,147,471
Interest income (included in other operating income)	698,339	139,033	-	-	698,339	139,033
Gain on Sale of Engine	412,069	-	-	-	412,069	-
Finance costs	3,600,690	3,237,924	198,291	73,842	3,798,981	3,311,766
Segment results	497,313	(14,548,619)	(426,700)	(993,426)	70,613	(15,542,045)
Assets:						
Segment assets	187,943,240	159,350,679	16,691,097	15,365,455	204,634,337	174,716,134
Liabilities:						
Segment liabilities	177,099,620	148,559,252	4,460,061	4,667,151	181,559,681	153,226,403
Capital expenditure	4,668,863	838,264	181,799	872,864	4,850,662	1,711,128
Depreciation	10,355,315	11,247,806	986,201	936,693	11,341,516	12,184,499

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.

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 September 2021:

Kuwaiti Dinars	Nominal quantity by term to maturity		
	Negative fair value	Within 3 months	3- 24 months

Derivatives held for hedging:

Cash flow hedges-Commodity (oil) forward contracts

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

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

30 September 2020:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Positive fair value	Within 3 months	3- 24 months	Notional quantity Barrels
<i>Derivatives held for hedging:</i>				
<i>Cash flow hedges-Commodity (oil) forward contracts</i>	2,373,001	140,000	345,000	485,000

15. Commitments and contingent liabilities

	Kuwaiti Dinars		
	30 September 2021 (Unaudited)	31 December 2020 (Audited)	30 September 2020 (Unaudited)
Capital commitments	97,347	109,467	293,394
Bank guarantees	31,750,184	28,769,037	27,805,019
	<u>31,847,531</u>	<u>28,878,504</u>	<u>28,098,413</u>

The above bank guarantee include guarantee to the lessors amounting to KD 25,688,934 (31 December 2020: KD 23,891,184; 30 September 2020: KD 24,830,852) 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.