الجزيرة.
Jazeera.

2021:
Returning to Profitability in Record Time

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.

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Dear Shareholders,

I am pleased to be presenting Jazeera's financial and operational report for the year 2021, showcasing the success of our airline in returning to profitability and expanding during a challenging two-year pandemic that has impacted the global economy, and with it, the travel industry.

Through it, Jazeera remained focused on sustaining its business continuity. While the extent of the Covid-19 pandemic was unforeseen back when it started in March 2020, our airline 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.

Operationally, Jazeera reallocated its 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. With the challenges of the pandemic, new opportunities opened for our airline: cargo operations, charter flights and connecting routes were expanded to benefit our business. We were resourceful in adapting our business operations which enabled us to get through a very difficult period and come back strongly in 2021

Our flexible approach to the pandemic enabled Jazeera to return to profitability in record time by the third quarter of 2021. Allow me to expand more on the year performance.

The Beginning of 2021: Continued Challenges

2021 began with further restrictions at our hub at Kuwait International Airport (KWI), limiting capacity of incoming passengers to 1,000 per day and suspending flights from 35 countries. These suspended flights included high traffic routes.

Amidst these restrictions, Jazeera focused on operating connecting flights, targeting underserved segments of passengers within its network, which accounted for 28% of total passengers.

The airline launched two new destinations, Colombo (Sri Lanka) and Addis Ababa (Ethiopia), to expand its connecting routes and serve a resilient demand for travel by expatriates in the region. It also acquired six new traffic rights in preparation for the summer season as a positive outlook for the travel industry started to show with the vaccination drive rolling out worldwide.

Jazeera also took delivery of its sixth Airbus A320neo aircraft, as part of a scheduled order of four A320neo that were also delivered during the year. It is worth noting that we did not opt to reschedule the delivery of aircraft in anticipation of a gradual return of demand for travel and a latent demand.

By the end of the first quarter, Jazeera had acquired a 25% market share, the largest share, at KWI during despite the limited capacity.

Second Half of 2021: Vaccinations Rolling Out, Restrictions Easing, Expansions

Entering the second quarter, roll out of the Covid-19 vaccination accelerated at a fast pace in Kuwait and worldwide. Restrictions at Kuwait International Airport started to ease gradually, and more people were eager to travel. Jazeera pilots, cabin crew and supporting teams were fully vaccinated by the beginning of April.

By June 2021, travel was seeing a definite recovery.

Jazeera launched seven more routes, serving popular tourist and expat destinations that comprised Bishkek (Kyrgyzstan), Tashkent (Uzbekistan), Yerevan (Armenia), Antalya (Turkey), Sarajevo (Bosnia and Herzegovina), Almaty (Kazakhstan) in addition to London Heathrow airport as the first low-cost carrier (LCC) in the Middle East to operate direct flights to the airport.

Three more Airbus A320neo aircraft were delivered, bringing the fleet to 17 aircraft, delivering on our five-year business plan.

Jazeera also placed a new fleet order with Airbus for 20 A320neos, 8 A321neos and 5 further options. The deal is valued at US$3.4 billion (KD1.3 billion).

The order will effectively double Jazeera's current fleet size, supporting the airline's expansion plans to further boost its contribution to Kuwait's travel sector. The aircraft mix aims to give Jazeera flexibility to extend its network to short and medium haul destinations from Kuwait, offering passengers more choice to travel to popular destinations as much as underserved ones.

Jazeera Terminal T5 saw its second quarter of profit in Q4 2021, ending the year with a net profit of KD1.1 million, compared to a net loss of KD1.4 million in 2020.

Expansion at T5 continued, preparing to inaugurate the VIV Terminal, the first private terminal experience to be launched in Kuwait and to offer privacy and exclusivity in a luxury setting when departing and arriving.

Available for departing and arriving passengers traveling on airlines operating from Terminals 1 and 5 and for general aviation and private jets, the VIV Terminal enables passengers to benefit from a private check-in reception and handling services, gourmet à la carte meals, private customs and immigration area, luxury amenities, and chauffeured transportation to and from the aircraft in luxury vehicles. The VIV facility comprises two private suites and a large lounge.

Capital Increase

Jazeera completed a capital increase of 10%, raising KD10 million in July 2021. While the airline maintains a healthy asset base and a

CHAIRMAN'S MESSAGE

very strong unrestricted cash balance, the capital increase is a precautionary step to adhere to regulatory capital requirements in anticipation of a potential surge in the accumulated losses account as operations remained derailed by the prolonged closure of Kuwait International Airport in the first half.

The rights issue was done at a price of KD0.500 per share. The share premium received was KD8 million and the share capital was KD2 million. The adjustment was reflected in the nine months earnings.

Return to Profitability

Jazeera's performance in 2021 is proof that its flexible and resilient business model continues to safeguard customers, employees and shareholders in times of crises.

The airline returned to profitability in record time starting from the third quarter of the year following a second year impacted by restrictions and limitations in capacity imposed on travel at Kuwait International Airport, and globally, in response to the continued spread of the Covid-19 pandemic. Jazeera maintained the positive performance in the last quarter of the year.

Jazeera subsequently ended the year with a net profit of KD7.1 million for the year, up 126.8% from the previous year. The earnings were supported by an increase of 48.2% in the number of passengers flown, which reached 1.0 million, while load factors increased by 3.9% to 66.8% and yield increased by 28.6% to KD73.9.

Operating revenue for 2021 stood at KD80.4 million, up 94.3%, and operating profit increased by 152.2% to KD10.8 million.

By year end, our cash balance stood at KD50.2 million in comparison to KD19.6 million, supported by the capital increase, operating profits and recovery of receivables.

Our market cap has followed suit on Jazeera's positive performance, increasing by more than double in the past five years. The market cap by the end of 2021 was KD283.3 million in comparison to KD146.0 million in 2020 and KD219.8 million in 2019. The volume traded was KD114.1 million by the end of 2021, in comparison to KD92.9 million in 2020 and KD31.7 million in 2019.

Moving Forward with Our Five-Year Business Plan

Leaving the exceptional years of 2020 and 2021 aside, Jazeera is headed to continued growth, increasing its fleet to 30 aircraft by 2025, supported by a growing network that will reach 69 destinations, serving approximately 5.4 million passengers across the Middle East, Asia and Europe. Strong appetite for travel is evident today. Countries around the world have fully open their borders.

The focus of Jazeera's board and management now is to maintain the expansion momentum as we get out of this global situation while also remaining prudent against the uncertainties and impact of recent geopolitical developments. We are adamant that our airline will overcome these uncertainties as it did in the past. Today, 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. The airline has a solid portfolio of travel rights, an efficient fleet and a network that connects passengers from point to point.

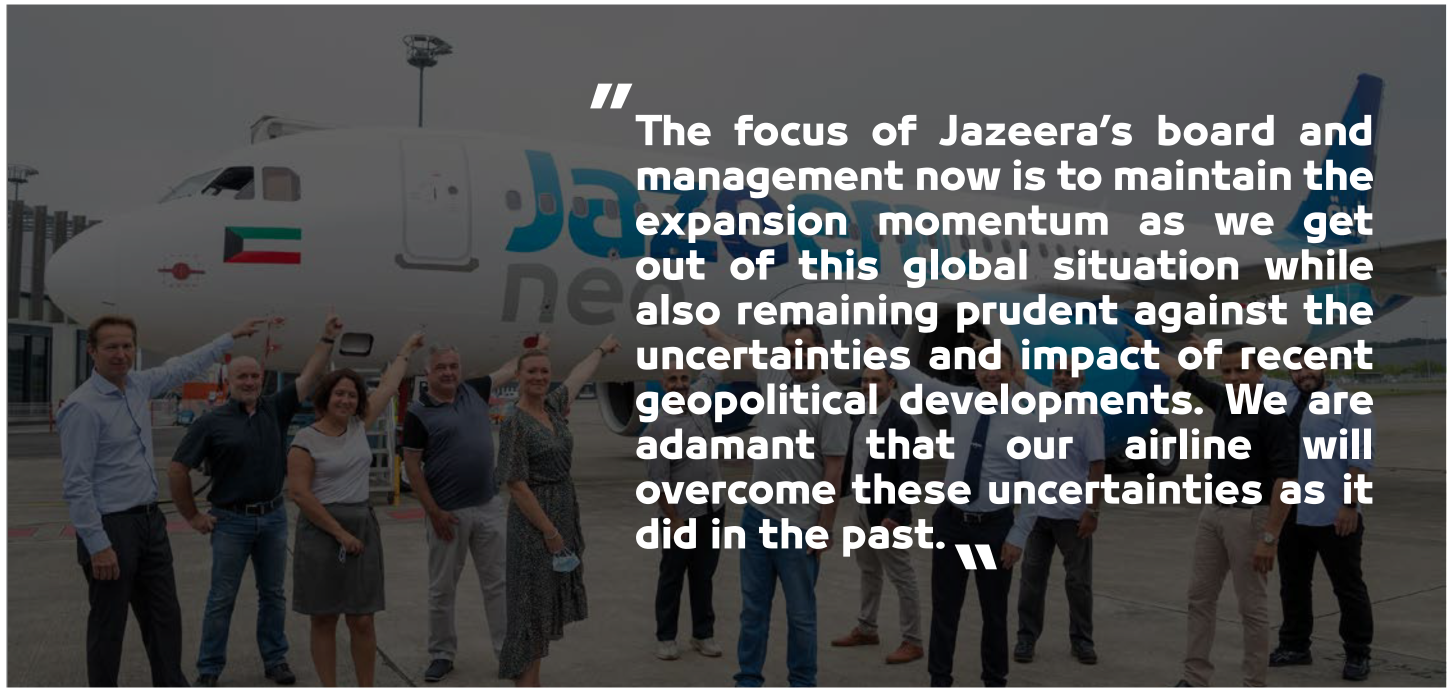
New routes are planned for 2022, new aircraft are scheduled for delivered as part of our new order, and new services will be added to our revenue-generating facilities.

I take this opportunity to extend our deepest gratitude to His Highness the Amir, Sheikh Nawaf Al-Ahmad Al-Jaber Al-Sabah, and His Crown Prince, Sheikh Mishal Al-Ahmad Al-Jaber Al-Sabah, as well as the Government of Kuwait for safeguarding the wellbeing of local community.

And last but not least, I congratulate each and every one of the Jazeera team for bringing back our airline to profitability.

Sincerely,

Marwan M. Boodai
Chairman



"The focus of Jazeera's board and management now is to maintain the expansion momentum as we get out of this global situation while also remaining prudent against the uncertainties and impact of recent geopolitical developments. We are adamant that our airline will overcome these uncertainties as it did in the past."

Launch of flights to Almaty, Kazakhstan

From the vaccination drive for Jazeera pilots and crew

Return of fights to Bodrum, Turkey

CEO'S MESSAGE

Dear Shareholders,

2021 was the year that the resilience and flexibility of our airline was tested. I am proud to announce that the Jazeera team has delivered on its promises since the beginning of the Covid-19 pandemic in March 2020.

What our small yet agile airline, team and assets have proven by the second half of 2021 is that with the right strategy and planning, we are able to set our company up for a profitable & sustainable future as soon as the Covid-19 pandemic recedes, and travel resumes.

The mandate we set ourselves for in 2020: Preserve, Protect, and Sustain our business. Now allow me to tell you more about how we succeeded.

Delivering on Promises

When the pandemic began worldwide, it soon was evident that its impact was going to be larger than what one could foresee.

Jazeera implemented immediate decisive measures to safeguard the financial position and liquidity of the company, including (with your support) the suspension of the 2019 dividend payment, activating the drawdown of bank facilities that were not previously tapped, renegotiating cost structures with suppliers, and immediate reduction in staff. Our aim was to safeguard our financial position, and we delivered as shown in our end of year financial and operational performance.

One of the most important measures we've undertaken as well is to pursue strict cost control at all levels of our operations, enabling us to maintain a healthy cash balance into 2021.

Commercially, our team did a phenomenal job at securing new traffic rights and expanding into serving passengers with connecting flights. Jazeera has the advantage of a flexible model and a network that includes destinations that are in demand and underserved, giving us a unique position to serve large numbers of passengers. Our cargo business also continued to expand, hitting new volume milestones in 2021. These two lines of business came as a result of our expansion to alternative sources of revenue during the suspension of commercial flights, enduring continued revenue streams.

We've also delivered on our promise to expand our network and maintain the delivery of aircraft. We launched nine new routes in a rather challenging travel environment and took delivery of four additional A320neos into our fleet.

The Big Survey

At the beginning of 2021, Jazeera conducted the Big Travel Survey to provide us with concrete insights as to what to expect from our customers in 2021. The survey revealed that 31% of Kuwaiti respondents plan to travel at least five times in the coming 12 months from the day of the survey, while 58% among all nationalities plan to travel at least three times in the coming 12 months. Jazeera has collected the information to help create the right customer experience for its passengers in future.

The survey, which covered nearly 4,500 customers amongst citizens and residents, also found that most respondents plan to travel on long vacations and annual leave, while 30% of respondents said they will be traveling to visit family and friends. Their preferred leisure destinations included Turkey, UAE, Georgia and UK.

Vaccination before flying was highly accepted by respondents. They confirmed that it gives additional comfort knowing that their fellow passengers and cabin crew members have been vaccinated.

89% of respondents confirmed they would take the Covid-19 vaccine should it be mandated to travel to their destination. 71% said they would you feel safer if you knew other passengers had been vaccinated and 75% would feel safer if the cabin crew are vaccinated.

Expanding our Network

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, limited to Kuwaiti nationals and to 1,000 passengers per day – all airlines inclusive. This was a significant decrease from the average 43,000 passengers per day before the pandemic.

Nevertheless, Jazeera continued with its operating strategy to serve points that were previously not connected, including the expansion into countries that are underserved

The Jazeera Big Survey, showing latent demand for travel


Placing a new order for aircraft with Airbus

from the Middle East and catering to the large segment of tourists planning their summer vacations, as well as connecting the large expat communities within our network to their home countries.

As vaccinations against the Covid-19 virus rolled out in Kuwait and across the world, countries opened their borders for a gradual return of summer traffic.

By April 12, Jazeera pilots and cabin crew were fully vaccinated as part of the airline's commitment to ensuring the safety of passengers and its local communities as flights return gradually. We also continued to mandate strict safety measures in all our facilities so our customers can rest assured that they will be travelling safely with us.

Jazeera launched nine new routes in 2021, serving popular tourist and expat destinations that comprised Colombo (Sri Lanka), Addis Ababa (Ethiopia), Bishkek (Kyrgyzstan), Tashkent (Uzbekistan), Yerevan (Armenia), Antalya (Turkey), Sarajevo (Bosnia and Herzegovina) and Almaty (Kazakhstan) in addition to London Heathrow airport as the first low-cost carrier (LCC) in the Middle East to operate direct flights to the airport.

The airline also rolled out its summer schedule with favorite destinations for tourists, such as the Lebanese capital, Beirut, and other popular summer destinations including Tbilisi (Georgia), Trabzon and Bodrum (Turkey).

By the end of 2021, Jazeera's network of active routes had expanded to include over 45 destinations in the Middle East, Asia and Europe, including high demand destinations.

Expanding our Fleet

Jazeera also took delivery of four Airbus A320neo aircraft during the year, bringing the airline's fleet up to 17 aircraft.

Another milestone to our fleet expansion was a significant new order placed with Airbus to purchase twenty new A320neos, eight A321neos and 5 further options. The deal is valued in excess of at $3.4 billion.

CEO'S MESSAGE

The agreement extends on the long-term relationship we hold with Airbus, effectively doubling our current fleet size to 35 aircraft by 2026, and at terms highly favorable to our company.

The step came as the airline has pulled out of the pandemic strongly in the third quarter with a return to profitability, embarking once again on its expansion plans to further boost its contribution to the Kuwait economy and in particular the travel sector.

By taking both A320neo and A321neo aircraft, we will have great flexibility to extend our network to short and medium haul destinations from Kuwait, offering passengers more choice to travel and enjoy popular destinations as much as underserved ones, at the lowest unit costs.

Expanding our Facilities

Jazeera's growth is attributed to its solid position 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.

Supporting the expansion of its network and fleet, Jazeera continues to invest in developing its infrastructure facilities at our hub, Kuwait International Airport. The aim is to increase the Terminal's capacity to over 4.0 million passengers in 2022 with the start of operations in the key operational support building that will streamline operations considerably, as well as house functions such as in-house catering, line maintenance, ground operations equipment, and so on. The supporting building will be ready for operations in 2022.

To put Jazeera's infrastructure into perspective, T5 generated KD3.2 million in revenue in 2021, of which KD1.8 million came from passenger service fees, and KD1.5 million from lease and other ancillary revenue. One million passengers were served in 2021. The increase in airport capacity is therefore directly correlated to increase in revenue. T5 alone generated a net profit of KD0.7 million, compared to a net loss of KD1.4 million in 2020.

As for the expansions of our facilities in 2021, T5 increased the number of gates connected to a bridge to three gates, while two gates were served with bus-transportation, while the arrival area expanded with a new third belt for baggage.

The development of a new, exciting, duty-free related initiative that aims to increase revenue generated is also ongoing and planned to be launched in 2022.

Lastly, we have also expanded the services provided by the VIV Terminal, serving today private flights and general aviation arriving and departing at Terminals 1 and 5 at Kuwait International Airport.

Expanding our Green Footprint

As a member of IATA (International Air Transport Association), which has committed the airline industry to achieving net-zero carbon emissions by 2050, Jazeera partnered with the Norwegian climate and technology company, CHOOOSE™, to enable customers to offset their carbon emissions by supporting a set of CO_2-reducing climate solutions, consisting of a portfolio of renewable energy and community-based projects.

Jazeera is a forward-looking airline and takes responsibility to safeguard the safety and wellbeing of its customers, employees and environment. We have already invested in A320neo aircraft which are environmentally more friendly - cutting CO_2 emissions by 50%, with 50% engine noise reduction and 18% greater fuel efficiency.

New Opportunities and New Challenges

The worse of the pandemic is definitely behind us today. Kuwait has already announced with the beginning of the year opening travel with no PCR test or quarantine required for passengers who have received their second dose less than nine months ago or have completed their booster shot.

Demand for travel is returning rapidly, especially for new tourist destinations. Jazeera is prepared to cater to the growing demand with an expanding network, expanding fleet and expanding our facilities, services and capabilities which include ensuring our ability to provide integrated aviation services at our hub in Kuwait.

We are keeping a close watch on the geopolitical developments which may impact our business, along with the increase in oil prices. Strategic measures have been put in place to mitigate these developing risks.

These ambitious plans are supported by 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.

On behalf of everyone at Jazeera Airways, I thank the Government of Kuwait and specifically the Directorate General of Civil Aviation, and the Ministry of Health for their effort. We remain committed at Jazeera Airways to the safety of our passengers & crew, and of course, the communities we serve.

I thank the Board of Directors and our Shareholders for their continued trust in our team to ensure Jazeera remains the low-cost carrier of choice for travelers.

Sincerely,

Rohit Ramachandran
Chief Executive Officer

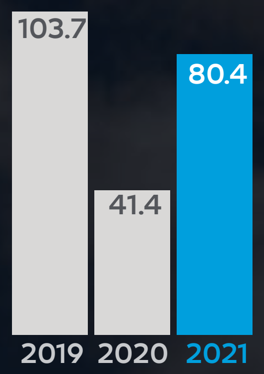
Launch of flights to Tashkent, Uzbekistan


Serving Bishkek, Kyrgyzstan with direct flights

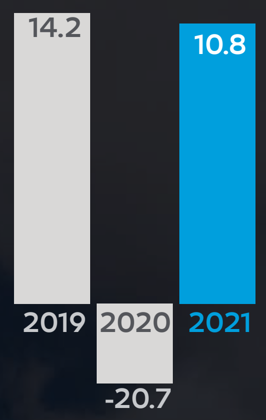
Return of flights to Beirut, Lebanon

FINANCIAL HIGHLIGHTS

OPERATING REVENUE
KD80.4 million
+84.3%



OPERATING PROFIT
KD10.8 million
+152.2%



NET PROFIT
KD7.1 million
+126.8%

PASSENGERS
1.0 million
+48.2%

LOAD FACTOR
66.8%
+3.9%

UTILIZATION
5.9 hours
+41.1%

YIELD
KD73.9
+28.6%

ANCILLARY
KD7.8 million
+74.5%

CARGO
KD2.3 million
+53.9%

OPERATIONAL HIGHLIGHTS

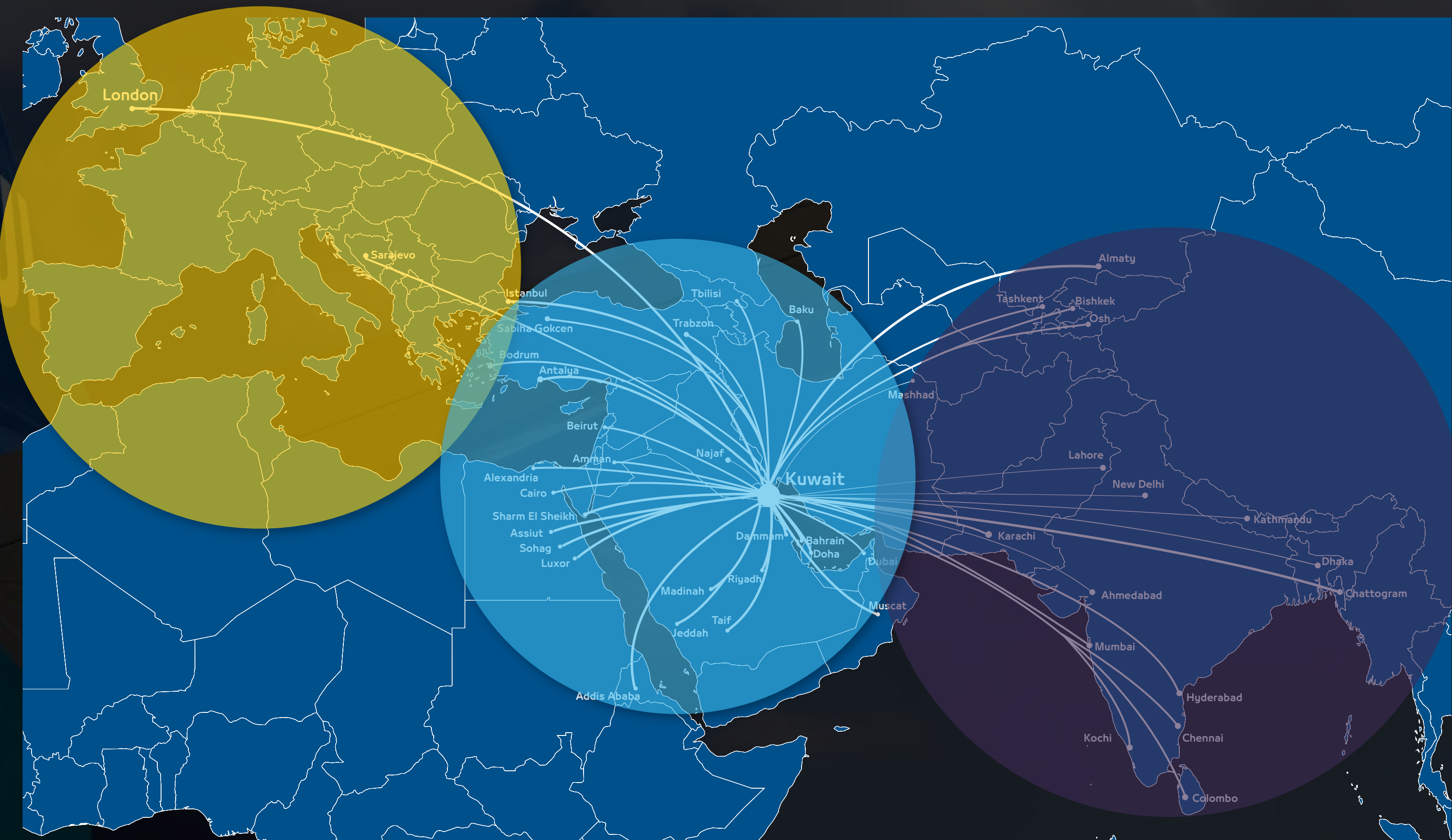
TERMINAL 5
KD0.7 million
+150.0%

FLEET
17 aircraft
+4 A320neo

NEW AIRCRAFT ORDER
20 A320neo + 8 A321neo

9 NEW DESTINATIONS

- Colombo (Sri Lanka)
- Addis Ababa (Ethiopia)
- Bishkek (Kyrgyzstan)
- Tashkent (Uzbekistan)
- Yerevan (Armenia)
- Antalya (Turkey)
- Sarajevo (Bosnia and Herzegovina)
- Almaty (Kazakhstan)
- London Heathrow (UK)



FINANCIAL ANALYSIS

JAN 2021
Continued suspension of flights from 35 countries

FEB 7, 2021
Implementing limited arrival capacity to only 1,000 Kuwaiti nationals per day

APR 2021
Jazeera pilots, cabin crew and teams vaccinated

MAY 2021
+35% of Kuwait population vaccinated

JUL 7, 2021
Arrival capacity increased gradually to 5,000 pax per day

AUG 2021
Suspension of flights from 35 countries lifted gradually starting August 1, 2021

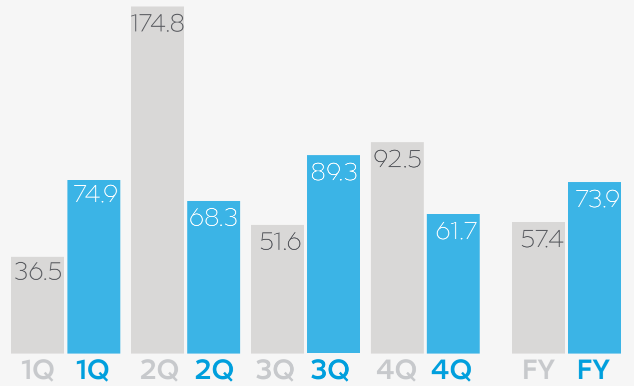
AUG 8, 2021
Arrival capacity increased to 7,500 on August 8, 2021

SEP 5, 2021
Arrival capacity increased to 10,000 on September 5, 2021

SEP 30, 2021
+75% of Kuwait population vaccinated

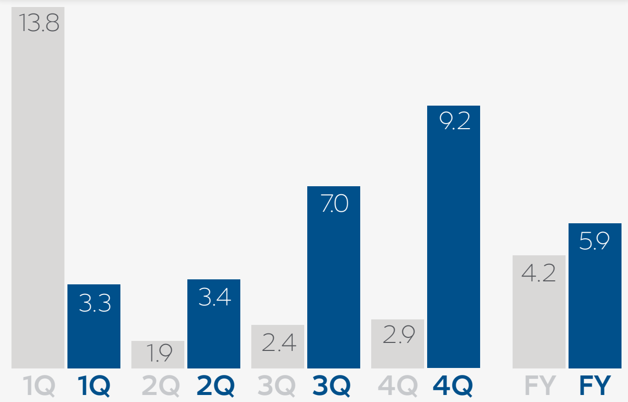
Q4 2021
Eased restrictions on quarantine increase demand for travel

YIELD



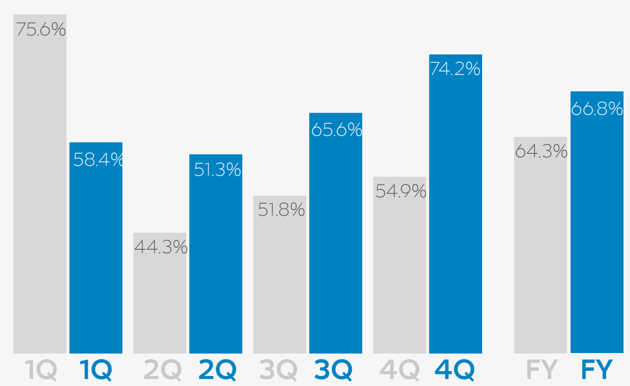
Yield increased significantly during the peak of travel restrictions in 2020, showing higher yields than 2021. However, 2021 yield remained higher than 2019, supported bu high demand routes.

UTILIZATION



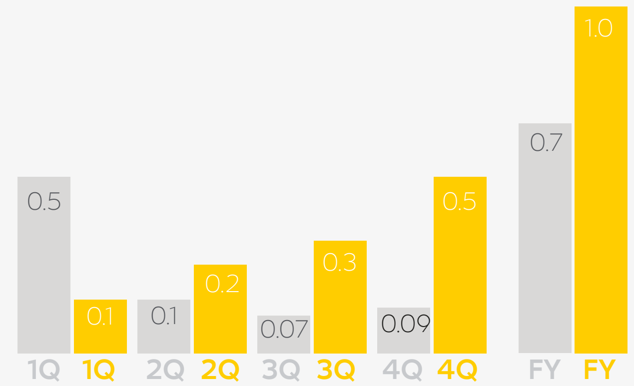
Utilization has seen a gradual growth starting from 2021. With restrictions easing on travel capacity, 4Q 2021 saw a significant increase that is closer to the pre-pandemic average as seen in Q1 2020.

LOAD FACTOR



While load factor had started increasing in 2020 up until 1Q 2021, announced restrictions in February 2021 impacted the load factor in 2Q 2021. However the increase in 3Q and 4Q shows appetite for travel.

PASSENGERS



Passengers in 1Q and 2Q 2020 were driven by the repatriation efforts of Kuwaiti nationals, showing higher passenger flows. 2021 gradual increase shows a positive outlook to traffic moving into 2022.

CASH BALANCE

KD50.2million

up from KD19.67 million in 2020

Cash balance was supported by the capital increase, operating profits and recovery of receivables. Cash balance would have been KD58.8 million had it not been for overdraft with Murabaha loan repayments of KD6.5 million in addition to Airbus deposit payment of KD2.1 million.

CAPITAL INCREASE

KD22.0million

220 million shares

The Share Capital increased in July 21 by KD2 million and Share Premium reached KD8 million. The Share Premium was used to set off the accumulated losses from the Covid-19 crisis.

OPERATIONAL EXPANSION

As the vaccination drive rolled out worldwide and countries have started easing restrictions on travel to open way for tourism this summer, Jazeera Airways launched new services and a summer schedule that comprises high-demand destinations by travelers from Kuwait and the Middle East.

The expansion comes as countries started opening their borders for a gradual return of summer traffic, and in response to a need to operate routes to underserved destinations that cater to the large segment of tourists planning their summer vacations, as well as connecting the large expat communities within our network to their home countries.

THE FIRST LCC IN THE MIDDLE EAST TO FLY TO LONDON HEATHROW

Jazeera Airways launched its service to London Heathrow airport on Friday, June 18, 2021, the first LCC in the Middle East to operate direct flights to the airport. The airport is the favourite gateway to the UK for the Kuwaiti traveller, and there is high demand from the large segment of accustomed tourists who are more than eager to return to London this summer, as well as for students at universities in the city.

NEW COVID-SAFE TOURIST DESTINATIONS

Jazeera Airways launched another seven new services, some never before served by a direct route from Kuwait. The launches serve a latent demand for travel, especially to destinations with strong safety and health measures.

In February 2021, Jazeera Airways announced the launch of a new service to the Sri Lankan capital, offering direct flights between Kuwait and Colombo twice a week, with connections to destinations served by the airline in the Middle East.

The route to Colombo serves the Sri Lankan community in Kuwait and the Middle Ears, as well as tourists traveling to enjoy the scenic nature and resorts in Sri Lanka. The island of Sri Lanka re-opened to tourism on January 21st and has since followed strict health measures to ensure a safe tourist experience.

Colombo was followed by a number of new destinations offering quarantine-free entry. The first of these was a new service to Bishkek, capital of Kyrgyzstan in June 2021. The launch follows the success of the route launched to the city Osh in 2019, catering to high demand for travel to safe destinations that are ideal for families.

On June 27, Jazeera marked the first ever route to be launched between Kuwait and Uzbekistan with the first flight taking off to the capital, Tashkent. The airline operates the new route with two flights per week.

The launch supports growing trade relations between the Middle East region and Uzbekistan. Uzbekistan is also a unique touristic destination to explore, especially following a year in which travel was restricted and avid travelers are eager to start exploring new places once again. Uzbekistan offers a unique nature, rich culture and long history, in addition to great outdoor activities.

Flights to Turkey's coastal city of Antalya started on July 2nd with scheduled flights twice weekly, landing at Antalya Airport (AYT) every Monday and Friday. The destination is ideal for families to enjoy once again their summer vacation and avid travelers to discover new places. Antalya offers them a great getaway over the turquoise coast of Turkey.


First Jazeera flight lands at Sarajevo


Taking off to London Heathrow

Sarajevo was launched on July 3rd, with two scheduled flights per week. With a rich touristic landscape, Bosnia-Herzegovina is a unique summer destination to enjoy cool breezes, outdoor activities, warm foods and explore a long history that has shaped the country's architecture and culture. The country is also regaining its reputation as an excellent ski destination with its Olympic mountain ski resorts.

The series of new routes to be operated between Kuwait and new destinations also include the Armenia capital, Yerevan, which was launched by Jazeera Airways on June 3, 2021, catering to a large Armenian community residing in the Middle East and offering avid travelers a new destination to explore.

Continuing its expansion with travel returning to normal, Jazeera Airways took off with its first flight to the largest city in Kazakhstan, Almaty on the evening of December 1. This marks the first ever route to be operated between Kuwait and Kazakhstan, supporting high demand for new tourist destinations as well as trade opportunities between the two countries.

Jazeera continued to expand to unique destinations that are rarely served by other airlines in the region, giving travelers more choice and value offerings for them to enjoy the many activities that Kazakhstan has to offer with its vast landscape, rich culture, and advanced economy.

RESUMING FLIGHTS TO BEIRUT AND OTHER TOURISTIC DESTINATIONS

Rolling out its summer schedule with favorite destinations for tourists from Kuwait and the Middle East, Jazeera Airways resumed its services to Beirut on June 30 with scheduled flights on Wednesdays and Saturdays, leaving Kuwait at 7:00 pm and back from Beirut at 11:10 pm to enable vaccinated travelers to enjoy an extended weekend in the Lebanese capital.

Beirut is a favorite summer destination for tourists and travelers visiting family and friends. It was one of the first destinations operated by Jazeera Airways back in 2006, and demand for the capital remains strong.

In addition to new services and resumption of flights, the airline's summer schedule includes flights to popular summer destinations of Tbilisi (Georgia), Trabzon and Bodrum (Turkey).

Jazeera has scheduled three flights per week to Tbilisi, as well as to the popular summer destinations of Trabzon and Bodrum.

SERVING A NEED FOR CONNECTING FLIGHTS

The airline's expansion plans in 2021 was also marked by a new route to Addis Ababa, serving a significant Ethiopian expatriate population living in Kuwait and across the region. The new route provides travelers with a great value option.

Route to Addis Ababa, Ethiopia, started on March 16th and was the second new service for the airline in 2021. The route connects Kuwait and Addis Ababa twice a week, offering connections to the rest of the Middle East and Asia.


Flights return to Beirut


Ready to fly to Addis Ababa

OPERATIONAL EXPANSION

TERMINAL 5 UPDATES

Jazeera Terminal 5

Jazeera Terminal 5 (T5) is an integral part of the Jazeera business model and experience it offers to passengers.

In 2021, T5 generates KD1.8 million in passenger service fees, and another KD1.5 million from lease and other ancillary revenue. Passenger service fees alone increased by 409.9% thanks to the increase in airport capacity at Kuwait International Airport (KWI) which saw Jazeera's passengers increase to one million by year end.

Jazeera also continued to expand T5 by expanding its gates to three connected to bridges and two with bus transportation. The arrival area was also expanded with a new belt for baggage. The supporting building continued to be developed and is scheduled to be operational in 2022 to serve over 4.0 million passengers.

Operations at the luxury and private VIV Terminal starting growing to serve more private flights and commercial airlines at T1 and T5 at KWI.

VIV Terminal

FLEET EXPANSION

Jazeera took delivery of four new A320neo aircraft from the manufacturer, effectively increasing its operational fleet to 17 aircraft comprising a total of nine A320neo aircraft and eight A320ceo aircraft.

The A320neo has a range of benefits which include 18% fuel-saving, longer range flights, and quieter engines with 50% less CO2 emissions. All delivered aircraft are fitted with the airline's standard cabin configuration including its signature leather seats.

Jazeera is moving towards operating a fleet comprising more environmentally friendly neo models aircraft.

NEW AIRCRAFT ORDER

20	8
A320neo	A321neo

Jazeera placed a new fleet order with Airbus for 20 A320neos, 8 A321neos and 5 further options.

The order will effectively double Jazeera's current fleet size to 35 aircraft, supporting its expansion to further boost its contribution to Kuwait's travel sector. The aircraft mix give Jsazeera flexibility to extend its network to short and medium haul destinations, offering passengers more choice to travel to popular destinations as much as underserved ones.

Placing a new order for aircraft with Airbus

EXPANDING OUR GREEN FOOTPRINT

Jazeera Airways announced a partnership with the Norwegian climate and technology company, CHOOOSE™, to enable customers to offset their carbon emissions by supporting a set of CO2-reducing climate solutions, consisting of a portfolio of renewable energy and community-based projects.

The new service is integrated in Jazeera's booking process where customers can choose to offset their carbon emissions. It automatically calculates a flight's carbon footprint, providing passengers with the CO2 emissions expected for their trip and the option to compensate for their travel footprint.

Customers can then voluntarily choose to offset their flight's carbon emissions by contributing to climate projects. If selected, the contribution gets added to the final payment.

The initiative comes to affirm Jazeera's iommitment to safeguard the safety and wellbeing of its customers, employees and environment, complementing its investment in A320neo aircraft which are environmentally more friendly - cutting CO2 emissions by 50%, with 50% engine noise reduction and 18% greater fuel efficiency.

Certified by the most comprehensive and stringent international standards, these projects contribute to multiple United Nations Sustainable Development Goals (UN SDGs), and improve ecological values and social benefits for communities around the world affected by climate change.

All travellers who compensate for their journey will be able to monitor their carbon offsetting for Jazeera flights through the CHOOOSE™ platform.

POSITIVE OUTLOOK

NEW OPPORTUNITIES

2022 started on a positive note for Jazeera with a continued increase in operations and an announcement of lifting of all restrictions at Kuwait International Airport (KWI).

Jazeera's network, fleet and services are well positioned to serve demand for travel not only from Kuwait, but also across our network in which we have acquired a strong customer-base of travelers choosing our routes to connect them to their final destination.

Jazeera has also achieved a new milestone as an "Approved Training Organization" certified by Kuwait's Directorate for Civil Aviation, enabling the airline to conduct training programs for pilots and cabin crews from its headquarters in the State of Kuwait.

The certification confirms that Jazeera complies with the Part-ORA (Organisation Requirements for Aircrew), Part-FCL (Flight Crew Licenses) and other applicable regulations. The airline can offer training programs for deck and cabin crew that include A320 Type Training, Cross Crew Qualification (CCQ) and Initial Safety and Emergency Procedures Training For Deck and Cabin Crew.

This a significant move for Jazeera Airways as it expands its capabilities and ensures our ability to train the required manpower for future growth by training fresh graduates looking to become new airline crews. This is another proud milestone for Jazeera in its contribution to the aviation sector in Kuwait and the region.

As part of its expanding capabilities as an "Approved Training Organization", Jazeera has announced plans to invest in building a new training facility in Kuwait equipped with the latest approved training equipment. This state-of-the-art facility will include an Airbus 320 simulator and safety and emergency training equipment for crew training.

NEW CHALLENGES

With the recent geopilitical developments continuing since the beginning of the year, oil prices have soared from under $70 a barrel at the beginning of December to over $130 at its peak in 2022.

Fuel costs are the single largest component of the operating cost structure of airlines and therefore fares inevitably have started to rise as announced by several airlines. Others are expected to follow over the coming days and weeks. In Europe, summer fares are predicted to climb by at least 15%. During Covid, demand for oil decreased and prices were depressed. World economic recovery from Covid-19 had already exerted pressure on the price of oil in recent weeks. Now the geo-political crisis has exacerbated the upward trend.

Jazeera has also announced modest increases to its fare structures across the board to all destinations. Fares to regional GCC destinations have increased by KD 5 per sector, while fares to destinations farther than 3 hours flying time have increased by KD 10 per sector.

We hope that oil prices will stabilize and fall again with additional supply in the market, at which point we intend to immediately reverse these changes.

ON TRACK TO 2025

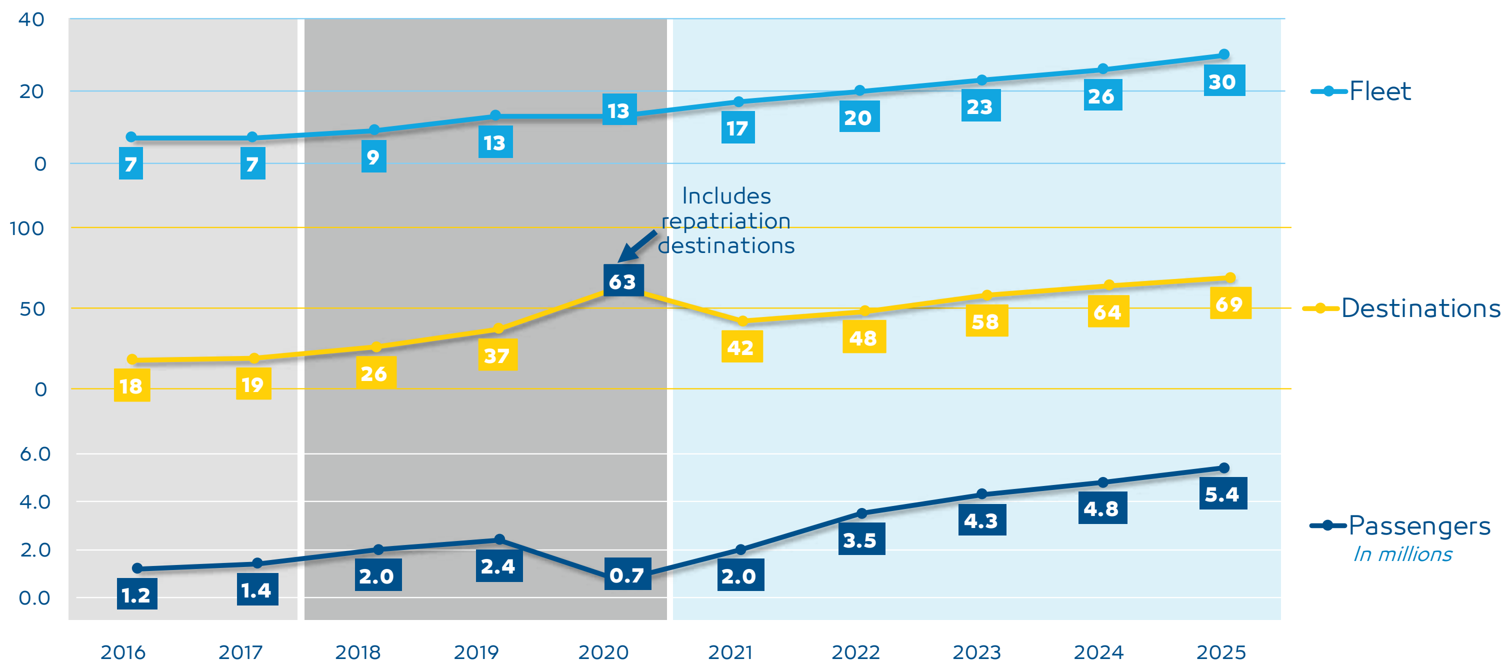
When looking at our airline's growth in the three years preceding 2020, Jazeera started 2017 with seven aircraft and ended with 13 aircraft in 2019. It started with 19 destinations and ended with 37. Earnings also almost doubled in the three-year period, reaching the highest recorded profits. If it wasn't for the exceptional years of 2020 and 2021, Jazeera was headed to continued growth in that direction.

As vaccines rolled out and travel returns, Jazeera has fast tracked to its growth plans thanks to the solid positions and fundamentals of its airline business as well as revenue generating infrastructure and Terminal 5 (T5).

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

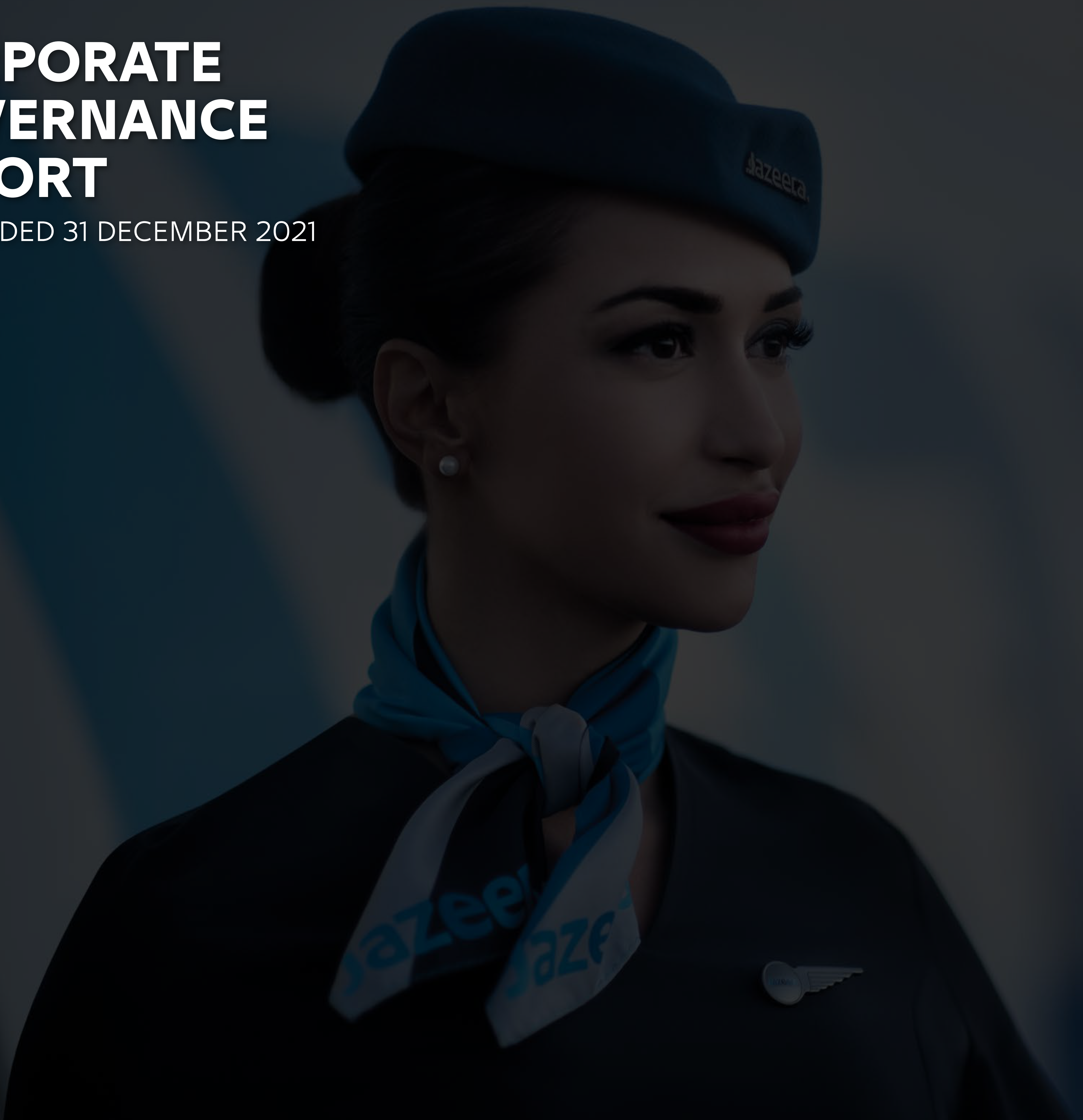


THE FOCUS

ECONOMIES OF SCALE	COST OPTIMIZATION	NETWORK GROWTH	INFRASTRUCTURE

CORPORATE GOVERNANCE REPORT

YEAR ENDED 31 DECEMBER 2021



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. The Board of Directors has taken responsibility of complying with the governance standards in accordance with Law No. 7 of 2010 and its executive bylaws and amendments. The Board of Directors had approved the Company's organizational structure and governance manual that defines the responsibilities, 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 31/12/2021. Jazeera Airways K.S.C.P. operates and implements governance standards and rules by applying best practices and put in place 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 in its meeting on 1/11/2021 accepted the resignation of Mr. Yann Mehdi Pavie, Independent Board Member. The Ordinary General Assembly in its meeting convened on 29/11/2021 approved the resignation of Mr. Yann Mehdi Pavie, Independent Board Member and elected Ms. Seham Haitham Alhussaini as an Independent Member.

The Board of Directors in its meeting on 29/11/2021 reviewed the letter submitted by M/s Golden Share Real Estate Co. - Board Member – relating to the replacement of its representative Mr. Ahmad Abdalla by Mr. Mishaal Alusaimi and approved the replacement.

The Board of Directors is responsible for 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 to follow up the application of best practices. The Governance Manual outline the composition, roles, and responsibilities of the committees. Furthermore, the Committees' assessment and the determination of shareholders' rights, the code of ethics and the policies of the company.

The Board of Directors has also approved the delegation of Authority matrix which define the authority of each of the "executive management, Board of Directors and its committees ".

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
Mohammad J M Almousa	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
Mishaal Alusaimi	Non-Executive	Mishaal Alusaimi has 25 years' experience in asset management, capital markets and property development. Mishaal has held various local and regional Board directorships. He previously was the Acting Chairman and Managing Director of the Capital Markets Authority (CMA) in Kuwait. He also held various managerial positions at Saffar Capital in Dubai, Mabanee, Kuwait Cement Company and Kuwait Investment Office in London. Mishaal holds a bachelor's degree in Business Administration (Finance and Marketing) from the University of San Diego, California, USA. He trained at the Kuwait Investment Authority, and in J.P. Morgan & Co. in New York.	29/11/2021
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
Seham Haitham Alhussaini	Independent	Seham started her career as a structural engineer, having received a BSc in Civil Engineering from the University of Texas at Austin, before attending business school at Columbia and graduating with an MBA. Post-MBA Seham spent four years as a management consultant in New York with Strategy& (Booz&Co). Seham held the position of General Manager with Deliveroo in Kuwait and also worked as a Senior Manager in Agility's Venture Capital team and the acting COO of Shipa Freight, a corporate start-up backed by Agility in Kuwait.	29/11/2021
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 eleven meetings during the year 2021 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 2021:

Member Name	Meeting #1 22/2/2021	Meeting #2 14/4/2021	Meeting #3 10/5/2021	Meeting #4 30/5/2021	Meeting #5 2/6/2021	Meeting #6 18/7/2021	Meeting #7 27/7/2021	Meeting #8 11/8/2021	Meeting #9 1/11/2021	Meeting #10 29/11/2021	Meeting #11 12/12/2021	Total Meetings
Marwan Marzouq Jassim Boodai (Chairman)	◆	◆		◆	◆	◆	◆	◆	◆	◆	◆	10
Mohammad J M Almousa (Vice Chairman)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	11
Marzouq Jassim Marzouq Boodai (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	11
Ahmad Abdalla (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆			9 Replaced
Hany Mohamed Shawky Younis (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	11
Dermot Edward Mannion (Member - Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	11
Yaan Mehdi Pavie (Independent Member)	◆	◆	◆	◆	◆	◆	◆	◆	◆			9 Replaced
Bertrand Phillip Grabowski (Independent Member)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	11
Mishaal Alussaimi (Member - Non-Executive)									◆	◆	◆	3 New representative
Seham Alhussaini (Independent Member)									◆	◆	◆	3 New 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 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 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

Independent Members Acknowledgements

The Independent Members of the Board of Directors acknowledged their independency pursuant to the controls as stated in Article (2-3) of Chapter Two of Module Fifteen (Corporate Governance) of the Executive bylaws of Law No. (7) of 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and its amendments. Attached to this report copies of the Independent Members acknowledgements.

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. The Board of Directors aim at accomplishing the strategic goals of the company through ensuring that executive management are perfectly performing its assigned roles and that it enhances the company's competitive capacity and achieving high growth rates. The Company's Corporate Governance manual includes all rules and responsibilities of Board of Directors, Committees and the Executive Management.

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.
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- Forming specialized sub-committees where period, powers and responsibilities of the committee, are clarified and how the Board shall monitor it.
10- 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.
11- Determine the powers authorized to executive management.
12- 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.
13- Appoint or remove any of executive management members.
14- Determine the remuneration categories to be given for employees whether fixed or variable.
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.

Roles and responsibilities of the Chairman:

1. Ensure board discussion of all major matters effectively and timely.
2. Represent the company before third parties in accordance with the company's articles of association.
3. Encourage all Members of a Board of Directors to full and effective contribution to Board affairs.
4. Procure practical communication with shareholders and refer their opinions to the Board.
5. Encourage constructive relations and effectual participation of Board of Directors and executive management.
6. Create constructive criticism concerning issues of different points of view amongst Members of a Board of Directors.

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. Submit periodic financial and operational reports on the department's performance progress in light of strategic plans and objectives.
5. Set accounting system 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. 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.
9. 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 annual audited consolidated financial statements for the year ended 31/12/2020.
- Approved the interim financial statements
- Follow up and monitor the performance of the Board committees.
- Reviewed and updated the policies and procedures relating to corporate governance rules.
- Recommended the replacement of independent auditor.
- Recommended the increase of the company's capital to meet the regulatory requirements.
- Recommended the adjustment of accumulated losses against the share premium
- Approved the budget for the year 2022.

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. Committees shall be responsible before the Board for their assigned work.

First: Audit Committee

Tasks and achievements of the committee during the year:

External Audit

- Review the periodical and annual financial statements prior to submission to the Board and provide the Board of Directors with opinion and recommendation.
- Recommendation to the Board of Directors for replacement, appointment or re-appointment the external Auditor and specify the remuneration.
- In coordination with external auditors, consider the applied accounting policies and provide to the Board of Directors with opinion and recommendation in this regard.
- Follow up works of external Auditors and ensure no services other than services related to audit functions (statutory audit) are provided to the company.

Internal Audit

- Review and assessed the annual internal audit work plan.
- Receive and review the periodic report on the results of the internal auditors' work.
- Review the management's responsiveness to the internal auditor's findings and recommendations.
- Provide input and direction to the appropriate escalation protocols for significant findings and issues.
- Monitor and assesses the quality and effectiveness of internal audit, and its role in the overall context of the company's risk management system.

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 (until 29/11/2021)
- Seham Haitham Alhussaini (from 29/11/2021)
- Yew Meng Fong, Advisor to the Committee (from 29/11/2021)
- Yusuf Kapadia, Audit Committee Coordinator
- Krishnan Balakrishnan, Secretary

Numbers of meetings held during the year: 9 meetings as below:

Member Name	Position	Classification	Meeting #1 7/1/2021	Meeting #2 22/2/2021	Meeting #3 22/2/2021	Meeting #4 9/5/2021	Meeting #5 10/5/2021	Meeting #6 11/8/2021	Meeting #7 11/8/2021	Meeting #8 1/11/2021	Meeting #9 1/11/2021
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆	◆
Marzouq Jassim Marzouq Boodai	Member	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Independent	◆	◆	◆	◆	◆	◆	◆	◆	◆
Seham Haitham Alhussaini	Member	Independent									
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆	◆	◆	◆	◆	◆

- The Company has appointed 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 respective consultants responsible for the internal audit in its meetings no. 1,3,4,7 and 9.

Second: Risk Committee

Tasks and achievements of the committee during the year:
- Prepare and review risk management strategies and policies prior to Board approval and verify application of such strategies and policies and its appropriation to the company's activities.
- 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.
- Verify independence of the risk management employees.
- Verify that the risk management employees fully understand the risks surrounding the company and raise awareness of employees concerning risk culture.
- Review the risk registers on periodic basis.
- 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 (until 29/11/2021)
- Seham Alhusaini (from 29/11/2021)
- Yew Meng Fong, Advisor to the Committee (from 29/11/2021)
- Yusuf Kapadia, Audit Committee Coordinator
- Krishnan Balakrishnan, Secretary

Numbers of meetings held during the year: 5 meetings as below:

Member Name	Position	Classification	Meeting #1 7/1/2021	Meeting #2 23/3/2021	Meeting #3 7/4/2021	Meeting #4 17/8/2021	Meeting #5 18/11/2021
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆	◆
Marzouq Jassim Marzouq Boodai	Member	Non-Executive	◆	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Independent	◆	◆	◆	◆	◆
Seham Haitham Alhussaini	Member	Independent					
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆	◆

Third: Board Remuneration and Nominations Committee

Tasks and achievements of the committee during the year:
- Recommending the nomination and re-nomination of 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 an annual remunerations report on the total remunerations given to Members of a Board of Directors, and the executive Management to be included in the Governance Report.
- Preparing job description for Non-Executive Members of Board of Directors and independent members.
- Ensuring the validity of the independent Members of the Board of Directors independence.

Date of the committee's formation: 10 November 2020 **The committee's term:** 3 Years
The committee's chairman:
- Ahmad Abdalla (until 29/11/2021)
- Mishaal Musaed Alusaimi (from 29/11/2021)

Members of the committee:
- Marzouq Jassim Marzouq Boodai (until 29/11/2021)
- Hany Mohamed Shawky Younes (until 29/11/2021)
- Yaan Mehdi Pavie (until 29/11/2021)
- Mohammad J M Almousa (from 29/11/2021)
- Seham Haitham Alhussaini (from 29/11/2021)
- Ahmad Abdalla, Advisor to the Committee (from 29/11/2021)
- Krishnan Balakrishnan, Secretary

Numbers of meetings held during the year: 3 meetings as below:

Member Name	Position	Classification	Meeting #1 17/06/2021	Meeting #2 28/11/2021	Meeting #3 14/12/2021
Ahmad Abdalla	Chairman	Non-Executive	◆	◆	
Hany Shawky Younis	Member	Non-Executive	◆	◆	
Marzouq Jassim Marzouq Boodai	Member	Non-Executive	◆	◆	
Yaan Mehdi Pavie	Member	Independent	◆		
Mishaal Musaed Alusaimi	Chairman	Non-Executive			◆
Mohammad J M Almousa	Member	Non-Executive			◆
Seham Haitham Alhussaini	Member	Independent Member			◆
Ahmad Abdalla	Advisor				◆
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 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 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 Company develop the basic structure of IT systems, especially reporting systems, to ensure that all reports are prepared with high quality and accuracy and to be submitted to Members of a Board of Directors on time to facilitate timely making of 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 module. 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
Mishaal Musaed Alusaimi	Chairman	Non-Executive
Mohammad J M Almousa	Member	Non-Executive
Seham Haitham Alhussaini	Member	Independent Member
Ahmad Abdalla	Advisor	
Krishnan Balakrishnan	Secretary	

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

Summary of the remuneration policy of BOD:

Remuneration of the BOD shall be approved by the General Assembly upon the recommendation of BRNC. Total remuneration shall not exceed 10% of the net profit after deducting depreciation, provisions and distribution of profit for at least 5% of the capital to shareholders. It was recommended not to distribute remunerations to the Board members for the financial year ended at 31/12/2021. The contractual attendance allowances for the financial year ended on 31/12/2021 were as follows:

Remuneration paid to Board of Directors:

Remunerations and benefits of Members of Board of Directors							
Total number of members	Remunerations and benefits through the parent company			Remunerations and benefits through the subsidiaries			
	Fixed remuneration and benefits KWD	Variable remuneration and benefits KWD		Fixed remuneration and benefits KWD		Variable remuneration and benefits KWD	
	Health insurance	Annual remuneration	Attendance allowances	Health insurance	Monthly salaries (total of the year)	Annual remuneration	Committees' remuneration
8	0	0	31,219	0	0	0	0

Summary of the remuneration policy for the Executive Management:

The fixed remuneration is based on the roles and the assigned responsibilities and the approved salary scale and grade matrix. The variable remuneration related to the achievement of targets and predefined goals.

Remuneration paid to five senior executives:

Remunerations and benefits of Members of Board of Directors														
Total Executive Positions	Remunerations and benefits through the parent company							Remunerations and benefits through the subsidiaries						
	Fixed remuneration and benefits KWD						Variable remuneration and benefits KWD	Fixed remuneration and benefits KWD						Variable remuneration and benefits KWD
	Monthly salaries (total of the year)	Health insurance	Annual tickets	Housing allowance	Transportation allowance	Children's education allowance	Annual remuneration	Monthly salaries (total of the year)	Health insurance	Annual tickets	Housing allowance	Transportation allowance	Children's education allowance	Annual remuneration
5	380,886	11,250	1,662	34,800	13,200	8,330	637,900	0	0	0	0	0	0	0

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 31/12/2021 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 module. 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
Seham Haitham Alhussaini	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 2021.

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 in order to recommend to the Board of Directors the appointment / re-appointment or replacement 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 replacement of the external auditor pursuant to CMA law # 7 and its bylaws. The Ordinary General Assembly in its meeting held on 21/4/2021 approved the appointment of Mr. Bader Al Wazzan from Deloitte & Touche (Al Wazzan & Co), in replacement of Mr. Talal Al-Muzaini.

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 unit ensures that the employees are aware of the importance of risk management and the duties are carried out in line with the general risk management framework. The Risk Officer is responsible for measuring, monitoring, and mitigating 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 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	Chairman	Non-Executive
Marzouq Jassim Marzouq Boodai	Member	Non-Executive
Seham Haitham Alhussaini	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 Company has appointed 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 respective consultants responsible for the internal audit and held 5 meetings during the year.

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), to be submitted to CMA on time.

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.

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 parties 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 for disclosure and transparency which set to achieve fairness and transparency, preventing conflicts of interest and exploiting internal information. These mechanisms aim to organize the company's procedures relating to the material information disclosure which covering all data that must be disclosed to the Capital Markets Authority. All disclosures, reports, interim and annual financial statements are available on the company's website as well as the annual reports.

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

The company had prepared a register of disclosures of the Members of a Board of Directors and Executive Management and remuneration details. The is available to be reviewed and it is updated periodically.

A brief statement on the application of the formation requirements of the Investor Relations unit.

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 Boursa Kuwait company 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 necessary to protect the rights of stakeholders, especially shareholders. The general rights of shareholders include:

- Access to data and information of the company activity and operational strategy regularly.
- Receive the decided share in dividends.
- Participate in meetings of the shareholders' general assembly and vote on the resolutions thereof.
- Elect Members of Board of Directors.
- Approving any sale and purchase transactions or any disposal of the company's assets, if the transaction is 50% or more of the total assets.

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 shareholder 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 through the company website.

Rule 9: Recognize the Roles of Stakeholders

Brief about 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 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. 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 ensures protecting the rights of stakeholders. The stakeholders in the Company were identified as follows:

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 the understanding of the company operations, strategy, goals and legal and regulatory requirements.

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 of the Board and the executive management 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 developed for members of the board of directors and its committees.

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

The Board of Directors ensures that the value creation in 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.

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 society goals. The company has established an effective framework of social responsibility and also ensuring the employees are familiar with social responsibility to enhance the company's performance level.

The policy improves living, social, and economic conditions for workforce in several areas including:

- Provide 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.

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 is committed to comply with the rules and best pratices of a sound corporate governance to provide a healthy operational environment built on trust, safety, fairness and transparency towards all stakeholders be it shareholders, investors and other related parties which support our company and its growth.

Mohammad J M Almousa
Vice-Chairman

AUDIT 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 7/1/2021	Meeting #2 22/2/2021	Meeting #3 22/2/2021	Meeting #4 9/5/2021	Meeting #5 10/5/2021	Meeting #6 11/8/2021	Meeting #7 11/8/2021	Meeting #8 1/11/2021	Meeting #9 1/11/2021
Hany Mohamed Shawky Younis	Chairman	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆	◆
Marzouq Jassim Marzouq Boodai	Member	Non-Executive	◆	◆	◆	◆	◆	◆	◆	◆	◆
Yaan Mehdi Pavie	Member	Independent	◆	◆	◆	◆	◆	◆	◆	◆	◆
Seham Haitham Alhussaini	Member	Independent									
Krishnan Balakrishnan	Secretary		◆	◆	◆	◆	◆	◆	◆	◆	◆

The Company has appointed 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 respective consultants responsible for the internal audit in its meetings No. 1,3,4,7 and 9.

Tasks of the committee

External Audit

- Review the periodical and annual financial statements prior to submission to the Board and provide the Board of Directors with opinion and recommendation.
- Recommendation to the Board of Directors for replacement, appointment or re-appointment the external Auditor and specify the remuneration.
- In coordination with external auditors, consider the applied accounting policies and provide to the Board of Directors with opinion and recommendation in this regard.
- Follow up works of external Auditors and ensure no services other than services related to audit functions (statutory audit) are provided to the company.

Internal Audit

- Review and assessed the annual internal audit work plan.
- Receive and review the periodic report on the results of the internal auditors' work.
- Review the management's responsiveness to the internal auditor's findings and recommendations.
- Provide input and direction to the appropriate escalation protocols for significant findings and issues.
- Monitor and assesses the quality and effectiveness of internal audit, and its role in the overall context of the company's risk management system.

Mohammad J M Almousa
Vice-Chairman

BOARD ACKNOWLEDGMENT

Acknowledgement with Regard to 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 the reports of the company had been prepared and presented in a fair and sound manner in accordance with the Accredited Accounting Standards applied in the State of Kuwait and the same reflects Financial Position as at 31 December 2021 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 Almousa
Vice Chairman

Marzouq Jassim Marzouq Boodai
Board Member

Mishaal Musaed Abdulaziz Alusaimi
Board Member

Hany Mohamed Shawky Younes
Board Member

Dermot Edward Mannion
Board Member

Bertrand Philippe Grabowski
Independent Board Member

Seham Haitham Alsayed Alhussain
Independent Board Member

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.

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

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 2021, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other 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 2021, 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 74,843,869. 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 occurrence of revenue recorded 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 the 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.

Other information included in the Group's 2021 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2021 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 2021 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 2021, that might have had a material effect on the business of the Parent Company or on its financial position.

Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche- Al-Wazzan & Co.

Kuwait

13 February 2022

Consolidated Statement of Financial Position
as at 31 December 2021

	Note	Kuwaiti Dinars 2021	2020
Non-current assets			
Property and equipment	3	21,165,461	20,458,884
Right of use assets	4	126,249,389	93,806,490
Advance for maintenance	5	2,056,685	1,563,057
Security deposits	6	1,236,734	1,135,557
		150,708,269	116,963,988
Current assets			
Inventories		1,196,724	382,274
Security deposits	6	1,305,034	1,309,946
Trade and other receivables	7	21,917,102	24,300,207
Cash and bank balances	8	50,060,300	19,668,737
		74,479,160	45,661,164
Total assets		225,187,429	162,625,152
LIABILITIES AND EQUITY			
Equity			
Attributable to Parent Company's shareholders			
Share capital	9	22,000,000	20,000,000
Legal reserve	10	740,756	-
Hedge Reserve	22	-	(1,027,778)
Retained earnings / (Accumulated Loss)		7,343,773	(6,995,957)
Total equity		30,084,529	11,976,265
Non-current liabilities			
Post employment benefits	11	2,296,229	2,481,900
Maintenance payables	12	10,652,320	11,304,324
Lease liabilities	13	116,145,351	89,634,444
Murabaha payables	14	5,285,910	6,139,022
		134,379,810	109,559,690
Current liabilities			
Maintenance payables	12	11,245,173	6,684,165
Lease liabilities	13	20,674,479	16,048,245
Murabaha payables	14	840,000	883,498
Trade and other payables	15	21,598,732	12,790,550
Deferred revenue	16	6,364,706	264,051
Bank overdrafts	8	-	4,418,688
		60,723,090	41,089,197
Total liabilities and equity		225,187,429	162,625,152

Mohammad J M Almousa
Vice-Chairman

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

Consolidated Statement of Profit or Loss
Year ended 31 December 2021

	Note	Kuwaiti Dinars 2021	Kuwaiti Dinars 2020
Revenue	16	80,395,291	41,370,384
Operating costs	17	(62,719,266)	(55,661,556)
Operating profit		17,676,025	(14,291,172)
Other operating income		938,769	279,609
General and administrative expenses	18	(6,871,279)	(6,392,917)
Finance costs		(5,231,862)	(4,522,062)
Foreign currency gain/(loss)		702,223	(520,773)
Gain on sale and lease back of engines	3	412,069	-
Expected credit loss - financial assets		(218,381)	(953,419)
Profit/(loss) before contribution and taxes		7,407,564	(26,400,734)
Zakat		(74,403)	-
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(66,668)	-
National Labour Support Tax (NLST)		(186,007)	-
Profit/(loss) for the year		7,080,486	(26,400,734)
Attributable to:			
Shareholders of the Parent Company		7,080,486	(26,400,734)
Earnings/(loss) per share (fils)			
Basic & Diluted	19	33.26	(129.29)

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 31 December 2021

	Kuwaiti Dinars 2021	Kuwaiti Dinars 2020
Profit/(loss) for the year	7,080,486	(26,400,734)
Other comprehensive income (OCI)		
Items that may be reclassified subsequently to statement of income:		
Hedge reserve-Cash flow hedge (all contracts terminated in Q1 2021)	1,027,778	(1,865,340)
Total comprehensive income/(loss) for the year	8,108,264	(28,266,074)
Attributable to:		
Shareholders of the Parent Company	8,108,264	(28,266,074)

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

Consolidated Statement of Changes in Shareholders' Equity
Year ended 31 December 2021

	Kuwaiti Dinars					
	Share Capital	**Share Premium**	**Legal Reserve**	**Hedge Reserve**	**Retained Earnings/ (Accumulated Losses)**	**Total Equity**
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	-	(8,000,000)	-	-	8,000,000	-
Total comprehensive income for the period	-	-	-	1,027,778	7,080,486	8,108,264
Transfer	-	-	740,756	-	(740,756)	-
At 31 December 2021	22,000,000	-	740,756	-	7,343,773	30,084,529
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

-

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

Consolidated Statement of Cash Flows
Year ended 31 December 2021

	Note	Kuwaiti Dinars 2021	2020
Cash flows from operating activities			
Profit/(loss) for the year		7,080,486	(26,400,734)
Adjustments for:			
Depreciation	3,4	15,658,011	14,910,440
Finance costs		5,231,862	4,522,061
Foreign exchange (gain)/loss		(702,223)	520,773
Gain on sale and lease back of engine		(412,069)	-
Provision for post employment benefits	11	815,422	685,831
Expected credit loss on financial assets		218,381	953,419
Other operating income- interest income		(536,813)	(709,327)
Provision for Zakat, KFAS & NLST		327,078	-
Cash flows from/(used in) operating activities before working capital changes		27,680,135	(5,517,537)
(Increase)/decrease in advance for maintenance		(493,628)	10,050,895
Increase in inventories		(814,450)	(69,717)
(Increase)/ decrease in security deposits		(422,637)	1,754,988
Decrease/ (increase) in trade and other receivables		2,736,246	(2,059,155)
Increase in maintenance payables		2,463,037	2,651,030
Increase/(decrease) in trade and other payables		8,617,542	(6,837,768)
Increase /(decrease) in deferred revenue		6,100,656	(4,448,653)
Post-employment benefits paid	11	(1,001,093)	(658,531)
Cash generated from/(used in) operations		44,865,808	(5,134,448)
Paid to Zakat, KFAS & NLST		-	(461,362)
Net cash from/(used in) operating activities		44,865,808	(5,595,810)
Cash flows from investing activities			
Purchase of property and equipment	3	(6,414,779)	(1,745,754)
Interest income		502,531	651,841
Proceeds from sale of engine		4,736,770	-
Deposits maturing after three months	8	(26,500,350)	7,060,000
Net cash (used in)/ from investing activities		(27,675,828)	5,966,087
Cash flows from financing activities			
Murabaha payable	14	(896,610)	7,022,520
Proceeds from Issue of capital	9	10,000,000	-
Re-payment of lease liabilities	13	(12,744,981)	(4,315,723)
Finance costs paid		(5,231,862)	(4,522,062)
Net cash used in financing activities		(8,873,453)	(1,815,265)
Net increase/(decrease) in cash and cash equivalents		8,316,527	(1,444,988)
Cash and cash equivalents at			
beginning of year	8	3,105,431	4,550,029
Expected credit loss on Financial Assets		(6,626)	390
end of year	8	11,415,332	3,105,431
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		701,564	-
Total non-cash transactions		2,038,872	-

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.
- Providing services of financing aircraft purchase projects (in whole or in part) in light of the evaluation studies and determining the factors of risks associated with such projects.
- 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 2021	2020
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.

These consolidated financial statements were authorised for issue by the Board of Directors of the Group on 13 February 2022 and are subject to the approval of the shareholders at their forthcoming Annual General Meeting.

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 27.

Impact of COVID-19 and current economic scenario

The outbreak of the novel Coronavirus (Covid-19) in early 2020 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.

The Covid related restriction that were initially imposed by the Kuwait Director General of Civil Aviation (DGCA) in March 2020 was gradually lifted from August 2020. During the period from March 13, 2020 the Group's aircraft were completely grounded and with limited operation in April to June 2020 for repatriation flight and cargo-only flights. 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 in 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 permitted from 1 November 2021.

During this year, the Group commenced all its key international routes. Passenger volumes have recovered and is expected to further improve though its magnitude and duration will continue to depend on COVID-19 related uncertainties. The Group's financial performance during the last quarter was also in line with management expectations despite the uncertainties related to Omicron variant.

Business continuity planning and liquidity management

The Group is continuously monitoring the situation with focus on business continuity and other risk management practices to manage the business disruption in order to boost the liquidity and sustain the business. The Group adapted its operating procedures while maintaining operational flexibility, to ensure its passengers and its people are properly protected in this new environment and in line with any new requirements in the industry as well as DGCA.

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 was fully subscribed to and closed in July 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 consolidated financial statements. Refer note 28 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 directors have, at the time of approving the consolidated 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:

Interest Rate Benchmark Reform "phase two" amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16

The amendments enable entities to reflect the effects of transitioning from benchmark interest rates, such as interbank offer rates (IBORs) to alternative benchmark interest rates without giving rise to accounting impacts that would not provide useful information to users of financial statements.

The amendments affect many entities and in particular those with financial assets, financial liabilities or lease liabilities that are subject to interest rate benchmark reform and those that apply the hedge accounting requirements in IFRS 9 or IAS 39 to hedging relationships that are affected by the reform.

- The amendments apply to all entities and are not optional.
- The amendments are effective for annual periods beginning on or after 1 January 2021 with early application permitted.

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

Covid-19-Related Rent Concessions beyond 30 June 2021 [IFRS 16] The IFRS 16

Leases amendment relate to Covid19 Rent Related Concessions that has been extended until 30 June 2022. The practical expedient allows lessees to elect to not carry out an assessment to decide whether a COVID-19-related rent concession received is a lease modification. The lessee is permitted to account for the rent concession as if the change is not a lease modification.

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

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts	The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023.
Amendments to IAS 1	Classification of Liabilities as Current or Non-current 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 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 (published together with the updated Conceptual Framework) at the same or earlier.
Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application Permitted.
Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract	The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Annual Improvements to IFRS Standards 2018-2020 Cycle	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9 The amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of accounting policies the amendment is effective for annual periods beginning on or after 1 January 2023
Amendments to IAS 8	Definition of accounting estimates The amendment is effective for annual periods beginning on or after 1 January 2023

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 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.

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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

	Kuwaiti Dinars					
	Engines & rotables	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	Total
Cost						
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
Additions	4,324,701	41,563	110,142	26,050	2,613,887	7,116,343
Transfers	-	422,471	455,433	-	(877,904)	-
Disposal	(4,324,701)	-	-	-	-	(4,324,701)
As at 31 December 2021	7,164,800	17,458,591	4,489,736	55,036	3,217,218	32,385,381
Depreciation						
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
Charge for the year	396,576	1,214,991	471,865	1,633	-	2,085,065
As at 31 December 2021	2,402,154	5,430,510	3,356,637	30,619	-	11,219,920
Net book value						
As at 31 December 2021	4,762,646	12,028,081	1,133,099	24,417	3,217,218	21,165,461
As at 31 December 2020	5,159,222	12,779,038	1,039,389	-	1,481,235	20,458,884

During the year, the Group completed the sale and leaseback of one of 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.

Leasehold improvements include airport terminal and office building including park & fly constructed on leasehold land amounting to KD 9,984,391 (31 December 2020: KD 10,484,217) and KD 980,957 (31 December 2020: KD 983,727) respectively.

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

	Kuwaiti Dinars	
	2021	2020
Operating costs	1,613,499	1,691,991
General and administrative expenses	471,566	414,214
	2,085,065	2,106,205

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4. Right of use assets

	Kuwaiti Dinars			
	Aircraft	Aircraft Engines	Leasehold Land	Total
Cost				
As at 31 December 2019	86,965,637	2,931,994	2,514,013	92,411,644
Additions	10,911,504	-	990,588	11,902,092
Modification	11,999,179	-	-	11,999,179
As at 31 December 2020	109,876,320	2,931,994	3,504,601	116,312,915
Additions	43,917,794	2,466,583	520,312	46,904,689
Modification	-	-	(888,844)	(888,844)
As at 31 December 2021	153,794,114	5,398,577	3,136,069	162,328,760
Depreciation				
As at 31 December 2019	9,394,795	40,420	266,975	9,702,190
Charge for the year	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
Charge for the year	12,760,616	414,392	397,938	13,572,946
As at 31 December 2021	34,270,596	766,704	1,042,071	36,079,371
Net book value				
As at 31 December 2021	119,523,518	4,631,873	2,093,998	126,249,389
As at 31 December 2020	88,366,340	2,579,682	2,860,468	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 2020, 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.

6. Security deposits

	Kuwaiti Dinars	
	2021	**2020**
Deposits with lessors	1,248,088	1,140,615
Other deposits	1,302,968	1,309,946
Expected credit loss	(9,288)	(5,058)
	2,541,768	2,445,503

The above is segregated as:

	Kuwaiti Dinars	
	2021	**2020**
Current	1,305,034	1,309,946
Non-current	1,236,734	1,135,557
	2,541,768	2,445,503

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	
	2021	**2020**
Trade receivables	8,980,474	5,523,544
Expected credit loss	(534,903)	(359,818)
	8,445,571	5,163,726
Prepayments	993,267	1,509,500
Other receivables including receivables from lessor	13,436,575	14,289,475
Others- credits receivables from engine manufacturer for warranty claims and advance for maintenance	-	4,263,378
Expected credit loss	(958,311)	(925,872)
	13,471,531	19,136,481
	21,917,102	24,300,207

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

	Kuwaiti Dinars	
	2021	**2020**
Kuwaiti Dinars	8,723,830	7,915,304
US Dollars	11,444,985	15,672,664
UAE Dirham	10,566	37,512
Egyptian Pounds	24,521	17,798
Euro	760	190,783
Indian Rupees	437,345	299,893
Others	1,275,095	166,253
	21,917,102	24,300,207

8. Cash and bank balances

	Kuwaiti Dinars	
	2021	**2020**
Cash on hand	51,138	67,879
Current account with banks	11,376,599	1,461,669
Time deposits with banks	38,644,968	18,144,968
Expected credit loss	(12,405)	(5,779)
	50,060,300	19,668,737
Less: Overdrafts	-	(4,418,688)
Deposits for original maturity for more than three months	(38,644,968)	(12,144,618)
Cash and cash equivalents in the statement of cash flows	11,415,332	3,105,431

The effective interest rate on time deposits as of 31 December 2021 was 1.375% to 2.37% (31 December 2020: 1.4% to 3.02%).

Cash and bank balances are denominated in the following currencies:

	Kuwaiti Dinars	
	2021	**2020**
Kuwaiti Dinars	46,674,463	18,741,105
US Dollars	348,059	304,287
UAE Dirham	25,917	66,066
Egyptian Pounds	268,045	148,127
Indian Rupees	1,879,514	202,252
Others	864,302	206,900
	50,060,300	19,668,737

9. Share capital

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

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 of the shareholders held on 20 September 2021 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 6 months period ended 31 December 2021	18,773,760
Transfer to legal reserve	(740,756)
Balance as on 31 December 2021	7,343,773

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 32 fils per share, amounting to KD 7,040,000 for the year ended 31 December 2021 (31 December 2020 – KD Nil) to the registered shareholders, after obtaining the necessary regulatory approvals.

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.

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 2021. 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 3% (2020: 2%), expected rate of salary increase of Nil (2020: Nil) and expected rate of withdrawal in the range of 5% to 30% (2020: 5% to 30%).

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

	Kuwaiti Dinars	
	2021	**2020**
Balance at 1 January	2,481,900	2,454,600
Current service and interest cost	815,422	685,831
Benefits paid	(1,001,093)	(658,531)
	2,296,229	2,481,900

Sensitivity analysis on the post-employment benefits:

The sensitivity analysis below has 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 0.25%, the post-employment benefits obligation would decrease by 42,500 (increase by KD 44,000).
- If the expected salary growth is higher/(lower) by 0.25%, the post-employment benefits obligation would increase by 58,200 (decrease by KD 56,700).

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	
	2021	**2020**
At the beginning of the year	17,988,489	12,169,458
Charge for the year	6,847,958	9,865,081
Utilized during the year	(2,938,954)	(4,046,050)
At the end of the year	21,897,493	17,988,489

The above is segregated as:

	Kuwaiti Dinars	
	2021	**2020**
Current	11,245,173	6,684,165
Non-current	10,652,320	11,304,324
	21,897,493	17,988,489

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

13. Lease liabilities

	Kuwaiti Dinars	
	2021	**2020**
At the beginning of the year	105,682,689	88,963,283
Additions	45,458,724	11,696,668
Modification	(888,844)	9,037,870
Finance costs	4,631,762	3,985,768
Payments including finance cost	(17,376,743)	(8,301,491)
Impact of foreign currency movement	(687,758)	300,591
At the end of the year	136,819,830	105,682,689

The above is segregated as:

	Kuwaiti Dinars	
	2021	**2020**
Current	20,674,479	16,048,245
Non-current	116,145,351	89,634,444
	136,819,830	105,682,689

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	
	2021	**2020**
Kuwait Dinars	3,325,238	3,576,646
US Dollars	133,494,592	102,106,043
	136,819,830	105,682,689

14. Murabaha payables

This represents a KD denominated loan availed from a local commercial bank repayable in 5 years. The facility carries finance cost of 1% over CBDR.

The current and non-current amounts are as follows:

	Kuwaiti Dinars	
	2021	**2020**
Current	840,000	883,498
Non-current	5,285,910	6,139,022
	6,125,910	7,022,520

15. Trade and other payables

	Kuwaiti Dinars	
	2021	**2020**
Trade payables	7,309,272	3,789,429
Accrued expense	11,858,422	4,945,452
Tax payable	1,049,626	1,925,235
Staff leave payable	1,076,665	996,785
Others	304,747	653,071
Derivative liabilities	-	480,578
	21,598,732	12,790,550

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

	Kuwaiti Dinars	
	2021	**2020**
Kuwaiti Dinars	8,685,179	10,646,920
US Dollars	11,138,252	573,255
UAE Dirham	226,034	259,843
Egyptian Pounds	98,035	166,958
Euro	103,317	129,070
Indian Rupees	986,600	616,257
Others	361,315	398,247
	21,598,732	12,790,550

16. Revenue

Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	Kuwaiti Dinars	
	2021	**2020**
Point in time		
Passenger revenue	69,340,392	35,545,041
Ancillary revenue	5,503,477	2,977,477
Passenger service fee	1,756,676	344,530
Facility ancillary revenue	327,876	358,031
Cargo revenue	2,308,153	1,499,842
	79,236,574	40,724,921
Lease income	1,158,717	645,463
	80,395,291	41,370,384

Notes to the Consolidated Financial Statements
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The Group has recognized the following liabilities related to contract with customers.

Contract liabilities

	Kuwaiti Dinars	
	2021	**2020**
Deferred revenue	6,364,706	264,051
	6,364,706	264,051

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	
	2021	**2020**
Aircraft maintenance cost	13,365,256	13,959,396
Depreciation	15,186,445	14,496,226
Aircraft fuel	12,637,699	7,684,310
Staff costs	8,400,463	7,188,048
Overflying, landing and ground handling charges	8,824,263	6,811,690
Lease rentals	-	850,848
Insurance	1,037,179	848,590
Passenger meal	315,311	625,964
Reservation system expenses	525,344	761,548
Others	2,427,306	2,434,936
	62,719,266	55,661,556

Lease rentals consist of short-term lease payments and variable lease payment.

18. General and administrative expenses

	Kuwaiti Dinars	
	2021	**2020**
Staff costs	3,860,419	3,651,047
Marketing	604,959	455,273
Depreciation	471,566	414,214
Professional and consultancy	368,150	305,745
Travel	81,724	82,150
Others	1,484,461	1,484,488
	6,871,279	6,392,917

19. Earnings/(loss) per share

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

	Kuwaiti Dinars	
	2021	**2020**
Earnings/(loss) for the year	7,080,486	(26,400,734)
	Shares	
Weighted average number of shares outstanding	212,855,456	204,195,402
Earnings/(loss) per share (fils) – Basic	33.26	(129.29)
Earnings/(loss) per share (fils) – Diluted	33.26	(129.29)

Basic and diluted loss per share from operations reported for the year ended 31 December 2020 before retrospective adjustment relating to issue of rights shares were as follows:

	2020
Loss per share (fils) – Basic	(132)
Loss per share (fils) – Diluted	(132)

20. 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 consolidated financial statements are as follows:

	Kuwaiti Dinars	
	2021	**2020**
Balance		
Due from related parties	29,659	1,550
Transactions		
Sales and services	313,414	194,523
General and administrative expenses	439,569	355,565
Key management compensation		
Salaries and other employment benefits	580,220	599,636

21. 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	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Segment revenue	77,152,022	40,022,360	3,243,269	1,348,024	80,395,291	41,370,384
Segment expenses	(66,946,857)	(61,008,327)	(2,159,846)	(2,520,338)	(69,106,703)	(63,528,665)
Gain on sale and lease back	412,069	-	-	-	412,069	-
Interest income (included in Other operating income)	938,769	279,609	-	-	938,769	279,609
Finance costs	(4,973,232)	(4,246,719)	(258,630)	(275,343)	(5,231,862)	(4,522,062)
Segment results	6,582,771	(24,953,077)	824,793	(1,447,657)	7,407,564	(26,400,734)
Segment assets	208,622,389	144,616,632	16,565,040	18,008,520	225,187,429	162,625,152
Segment liabilities	191,102,328	146,377,628	4,000,572	4,271,259	195,102,900	150,648,887
Capital expenditure	53,227,365	11,725,753	793,667	1,922,093	54,021,032	13,647,846
Depreciation	14,427,088	13,645,868	1,230,923	1,264,572	15,658,011	14,910,440

Non-current assets are all mostly located in Kuwait.

22. 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.

Hedge discontinuation

During the year, 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 as recognised in other operating income in the consolidated statement of profit or loss.

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

31 December 2021:	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	-	-	-	-

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

23. Contingent liabilities and commitments

	Kuwaiti Dinars	
	2021	**2020**
Capital commitments	78,524	109,467
Bank guarantees	34,406,481	28,769,037
	34,485,005	28,878,504

The above bank guarantee include guarantee to the lessors amounting to KD 26,519,589 (31 December 2020: 23,891,184) 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.

In January 2022, the Parent Company's Board of Directors approved a $3.4 billion deal to buy 28 aircraft (20 A320neos and 8 A321neos) from Airbus.

24. 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	
	2021	**2020**
Not later than 1 year	1,696,921	1,855,789
Later than 1 year but not later than 5 years	2,440,549	2,986,164
Later than 5 years	-	18,751
	4,137,470	4,860,704

25. 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 2021, 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 2021, is shown below:

	Kuwaiti Dinars	
	Impact on profit/(loss)	
Currency	**2021**	**2020**
US Dollars	(7,674,280)	(5,189,119)
UAE Dirham	(9,328)	(7,663)
Egyptian Pounds	10,998	188
Euro	(2,644)	3,717
Indian Rupees	115,628	(1,901)
Others	99,049	1,824
Net impact	(7,460,577)	(5,192,954)

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 2021, 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 162,595 (31 December 2020: loss would have been lower by KD 33,519).

A 50 basis points decrease in the interest rates at the date of consolidated 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.

(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 2021

Kuwaiti Dinars

Hedged items:	Forward fuel contract
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	-

31 December 2020

Kuwaiti Dinars

Hedged items:	Forward fuel contract
Current period hedging gains (losses) recognised in OCI	(1,887,941)
Amount of hedge ineffectiveness recognised in statement of income	(353,116)
Due to hedged future cash flows being no longer expected to occur	(624,284)
Line item in statement of income in which hedge ineffectiveness and future cash flows being no longer expected to occur is included	Other operating income/(expense)
Due to hedged item affecting statement of income	(650,222)
Line item in P/L in which hedged item affecting statement of income is included	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 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
Increase in allowance	175,085	32,439	207,524
31 December 2021	534,903	958,311	1,493,214

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

	Kuwaiti Dinars			
	2021		2020	
	Estimated total gross carrying amount at default	Lifetime ECL	Estimated total gross carrying amount at default	Lifetime ECL
Not due	3,769,104	8,159	4,107,615	6,851
30 – 90 days	4,461,435	55,400	786,619	8,914
Above 90 days	749,935	471,344	629,310	344,053
Total	8,980,474	534,903	5,523,544	359,818

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	
		2021	2020
Security deposits	General	2,551,056	2,450,561
Trade receivables	Simplified	8,980,474	5,523,544
Other receivables	General	13,436,575	14,289,475
Bank balances	General	50,021,567	19,606,637
Less: ECL		(1,514,907)	(1,296,527)
		73,474,765	40,573,690

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 434,221 (2020: KD 96,679) which is under non-investment grade credit rating.

Other receivables are due mainly from lessors of aircraft and Security deposits are with airport authorities in 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 2021				
Trade and other payables	21,598,732	-	-	-
Lease liabilities	20,265,071	19,677,872	51,895,214	71,566,155
Murabaha payables	850,896	849,285	4,425,638	-
Maintenance payables	11,932,429	2,730,923	5,945,568	1,961,083
	54,647,128	23,258,080	62,266,420	73,527,238
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	-	-	-
Murabaha 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

26. 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	
	2021	2020
Total borrowings including lease liabilities (refer note 14 and note 13)	142,945,740	112,705,209
Less: Cash and bank balances (refer note 8)	(50,072,705)	(15,255,828)
Net debt	92,873,035	97,449,381
Total equity	30,084,529	11,976,265
Total capital	122,957,564	109,425,646
Gearing ratio	**76%**	**89%**

27. 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.

28. 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 Group considered any impairment indicators arising around its non-financial assets and based on improved vaccinations and passenger volumes, concluded there are no significant indicators.

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 2021. 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.