

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

**Condensed Consolidated Interim Financial Information (Unaudited)
and
Independent Auditor's Review Report
30 June 2023**

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C.P. (the "Parent Company") and its subsidiaries (together called the "Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three-month and six-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Report on Other Legal and Regulatory Requirements

Based on our review, the interim financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 1 of 2016, as amended, and its executive regulations or of the Memorandum of Incorporation and Articles of Association, as amended, of the Parent Company, during the six-month period ended 30 June 2023, 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 review, to the best of our knowledge and belief, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the six-month period ended 30 June 2023, that might have had a material effect on the business of the Parent Company or on its financial position.



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

Kuwait
7 August 2023

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 June 2023

		Kuwaiti Dinars		
		30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
	Note			
ASSETS				
Non-current assets				
Property and equipment	3	64,544,956	44,164,805	63,063,524
Right of use assets	4	141,192,425	145,092,349	128,685,224
Advance for maintenance		6,936,388	7,234,341	2,409,806
Security deposits		991,476	1,890,950	1,251,730
		<u>213,665,245</u>	<u>198,382,445</u>	<u>195,410,284</u>
Current assets				
Inventories		2,654,020	2,426,741	1,845,249
Security deposits		950,260	325,916	1,305,034
Trade and other receivables		26,661,539	18,695,005	26,031,806
Cash and bank balances	5	29,058,139	52,267,804	44,307,745
		<u>59,323,958</u>	<u>73,715,466</u>	<u>73,489,834</u>
Total assets		<u>272,989,203</u>	<u>272,097,911</u>	<u>268,900,118</u>
LIABILITIES AND EQUITY				
Equity				
Share capital	6	22,000,000	22,000,000	22,000,000
Legal reserve		2,843,811	2,843,811	740,756
Hedge reserve	14	(134,488)	-	-
Retained earnings	6	6,955,501	11,683,441	7,693,618
Total equity		<u>31,664,824</u>	<u>36,527,252</u>	<u>30,434,374</u>
Non-current liabilities				
Post-employment benefits		3,521,335	2,912,300	3,052,215
Maintenance payables		19,141,528	19,433,727	16,237,830
Lease liabilities	7	128,471,841	133,398,702	121,090,778
Term loan/Murabaha payables		4,000,000	4,425,635	4,850,066
		<u>155,134,704</u>	<u>160,170,364</u>	<u>145,230,889</u>
Current liabilities				
Maintenance payables		9,438,330	7,531,410	9,804,501
Lease liabilities	7	23,274,815	22,485,345	21,268,652
Term loan/Murabaha payables		1,000,000	849,285	882,822
Trade and other payables		33,760,904	29,201,588	23,892,050
Deferred revenue		18,715,626	14,355,356	21,386,830
Bank overdrafts	5	-	977,311	16,000,000
		<u>86,189,675</u>	<u>75,400,295</u>	<u>93,234,855</u>
Total liabilities		<u>241,324,379</u>	<u>235,570,659</u>	<u>238,465,744</u>
Total liabilities and equity		<u>272,989,203</u>	<u>272,097,911</u>	<u>268,900,118</u>

The accompanying notes 1 to 15 are an integral part of this condensed consolidated interim financial information.


Marwan Marzouq Boodai
Chairman

Condensed Consolidated Statement of Profit or Loss (Unaudited) -
Six months ended 30 June 2023

		Kuwaiti Dinars			
		Three months ended 30 June		Six months ended 30 June	
Note		2023	2022	2023	2022
Revenue	8	49,526,634	41,872,383	97,853,405	77,612,812
Operating costs	9	(41,596,727)	(35,382,781)	(84,172,872)	(64,290,947)
Gross profit		7,929,907	6,489,602	13,680,533	13,321,865
Other operating income		330,868	195,557	889,544	387,392
Gain on sale and lease back of engine	3	-	1,734,319	-	1,734,319
General and administrative expenses	10	(2,207,879)	(1,934,901)	(4,331,120)	(3,489,254)
Finance costs		(1,729,838)	(1,504,044)	(3,479,192)	(2,956,634)
Foreign currency loss		(176,785)	(1,265,031)	(99,826)	(1,240,224)
Expected Credit Loss (ECL) - financial assets		-	-	(74,460)	-
Profit before contribution and taxes		4,146,273	3,715,502	6,585,479	7,757,464
Zakat		(43,966)	(38,947)	(72,690)	(85,135)
Contribution to Kuwait Foundation for the Advancement of Sciences		(37,316)	(33,439)	(59,269)	(69,817)
National Labour Support Tax		(109,914)	(97,366)	(181,724)	(212,836)
Profit for the period		3,955,077	3,545,750	6,271,796	7,389,676
Attributable to:					
Shareholders of the Parent Company		3,955,077	3,545,750	6,271,796	7,389,676
Earnings per share (fils)					
Basic & diluted	11	17.98	16.12	28.51	33.59

The accompanying notes 1 to 15 are an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited) -
Six months ended 30 June 2023**

	Kuwaiti Dinars			
	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
Profit for the period	3,955,077	3,545,750	6,271,796	7,389,676
Other comprehensive income				
Items that may be reclassified subsequently to statement of profit or loss				
Hedge Reserve – Cash flow hedge	324,131	-	(134,488)	-
Total comprehensive income for the period	4,279,208	3,545,750	6,137,308	7,389,676
Attributable to:				
Shareholders of the Parent Company	4,279,208	3,545,750	6,137,308	7,389,676

The accompanying notes 1 to 15 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity (Unaudited) –
Six months ended 30 June 2023

	Kuwaiti Dinars				
	Share capital	Legal reserve	Hedge reserve	Retained earnings	Total equity
At 1 January 2023	22,000,000	2,843,811	-	11,683,441	36,527,252
Total comprehensive income for the period	-	-	(134,488)	6,271,796	6,137,308
Dividend (note 6)	-	-	-	(10,999,736)	(10,999,736)
At 30 June 2023	22,000,000	2,843,811	(134,488)	6,955,501	31,664,824
At 1 January 2022	22,000,000	740,756	-	7,343,773	30,084,529
Total comprehensive income for the period	-	-	-	7,389,676	7,389,676
Dividend (note 6)	-	-	-	(7,039,831)	(7,039,831)
At 30 June 2022	22,000,000	740,756	-	7,693,618	30,434,374

The accompanying notes 1 to 15 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Cash Flows (Unaudited) –
Six months ended 30 June 2023

	Note	Kuwaiti Dinars	
		30 June 2023 (Unaudited)	30 June 2022 (Unaudited)
Cash flows from operating activities			
Profit before contribution and taxes		6,585,479	7,757,464
<i>Adjustments for:</i>			
Depreciation	3,4	9,792,125	8,896,418
Finance costs		3,479,192	2,956,634
Foreign exchange loss		99,826	1,240,224
Gain on sale and lease back of engine	3	-	(1,734,319)
Provision for post-employment benefits		787,635	867,886
Other operating income- interest income		(813,830)	(396,673)
Expected credit loss on financial assets		74,460	-
Cash flows from operating activities before working capital changes		20,004,887	19,587,634
<i>Changes in:</i>			
- inventories		(227,279)	(648,525)
- trade and other receivables		(8,264,247)	(4,212,239)
- security deposits		467,813	76,973
- advance for maintenance		297,953	(353,121)
- maintenance payables		1,535,892	4,071,066
- trade and other payables		3,941,356	2,017,134
- deferred revenue		4,360,270	15,022,124
Cash generated from operations		22,116,645	35,561,046
Post-employment benefits paid		(178,600)	(111,900)
Net cash from operating activities		21,938,045	35,449,146
Cash flows from investing activities			
Purchase of property and equipment and right of use asset	3	(21,449,390)	(50,359,204)
Proceed from sale of property and equipment and lease back of engine	3	-	10,964,684
Proceeds from Interest income		800,183	380,703
Deposits maturing after three months	5	8,616,018	3,000,000
Net cash used in investing activities		(12,033,189)	(36,013,817)
Cash flows from financing activities			
Dividend paid		(10,999,736)	(7,039,831)
Payment for lease liabilities		(8,846,174)	(7,872,168)
Finance costs paid		(3,400,362)	(2,882,863)
Murabaha payable		(274,920)	(393,022)
Net cash used in financing activities		(23,521,192)	(18,187,884)
Net decrease in cash and cash equivalents		(13,616,336)	(18,752,555)
Cash and cash equivalents at beginning of period	5	29,645,525	11,415,332
Cash and cash equivalents at end of period	5	16,029,189	(7,337,223)

The accompanying notes 1 to 15 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2023

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.

The objects of the Parent Company are –

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

The Parent Company has the following subsidiaries:

Name of the Company	Country of Incorporation	Percentage of Holding	
		2023	2022
Al Sahaab Aviation Services W.L.L.	Kuwait	99.99%	99.99%
Kuwaitia Free Zone/ Duty Free Management Co. S.P.C.	Kuwait	99.99%	-
Jazeera Airways Company L.L.C	Kingdom of Saudi Arabia	49%	-

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

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

The condensed consolidated interim financial information was approved for issue by the Board of Directors on 7 August 2023

2. Basis of preparation and significant accounting policies

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

This condensed consolidated interim financial information does not contain all information and disclosures required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”). In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included in this condensed consolidated interim financial information. Operating results for the six months ended 30 June 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023. For more details, refer to the annual audited consolidated financial statements of the Group for the financial year ended 31 December 2022.

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

Changes in accounting policy and disclosures

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2022. Certain amendments and interpretations apply for the first time in 2023, but do not have an impact on the condensed consolidated interim financial information of the Group.

Judgement and estimates

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income, and expense. Actual results may differ from these estimates.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2023

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual audited consolidated financial statements as at and for the year ended 31 December 2022, except for the change disclosed in Note 3.

3. Property and equipment

	Kuwaiti Dinars					Total
	Engines & rotables	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	
Cost						
As at 31 December 2022	7,288,572	17,629,519	5,642,361	68,986	26,439,673	57,069,111
Additions	561,014	15,233	250,522	14,420	20,474,216	21,315,405
Transfers	-	228,337	195,223	-	(423,560)	-
As at 30 June 2023	7,849,586	17,873,089	6,088,106	83,406	46,490,329	78,384,516
Depreciation						
As at 31 December 2022	2,805,565	6,049,292	4,011,345	38,104	-	12,904,306
Charge for the period	242,632	319,264	368,463	4,895	-	935,254
As at 30 June 2023	3,048,197	6,368,556	4,379,808	42,999	-	13,839,560
Net book value						
As at 30 June 2023	4,801,389	11,504,533	1,708,298	40,407	46,490,329	64,544,956
As at 31 December 2022	4,483,007	11,580,227	1,631,016	30,882	26,439,673	44,164,805
As at 30 June 2022	4,564,399	11,739,753	1,446,272	35,041	45,278,059	63,063,524

Leasehold improvements include airport terminal and office building including park & fly constructed on leasehold land amounting to KD 9,868,432 (31 December 2022: KD 9,787,324) and KD 914,616 (31 December 2022: KD 921,586) respectively.

Capital work-in-progress includes payment towards purchase of aircraft (refer Note 15).

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

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2023	2022	2023	2022
Operating costs	286,143	439,507	566,991	748,647
General and administrative expenses	188,452	168,052	368,263	312,475
	474,595	607,559	935,254	1,061,122

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2023

4. Right of use assets

	Kuwaiti Dinars			
	Aircraft	Aircraft engines	Leasehold land	Total
Cost				
As at 31 December 2022	175,076,740	12,111,428	10,427,534	197,615,702
Additions	4,341,560	1,016,256	-	5,357,816
Modification/reclassification	2,628,771	(2,628,771)	(400,869)	(400,869)
As at 30 June 2023	182,047,071	10,498,913	10,026,665	202,572,649
Depreciation				
As at 31 December 2022	49,640,363	1,602,724	1,280,266	52,523,353
Charge for the period	8,170,262	587,659	98,950	8,856,871
As at 30 June 2023	57,810,625	2,190,383	1,379,216	61,380,224
Net book value				
As at 30 June 2023	124,236,446	8,308,530	8,647,449	141,192,425
As at 31 December 2022	125,436,377	10,508,704	9,147,268	145,092,349
As at 30 June 2022	112,147,276	8,331,325	8,206,623	128,685,224

5. Cash and bank balances

	Kuwaiti Dinars		
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Cash on hand	108,787	62,301	56,556
Current account with banks	14,480,681	7,577,705	8,615,326
Time deposits with banks	14,535,650	44,644,968	35,648,268
	29,125,118	52,284,974	44,320,150
Expected credit loss	(66,979)	(17,170)	(12,405)
	29,058,139	52,267,804	44,307,745
Overdrafts	-	(977,311)	(16,000,000)
Deposits with original maturity exceeding three months	(13,028,950)	(21,644,968)	(35,644,968)
Cash and cash equivalents in the statement of cash flows	16,029,189	29,645,525	(7,337,223)

The effective interest rate as of 30 June 2023 was 4.05% to 7% (31 December 2022: 1.375% to 5.65%, 30 June 2022: 1.375% to 3.4%).

6. Share capital

	Kuwaiti Dinars		
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Authorised, issued and fully paid in cash: 220,000,000 (31 December 2022: 220,000,000; 30 June 2022: 220,000,000) shares of 100 fils each	22,000,000	22,000,000	22,000,000

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2023

Dividend

The annual general meeting of shareholders for the year ended 31 December 2022 held on 28 March 2023 approved distribution of final cash dividend of 50 fils (31 December 2021 - 32 fils) per share amounting to KD 10,999,736 (31 December 2021 - KD 7,039,831). After obtaining necessary regulatory approvals, this was paid to the registered shareholders on 19 April 2023.

Interim Dividend

The Board of Directors in their meeting held on 7 August 2023, approved distribution of interim cash dividend of 28 fils (2022: 30 fils per share) per share amounting to KD 6,159,852 (2022: KD 6,599,841) to the registered shareholders.

7. Lease liabilities

	Kuwaiti Dinars		
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
At the beginning of the period/year	155,884,047	136,819,830	136,819,830
Additions	5,223,831	28,259,904	5,839,317
Modification	(400,869)	5,766,608	6,262,159
Finance costs	2,973,059	5,625,310	2,656,117
Payments	(11,819,233)	(22,727,445)	(10,528,285)
Foreign currency loss/(gain)	(114,179)	2,139,840	1,310,292
At the end of the period/year	151,746,656	155,884,047	142,359,430

The above is segregated as:

	Kuwaiti Dinars		
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Current	23,274,815	22,485,345	21,268,652
Non-current	128,471,841	133,398,702	121,090,778
	151,746,656	155,884,047	142,359,430

8. Revenue

	Kuwaiti Dinars			
	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2023	2022	2023	2022
Passenger revenue	42,113,587	35,248,351	83,612,568	65,825,518
Ancillary revenue	3,840,367	3,439,068	7,356,420	6,138,628
Cargo revenue	536,865	588,357	1,072,797	996,385
Terminal revenue	3,035,815	2,596,607	5,811,620	4,652,281
	49,526,634	41,872,383	97,853,405	77,612,812

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2023

9. Operating costs

	Kuwaiti Dinars			
	Three months ended		Six months ended	
	30 June (Unaudited)		30 June (Unaudited)	
	2023	2022	2023	2022
Aircraft maintenance cost	6,378,202	4,595,625	13,192,635	9,885,241
Depreciation (Refer Note 3&4)	4,710,425	4,349,080	9,423,862	8,583,943
Aircraft fuel	13,069,740	14,245,062	27,827,795	23,182,635
Staff costs	6,808,464	4,467,626	13,363,270	8,513,982
Overflying, landing and ground handling charges	7,086,798	5,435,132	13,606,686	9,978,693
Lease rental	1,130,382	79,933	1,792,348	79,933
Insurance	307,597	252,450	612,514	504,862
Passenger meals	709,341	469,839	1,320,108	886,965
Reservation system expenses	202,231	214,638	350,733	355,476
Others	1,193,547	1,273,396	2,682,921	2,319,217
	<u>41,596,727</u>	<u>35,382,781</u>	<u>84,172,872</u>	<u>64,290,947</u>

10. General and administrative expenses

	Kuwaiti Dinars			
	Three months ended		Six months ended	
	30 June (Unaudited)		30 June (Unaudited)	
	2023	2022	2023	2022
Staff costs	323,925	242,946	631,664	563,847
Marketing	856,787	800,071	1,607,236	1,265,728
Depreciation (Refer Note 3)	188,452	168,052	368,263	312,475
Professional and consultancy	121,011	69,645	217,403	158,304
Travel	52,246	50,974	98,084	76,783
Others	665,458	603,213	1,408,470	1,112,117
	<u>2,207,879</u>	<u>1,934,901</u>	<u>4,331,120</u>	<u>3,489,254</u>

11. Earnings per share

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

	Three months ended		Six months ended	
	30 June (Unaudited)		30 June (Unaudited)	
	2023	2022	2023	2022
Earnings for the period	3,955,077	3,545,750	6,271,796	7,389,676
Weighted average number of shares outstanding	220,000,000	220,000,000	220,000,000	220,000,000
Earnings per share (fils) – Basic & Diluted	<u>17.98</u>	<u>16.12</u>	<u>28.51</u>	<u>33.59</u>

12. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the ordinary course of business, the Group enters into transactions with related parties (directors, key managerial personnel and group companies). Pricing policies and terms of these transactions are approved by the Group's management.

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2023

Transactions and balances with related parties not disclosed elsewhere in this condensed consolidated interim financial information are as follows:

	Kuwaiti Dinars			
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)	
Balances				
Due from related parties	162,185	71,259	154,244	
	Kuwaiti Dinars			
	Three months ended 30 June (Unaudited)	Six months ended 30 June (Unaudited)		
	2023	2022	2023	2022
Transactions				
Sales and services	185,442	202,061	356,794	323,098
General and administrative expenses	110,875	92,859	252,446	154,239
Key management compensation				
Salaries and other employment benefits	295,498	174,730	860,766	342,508

13. Segment information

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

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

	Kuwaiti Dinars					
	Passenger airline Service		Terminal operations		Total	
	2023	2022	2023	2022	2023	2022
Segment revenue	92,041,785	72,960,531	5,811,620	4,652,281	97,853,405	77,612,812
Segment expenses	87,470,802	67,826,226	1,207,476	1,194,199	88,678,278	69,020,425
Other operating income	889,544	387,392	-	-	889,544	387,392
Gain on sale and lease back of engine	-	1,734,319	-	-	-	1,734,319
Finance costs	3,215,400	2,798,257	263,792	158,377	3,479,192	2,956,634
Segment results	2,245,127	4,457,759	4,340,352	3,299,705	6,585,479	7,757,464
Assets:						
Segment assets	251,399,758	248,539,219	21,589,445	20,360,899	272,989,203	268,900,118
Liabilities:						
Segment liabilities	233,454,974	230,578,390	7,869,405	7,887,354	241,324,379	238,465,744
Capital expenditure	26,443,393	54,293,952	229,828	74,224	26,673,221	54,368,176
Depreciation	9,448,512	8,527,361	343,613	369,057	9,792,125	8,896,418

Notes to the Condensed Consolidated Interim Financial Information (Unaudited) – 30 June 2023

14. Derivative financial instruments

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

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

At 30 June 2023:

At 30 June 2023:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Negative fair value	Within 3 months	3-24 months	Notional quantity Barrels
<i>Derivatives held for hedging:</i>				
Cash flow hedges-Commodity (oil) forward contracts	134,488	225,000	225,000	450,000

At 31 December 2022:

At 31 December 2022:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Negative fair value	Within 3 months	3-24 months	Notional quantity
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	-	-	-	

At 30 June 2022:

At 30 June 2022:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Negative fair value	Within 3 months	3-24 months	Notional quantity
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	-	-	-	

15. Commitments and contingent liabilities

	Kuwaiti Dinars		
	30 June 2023 (Unaudited)	31 December 2022 (Audited)	30 June 2022 (Unaudited)
Capital commitments	377,790,674	368,866,221	373,512,554
Bank guarantees	57,103,260	49,288,694	39,212,070
	434,893,934	418,154,915	412,724,624

The above bank guarantee include guarantee to the lessors amounting to KD 50,773,591 (31 December 2022: KD 43,169,807; 30 June 2022: KD 29,089,749) for the aircraft maintenance in lieu of payments for Maintenance Reserve under the lease agreement.

Capital commitments include commitment towards purchase of aircraft and engines.

16. Subsequent event

On 10th July 2023, the following companies were incorporated as wholly owned subsidiaries of the Parent Company:

- Jazeera Safeguard Co. S.P.C., with a share capital of KD 1,000, for providing security services; and
- Jazeera Academy Co. S.P.C., with a share capital of KD 1,000, for providing training services.