2023

ANNUAL REPORT

الجزيرة.
Jazeera.

CONTENT

CHAIRMAN'S MESSAGE

Dear Shareholders,

Our annual report for 2023 presents an overview of Jazeera Airways' financial and operational performance for the year. In 2022, we earned record profits, driven by a huge demand for travel, lesser capacity, and a one-time gain from selling and leasing back of engines.

For 2023, our annual net profit for the group is KD 6.13 million. This is despite lower yields that were influenced by overcapacity amid a challenging regulatory, geopolitical, and regional landscape. Higher load factors and greater market share put us in a strong position as did our fanatical focus on unit cost.

GROWTH TRENDS

Our operating revenues for the year were at KD 198.08 million, up 8.8% compared to 2022 while operating profits were at KD 11.76 million. Our passenger traffic grew by 30.6% from 3.6 million to 4.68 million. Load factor increased from 77% to 78.2% with a decline in yield from KD 47.96 to KD 39.63. Our market share also increased to 36.24%. This is a strong demonstration of our robust and resilient business model as well as the quality of service we provide.

At Jazeera Terminal 5, which is owned and managed by Jazeera Airways, the retail lease revenue grew by 51% to KD 1.54 million for 2023. Duty Free revenues increased by 1% to KD 1.3 million.

DIVIDEND RECOMMENDATION

For the first half of 2023, we distributed 28 fils per share in dividends. Our Board of Directors did not recommend any further dividends for the second half of the year.

FUTURE OUTLOOK

Jazeera Airways remains committed to growing and enhancing operations, providing quality service to our customers, and further strengthening our foundation for success in the coming year 2024.

As always, we take this opportunity to extend our deepest appreciation to all our stakeholders - our shareholders, our partners, and our teams who work hard to keep the Jazeera Airways journey strong and high.

Yours Sincerely,

Marwan M. Boodai
Chairman

OPERATING REVENUES
KD 198.08 million, up 8.8%

OPERATING PROFITS
KD 11.76 million

PASSENGER TRAFFIC
4.68 million passengers
+30.6% from 2022

LOAD FACTOR
Reached 78.2%
+1.12% from 2022

YIELD
Reached KD39.63
-17.4% from 2022

MARKET SHARE
Up to 36.24%
Largest carrier in KWI

JAZEERA TERMINAL 5

Retail lease revenue
KD 1.54 million, up 51%

Duty Free revenues
KD 1.3 million, up 1%

CHIEF EXECUTIVE OFFICER'S MESSAGE

Dear Shareholders,

2023 has been a year filled with successes and challenges. Our performance for the last year highlights the strength of our business model and the power of quality service we provide. Our profits were lower due to average fares in the market being lower, but we saw phenomenal growth in passenger numbers, seat factor, number of sectors flown, growth in fleet and market share.

We served a total of 4.68 million passengers last year, with an average load factor of 78.2%. Our aircraft utilization, covering our network of 64 destinations was 13.46 hours.

SETTING STANDARDS

We added 10 new destinations to our network covering the Middle East, Central and South Asia, Europe, and Africa. Our fleet also expanded with 4 new A320ceos to support our network expansion. We also made significant progress in two key operational areas, On Time Performance (OTP) and cabin appearance. For many months of the year, Jazeera Airways was the largest airline operating from Kuwait in terms of key operational metrics.

It's a pleasure to highlight that the International Civil Aviation Organization (ICAO), which is the UN body responsible for regulating safety and operational standards in civil aviation around the world, uses Jazeera Airways as a benchmark for the aviation ecosystem in the country. Gaining several important capabilities on the Flight Operations, Engineering and Maintenance fronts resulted in improved operational standards and increased self-reliance.

Following an IATA Operational Safety Audit (IOSA) Audit, we are well placed to renew our certification for another 2 years.

As a business, we were included in the first Fortune 500 Arabia list published in 2023.

ONGOING IMPROVEMENTS

During the year, we also introduced several infrastructure improvements. With an aim to save time and cost, we opened a new wheels, brakes, and battery shop and in-sourced all related services. We will also move other similar services in-house in the coming future.

We made several new enhancements at Jazeera Terminal 5 which will go a long way in making the passenger experience smoother. These included new boarding gates and check-in counters, changing rooms, a duty-free shop, and restaurants.

FOCUS ON SUSTAINABILITY

Remaining committed to our net zero by 2050 objectives, Jazeera published its first ESG sustainability report. We were also the first low-cost carrier in the Middle East to switch from plastic to eco-friendly food service ware in-flight.

78.2%

Load factor
+1.14% from 2022

13.46 HOURS

Aicraft utilization
+4.0% from 2022

10 NEW DESTINATIONS

64 in Middle East, Central & South Asia, Europe, and Africa

4 NEW AIRCRAFT

23 total aicraft in fleet
11 A320neos + 12 A320ceos

By investing in over 2,000 of the world's lightest airplane seats, we anticipate a substantial weight saving of 1.2 metric tons. This will result in reduced jet fuel consumption and increased passenger capacity with an additional row of seats.

86% of our employees feel a sense of pride in what they accomplish at Jazeera

New state-of-the-art workshop

EMPLOYEE SATISFACTION

Based on an employee survey conducted by Great Place To Work®, we ranked among the 2023 Best Workplaces in Asia. It was exciting to see that 86% of our employees felt a sense of pride in what they accomplish at work, also a great demonstration of our organizational values of integrity, personal ownership, teamwork, and excellence. This also speaks volumes about how invested we are in our human capital.

A LANDMARK 2024

In the last year, overcapacity caused a drop in market fares that resulted in an adverse yet temporary impact on our yield. We continued, unwavering in our approach to future growth and are already seeing signs of improved yields this year.

2024 is promising to be a landmark year. Passenger movements are growing, new destinations are on the horizon and additional aircraft are in the pipeline. In the next five years, we should serve over 100 destinations and operate a fleet of 35 aircraft. Our plan to cross the 80% mark for average annual load factor over the coming two years is on track. We are also in the process of constructing a new hangar to handle higher level maintenance checks. This is targeted for completion by 2025.

As we continue to grow, we are also staying focused on improving our margins, growing the bottom line, and creating value for our shareholders. With several other development projects in the pipeline to cater to the growing number of passengers, we look forward to contributing positively to Kuwait's aviation industry.

Yours sincerely,

Rohit Ramachandran
Chief Executive Officer

2023 HIGHLIGHTS

KD 198.08 million
OPERATING REVENUE
+8.8% from 2022

KD 6.13 million
NET PROFIT
-69.5% from 2022

KD 11.76 million
OPERATING PROFIT

KD 1.9 million
CARGO REVENUE

KD 12.59 million
T5 REVENUE
+23.3% from 2022

KD 17.8 million
ANCILLARY REVENUE
+52.1% from 2022

KD 48.1 million
E-COMMERCE REVENUE
+1.4% from 2022

4.7 million
PASSENGERS FLOWN
+30.6% from 2022

78.2%
LOAD FACTOR
+1.14% on 2022

13.46 hours
AICRAFT UTILIZATION
+4.0% on 2022

KD 39.63
YIELD
-17.4% on 2022

23 aircraft
11 A320neos + 12 A320ceos
+4 from 2022

64 routes
+10 DESTINATIONS

Moscow, Russia
Samarkand, Uzbekistan
Larnaca, Cyprus
Sphinx (Cairo), Egypt
Shiraz, Iran
Tivat, Montenegro
Belgrade, Serbia
Tirana, Albania
Islamabad, Pakistan
Tehran, Iran

PERFORMANCE

FOCUSING ON GROWTH

In keeping with its strategy for growth, Jazeera Airways continues to stay focused on expanding its network and providing quality service while aggressively managing costs. There were varied challenges through the year, high fuel prices in the first quarter, geopolitical unrest, regulatory obstacles as well as overcapacity driving down yields during the rest of the year.

Despite the challenges faced in 2023, Jazeera Airways served a record number of 4.7 million passengers, expanded its fleet with four new aircraft, managed a load factor of 78.2% and emerged profitable.

64 DESTINATIONS AND COUNTING

In the first quarter, Jazeera Airways launched direct flights from Kuwait to Moscow, Russia, becoming the first airline to fly this route. Soon after, in March, the airline started flying to Samarkand, its third destination in Uzbekistan following Tashkent and Namangan. The summer season saw several new destinations being added to the airline's network including Larnaca, Cyprus, Belgrade, Serbia, and Tirana, Albania. In addition, the airline also resumed its flights to Prague, Czech Republic and Sarajevo, Bosnia and Herzegovina in the summer months.

The airline also became the first GCC carrier to fly direct from Kuwait to Sphinx International Airport in Cairo, Egypt making it Jazeera's seventh destination in the country. In the third quarter of the year, Jazeera launched direct flights from Kuwait to Islamabad, Pakistan and Tehran, Iran flying to a total of 64 destinations across the Middle East, Central and South Asia, Africa, and Europe.

EXPANDING FLEET

Continuing its plan for fleet expansion, the airline welcomed two additional aircraft to its fleet in the first half of the year and another two before the end of the year. Jazeera Airways now operates a fleet of 23 aircraft – 11 A320neos and 12 A320ceos that serve its entire network.

NEW SERVICES & INITIATIVES

In line with plans to reduce outsourcing and become more self-dependent, Jazeera Airways started in-sourcing operational services. In 2023, Jazeera set up its own wheels, brakes and battery shop which handles the maintenance or repair of wheels and batteries of the airlines' aircraft.

Jazeera also continues to enhance its product offerings to benefit passengers. In the last year, the airline introduced online pre-ordering from their Duty Free and On-board shop.

The airline also launched a new membership club for regular flyers – Jazeera Savers, again becoming the first Middle East based carrier to roll out such a membership program for its passengers.

Launch of direct flights to Sphinx International Airport

Jazeera becomes first airline to operate direct flights on Kuwait-Moscow route

Jazeera. SAVERS

New membership program for regular flyers

T5 UPGRADES

Faster Check-in:
- *Extra counters*
- *Early Check-in Service*

One Security Check:
- *Central check before departure*

Additional Boarding Gates:
- *With more seating areas*

Changing Rooms:
- *To serve Umrah and transiting travelers*

F&B Outlets:
- *Local and international brands*

Duty Free Shop
- *Exclusive offerings all year long*

Jazeera switched from plastic to eco-friendly food service ware in-flight

JAZEERA AIRWAYS TERMINAL 5 UPGRADES

At Jazeera Terminal 5, several new enhancements were made to make the passenger experience smoother:

- **Faster Check-in:** Check-in has been made faster with extra check-in desks, as well as new, improved self-check-in kiosks that will be coming soon. The Early Check-in service at Jazeera Park and Fly allows passengers to get their boarding pass from nine up to 36 hours prior to departure.

- **One Security Check:** The Terminal has only one centralized security check prior to departures. This helps passengers reduce the stress of having to go through additional security checks at the boarding gate.

- **Additional Boarding Gates:** Three additional boarding gates with seating areas have been introduced to help accommodate more passengers.

- **Changing Rooms:** New changing rooms have been built to benefit Umrah travelers.

- **Food and Beverage Outlets:** Expanded food and beverage outlets both landside and airside including Costa Coffee, Pizza Hut, Subway, D'light, and Burger King, offer passengers a wider option for meals or drinks.

- **Duty Free Shops:** The Duty Free shops in two locations offer a large variety of airport exclusives in perfumes, food and gifts.

STEPS IN SUSTAINABILITY

With a goal to achieve net-zero emissions by 2050, Jazeera Airways has been adopting sustainability practices into its operations. In the last year, Jazeera became the first low-cost carrier in the Middle East to switch from plastic to eco-friendly food service ware in-flight. By changing from plastic cutlery to 100% biodegradable spoons, forks, knives and napkins, the airline reduced 300 kilograms of plastic on its flights each month.

The airline signed an order for more than 2,000 of the world's lightest aircraft seats to renovate its fleet. With these new seats, each aircraft in the Jazeera fleet will deliver a substantial weight saving of 1.2 metric tons, reduce jet fuel consumption and increase passenger capacity with an additional row of seats.

In June 2023, Jazeera Airways also published its first ESG Report titled "Flying Green – a Step towards Sustainable Aviation". An open and transparent report about the airline's environmental, social and governance (ESG) performance, it helps draw a clear map of where Jazeera is and where it aspires to proceed with its sustainability strategy in future.

OUTLOOK FOR THE FUTURE

Jazeera Airways remains firm in its outlook for future growth. The new year has been off to a positive start and is showing signs of a reversal. A gradual improvement in yield is expected across all destinations. The passenger movement is also forecasted to get more active during the year with a full resumption of government related travel and the reopening of family visas as well as visit visas for expats in Kuwait.

Jazeera aims to maintain steady progress as it welcomes new destinations and new aircraft while introducing new enhancements and developments to achieve the targets that are set for the future.

To cater to the demand for outbound travel, Jazeera is planning to introduce new summer destinations in Europe. The airline is also going to cautiously grow connections segments between Russia, CIS, and the subcontinent to GCC countries via Kuwait.

Travellers at a Jazeera Terminal 5 gate

In the next five years, Jazeera Airways aims to cross more than 100 destinations, 35 aircraft and reach a load factor of over 80%. The airline is also expected to have a new hangar for higher level maintenance checks by 2025 and will also be moving other outsourced services in-house gradually.

ENVIRONMENT, SOCIAL & GOVERNANCE (ESG)

COMMITMENT TO OUR PEOPLE & PLANET

As a fast-growing airline, Jazeera Airways is mindful of its responsibility to our people and planet. One of our key objectives include achieving net-zero emissions by 2025. By investing in fuel efficient-aircraft and embedding sustainable practices in our operations, we are working hard to deliver on this commitment. Supported by our steadfast and diligent teams, we continue to build on our successes and grow a resilient organization that is both stable and robust.

The following report provides an overview of our environmental, social and governance (ESG) focus and the efforts we make to invest and develop these areas at Jazeera Airways.

MESSAGE FROM OUR CEO

2023 witnessed Jazeera Airways' first independent ESG report. This year we chose to publish a summarized report to identify the progress we have made and chart out where we are headed in terms of our sustainability strategy.

In the last year, we added 10 new destinations to expand our network to 64 destinations serving 4.7 million passengers. With four new aircraft, our fleet has expanded to 23 and we continue to upgrade and enhance Jazeera Terminal 5 in Kuwait to ensure a smoother passenger journey. Our employee base has expanded to cross 1,400 individuals and we have grown from 68 to 80 nationalities.

As a fast-growing organization, we remain accountable for doing business with integrity while giving back to our communities and the environment. Reducing/offsetting carbon emission, community development and strong business governance is imperative for us, as is stakeholder confidence and our responsibility to our people and planet.

Our aircraft of choice, the A320neo helps reduce CO2 emissions by 18% and NOx emissions by 50% while we offset 279 tonnes of carbon dioxide equivalent through passengers who supported our CHOOOSETM climate compensation initiative.

Slowly and steadily, we are continuing to build on our sustainability foundation in our endeavor to function as a responsible organization and to make a difference.

Yours sincerely,

Rohit Ramachandran
Chief Executive Officer

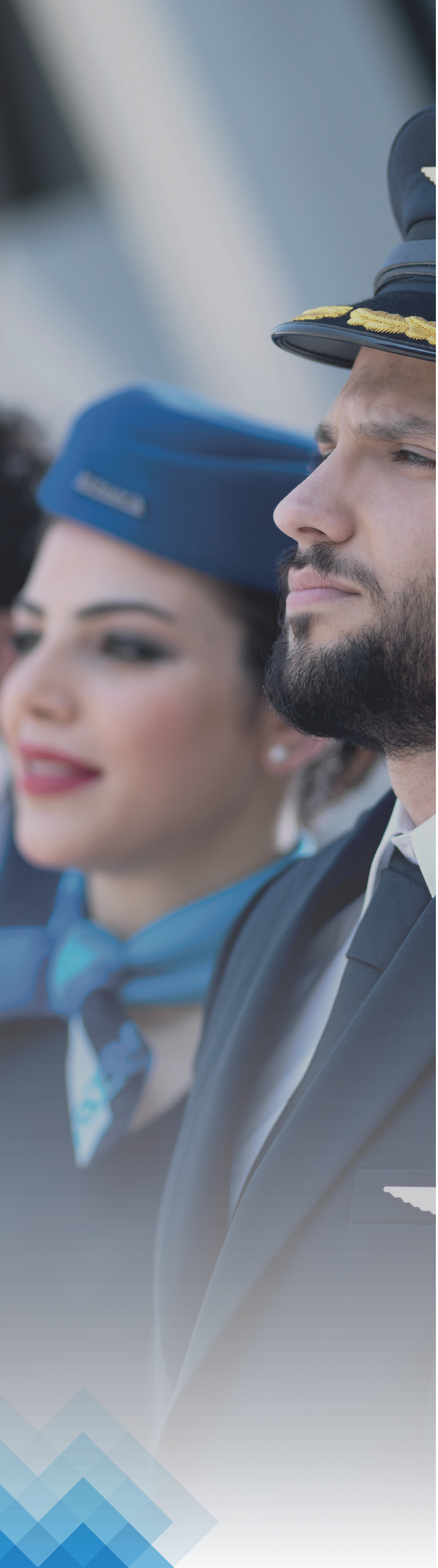
2023 KEY OPERATIONAL HIGHLIGHTS

35,482
Average no. of flights

4.7 million
No. of passengers

23 aircraft
Our fleet
including 11 A320neo and 12 A320ceo

64 destinations
Our network



ESG STRATEGY

Key ESG policies implemented by Jazeera:

- PRIVACY POLICY
- CODE OF CONDUCT
- REMUNERATION POLICY
- CONFLICTS OF INTEREST POLICY
- RELATED PARTIES POLICY
- WHISTLE-BLOWING POLICY
- STAKEHOLDERS' RIGHTS PROTECTION POLICY
- CSR POLICY
- ARCHIVAL POLICY
- HR POLICY
- SAFETY POLICY

These policies are to be followed by all relevant stakeholders to enhance the organization's performance and help manage opportunities and risks related to ESG.

Board Committees

The Jazeera Board of Directors have established three Committees that drive the decision-making process within the organization and maintain accountability as well as transparency.

AUDIT COMMITTEE

- Oversees the internal and external audit of the company ensuring that it operates within the parameters of risk tolerance set by the Board.
- Comprises of three individuals chaired by non-executive member of the Board of Directors.

RISK COMMITTEE

- Oversees the company's Enterprise Risk Management and ensuring that it operates within the limits of risk tolerance defined by the Board.
- Comprises of three individuals chaired by a non-executive member of the Board of Directors.

BOARD REMUNERATION & NOMINATION COMMITTEE

- Established a clear policy for remuneration of Board members and senior executives in the Jazeera Airways Group. This includes where remuneration is applicable, fixed remunerations, performance-based remuneration, and end of service remuneration. Annual revision of the policy as well as evaluation of its efficiency in achieving objectives also falls under the responsibilities of this Committee.
- Comprises of three members, including two non-executive members of the Jazeera Airways Group Board of Directors.

Stakeholder Engagement

To build stronger relationships, we maintain regular communication with our stakeholders. This also helps us better understand their needs and concerns. We communicate with our employees on a regular basis through internal emails, our website and as per governance guidelines of Boursa Kuwait. Our Board meets at least six times each year while our investors meet four times annually. These communications build trust and credibility and helps us address potential risks or issues before they elevate.

Based on an employee survey, the Great Place to Work certification demonstrates our commitment to productive and effective stakeholder engagement.

Great Place To Work. Certified Middle East

الجزيرة.
Jazeera.

ENVIRONMENT

I. ENVIRONMENTAL INITIATIVES

As a commercial airline we understand that jet fuel combustion adds greatly to our carbon footprint. To keep this in check, we account for the emissions from our operations on a regular basis. We have also implemented different measures to reduce this environmental impact.

TOTAL CARBON EMISSION FROM OPERATIONS IN 2023 **667,184** ***TONNES***

1. CHOOOSE™ – Jazeera Airways' carbon offset program

Back in 2021, we became the first low-cost carrier in the region to introduce a climate compensation initiative. With CHOOOSE™, passengers can select to offset the carbon emissions related to their flights on Jazeera Airways. This is incorporated into the booking process where the passengers can immediately assess the flights carbon footprint giving them a view of projected carbon emissions for their trip. They then have the option to offset this travel footprint by supporting a set of climate solutions that cut CO_2 emissions. Contributions get added to the final ticket payment and passengers also have access to tracking their carbon offset via the CHOOOSE™ portal.

The projects under CHOOOSE™ are certified by the most stringent international standards and contribute to several UN Sustainable Development Goals (SDGs).

2. A320neo aircraft and sustainability

We are a proud member of the International Air Transport Association (IATA) and adhere to the highest international standards of safety and security and plan to roll out a climate change strategy soon.

In 2021, we adopted CORSIA's principles and are aligned to their best practices since then.

We currently operate 11 A320neo in our fleet of 23 aircraft. The aircraft are environmentally friendly with CFM LEAP-1A engines and sharklets.

BENEFITS OF A320NEO

50% CO2 EMISSIONS REDUCED

50% ENGINE NOISE REDUCED

18% FUEL EFFICIENCY INCREASED

SHARKLETS

- Reduced operating expenses
- Extended range
- Increased payload
- Reduced fuel consumption
- Engine noise reduction
- CO2 emissions below industry norm

CFM LEAP-1A SERIES ENGINE

- Improved fuel efficiency

II. FUEL

We understand the importance of lower fuel consumption for the environment. Along with the fuel savings we get from sharklets, we also deploy an enhanced function in the Flight Management Systems (FMS) that results in reducing overall fuel consumption and corresponding CO_2 and NO_x emissions.

Our fuel efficiency initiatives:

- SkyBreathe Analytics: Fuel efficiency and monitoring programs.
- Engine Out Taxi Out, Engine Out Taxi In, Continuous Descent Operations, Idle Reverse Thrust, Reduced Acceleration Altitude, etc.
- At flight dispatch level, includes Reduced Contingency Fuel (using ERA), Fair Weather Alternative for Kuwait, Reclearance flights, optimizing the route, lower cost index (CI15), Fuel Tankering, Reducing Zero Fuel Weight Error, etc.

Due to the Fair Weather Alternate for Kuwait (selecting DEST ALTN as BSR rather than DMM or BAH during Fair Weather in Kuwait), we made positive impacts in a single month.

211,134 TONNES

OUR TOTAL FUEL CONSUMPTION RESULTING FROM AIRCRAFT

10,533,591,396

AVAILABLE SEAT KILOMETERS (ASKS)

Fuel reduction by utilizing fuel saving equipment in our aircraft:

ENGINES

Up to 11% reduction in fuel consumption

SHARKLETS

Up to 4% reduction in fuel consumption

FLIGHT MANAGE SYSTEM

65 kg fuel saved by advanced function for every descent when compared to FM margin descents

III. WASTE MANAGEMENT

127 TONNES/YEAR
TOTAL WASTE GENERATED

IV. WATER AND EFFLUENTS

For better management, we have contracted with two different third parties (NAS and Ecovert) to handle water management activities. NAS is responsible for providing potable water the aircraft while Ecovert is responsible for water management in the airport terminal and organizational infrastructure.

TOTAL WATER CONSUMPTION

18.0
MEGALITRES/YEAR
2022

11.9
MEGALITRES/YEAR
2023

SOCIAL

I. OCCUPATIONAL HEALTH & SAFETY (OH&S)

For an industry exposed to operational concerns and associated risks, a robust health and safety management systems is crucial. This not only helps avoid catastrophic mishaps but also makes it safer while establishing a loyal customer base.

OH&S Framework

Jazeera has adopted a framework and systematic approach that helps identify, evaluate and mitigate all safety hazards:

Safety Policy & Objectives – Jazeera Airways has created and published a safety policy and objectives that outline management's commitment to safety and staff obligations to maintain the greatest degress of safety.

Safety Risk Management – Includes the procedure for management safety risks that entail hazard recognition, safety risk evaluation and reduction.

Safety Assurance - Jazeera continuously reviews and monitors its operations and the surrounding environment to ensure that it is aware of changes in the operational environment

Safety Promotion - Integrating technical proficiency that is continuously improved through training, education, exchange of information and communicating effectively.

Jazeera Airways Health & Safety Management System

Our management system identifies the infrastructure and resources needed to deliver safe and secure operations, usually through policy, risk assessment, management review or other means. This system includes operations and maintenance support facilities, services and equipment appropriate for areas, including:

- Buildings, workspaces, and associated utilities
- Facilities for the organization's personnel
- Support equipment, including tools, hardware, and software
- Support services including transportation and communication

The management system also has planning procedures for operations that stipulate desired operational safety and security goals while dealing with operational resource allocations needs and considering requirements from external resources.

A good working environment with safety regulations and guidelines as well protective equipment and surroundings are included.

Safety & Quality Committee – Roles & Responsibilities:

- Monitoring operational safety performance within the organisation's functional areas
- Ensuring the relevant safety risk management activities are carried out with staff participation as needed, to increase safety awareness
- Coordinating the formulation of mitigation strategies for the hazards' identified impacts
- Ensuring adequate measures are in place for the collection of safety data and employee input
- Evaluating the safety implications of operational changes or technological innovations
- Coordinating the execution of corrective action plans and ensuring that the necessary corrective action is executed promptly
- Examining the effectiveness of earlier safety measures
- Making sure that employees are given proper opportunities to engage in safety management activities
- Supervising safety promotion activities as needed to raise employee understanding of safety concerns

Mental Health seminar held at the Jazeera headquarters

OH&S Policy

The company's main goal is to create an atmosphere that encourages safe, professional, and effective operations. We have in place, a strong safety policy as well as safety, ethics, and workplace guidelines for our staff. By involving every employee in the Safety Management System (SMS) and working as a cohesive team, the company strives to avoid accidents, incidents, injuries, and occupational illnesses. The 'Jazeera Airways Policy' is the umbrella term for our quality, safety and security policies.

Safety Initiatives

Every two years, we mandate safety training for all our airline personnel and 46% of them receive first-aid training. An Airbus 320 simulator and safety and emergency training tools are also part of the cutting-edge facility for crew training.

Key highlights around OH&S at Jazeera

Most Crucial Safety Areas:
- Operational equipment
- Workplace safety including ramp-tarmac

Recordable work-related injuries:
- 0 injuries

Work related injuries:
- 0 injuries

Major Type of Work-related Injury
- Contact with equipment/aircraft

Workplace Hazards & Risk Management

- **Operational safety reporting system:** Encourages all staff to report potentially hazardous situations, safety risks, work-related injuries, and environmental issues.
- **Mitigation measures:** Devised and maintain a process that assures the analysis, assessment and control of safety risks connected to the identified hazard. After risks are evaluated, proper controls are put in place to reduce or eliminate the risks using the right applications and techniques. Audits and inspections assure our own safety and verify the efficacy of the controls put in place.

Our Safety Management System (SMS) acts as a countermeasure towards these work-related hazards that post a risk to ill health. It constantly informs and promoted safety among all employees to ensure a productive and secure work environment.

OH&S Requirements for Third-party Employees

We take responsible action to make sure that outsourced operational tasks are carried out in a way that satisfies our own operational safety and security criteria and are conducted according to our defined policies and procedures. This is assured by planned annual audits on external service providers ensuring that quality and safety standards are met. Our departments outsource operation functions to external service providers and we make sure that these third-parties' staff members are trained to comprehend safety management responsibilities and carry out related tasks.

II. EMPLOYEE ENGAGEMENT AND WELL-BEING

Workforce engagement allows us to enhance our work environment, lower staff turnover, boost productivity, foster better working relationships with clients and have a positive influence on the bottom-line results. During the last year, we held a Wellness week with a focus on mental and physical health as well as skincare and were awarded the Wellness Champion of the Year recognition at the Kuwait HR summit.

Organizational Culture

CORPORATE VALUES

Integrity	Personal Ownership	Teamwork	Excellence

Our culture values empowerment, open communication, collaboration, and achievement.

Organizational Approach

Our approach is to boost employee engagement. To do this we focus on developing a positive workplace environment where every employee feels valued, involved, and respected by:

1. Establishing clear expectations
2. Promoting a culture of collaboration
3. Feedback at work to make employees feel secure and valued
4. Authorizing employees to make decisions within their domains of responsibility and ensuring that their aware of how their actions affect the organization
5. Employees and immediate managers are encouraged to communicate regularly
6. The CEO holds regular Town Hall meetings to update staff on the company's business performance, new directions or focus as well as to hear their opinions and recognize accomplishments

Mode of Communication

Emails Circulars Town Hall Meetings

All employees received quarterly messages from the CEO which includes information about the company's financial position. At all times, direct, face to face interaction is encouraged.

Organizational Initiatives & Programs

1. Engaging with new employees through the Jazeera Onboarding Program
2. Runway, the company intranet portal gives staff members access to information, policies, and self-service options
3. Weekly learners lounge sharing learning snippets and setting up quizzes for employees
4. Companywide surveys to asses employee engagement and well-being.
5. Special discounted offers for employees at retail stores, gyms, F&B outlets, etc.
6. Employee events for special occasions, health seminars or food truck experiences, etc.
7. Special packages for periodic health checks
8. Diversity day to celebrate the different cultures of our employees from over 80 nationalities

Remuneration Policy

Our pay philosophy is not gender dependent but rather job specific based on the skills and experience needed. The company follows an equal opportunity policy for employment, promotions, training and development, transfers, job assignments and compensation.

III. DIVERSITY, EQUITY, AND INCLUSION (DE&I)

1,467
employees

80
nationalities
68 in 2022

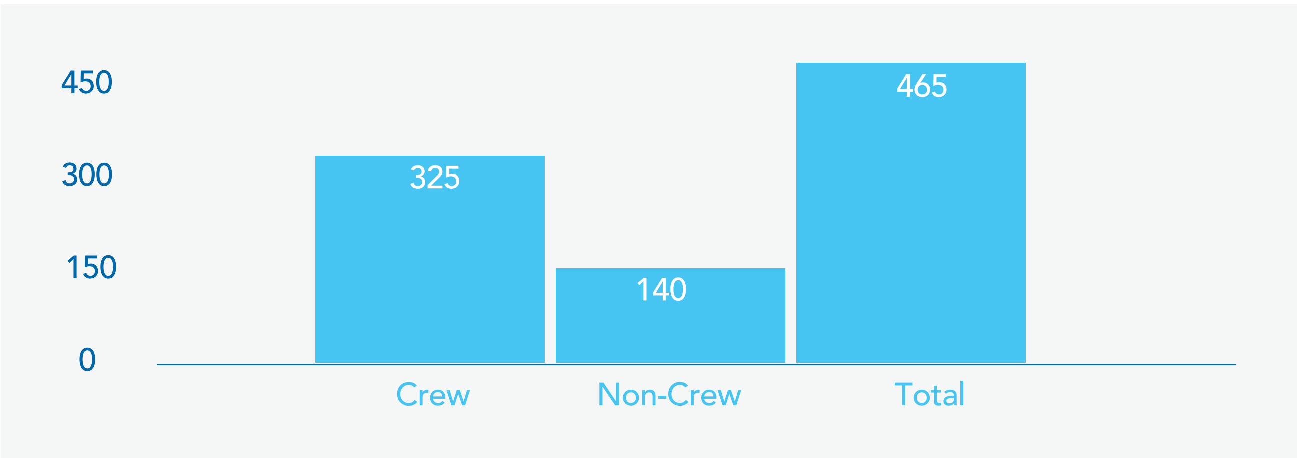
1
person with disability

We firmly believe that the communities we serve should be represented in our personnel. With a culture of inclusivity, we hire people from different backgrounds who bring unique ideas, perspectives, insights, and abilities to the organization.

We have a structured onboarding process and brand alignment program to make each new hire feel included.

Jazeera Airways is a signatory of the IATA 25by2025 initiative as a part of our DE&I strategy where is pledged to improve the proportion of women employees to 25% in the underrepresented categories of our workforce.

Female Employees in 2023



We offer training programs, prospects for promotion and equal employment opportunities while mandating equal compensation for both genders with the same education and work experience.

DE&I Initiatives

- International Women's Day annually
- Inclusion of women in line maintenance and deck crew

DE&I Policy

Our DE&I policy is part of our overall HR policy and is essential to fostering an inclusive, varied and discrimination free workplace.

Jazeera operated a Kuwait-Riyadh flight with an all-women crew on Women's Day

IV. COMMUNITY DEVELOPMENT

Giving back to the communities we live and work in is a strong part of our culture and is demonstrated by different activities undertaken to make a positive impact:

YOUTH DEVELOPMENT

For the long-term viability of the aviation industry youth development is critical.

We offer work opportunities and development prospective to young Kuwaitis and fresh graduates, as well ast training in all airline related functions.

Following the training program, we have hired 58 national employees during 2023.

DOMESTIC WORKFORCE

We focus on employing local workforce and enhancing the abilities of every employee.

This includes training programs, recruitment efforts for hiring and developing local employees, and participation in employment fairs at colleges and other educational institutions.

BETTER COMMUNITY

We are determined to serve the community by providing our services that highlight our social responsibility in different spheres such as: Culture, education and health.

Our Contributions to Community Development initiatives:

1. As a publicly traded firm, we provide a portion of our yearly net profit to National Labour Support Tax (NLST), Kuwait Foundation for the Advancement of Sciences (KFAS) and Zakat.

Area of Direct Economic Impact	Year 2021	Year 2022	Year 2023
Shareholders Cash Dividend	7,040,000	17,600,000	6,159,853
Contribution to Kuwait Foundation for Advancement of Sciences (KFAS)	66,668	187,700	57,997
Contribution to National Labour Support Tax (NLST)	186,007	543,200	183,328
Contribution to Zakat	74,403	217,250	73,331

All amounts are in Kuwaiti Dinars

2. Jazeera Airways contributes to different community focused initiatives through financial donations, donation of supplies and in-kind assistance:

- Completed 40 internships through different programs to provide on the job learning and development for local youth.
- During Ramadan 2023, Jazeera hosted over 100 children and family members from Kuwait Association for the Care of Children in Hospital and Bayt Abdullah Children's Hospice (KACCH & BACCH) to an amusement park to provide them with a stress-free and enjoyable evening out.
- Timely humanitarian aid by providing airlifts in times of natural disasters or crises.

V. PERFORMANCE & TALENT MANAGEMENT

We seek for and develop a workforce that is not only productive but also likely to be around with us for the long term. This approach, when carefully applied, aids us in enhancing the overall performance of our business and ensuring its competitiveness. Our approach for talent management is selecting the best candidates and assisting them in identifying and utilizing their strengths so that they can work more productively.

1. Talent Mapping Program

One of the standout features of Jazeera Airways' talent development strategy is the innovative "Talent Mapping Program." This comprehensive process combines quantitative and qualitative assessments to identify high-potential individuals, also referred to as "A Talent." The program leverages factual data and competency evaluations to identify individuals with exceptional potential. Once identified, these high-potential individuals are provided with tailored development plans that maximize their capabilities and groom them for future leadership and succession roles across various positions within the organization. By investing in the nurturing of exceptional talent, Jazeera Airways ensures a pipeline of skilled professionals who are ready to take on key responsibilities and drive the company's continued growth and success.

2. Talent Assessment Center

To facilitate talent assessment and development, Jazeera Airways has also established a Talent Assessment Center. This center employs a range of assessment tools and methodologies to evaluate and measure the competencies of individuals within the organization. Trained professionals utilize evaluations of cognitive abilities, behavioral competencies, leadership potential, and technical skills to provide objective insights into employees' strengths and areas for improvement. The Talent Assessment Center plays a vital role in identifying high-potential individuals, making informed decisions about talent placement, and developing personalized plans for their growth and advancement.

3. Career Check-In Initiative

Additionally, our "Career Check-In Initiative" further strengthens Jazeera Airways' commitment to supporting employees' career aspirations. Regular discussions provide a platform for open communication, allowing individuals to express their career plans and ambitions. Jazeera Airways leverages these conversations to offer guidance, provide opportunities for upskilling, and facilitate capacity building. Investment in the personal and professional development of the workforce creates an environment where individuals feel valued, challenged, and empowered to achieve their career goals. This, in turn, leads to higher levels of employee engagement, satisfaction, and retention.

4. Here I can Grow

We launched the "Here I Can Grow" initiative which is focused on fostering a culture of continuous learning and professional growth within the organization. The results of Jazeera Airways' "Here I Can Grow" initiative have been remarkable. By aligning individual performance with organizational goals, nurturing exceptional talent, and providing a clear path for growth and development, Jazeera Airways has cultivated a highly skilled workforce that is motivated and dedicated to the company's success. This has helped Jazeera improve operational efficiency, enhance customer satisfaction, and establish a stronger competitive position within the aviation industry.

5. Management by Objectives

At the core of Jazeera Airways' performance management system is a "management by objectives" approach. Through quarterly evaluations, employees' performance is assessed against predefined objectives, ensuring alignment with organizational goals. This systematic approach enables the identification of areas for improvement and facilitates the development of targeted skill-building programs that aim to meet and exceed expectations. By providing regular feedback and performance assessments, Jazeera Airways empowers its employees to continuously develop and enhance their capabilities.

Organizational Approach for Training Employees

We make every effort to ensure our employees performance at the highest level, by providing professional development and necessary training programs. We also focus on recruiting and training national labour.

Employment Data

Managing data is crucial and we ensure we have the necessary records for all employees.

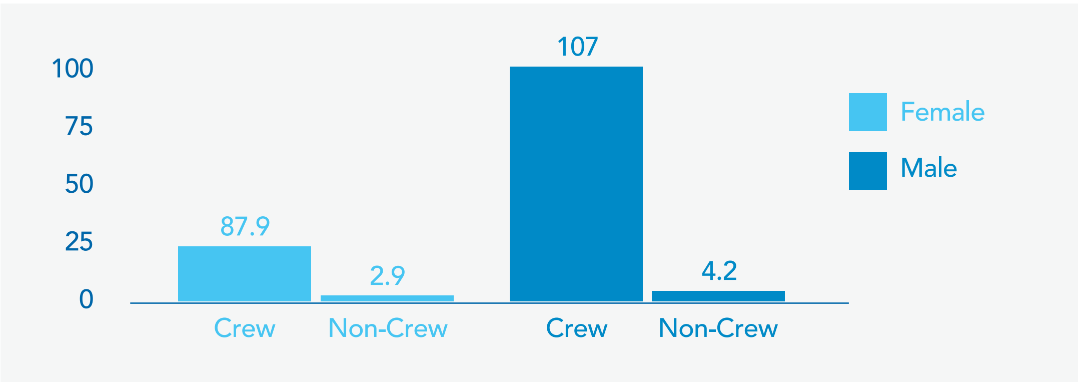
Scope of Training Programs

It has been our priority to offer appropriate training programs and professional development, as well as to target our hiring processes towards recruiting and developing the local workforce. We provide training in the following areas so that employees can apply their knowledge and abilities right away in the workplace.

Awareness Training To acquaint employees with necessary procedures and regulations to conduct themselves responsibly in our industry	• EOP (company policies, procedures, brand/organisational values, code of ethics, Kuwait labour law and systems training) • Goal Planning • Compliance (ISO 9001:2015)
Business Communication We emphasize on good business communication skills to disseminate and process information to employees and the community at large to help raise safety standards and minimize preventable accidents.	• Arabic for non-Arabic speakers • Email etiquette
Soft Skills We stress upon the importance of developing strong soft skills to effectively communicate with co-workers and customers.	• Way of Work (emotional intelligence and communication) • SMILE (customer experience training)

Training at Jazeera

Average number of training hours in 2023



Percentage of employees by gender and employee category that received a regular performance and career development review during the reporting period

Employee Category	Female	Male
Crew	22%	31%
Non-Crew	10%	37%
Total	32%	68%

VI. HUMAN RIGHTS

We are steadfast in our efforts to defend against violations of human rights by abiding by applicable laws and adopting and implementing reasonable policies.

Human Rights Policy

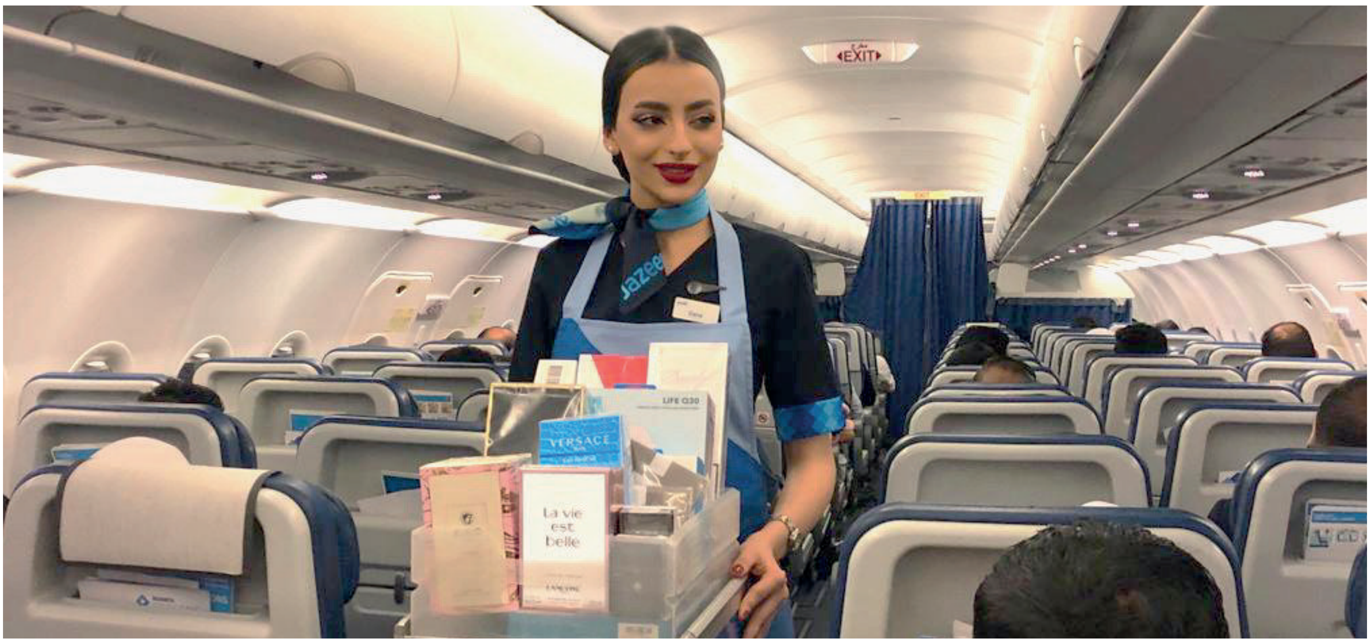
We have formed a policy to safeguard the rights of stakeholders by making sure that they are protected in accordance with the relevant, applicable laws in the State of Kuwait, such as the Labor Law and the Companies Law and its bylaws. This is in addition to the agreements already reached between the parties and other commitments made to stakeholders to minimise potential conflicts of interest, keeping in mind that none of the stakeholders benefit from any agreements or transactions that are part of our regular operations.

VII. CUSTOMER ENGAGEMENT

Delivering experiences that are tailored and continually connected in real time is the key to our customer success. These are all essential components of successful customer engagement strategies.

Customer Satisfaction Surveys

It can be perplexing to understand why customers select one airline over another. Because of this, airline passenger satisfaction surveys can be a useful resource for learning about customer experiences, expectations, behaviors, and other criteria. For this reason, we conduct a monthly customer satisfaction survey.



JAZEERA TERMINAL 5

JAZEERA TERMINAL 5

Jazeera Terminal 5 (T5) at the Kuwait International Airport is fully owned and operated by Jazeera Airways. With a dedicated check-in, quick immigration, and short transfer distances, we ensure a positive customer experience from end to end. Every year, we continue to introduce upgrades and enhancements to improve the customer experience and adapt to expanding passenger numbers.

683
AVERAGE NUMBER OF FLIGHTS OPERATED WEEKLY

4.7 million
PASSENGERS CARRIED DURING THE YEAR

960 tonnes/year
TOTAL WASTE GENERATED

26.3 mega liters/year
TOTAL WATER CONSUMPTION

Employment Data

Description	Employee Count
Total No. of Males	27
Total No. of Female	9

JAZEERA TERMINAL 5

Youth Development

At Terminal 5, students and unemployed local youth are offered paid part-time job opportunities.

Jazeera T5 concluded part-time job opportunities program for students and unemployed youth

Domestic Workforce

T5 has not had any foreign hires since its inauguration.

T5 Training Data

Gender	Average Training Hours
Males	3.3
Females	3.2

GOVERNANCE REPORT

Jazeera Airways K.S.C.P. Governance Report for the year ended 31/12/ 2023

M/s. Shareholders of Jazeera Airways K.S.C.P.

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 for complying with the governance standards in accordance with Law No. 7 of 2010, its executive bylaws and amendments. The Board of Directors 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.

Below, we list the Company's Governance report for the fiscal year ended 31/12/2023. Jazeera Airways K.S.C.P. operates and implements governance standards and rules by applying best practices, policies, procedures, and mechanisms. The Company also determines 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: COMPLIANCE WITH GOVERNANCE RULES

Rule 1: 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 elected by the general assembly on 20/12/2023 for a period of three years. The Board of Directors of the company are composed in accordance with the company's activity, volume and nature. A majority of the members of the Board of Directors are non-Executive members. The Board of Directors also includes two (2) independent members and all members have varied experience and specialized skills that enhance the efficiency of resolutions.

The Board of Directors is responsible for the company's vision, mission, objectives, and general strategy to achieve the expectations of the Company's shareholders. The Board works to avoid conflict of interest and to always prioritize the company.

The Board has formed several committees to align on best practices. The Governance Manual outlines the composition, roles, and responsibilities of these committees. It also includes the assessment of the committees and determination of shareholders' rights, the code of ethics and policies of the company.

The Board of Directors has approved the delegation of Authority matrix that defines the authority of each of the executive management, Board of Directors and its committees.

The Board of Directors has been composed in accordance with the provisions of the Companies law and Capital Markets Authority guidelines.

Below is a 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 BoodaiCorp, the institutional founder of Jazeera Airways and many other public as well as 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.	20/12/2023
Mohammad J M Almousa	Non-Executive	Mohammed holds a degree in Industrial and Management Systems Engineering from Kuwait University. Soon after graduation, he worked in NICBM "National Industries Company for Building Materials" and MRC "Metal and Recycling Company". He has experience in project management and co-founded a company called Jamsons. He is the company's Vice President and Managing Partner.	20/12/2023
Marzouq Jassim Marzouq Boodai	Non-Executive	Marzouq holds 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).	20/12/2023

Name	Classification	Qualifications and Experiences	Date of Election / Appointment
Mishaal Musaed Alusaimi	Non-Executive	Mishaal Alusaimi is the Chief Executive Officer of BoodaiCorp and has 25 years' experience in asset management, capital markets and property development. Over the years, he has held various local and regional Board directorships. His last role was the Acting Chairman and Managing Director of the Capital Markets Authority (CMA) in Kuwait. Throughout his career, he also held various management positions with Saffar Capital in Dubai, Mabanee, Kuwait Cement Company and Kuwait Investment Office in London. Mishaal, has a Bachelor's Degree in Business Administration (Finance and Marketing) from the University of San Diego, California, USA. He has trained with the Kuwait Investment Authority, as well as J.P. Morgan & Co. in New York.	20/12/2023
Hany Mohamed Shawky Younes	Non-Executive	Hany holds a bachelor's degree in Commerce and Business Administration from Helwan University. He has extensive experience in management and acquisitions. Vice Chairman of City Group Co. K.S.C.P., he is also 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. Previously, he was Vice Chairman of Global Investment House and the Chairman of Jordan Trading Facilities Co.	20/12/2023
Dermot Edward Mannion	Non-Executive	Dermot graduated from Trinity College Business School, Dublin. He is a Fellow of the Institute of Chartered Accountants in Ireland and has over 30 years of experience in the airline industry. He has worked at Emirates Airlines and Aer Lingus. More recently, he served as Vice Chairman of Royal Brunei Airlines.	20/12/2023
Bertrand Phillip Grabowski	Independent	Bertrand holds a Master's degree in Business Administration from the University of Economics and Management Sciences in France. He 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.	20/12/2023
Seham Haitham Alhussaini	Independent	Seham started her career as a structural engineer, having received a BSc in Civil Engineering from the University of Texas in 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 is the General Manager of Deliveroo in Kuwait. She previously worked as a Senior Manager with Agility's Venture Capital team and was the acting COO of Shipa Freight, a corporate start-up backed by Agility in Kuwait.	20/12/2023
Krishnan Balakrishnan	Secretary	With an ACA and AICWA from India, Krishnan has 30 years of work experience which includes 11 years as Company Secretary.	20/12/2023

Company Board of Directors’ meetings:

The company’s Board of Directors held twelve meetings during the year 2023. All the minutes of the meetings are recorded in the company’s register according to the requirements of Corporate Governance.

Board of Directors’ Meetings 2023

Member Name	Meeting # 1 5-Jan-23	Meeting # 2 12-Jan-23	Meeting # 3 7-Feb-23	Meeting # 4 14-Feb-23	Meeting # 5 12-Mar-23	Meeting # 6 18-Apr-23	Meeting # 7 2-May-23	Meeting # 8 11-Jun-23	Meeting # 9 7-Aug-23	Meeting # 10 6-Nov-23	Meeting # 11 12-Dec-23	Meeting # 12 17-Dec-23
Marwan Marzouq Boodai (Chairman)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Mohammad J M Al-Mousa (Vice Chairman)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Marzouq Jassim Boodai (Member, Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Mishaal Musaed Alusaimi (Member, Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Hany Shawky Younes (Member, Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Dermot Edward Mannion (Independent Member)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Bertrand Philippe Grabowski (Member, Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆
Seham Haitham Alhussaini (Independent Member)	◆	◆	◆	◆	◆	◆		◆	◆	◆	◆	◆
Krishnan Balakrishnan (Secretary)	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆	◆

Applying the requirements of registration, coordination and keeping the minutes of meetings of the Board of Directors of the company

The Board Secretary is responsible for:
- Managing and coordinating all activities relating to the Board of Directors in accordance with the relevant governance rules.
- Ensuring compliance with procedures approved by the board in relation to the circulation of information between the members, Board committees and the executive management, under the supervision of the Chairman.
- Setting the Board meeting agendas and holding a special record of the minutes of meetings of the Board of Directors.
- Ensuring the proper delivery, circulation of information and coordination between Board members and other stakeholders including the shareholders, Company departments and the concerned employees.

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 except extraordinary meetings.
- Signing of the minutes of meetings by all attending members.
- Ensuring that the Board members have full and quick access to all minutes of meetings, information and records of 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 acknowledge 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 are copies of the Independent Member's acknowledgements.

Rule 2: Establish appropriate roles and responsibilities

Policy on 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 aims to accomplish the strategic goals of the company by ensuring that the executive management are performing its assigned roles perfectly and to enhance the company's competitive capacity and achieve high growth rates. The company's Corporate Governance manual includes all the rules and responsibilities of the Board of Directors, Committees and the Executive Management.

Roles and responsibilities of the Board of Directors:

1. Approving major goals, strategies, plans and policies, for the company including but not limited to:
    - Comprehensive company strategy and main work plans
    - Ideal company capital structure and financial goals
    - Performance goals, execution and company and performance.
    - Organizational and functional structures of the company as well as periodic review

2. Acknowledging estimated annual budgets; approving quarterly and annual financial information.
3. Supervising the company's main capital expenses, assets ownership and disposal.
4. Ensuring the company's commitment to policies and procedures and ensuring the company's compliance with internal applicable rules and regulations.
5. Safeguarding accuracy and validity of data and information to be disclosed in accordance with applicable transparency and disclosure policies and rules.
6. Constructing effective communication channels that enable the company shareholders to have periodic as well as constant access to the company's various activities and essential developments therein.
7. Setting up a corporate governance framework that is supervised, monitored and amended if necessary.
8. Pursuing the performance of each Board member and executive management member subject to Key Performance Indicators (KPIs).
9. Forming specialized sub-committees where the tenure, powers and responsibilities of the committee, are clarified and monitored.
10. Ensuring that the company policies and procedures are clear and transparent so that resolutions can be reached and governance principles applied.
11. Segregating powers and authorities of both, the Board of Directors and executive management. In this regard, the Board had approved the following:
    a. Internal rules and regulations concerning the company's activities and its development, as well as any subsequent roles, and responsibilities amongst different organizational levels.
    b. Determining the powers authorized to the executive management and approving the delegation of authority.
12. Audit and supervise performance of executive management members and ensure their execution of all assigned roles so that the Board can:
    a. Ensure that the executive management's work is in accordance with policies and procedures approved by the Board.
    b. Hold periodic meetings with the executive management to discuss work issues and challenges while presenting and discussing important information relating to the company activities.
    c. Set performance measures for executive management consistent with company goals and strategies.
13. Appoint or terminate the services of any of the executive management members.
14. Determine the remuneration categories for employees whether fixed or variable.
15. Set a policy for regulating relationships with stakeholders to protect their rights.
16. Set a mechanism to regulate dealings with related parties to avoid conflict of interest.
17. Periodically ensure the applicable internal audit systems' efficiency in the company.
18. Recommend the appointment or replacement of independent auditors.
19. Approve the code of conduct, work ethics as well as the policies and procedures of the company.

Roles and responsibilities of the Chairman:

1. Ensure board discussion of all major matters effectively and in a timely manner.
2. Represent the company before third parties in accordance with the company's articles of association.
3. Encourage all members of the Board of Directors to offer complete and efficient contribution to Board affairs.
4. Communicate with shareholders and refer their opinions to the Board.
5. Encourage constructive relations and effective participation of Board of Directors and executive management.
6. Present constructive criticism concerning issues of different points of view amongst members of the Board of Directors.

Executive Management

The Company activities are carried out by the executive management under the supervision and guidance of the Chief Executive Officer. This is aimed at striking a balance in the relationship between the company, its employees, investors, and customers, while ensuring that they work within the objectives of the company and devote its resources appropriately to meet these 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 operations. It’s roles and responsibilities are targeted to the achievement of objectives, overseeing 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’s general performance and work results.
4. Submit periodic financial and operational reports on the progress of the department’s performance considering strategic plans and objectives.
5. Set accounting systems and prepare 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 achieve objectives in line with corporate strategy.
7. Follow up the delegation of the authority and responsibilities in accordance with the delegation of the authority matrix.
8. Supervision and follow-up to ensure the implementation of laws, regulations and policies including governance manual by employees to achieve the Company’s strategy and provide reports containing recommendations on the constraints and required adjustments based on the results of the implementation.
9. Active participation in building a culture of ethical values and development in the Company.

Achievements of Board of Directors during the Year

In line with the Board’s roles and responsibilities, the Board has:

- Approved the annual audited consolidated financial statements for the year ended 31/12/2022.
- Approved the interim financial statements.
- Approved the annual budget.
- Review of the company’s goals, strategies and plans.
- Followed up and monitored the performance of the Board committees.
- Supervising the performance of the Executive Management.
- Reviewed and approved the delegation of Authority.
- Recommended the re-appointment of an independent auditor.

Requirements for the formation 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 supervising, strategic planning, governance, risk management and control. These committees are formed in accordance with the applicable governance rules and resolutions that include the committee Chairman and titles of members. Committees shall report to the Board for executing the work assigned to them.

First: Audit Committee

Tasks and achievements of the committee during the year:

External Audit

- Review the interim 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 of the external Auditor and the remuneration offered.
- In coordination with external auditors, review the implemented accounting policies and provide a recommendation to the Board of Directors in this regard.
- Follow up on the external Auditors' work and ensure that no services aside from those related to audit functions (statutory audit) are delivered.

Internal Audit

- Review and assess the annual internal audit work plan.
- Receive and review periodic reports 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: 20/12/2023

The committee's term: 3 Years

The committee Chairman: Hany Mohamed Shawky Younes

Composition of the committee:

- Marzouq Jassim Boodai
- Seham Haitham Alhussaini
- Krishnan Balakrishnan, Secretary
- Yew Meng Fong, Advisor to the Committee
- Khaled Helal, Consultant to the Committee
- Yusuf Kapadia, Audit Committee Coordinator

Number of meetings held during the year: 12 meetings as below:

Meetings held in respect of External Audit

Member Name	Meeting # 1 05-Feb-23	Meeting # 2 30-Apr-23	Meeting # 3 03-Aug-23	Meeting # 4 02-Nov-23
Hany Shawky Younes (Chairman, Non-Executive)	◆	◆	◆	◆
Marzouq Jassim Boodai (Member, Non-Executive)	◆	◆	◆	◆
Seham Haitham Alhussaini (Independent Member)	◆	◆	◆	◆
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 the meetings # 3, 4, 5, 6 and 8:

Member Name	Meeting # 1 12-Jan-23	Meeting # 2 15-Jan-23	Meeting # 3 31-Jan-23	Meeting # 4 23-Mar-23	Meeting # 5 30-Apr-23	Meeting # 6 20-Sep-23	Meeting # 7 07-Nov-23	Meeting # 8 21-Dec-23
Hany Shawky Younes (Chairman, Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆
Marzouq Jassim Boodai (Member, Non-Executive)	◆	◆	◆	◆	◆	◆	◆	◆
Seham Haitham Alhussaini (Independent Member)	◆	◆	◆	◆	◆	◆	◆	◆
Krishnan Balakrishnan (Secretary)	◆	◆	◆	◆	◆	◆	◆	◆

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 their 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 a periodic basis.
- Review issues raised by the related audit committee, which may affect risk management in the company.

Date of the committee's formation: 20/12/2023

The committee's term: 3 Years

The committee Chairman: Hany Mohamed Shawky Younes

Composition of the committee:

- Marzouq Jassim Boodai
- Seham Haitham Alhusaini
- Krishnan Balakrishnan, Secretary
- Yew Meng Fong, Advisor to the Committee
- Khaled Helal, Consultant to the Committee
- Yusuf Kapadia, Risk Committee Coordinator

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

Member Name	Meeting # 1 19-Jan-23	Meeting # 2 16-May-23	Meeting # 3 30-May-23	Meeting # 4 29-Aug-23	Meeting # 5 21-Dec-23
Hany Shawky Younes (Chairman, Non-Executive)	◆	◆	◆	◆	◆
Marzouq Jassim Boodai (Member, Non-Executive)	◆	◆	◆	◆	◆
Seham Haitham Alhussaini (Independent Member)	◆	◆	◆	◆	◆
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 the members of the Board of Directors and executive management.
- Setting the remuneration policy for members of the Board of Directors and executive management.
- Annual review of the skills needed for Board membership, securing applications for executive positions when required as well as reviewing the applications.
- Determining various remuneration categories for employees.
- Preparing annual remunerations report on the remunerations given to the members of the Board of Directors, and the executive management as per CMA instructions.
- Preparing job descriptions for non-executive members of the Board of Directors and independent members.
- Ensuring that members of the Board of Directors independency is valid.

Date of the committee's formation: 20/12/2023

The committee's term: 3 Years

The committee Chairman: Mishaal Musaed Alusaimi

Composition of the committee:

- Mohammad J M Almousa
- Seham Haitham Alhussaini
- Ahmad Abdalla, Advisor to the Committee

Number of meetings held during the year: 6 meetings as below:

Member Name	Meeting # 1 18-Jan-23	Meeting # 2 29-May-23	Meeting # 3 23-Aug-23	Meeting # 4 06-Sep-23	Meeting # 5 26-Sep-23	Meeting # 6 15-Nov-23
Mishaal Musaed Alusaimi (Chairman, Non-Executive)	◆	◆	◆	◆	◆	◆
Mohammad J M Almousa (Member, Non-Executive)	◆	◆	◆	◆	◆	◆
Seham Haitham Alhussaini (Independent Member)	◆	◆	◆	◆	◆	◆
Ahmad Abdalla (Advisor)	◆	◆	◆	◆	◆	◆

Application of the requirements that allow the Board of Directors member to obtain accurate and timely information.

The executive management provides complete and accurate information as well as data, on time, to all the Board members, to help them perform their duties efficiently.

The Board of Directors has ensured that all the required information and data are shared accurately and in a timely manner. The Board Secretary approves and leads mechanisms to guarantee the accuracy and integrity of the company's reports. The Board Secretary works towards constructing effective communication channels between the board Secretary and the members of the Board, which ensures good dissemination of information and coordination amongst the members of the Board of Directors and other Stakeholders in the company. This includes shareholders and different departments in the company as well as employees. The Company developed the basic structure of IT systems, especially reporting systems, to ensure that all reports are prepared accurately, in high quality to be submitted to the members of the Board of Directors on time to facilitate timely resolution.

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

Requirements for formation of the remunerations and nominations committee.

The Board remunerations and nominations committee helps the Board of Directors in performing its supervisory responsibilities. This includes compliance with the nominations and remuneration policies and procedures of the company, reviewing and approving the selection criteria and appointment procedures for members of the Board of Directors and executive management, and ensures that the policy and methodology of nominations and remunerations fit the strategic objectives of the company.

The Board remunerations and nominations committee is formed, and its tenure is set from the date of the election of the Board of Directors until the end of the Board's membership period. The committee was formed in compliance with the governance rules stipulated in article no. 4-1 of the corporate governance manual. The formation of the committee includes one independent member and the Chairman of the committee, as a non-Executive member per below:

Member Name	Position	Classification
Mishaal Musaed Alusaimi	Chairman	Non-Executive
Mohammad J M Almousa	Member	Non-Executive
Seham Haitham Alhussaini	Member	Independent
Ahmad Abdalla	Advisor	

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

Summary of the remuneration policy of Board of Directors:

The remuneration of the Board of Directors is 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 is recommended not to distribute remunerations to the Board members for the financial year ended at 31/12/2023. The contractual attendance allowances for the financial year ended on 31/12/2023 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 (Kuwaiti Dinar)	Variable remuneration and benefits (Kuwaiti Dinar)		Fixed remuneration and benefits (Kuwaiti Dinar)		Variable remuneration and benefits (Kuwaiti Dinar)	
	Health insurance	Annual remuneration	Attendance allowances	Health insurance	Monthly salaries (total of the year)	Annual remuneration	Committees' remuneration
8	0	0	KD 26,920	0	0	0	0

Summary of the remuneration policy for the Executive Management

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

Remuneration paid to five senior executives:

Total remunerations and benefits granted to five senior executives who have received the highest remunerations														
Total number of members	Remunerations and benefits through the parent company							Remunerations and benefits through the subsidiaries						
	Fixed remuneration and benefits (Kuwaiti Dinar)						Variable remuneration and benefits (Kuwaiti Dinar)	Fixed remuneration and benefits (Kuwaiti Dinar)						Variable remuneration and benefits (Kuwaiti Dinar)
	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	480,372	7,000	8,650	37,800	16,200	11,955	771,511	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 ensure that the financial statements and reports of the company have been prepared and presented in a fair and sound manner. These reports reflect the Financial Position of the company and operational results in accordance with accredited accounting standards applied in the State of Kuwait and approved by CMA. All the Board of Directors have signed an acknowledgment relating to the integrity of Financial Reporting for the year ended 31/12/2023.

Application of the formation requirements of the audit committee.

The Audit Committee helps the company's Board of Directors in:

- Fulfilling its responsibilities related to financial reporting, internal control systems and the Company’s monitoring procedures for compliance with laws, regulations and professional code of conduct.
- Fulfilling its responsibilities relating 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 has been formed in compliance with the governance rules stipulated in Article No. 5-6 of the Corporate Governance manual. The formation of the committee includes one independent member. The Chairman of the committee is a non-executive member and it also includes a member of educational, qualification and practical experience in the accounting and financial fields as below:

Member Name	Position	Classification
Hany Shawky Younes	Chairman	Non-Executive
Marzouq Jassim Boodai	Member	Non-Executive
Seham Haitham Alhussaini	Member	Independent
Krishnan Balakrishnan	Secretary	

الجزيرة.
Jazeera.

There were no conflicts between the recommendations of the audit committee and the resolutions of the Board of Directors during the year 2023.

Verification of the independence and neutrality of the external Auditor

The Board of Directors is working towards reducing potential conflict of interest cases. The audit committee had verified the independence and integrity of the external auditor 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 that no services other than services related to the audit functions are provided to the company, which may affect the auditors' neutrality or independence. It was also verified that the Auditor is listed in the Authority's external auditors register. Accordingly, the Audit Committee recommended to the Board of Directors the re-appointment of the external auditor and the Ordinary General Assembly in its meeting held on 28/03/2023 approved the re-appointment of Mr. Bader Al Wazzan from Deloitte & Touche (Al Wazzan & Co) for the year 2023.

The audit committee held a meeting with the external auditor to discuss opinions thereof prior to the submission of the interim/annual financials to the Board of Directors to decide thereon. The external Auditor is also invited to attend the General Assembly meetings and narrate the report before shareholders.

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

Application of requirements for the formation of a department/ an office/ an independent unit of risk management.

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

The Risk management unit ensures that the employees are aware of the importance of risk management and that the duties are carried out in line with the general risk management framework. The company has a risk officer responsible for measuring, monitoring, and mitigating all types of risks encountered by the company.

Application of the formation requirements of the risk management committee.

The risk committee has been formed in compliance with the governance rules stipulated in Article No. 4-6 of the Corporate Governance manual. The Chairman of the committee is non-executive member as below:

Member Name	Position	Classification
Hany Shawky Younes	Chairman	Non-Executive
Marzouq Jassim 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. It also verifies compliance with those systems. The company has effective internal control and audit systems that cover all the company's activities to maintain sound financials, data accuracy and operational 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

Application of requirements for the formation of 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 held 8 meetings during the year ended 31/12/2023 and followed up the internal audit process through direct meetings with the respective consultants responsible for the internal audit in the meetings # 3, 4, 5, 6 and 8.

The Company has 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 the CMA on time.

Rule 6: Promote Code of Conduct and Ethical Standards

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. Integrity, accountability and respect are among the fundamental principles established in the code of conduct that includes best practices and professional behavior to achieve the interest of the company, shareholders, and other stakeholders. In addition, it provides 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 interest, 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

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

Information Confidentiality

The Board of Directors, the Executive Management and the employees are obligated to maintain the confidentiality of the information and data related to the company. 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 transparent environment for all employees. It allows the employees to report improper or illegal activities 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. The policy is uploaded on the company's website to be available for the employees and third parties.

Rule 7: Ensure Timely and High-Quality Disclosure and Transparency

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 are 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 material information disclosure which cover 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.

Application of the requirements of the Board of Directors disclosure and executive management disclosures.

The Company has prepared a register of disclosures of the Members of a Board of Directors and Executive Management regarding holding or dealing in shares of the company, in line with CMA requirements with regards to dealings by insiders.

Application of requirements for formation of a unit of investor affairs.

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

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

Develop the infrastructure for Information Technology for disclosure processes

The Company has developed the infrastructure for Information Technology for disclosure processes. In compliance with Corporate Governance rules stipulated in Article No. 8-8, the company has created a section on its website dedicated to Corporate Governance that displays all recent information and data that helps current and potential investors to exercise their rights and evaluate the company's performance.

- The online disclosure system through Kuwait Stock Exchange website is followed.
- Contact the Capital Market Authority through e-mail to provide all required information and disclosures.
- The company website includes all the disclosures, interim and annual financial Statements.
- The company website includes information about the Board of Directors and executive management as well as an overview of the most important policies and regulations.

Rule 8: Respect the Rights of Shareholders

Application of requirements for the identification and protection of the general rights of shareholders, to ensure fairness and equality amongst all shareholders.

In compliance with CMA requirements and Corporate Governance rules, the company MOA, AOA, polices and regulations include procedures and conditions necessary to protect the rights of stakeholders, especially shareholders. The company also ensures that all shareholders have access to their rights in a fair and equal manner. The general rights of shareholders include:

- Have access to data and information of the Company activity and operational strategy regularly.
- Receive the agreed upon share in dividends.
- Participate in meetings of the shareholders' general assembly and vote on the resolutions thereof.
- Elect Members of Board of Directors.

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

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

Encouraging 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

Conditions and policies that ensure protection and recognition of the rights of stakeholders.

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

Encouraging stakeholders to keep track of the company's various activities

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

Regulatory authorities: The company adheres to the laws, executive regulations and instructions issued by the Capital Markets Authority, Boursa Kuwait, the Ministry of Commerce and Industry and any other related Regulatory authorities; it is also cooperate 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 develop 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 force.

Rule 10: Encourage and Enhance Performance

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 enhancing the company's performance. Accordingly, the company has developed mechanisms that draw the interest of training aspects for the Members of a Board of Directors and executive management through training programs that ensure their well understand of the company operations, strategy, goals financial and operational aspects of all company activities and Legal and supervisory obligations.

Evaluating 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 has 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.

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

The Board of Directors is working on value creation inside the company in the short, medium and long term, accordingly the Board had approved the code of conduct that asserting the existence of the means to follow these practices and adhere to the highest professional standards and corporate values.

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 business and social goals. The company's sustainability policy covers corporate governance and ethics, environment and social, providing an effective framework to help enhance the company's overall performance.

Corporate Governance and Ethics: A commitment to values and ethical business practices while managing the business and its stakeholders.

Environment: Focus on the impact of the company’s operations, efforts to offset this impact and reach net zero emissions by 2050.

Social: Driving efforts to provide a safe, secure, fair and considerate environment for employees while giving back to the communities we live and do business in.

Activities include but are not limited to:

- Environmental Stewardship
- Corporate Philanthropy and Employee Volunteering
- Youth Development

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

Corporate Philanthropy and Employee Volunteering:

- **Supporting initiatives around health and education**: Jazeera Airways picks projects/initiatives that help children’s health or education. Last year, this covered a day out for terminally ill/cancer affected children and their families.
- **Internships:** In an effort to develop soft skills and offer alternative career options to youth in the country, Jazeera Airways offers on the job training and in internship opportunities
- **Graduate Development Program:** Jazeera Airways offers exciting opportunities for young Kuwaiti nationals and fresh graduates. The company helps fresh graduates to develop their skills and competencies in the field of Aviation by training them in all airline-related functions. The training includes practical on-the-job responsibilities with clearly defined objectives.

Dear Shareholders,

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

Marwan Marzouq Boodai
Chairman

الجزيرة.
Jazeera.

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 2023 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 Alhussaini** Independent Board Member

Jazeera Airways K.S.C.P.
Authorized and Paid Capital K.D 22,000,000
Commercial Registration Number 102546

P.O.BOX 29288, Safat 13153, Kuwait, State of Kuwait
T: +965 2224 8670 | 2433 3304
F: +965 2433 9432
Customer Support 177
jazeeraairways.com

شركة طيران الجزيرة ش.م.ك.ع
رأس المال المصرح به والمدفوع 22,000,000 د.ك
رقم السجل التجاري 102546

ص.ب 29288 الصفاة، 13153، الكويت، دولة الكويت
هاتف: 3304 2433 | 8670 2224 965+
فاكس: 9432 2433 965+
خدمة العملاء 177
jazeeraairways.com

وزارة التجارة والصناعة
Ministry of COMMERCE and Industry

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه ....سهام هيثم السيد أحمد الحسيني........ ، بطاقة مدنية (أو جواز سفر لغير المقيم) رقم ....287082000151.... ، والمرشح كعضو مجلس إدارة مستقل لدى شركة ....طيران الجزيرة ش.م.ك.ع.... بأنه تتوافر لدي الشروط التالية :

1- أنني أتمتع بالإستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتها.

2- أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الإسم : ....سهام هيثم السيد أحمد الحسيني....

التاريخ : ....2023/12/20....

التوقيع :

وزارة التجارة والصناعة

Ministry of COMMERCE and Industry

إقرار عضو مجلس الإدارة المستقل

أقر أنا الموقع أدناه ..بيرتراند فيليب جرابوسكي.............................. ، بطاقة مدنية (أو جواز سفر لغير المقيم) رقم ...19FV17615.............. ، والمرشح كعضو مجلس إدارة مستقل لدى شركة ....طيران الجزيرة ش.م.ك.ع............................ بأنه تتوافر لدي الشروط التالية :

1- أنني أتمتع بالإستقلالية على النحو الوارد في المادة (2-3) من الفصل الثالث من الكتاب الخامس عشر (حوكمة الشركات) من اللائحة التنفيذية للقانون رقم (7) لسنة 2010 بشأن إنشاء هيئة أسواق المال وتنظيم نشاط الأوراق المالية وتعديلاتهما.

2- أنه يتوافر لدي المؤهلات والخبرات والمهارات الفنية التي تتناسب مع نشاط الشركة.

الإســـم : بيرتراند فيليب جرابوسكي..............................

التـــاريخ : 2023/12/20..............................

التوقيع :

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.

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

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

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

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Jazeera Airways K.S.C.P. (the "Parent Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS Accounting 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.

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 183,342,999. 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 2.11 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 2023 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2023 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.

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.

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.

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 skepticism 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 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 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 2023, 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
6 February 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Note	Kuwaiti Dinars 2023	2022
Non-current assets			
Property and equipment	3	75,239,066	44,164,805
Right of use assets	4	139,979,376	145,092,349
Advance for maintenance	5	8,932,982	7,234,341
Security deposits	6	935,988	1,890,950
		225,087,412	198,382,445
Current assets			
Inventories		4,321,867	2,426,741
Security deposits	6	238,385	325,916
Trade and other receivables	7	23,883,468	18,695,005
Cash and bank balances	8	32,904,993	52,267,804
		61,348,713	73,715,466
Total assets		286,436,125	272,097,911
LIABILITIES AND EQUITY			
Equity			
Attributable to Parent Company's shareholders			
Share capital	9	22,000,000	22,000,000
Legal reserve	10	3,488,227	2,843,811
Retained earnings		8,940	11,683,441
Total equity		25,497,167	36,527,252
Non-current liabilities			
Post employment benefits	11	3,891,800	2,912,300
Maintenance payables	12	22,883,216	19,433,727
Lease liabilities	13	125,722,010	133,398,702
Term loan/Murabaha payables	14	28,500,000	4,425,635
		180,997,026	160,170,364
Current liabilities			
Maintenance payables	12	8,404,941	7,531,410
Lease liabilities	13	25,144,865	22,485,345
Term loan/Murabaha payables	14	1,000,000	849,285
Trade and other payables	15	29,816,435	29,201,588
Deferred revenue	16	10,128,349	14,355,356
Bank overdrafts	8	5,447,342	977,311
		79,941,932	75,400,295
Total liabilities and equity		286,436,125	272,097,911

Marwan Marzouq Boodai
Chairman

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
YEAR ENDED 31 DECEMBER 2023

	Note	Kuwaiti Dinars 2023	2022
Revenue	16	198,081,266	182,116,206
Operating costs	17	(177,741,731)	(148,627,845)
Gross profit		20,339,535	33,488,361
Other operating income		1,584,240	986,904
General and administrative expenses	18	(8,576,959)	(6,650,382)
Finance costs		(7,045,113)	(6,332,889)
Foreign currency gain/(loss)		51,916	(1,941,881)
Gain on sale and lease back of engines	3	-	1,734,319
Expected credit loss - financial assets		90,541	(253,887)
Profit before contribution and taxes		6,444,160	21,030,545
Zakat		(73,331)	(217,250)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(57,997)	(187,700)
National Labour Support Tax (NLST)		(183,328)	(543,200)
Profit for the year		6,129,504	20,082,395
Attributable to:			
Shareholders of the Parent Company		6,129,504	20,082,395
Earnings per share (fils)			
Basic & Diluted	19	27.86	91.28

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 2023

	Kuwaiti Dinars	
	2023	**2022**
Profit for the year	6,129,504	20,082,395
Other comprehensive income (OCI)		
Items that may be reclassified subsequently to statement of income:		
Hedge reserve-Cash flow hedge	-	-
Total comprehensive income for the year	6,129,504	20,082,395
Attributable to:		
Shareholders of the Parent Company	6,129,504	20,082,395

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED 31 DECEMBER 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 year	-	-	-	6,129,504	6,129,504
Transfer	-	644,416	-	(644,416)	-
Dividend	-	-	-	(17,159,589)	(17,159,589)
At 31 December 2023	22,000,000	3,488,227	-	8,940	25,497,167
At 1 January 2022	20,000,000	740,756	-	7,343,773	30,084,529
Total comprehensive income for the year	-	-	-	20,082,395	20,082,395
Transfer	-	2,103,055	-	(2,103,055)	-
Dividend	-	-	-	(13,639,672)	(13,639,672)
At 31 December 2022	22,000,000	2,843,811	-	11,683,441	36,527,252

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2023

	Note	Kuwaiti Dinars 2023	Kuwaiti Dinars 2022
Cash flows from operating activities			
Profit before contribution and taxes		6,444,160	21,030,545
Adjustments for:			
Depreciation	3,4	20,810,106	18,257,341
Finance costs		7,045,113	6,332,889
Foreign exchange currency loss/(gain)		(51,916)	1,941,881
Gain on sale and lease back of engine		-	(1,734,319)
Provision for post employment benefits	11	1,409,134	906,871
Expected credit loss on financial assets		(90,541)	253,887
Other operating income- interest income		(1,305,721)	(1,002,780)
Cash flows from operating activities before working capital changes		34,260,335	45,986,315
Changes in:			
- advance for maintenance		(1,698,642)	2,056,685
- inventories		(1,895,126)	(1,230,018)
- security deposits		1,394,094	463,585
- trade and other receivables		(5,179,715)	(3,972,279)
- maintenance payables		4,164,833	3,654,820
- trade and other payables		1,134,771	6,781,752
- deferred revenue		(4,227,007)	7,990,650
Cash generated from operations		27,953,543	61,731,510
Post-employment benefits paid	11	(429,634)	(290,800)
Paid to Zakat, KFAS & NLST		(955,793)	(327,078)
Net cash from operating activities		26,568,116	61,113,632
Cash flows from investing activities			
Purchase of property and equipment	3	(33,626,785)	(59,693,204)
Proceed from sale of property and equipment and lease back of engine		-	36,614,820
Interest income received		1,299,319	972,847
Deposits with original maturity of more than three months	8	17,644,968	17,000,000
Net cash used in investing activities		(14,682,498)	5,105,537)
Cash flows from financing activities			
Dividend paid		(17,159,589)	(13,639,672)
Receipts from Term loan	14	30,000,000	-
Re-payment of term loan		(5,774,920)	(850,990)
Re-payment of lease liabilities	13	(18,210,356)	(17,102,135)
Finance costs paid		(6,886,926)	(6,180,340)
Net cash used in financing activities		(18,031,791)	(37,773,137)
Net (decrease)/increase in cash and cash equivalents		(6,146,173)	18,234,958
Cash and cash equivalents at beginning of year	8	29,645,525	11,415,332
Expected credit loss on financial assets		(41,701)	(4,765)
Cash and cash equivalents at end of year	8	23,457,651	29,645,525

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 subsidiaries:

Name of the Company	Country of Incorporation	Percentage of Holding	
		2023	2022
Jazeera Airport Services Company (formerly known as "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%	99.99%
Jazeera Safeguard Co. S.P.C	Kuwait	100%	-
Jazeera Academy Co. S.P.C.	Kuwait	100%	-
Jazeera Airways Company L.L.C	Kingdom of Saudi Arabia	49%	-

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 6 February 2024 and are subject to the approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and material accounting policy information

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS Accounting 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 26.

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

Following standard, interpretation or amendment are effective from the current year and are adopted by the Group, however, these does not have any impact on the consolidated financial statements of the year unless otherwise stated below:

- IFRS 17, 'Insurance contracts' – This standard replaces IFRS 4, which permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

- Amendments to IAS 1 and IFRS Practice statement 2 – Disclosure of accounting policies – The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material' accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.
- Amendments to IAS 8 - The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".
- Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.
- Amendment to IAS 12 - International tax reform - pillar two model rules - These amendments give companies temporary exception from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. Following the amendments, an entity is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

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 accounting standards that have been issued but are not yet effective:

Standard, interpretation, amendments	Description	Effective date
Amendment to IAS 1 – Current and Non-current liabilities	Classification of liabilities as current or non-current: The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.	1 January 2024
Amendment to IAS 1 – Non-current liabilities with covenants	Non-current liabilities with covenants - The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent).	1 January 2024
Amendments to IAS 7 and IFRS 7 on Supplier finance arrangements	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.	1 January 2024
Amendment to IFRS 16 – Leases on sale and leaseback	The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without	1 January 2024

Standard, interpretation, amendments	Description	Effective date
	these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.	
IFRS S1 – General requirements for disclosure of sustainability-related financial information	This standard includes the core framework for the disclosure of material information about sustainability-related risks and opportunities across an entity's value chain.	1 January 2024 subject to endorsement from the regulator
IFRS S2 – Climate-related disclosures	This standard sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.	1 January 2024 subject to endorsement from the regulator
Amendments to IAS 21 – Lack of Exchangeability	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.	Annual periods beginning on or after 1 January 2025 (early adoption is available)

Management anticipates that these new standards, interpretations and amendments will be adopted in the consolidated financial statements in the period of initial application and adoption of these new standards, interpretations and amendments will not have any material impact on the consolidated financial statements of the Group in the period of initial application.

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	50
Furniture & equipment	3 - 5
Engines	20
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 its acquisition to prepaid maintenance and the subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and major overhaul is depreciated using the units of production method based on the estimated flying hours until the next major overhaul. 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.

The Group as a 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 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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 2021	7,164,800	17,458,591	4,489,736	55,036	3,217,218	32,385,381
Additions	6,434,250	5,206	955,051	13,950	52,284,747	59,693,204
Transfers	1,126,914	257,322	197,574	-	(1,581,810)	-
Disposal	(7,437,392)	(91,600)	-	-	(27,480,482)	(35,009,474)
As at 31 December 2022	7,288,572	17,629,519	5,642,361	68,986	26,439,673	57,069,111
Additions	683,866	15,233	589,167	36,821	32,167,711	33,492,798
Transfers	19,358,462	300,864	268,764	-	(19,928,090)	-
As at 31 December 2023	27,330,900	17,945,616	6,500,292	105,807	38,679,294	90,561,909
Depreciation						
As at 31 December 2021	2,402,154	5,430,510	3,356,637	30,619	-	11,219,920
Charge for the year	490,945	660,221	654,708	7,485	-	1,813,359
Disposal	(87,534)	(41,439)	-	-	-	(128,973)
As at 31 December 2022	2,805,565	6,049,292	4,011,345	38,104	-	12,904,306
Charge for the year	1,045,042	625,206	736,193	12,096		2,418,537
As at 31 December 2023	3,850,607	6,674,498	4,747,538	50,200	-	15,322,843
Net book value						
As at 31 December 2023	23,480,293	11,271,118	1,752,754	55,607	38,679,294	75,239,066
As at 31 December 2022	4,483,007	11,580,227	1,631,016	30,882	26,439,673	44,164,805

Leasehold improvements include airport terminal and office building including park & fly constructed on leasehold land amounting to KD 9,820,414 (31 December 2022: KD 9,787,324) and KD 879,516 (31 December 2022: KD 921,586) respectively.

Addition to Capital work-in-progress includes payment towards purchase of aircraft (refer Note 22).

During the year, the Group reviewed and revised the estimated useful lives of aircraft engines to 20 years from 15 years. Assuming the assets are held until the end of their estimated useful lives, the financial effect of this reassessment is to decrease the depreciation expense in the current year and until the end the useful lives of the aircraft engines. As a result of this change in accounting estimate, the depreciation charge for the current year decreased to KD 674,319 from KD 823,736.

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

	Kuwaiti Dinars	
	2023	**2022**
Operating costs	1,682,744	1,158,851
General and administrative expenses	735,793	654,508
	2,418,537	1,813,359

4. Right of use assets

	Kuwaiti Dinars			
	Aircraft	**Aircraft engines**	**Leasehold land**	**Total**
Cost				
As at 31 December 2021	153,794,114	5,398,577	3,136,069	162,328,760
Additions	21,282,626	6,712,851	1,524,857	29,520,334
Modification	-	-	5,766,608	5,766,608
As at 31 December 2022	175,076,740	12,111,428	10,427,534	197,615,702
Additions	12,013,178	1,016,257	690,069	13,719,504
Modification/reclassification	2,628,771	(2,628,771)	(440,909)	(440,909)
As at 31 December 2023	189,718,689	10,498,914	10,676,694	210,894,297
Depreciation				
As at 31 December 2021	34,270,596	766,704	1,042,071	36,079,371
Charge for the year	15,369,767	836,020	238,195	16,443,982
As at 31 December 2022	49,640,363	1,602,724	1,280,266	52,523,353
Charge for the year	17,086,584	1,104,251	200,734	18,391,569
As at 31 December 2023	66,726,947	2,706,975	1,480,999	70,914,921
Net book value				
As at 31 December 2023	122,991,742	7,791,939	9,195,695	139,979,376
As at 31 December 2022	125,436,377	10,508,704	9,147,268	145,092,349

The Group mostly leases aircraft, engines and land 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 50 years for leasehold land.

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 lessors as maintenance reserve.

6. Security deposits

	Kuwaiti Dinars	
	2023	2022
Deposits with lessors	886,895	769,697
Other deposits	292,941	1,455,095
Expected credit loss	(5,463)	(7,926)
	1,174,373	2,216,866

The above is segregated as:

	Kuwaiti Dinars	
	2023	2022
Current	238,385	325,916
Non-current	935,988	1,890,950
	1,174,373	2,216,866

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	
	2023	2022
Trade receivables	8,278,545	7,770,145
Expected credit loss	(668,453)	(759,009)
	7,610,092	7,011,136
Prepayments	1,463,731	1,199,273
Other receivables including receivables from lessor	15,755,111	11,469,285
Expected credit loss	(945,466)	(984,689)
	16,273,376	11,683,869
	23,883,468	18,695,005

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

	Kuwaiti Dinars	
	2023	2022
Kuwaiti Dinars	8,864,552	8,650,008
US Dollars	9,312,268	5,395,023
UAE Dirham	23,260	40,053
Egyptian Pounds	398,659	106,578
Euro	118,123	51,804
Indian Rupees	1,325,497	899,994
Others	3,841,109	3,551,545
	23,883,468	18,695,005

8. Cash and bank balances

	Kuwaiti Dinars	
	2023	2022
Cash on hand	83,317	62,301
Current account with banks	28,880,547	7,577,705
Time deposits with banks	4,000,000	44,644,968
Expected credit loss	(58,871)	(17,170)
	32,904,993	52,267,804
Less: Overdrafts	(5,447,342)	(977,311)
Deposits with original maturity for more than three months	(4,000,000)	(21,644,968)
Cash and cash equivalents in the statement of cash flows	23,457,651	29,645,525

The effective interest rate on time deposits as of 31 December 2023 was 1.375% to 5.75% (31 December 2022: 1.375% to 5.65%).

Cash and bank balances are denominated in the following currencies:

	Kuwaiti Dinars	
	2023	2022
Kuwaiti Dinars	24,773,809	47,568,451
US Dollars	1,097,261	427,395
UAE Dirham	100,883	125,863
Egyptian Pounds	5,564,515	2,124,170
Indian Rupees	400,784	1,234,156
Others	967,741	787,769
	32,904,993	52,267,804

9. Share capital

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

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 6,159,853 (2022: KD 6,599,841). This was paid to the registered shareholders on 29 August 2023.

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 2023. 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 4.625% (2022: 4.5%), expected rate of salary increase at 4.5% (2022: 3% to 4.5%) depending on the employee category and expected rate of withdrawal in the range of 5% to 30% (2022: 5% to 30%).

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

	Kuwaiti Dinars	
	2023	**2022**
Balance at 1 January	2,912,300	2,296,229
Current service and interest cost	1,409,134	906,871
Benefits paid	(429,634)	(290,800)
	3,891,800	2,912,300

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 55,600 (increase by KD 57,700).
- If the expected salary growth is higher/(lower) by 0.25%, the post-employment benefits obligation would increase by 102,800 (decrease by KD 79,700).

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	
	2023	**2022**
At the beginning of the year	26,965,137	21,897,492
Charge for the year	12,186,967	7,912,940
Utilized during the year	(7,863,947)	(2,845,295)
At the end of the year	31,288,157	26,965,137

The above is segregated as:

	Kuwaiti Dinars	
	2023	**2022**
Current	8,404,941	7,531,410
Non-current	22,883,216	19,433,727
	31,288,157	26,965,137

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	
	2023	**2022**
At the beginning of the year	155,884,047	136,819,830
Additions	13,585,517	28,259,904
Modification	(440,909)	5,766,608
Finance costs	6,028,108	5,625,310
Payments including finance cost	(24,238,464)	(22,727,445)
Impact of foreign currency movement	48,576	2,139,840
At the end of the year	150,866,875	155,884,047

The above is segregated as:

	Kuwaiti Dinars	
	2023	**2022**
Current	25,144,865	22,485,345
Non-current	125,722,010	133,398,702
	150,866,875	155,884,047

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 5%

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

	Kuwaiti Dinars	
	2023	2022
Kuwait Dinars	9,699,487	9,178,823
US Dollars	141,167,388	146,705,224
	150,866,875	155,884,047

14. Term loan/Murabaha payables

This represents KD denominated borrowings availed from local commercial banks repayable in 3-5 years. The effective interest rate on the facilities as of 31 December 2023 was 0.75% to 1% over CBDR (2022: 1% over CBDR).

The current and non-current amounts are as follows:

	Kuwaiti Dinars	
	2023	2022
Current	1,000,000	849,285
Non-current	28,500,000	4,425,635
	29,500,000	5,274,920

15. Trade and other payables

	Kuwaiti Dinars	
	2023	2022
Trade payables	4,918,190	4,103,978
Accrued expense	17,063,739	18,444,480
Tax payable	5,831,164	4,551,864
Staff leave payable	1,871,625	1,363,471
Kuwait Foundation for the Advancement of Sciences (KFAS)	57,997	187,700
Payable	73,720	550,095
Others	29,816,435	29,201,588

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

	Kuwaiti Dinars	
	2023	2022
Kuwaiti Dinars	16,154,194	15,720,876
US Dollars	7,604,497	9,322,299
UAE Dirham	382,397	535,379
Egyptian Pounds	255,257	89,131
Euro	271,244	230,216
Indian Rupees	440,456	1,916,240
Others	4,708,390	1,387,447
	29,816,435	29,201,588

16. Revenue

Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	Kuwaiti Dinars	
	2023	**2022**
Point in time	167,673,970	156,527,678
Passenger revenue	15,669,029	13,417,437
Ancillary revenue	2,147,157	1,963,180
Cargo revenue	9,756,266	7,891,995
Terminal revenue	195,246,422	179,800,290
	2,834,844	2,315,916
Lease income	198,081,266	182,116,206

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

Contract liabilities

	Kuwaiti Dinars	
	2023	**2022**
Deferred revenue	10,128,349	14,355,356
	10,128,349	14,355,356

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	
	2023	**2022**
Aircraft maintenance cost	28,291,701	21,214,488
Depreciation	20,074,313	17,602,833
Aircraft fuel	58,737,138	56,587,535
Staff costs	26,264,275	20,263,021
Overflying, landing and ground handling charges	29,495,532	22,305,686
Lease rentals	3,781,143	1,678,718
Insurance	1,306,184	1,039,709
Passenger meal	2,917,557	2,077,999
Reservation system expenses	794,307	844,147
Others	6,079,581	5,013,709
	177,741,731	148,627,845

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

18. General and administrative expenses

	Kuwaiti Dinars	
	2023	**2022**
Staff costs	1,244,515	881,250
Marketing	2,731,672	2,316,779
Depreciation	735,793	654,508
Professional and consultancy	439,903	381,720
Travel	240,044	174,678
Others	3,185,032	2,241,447
	8,576,959	6,650,382

19. Earnings per share

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

	2023	**2022**
	Kuwaiti Dinars	
Earnings for the year	6,129,504	20,082,395
	Shares	
Weighted average number of shares outstanding	220,000,000	220,000,000
Earnings per share (fils) – Basic & Diluted	27.86	91.28

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	
	2023	**2022**
Balance		
Due from related parties	51,465	71,259
Transactions		
Sales and services	647,765	669,426
General and administrative expenses	546,618	507,240
Key management compensation		
Salaries and other employment benefits	2,038,357	674,914

21. 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 year ended 31 December:

	Passenger airline service		Terminal operations		Total	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
Segment revenue	185,490,156	171,908,295	12,591,110	10,207,911	198,081,266	182,116,206
Segment expenses	(183,717,743)	(155,421,348)	(2,458,490)	(2,052,647)	(186,176,233)	(157,473,995)
Gain on sale and lease back	-	1,734,319	-	-		1,734,319
Other operating income					-	
(including interest income)	1,584,240	986,904	-	-	1,584,240	986,904
Finance costs	(6,498,611)	(5,953,931)	(546,502)	(378,958)	(7,045,113)	(6,332,889)
Segment results	(3,141,958)	13,254,239	9,586,118	7,776,306	6,444,160	21,030,545
Segment assets	263,734,942	249,839,346	22,701,183	22,258,565	286,436,125	272,097,911
Segment liabilities	252,483,195	227,892,576	8,455,763	7,678,083	260,938,958	235,570,659
Capital expenditure	45,704,228	87,320,753	1,508,074	1,892,785	47,212,302	89,213,538
Depreciation	20,152,737	17,759,062	657,369	498,279	20,810,106	18,257,341

22. Contingent liabilities and commitments

	Kuwaiti Dinars	
	2023	**2022**
Capital commitments	366,613,487	368,866,221
Bank guarantees	64,638,367	49,288,694
	431,251,854	418,154,915

The above bank guarantee include guarantee to the lessors amounting to KD 56,218,627 (31 December 2022: 43,169,807) 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.

Capital commitments include commitment towards purchase of aircraft and engines yet to be delivered.

23. 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	
	2023	**2022**
Not later than 1 year	1,239,482	1,258,939
Later than 1 year but not later than 5 years	1,376,272	2,541,012
	2,615,754	3,799,951

24. 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 2023, Kuwaiti Dinars had weakened against the major currencies by 5% with all other variables held constant the net impact on the profit, as of 31 December 2023, is shown below:

	Kuwaiti Dinars	
	Impact on profit	
Currency	2023	2022
US Dollars	(8,431,124)	(8,754,727)
UAE Dirham	(12,736)	(18,283)
Egyptian Pounds	285,411	107,233
Euro	(7,002)	(7,700)
Indian Rupees	65,850	12,461
Others	7,634	149,721
Net impact	(8,091,967)	(8,511,295)

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 its interest bearing assets and liabilities. 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 major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements wherever necessary.

At 31 December 2023, 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 lower by KD 154,737 (31 December 2022: higher by KD 191,964).

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.

During the year, the Group had contracted for purchase oil forward contracts of 825,000 barrels which expired as of the year end. The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to statement of income:

31 December 2023

	Kuwaiti Dinars					
Hedged items	Current period hedging gains (losses) recognised in OCI	Amount of hedge ineffectiveness recognised in statement of income	Due to hedged future cash flows being no longer expected to occur	Line item in statement of income in which hedge ineffectiveness and future cash flows being no longer expected to occur is included	Due to hedged item affecting statement of income	Line item in P/L in which hedged item affecting statement of income is included
Forward fuel contract	-	-	-	Other operating income/(expense)	772,729	Aircraft Fuel Cost

31 December 2022

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

(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 2021	534,903	958,311	1,493,214
Increase in allowance	224,106	26,378	250,484
31 December 2022	759,009	984,689	1,743,698
Decrease in allowance	(90,556)	(39,223)	(129,779)
31 December 2023	668,453	945,466	1,613,919

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

	Kuwaiti Dinars			
	2023		2022	
	Estimated total gross carrying amount at default	Lifetime ECL	Estimated total gross carrying amount at default	Lifetime ECL
Not due	3,189,725	8,106	3,683,972	6,587
30 – 90 days	2,681,021	11,144	2,234,190	24,772
Above 90 days	2,407,799	649,203	1,851,983	727,650
Total	8,278,545	668,453	7,770,145	759,009

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	
		2023	2022
Security deposits	General	1,179,836	2,224,792
Trade receivables	Simplified	8,278,545	7,770,145
Other receivables	General	15,755,111	11,469,285
Bank balances	General	32,880,547	52,222,673
Less: ECL		(1,678,253)	(1,768,794)
		56,415,786	71,918,101

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 740,985 (2022: KD 392,771) which is under non-investment grade credit rating.

Other receivables are due mainly from lessors of aircraft and Security deposits are with lessors and 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 2023				
Trade and other payables	29,816,435	-	-	-
Lease liabilities	27,414,069	27,414,069	68,065,767	194,833,742
Murabaha payables	2,473,125	3,670,625	30,196,875	-
Bank overdraft	5,447,342	-	-	-
Maintenance payables	8,949,615	1,735,626	10,185,507	16,998,110
	74,100,586	32,820,320	108,448,149	211,831,852
At 31 December 2022				
Trade and other payables	29,201,588	-	-	-
Lease liabilities	22,632,031	22,320,497	57,055,790	97,405,737
Murabaha payables	849,285	847,587	3,578,051	-
Bank overdraft	977,311	-	-	-
Maintenance payables	8,045,927	2,695,643	9,372,587	15,141,642
	61,706,142	25,863,727	70,006,428	112,547,379

Fair value of financial instruments

The fair values of financial instruments carried at amortized cost less impairment if any, are not significantly different from their carrying values. This is based on unobservable inputs Level 3, with the discount rate that reflects the credit risks of counter parties, being the most significant input.

25. 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	
	2023	**2022**
Total borrowings including lease liabilities (refer note 8, note 14 and note 13)	185,814,217	162,136,278
Less: Cash and bank balances (refer note 8)	(32,904,993)	(52,267,804)
Net debt	152,909,224	109,868,474
Total equity	25,497,167	36,527,252
Total capital	178,406,391	146,395,726
Gearing ratio	**86%**	**75%**

26. 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.