Jazeera Airways Company K.S.C.P.

Public Offering Prospectus relating to the Capital Increase of Jazeera Airways Company K.S.C.P.

Public Offering of **20,000,000** Shares at an Offer Price of 500 fils (five hundred Kuwaiti fils) Per Share with a nominal value of 100 fils (one hundred Kuwaiti fils) and a share issuance premium of 400 fils (four hundred Kuwaiti fils)

Subscription period

from **15 June 2021** to **5 July 2021**

Lead Manager and Subscription Agent

Kuwait Financial Centre K.P.S.C.

IMPORTANT NOTICES

Jazeera Airways Company K.S.C.P (the "**Company**" or the "**Issuer**") is a Kuwaiti Public Shareholding Company established on 3 March 2004 registered with the Kuwait Commercial Register under registration number 102546 and has been listed on Boursa Kuwait (the "**Boursa**") since 14 January 2008. The issued and paid-up share capital of the Issuer is KWD 20,000,000 (twenty million Kuwaiti Dinars) consisting of 200,000,000 ordinary shares with a nominal value of 100 fils each (the "**Company**" or the "**Issuer**", or the "**Issuing Company**" or "**Jazeera Airways**" or "**Jazeera**").

This Prospectus contains the information relating to the ordinary shares to be issued by the Issuing Company amounting to 20,000,000 ordinary shares equivalent to a 10% increase in the current issued and paid-up share capital of the Issuer (**"Offering"**) at an offering price of 500 fils (five hundred Kuwaiti fils) per share (the "**Offer Price**") including 100 fils (one hundred Kuwaiti fils) the nominal value plus 400 fils (four hundred Kuwaiti fils) as a share issuance premium (hereinafter referred to as "**Offering Shares**" or "**Shares**") with a total nominal value of KWD 2,000,000 (two million Kuwaiti dinars only) and with a total value of KWD 10,000,000 (ten million Kuwaiti dinars only) after the addition of the value of the share issuance premium.

Registered shareholders ("**Eligible Shareholders**" or "**Subscribers**", as the context requires) whose names are registered in the Company's Shareholders Register with the Kuwait Clearing Company K.S.C. ("**Clearing and Depository Agent**") on the record date set on 10 June 2021 ("**Record Date**" or "**Maturity Day**"), shall have the Preemption Rights to subscribe to the Offering Shares in proportion to their respective holdings in the share capital of the Company (the "**Preemption Rights**").

Offering shares are allocated to the Eligible Shareholders who have applied for subscription to a number of Offering Shares in proportion to each of their respective holdings in the Company's share capital. The remaining unsubscribed Offering Shares, if any, are allocated to the Eligible Shareholders who have applied to subscribe for an additional number of Offering Shares exceeding the number initially allocated to the Eligible Shareholders. The number of shares allocated will be rounded to the nearest whole number and the Issuer has the absolute right to dispose of the fractional shares, if any, without the possibility of issuing any fractional shares.

The shareholders of the Issuer attending the Extraordinary General Meeting held on 19 May 2021 passed a resolution setting the Issuer's authorized share capital at KWD 22,000,000 and authorizing the Board of Directors of the Issuer to increase the issued and paid-up share capital in one or more tranches within the limits of the authorized share capital. The Board of Directors of the Company resolved by written resolution dated 14 April 2021 to increase the issued and paid share capital from KWD 20,000,000 to KWD 22,000,000 by the issue and allocation of 20,000,000 Offering Shares at the Offer Price. The Issuer also obtained the approval of the Capital Markets Authority of the State of Kuwait (**"CMA"**) to increase the share capital and issue the Shares according to the decision of the CMA on 11 May 2021 and the Issuer further obtained the approval on this Prospectus on 31 May 2021.

The subscription in the Offering Shares will commence on 15 June 2021 (included in the Subscription Period) and will end on 5 July 2021 (included in the Subscription Period) unless the entire Offering Shares are subscribed for before that date. The Issuer has the right to close the Subscription Period before the specified subscription closing date. The Board of Directors has the right to extend the Subscription Period at its sole discretion as long as the total Subscription Period, including the extension, does not exceed three (3) months, provided that the approval of the CMA is obtained for such extension.

For the purposes of this Prospectus, the term "Business Day" means the day on which the Boursa carries out normal trading business, and for the purposes of the subscription process, it must also be the day on which banks open to conduct their public business in the State of Kuwait (except for Fridays and Saturdays), and with the exception of public holidays.

This Prospectus is not considered an offer to sell or to solicit any offer to buy securities in any legal jurisdiction in which an offering or sale is not permitted. In addition, investors' subscription to any of the securities referred to in this document must be based on the information contained in this Prospectus only.

Notice
You are hereby advised to seek the advice of an advisor licensed in accordance with the law and specialized in advising on the content of this Prospectus prior to making a decision as to subscription.

This Prospectus has been approved by the CMA on **31 May 2021** and has been prepared in accordance with the Kuwait Capital Markets Law no. 7 of 2010 and its executive regulations as amended regarding the Establishment of the Capital Markets Authority and the Regulation of Securities Activities issued pursuant to the CMA resolution no. (72) of 2015, and their amendments. The members of the Board of Directors of the Company, whose name appears in this Prospectus under the section (Individuals responsible for the Prospectus) collectively and individually accept full responsibility for the accuracy of all information contained in this Prospectus relating to the Issuer and the Offering Shares, and confirm, having made all reasonable enquires, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

The Issuer, Lead Manager and Subscription Agent accepts full responsibility for any inaccuracy of all information and statements contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other material facts and information omitted, and that the Prospectus has been drafted according to the information and data that correspond to reality.

The legal advisor to the Issuer confirms that they have reviewed the Prospectus and documents related thereto as provided to them by the Issuer, and that to the best of their knowledge and after having made all reasonable inquiries, the Prospectus complies with the relevant legal requirements and that the Issuer has obtained the required approvals necessary in order for its obligations to be valid and enforceable.

The CMA does not take any responsibility for the contents of this Prospectus, does not make any representation as to its accuracy or completeness, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this Prospectus and shall not be a party to any claim relating to damages arising from this Prospectus.

This Prospectus is dated 31 May 2021

Lead Manager and Subscription Agent

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MARKAZ

Kuwait Financial Centre K.P.S.C.

English translation of the official Arabic language Prospectus

RESPONSIBILTY STATEMENT

Individuals responsible for the Prospectus

This Prospectus has been prepared by:

Name:	Title:	Address:
Mr. Rohit Ramachandran	Chief Executive Officer	Freedom City - Kuwait International Airport - Airport Road 55 - opposite the protocol hall

Each of the directors of the Board of Directors of the Issuer, whose names appear herein, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the directors of the Board of Directors, who have taken all reasonable care and conducted a full and detailed due diligence to ensure that such is the case: (i) the information contained in this Prospectus is complete, accurate and correct, (ii) all information relating to the securities and to the Issuer have been disclosed to the investors, so that the investors could take a decision as to whether or not to subscribe in the Offering Shares, and (iii) that all the relevant provisions relating to the securities as provided for in Law No.1 of 2016 issuing the Companies Law and its executive regulations, Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and the Regulation of Securities Activities and its executive regulations issued pursuant to the Capital Markets Authority resolution No. (72) of 2015 as amended, have been complied with.

On behalf of the Board of Directors of the Issuer

Name:	Title:	Signature:
Mr. Mohammad Jasem Mohammad Al Mousa	Vice-Chairman of the Board of Directors	

CONFIRMATIONS AND NOTICES OF THE ISSUER

This Prospectus contains information related to Jazeera Airways Company K.S.C.P., a Kuwaiti Public Shareholding Company and the Offering Shares. The Issuer has not authorized any third party to provide any statement, information or pledges regarding the Issuer or the Shares except for those mentioned in this Prospectus or what has been approved by the Issuer for this purpose. Such statements, information or undertakings issued by third parties should not be relied upon nor should it be assumed that the Issuer or the Subscription Agent and Lead Manager whose names appear on the cover of this Prospectus have acknowledged such statements, information and undertakings.

While the Issuer has made all reasonable inquiries regarding the accuracy of the information contained in this Prospectus as on the date of this Prospectus, some of the general information contained in the Prospectus was taken from external sources. Although none of the Issuer, the Subscription Agent and Lead Manager, as well as their advisors, have any reason to believe that such information is inaccurate, such general information has not been independently verified, and therefore this Prospectus does not include any representation as to the accuracy of such general information or its completeness.

The information set out in this Prospectus and as contained on the date of this Prospectus is subject to change. In particular, the actual financial position of the Issuer as well as the value of the Shares may be negatively affected by future developments regarding inflation factors, financing costs, taxes or any other economic or political factors or any other factors beyond the control of the Issuer. The delivery of this Prospectus or any oral, written or printed statement relating to the Shares shall in no way be construed or relied upon as a promise of any future profits, results or events. In no case may the information contained in this Prospectus relating to the Issuer or in connection with the issue of the Shares be considered correct at any time after the date of this Prospectus. The Subscription Agent and Lead Manager shall not be obligated to review the financial position or affairs of the Issuer or to advise any investor in the Shares regarding any information that comes to their knowledge regarding the aforementioned or the absence of a change in the financial position or the affairs of any party whose name is mentioned in this Prospectus after its date.

This Prospectus may not be considered or interpreted as a recommendation by the Issuer, the Subscription Agent, and the Lead Manager or any of their advisors or affiliates to subscribe to the Shares. The information contained in the Prospectus is of a general nature and has been prepared without taking into account any investment objectives, financial position or specific investment needs of any potential investor. Neither this Prospectus nor any other information contained therein in connection with the issue of the Shares is intended to provide a basis for granting credit facilities or undertaking any other financing operations. Whoever receives the Prospectus (and before making any investment decision) is responsible for obtaining on his own, an independent professional advice from a person licensed by the CMA in relation to the Issuer or the Shares, as well as to making his own independent evaluation of the Issuer and the Shares and for the information and assumptions contained in this Prospectus and the use of such advice, analysis and forecasts when deemed necessary to make any investment decision. Prospective investors may not interpret the contents of this Prospectus as representing tax, investment or legal advice. Prior to subscribing to any shares, each potential investor must consult an investment advisor licensed by the CMA for his advice, in addition to his legal, tax and business advisors to determine the suitability and consequences of investing in the Shares for that investor and to arrive to an independent evaluation of that investment. The sole purpose of this Prospectus is to provide basic information about the Issuer to assist all those to whom this Prospectus is directed in conducting an independent evaluation of the Shares.

Neither this Prospectus nor any other information provided in connection with the issue of the Shares constitutes an offer or a solicitation by or on behalf of the Issuer, the Subscription Agent and Lead Manager for any person to subscribe in the Shares. The distribution of this Prospectus and the offer or subscription in the Shares are prohibited in some legal jurisdictions outside the State of Kuwait. The persons to whom this Prospectus is directed must familiarize themselves with these restrictions and observe them in order to meet the terms of subscription contained in this Prospectus by the Issuer, the Subscription Agent and Lead Manager.

Shares may not be an appropriate investment for all shareholders and investors. Therefore, each potential investor in the Shares must determine the appropriateness of that investment, in light of his own circumstances. In particular, each potential investor should do the following:

1. have sufficient knowledge and experience to carry out a meaningful evaluation of the Shares and the risks of investing in the Shares, and the information contained in this Prospectus.
2. be able to access and be familiar with the appropriate analytical tools, in order to evaluate any investment in stocks in the context of his own financial position, as well as assess the impact of the shares on his investment portfolio in general.
3. have sufficient financial resources and liquidity to bear all the risks of investing in the Shares.
4. have a full understanding of the terms of the Shares, and to be familiar with the conduct of business in the relevant financial markets.
5. be able (whether alone or with the assistance of an investment advisor) to assess the possible scenarios of economic and other factors that could affect the investor's investment and their ability to bear potential risks.

None of the contents of this Prospectus or any information reported by the Issuer is intended or construed as advice regarding the purchase or subscription in the Shares (or their rate of profit). Each Eligible Shareholder is advised to consult a licensed investment advisor before making any decision regarding the subject matter of this Prospectus. It must be remembered that the value of the Shares can go down or up. No person has been authorized to give any information or make any undertakings in connection with the offering of the Shares other than the persons mentioned in this Prospectus, and in the event that such information or undertakings are provided, it shall not be relied upon and considered as approved by the Subscription Agent, the Lead Manager or the Issuer. No distribution of this Prospectus or offer of the Shares or any sale or presentation of the Shares made under it may in any way create the implicit impression that there has been no change, or any event that is reasonably likely to include any change in the conditions of the Issuer since the date of this Prospectus.

The financial information for the fiscal year ending on 31 December 2020 has been reviewed by the auditors of the Issuer and approved by the general assembly of the shareholders of the Issuer on April 21, 2021 as required by the applicable regulations. Otherwise, the financial information contained in this Prospectus for any period ending after 31 December 2020 has not been subject to review or audit.

Some numbers and percentages referred to in this Prospectus have been modified and rotated. Accordingly, the numbers listed in the same category in the tables mentioned in the Prospectus may change slightly from one table to another, and the sum of the numbers mentioned in some tables does not represent the actual arithmetic sum of the numbers in that table. All references to "Kuwaiti Dinar" in this Prospectus mean the Kuwaiti dinar, the official currency of the State of Kuwait.

Certain statements contained in this Prospectus may indicate a forward-looking view. Forward-looking statements include statements relating to the Issuer's plans, goals, objectives, strategies, future operations and performance, as well as the assumptions involved in such future statements. In general, the following words in this Prospectus refer to: "expect," "estimate," "see," "intend," "plan," "believe," "aim," "seek," "may," "will" and "shall," as well as any similar expressions, refer to future statements. The Issuer has based these forward-looking statements on its management's current vision regarding future events and future financial performance. Although the Issuer considers that the expectations, estimates and predictions reflected in the future statements of the Issuer are reasonable as on the date of this Prospectus, in the event that one or more of the risks are realized or the aforementioned expectations prove to be unrealistic, including those risks and cases of non-seriousness of the expectations contained in this Prospectus, or in the event that any of the basic assumptions of the Issuer is proven to be incomplete or correct, the actual results of the Issuer's operations may differ from what is expected, estimated or forecast. The implications of these forward-looking statements are limited to the date of this Prospectus. Without prejudice to any requirements or conditions under applicable laws and regulations, the Issuer expressly disclaims any obligation or undertaking to distribute any updates or revisions to any of the future statements contained in this Prospectus after the date of this Prospectus to reflect any change in expectations of such statements, or any change in the events, circumstances, or conditions on which those expected future statements are based.

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SUMMARY OF KEY TERMS OF THE OFFERING

This summary must be read as an introduction to the additional detailed terms that appear in any other parts of this Prospectus and which supersedes this summary. This summary does not include complete information and does not include all the information that the potential investors and shareholders should assess prior to making the decision to subscribe in the Shares. Accordingly, the decision of any potential subscriber in the Shares should rely on the review of this Prospectus in entirety and not the review of part of it.

The terms in this Summary of Key Terms of the Offering, bear the meanings set forth in the sections on **(Information Relating To Offering Shares)** and **(Subscription Terms, Conditions And Instructions)**.

The Issuer	Jazeera Airways Company K.S.C.P.
Issuer's Address	Freedom City - Kuwait International Airport - Airport Road 55 - opposite the protocol hall
Date of Incorporation	3 March 2004
Date of Listing on Boursa Kuwait	14 January 2008
Issuer's authorized share capital	KWD 22,000,000
Issuer's issued and paid-up share capital prior to the Offering	KWD 20,000,000 fully paid.
The nominal value of the Offering	KWD 2,000,000
The total value of the share issuance premium	KWD 8,000,000
The issued and paid-up share capital after the Offering	KWD 22,000,000
In-Kind Contributions	None
Eligible Shareholders who hold the Preemption Rights to subscribe to the Offering Shares	Shareholders registered on the date of **10 June 2021** and each Eligible Shareholder may subscribe.
Record date	**10 June 2021**
Valuation Date	13 April 2021
Subscription Period	The subscription period will commence on **15 June 2021 (included in the Subscription Period)** and will remain open up to and including **5 July 2021 (included in the Subscription Period)** (the "**Subscription Period**"), unless the entire Offering is covered before that date, as the Issuer has the right to close Subscription Period before the closing date of the Subscription Period. When the Offering is not fully subscribed for, the Board of Directors has the right to extend the Subscription Period for one or more similar subscription periods as long as the total Subscription Period including the extension does not exceed three (3) months, provided that the approval of the CMA is obtained for such extension.

The Period Of Exercise And Disposal Of The Preemption Rights	The period of disposal of the Preemption Rights starts from the date of opening the Subscription Period until at least five Business Days before the closing of the Subscription Period.
Offering Price	KWD 0.500 (five hundred fils) per share which includes the 100 fils nominal value plus 400 fils share issuance premium.
Nominal Value	100 Kuwaiti fils per Offering Share (one hundred Kuwaiti fils)
Issuance Premium	400 Kuwaiti fils per Offering Share (four hundred Kuwaiti fils)
Number and type of Offering Shares	20,000,000 (twenty million ordinary shares)
Surplus Subscription	Offering Shares are allocated to Eligible Shareholders who have applied for subscription to a number of Offering Shares in proportion to their respective holdings in the Issuer's share capital. In the event that the Eligible Shareholder does not subscribe, sell or waive the Preemption Rights to subscribe, it is considered a waiver of the Preemption Right in subscribing to the Offering Shares in favor of other Eligible Shareholders who wish to subscribe to a number of shares exceeding the percentage allocated to each of them and the holders of the Preemption Rights may sell these rights in Boursa Kuwait until at least five Business Days prior to the closing of the Subscription Period and they are also entitled to assign it without any consideration at the Clearing and Depository Agent during the Subscription Period to other shareholders of the Company or to others until at least five Business Days prior to the closing of the Subscription Period in accordance with the rules and procedures in force at each of the Boursa Kuwait and the Kuwait Clearing Company, according to what is set forth in this Prospectus. In the event of failure to fully subscribe to the Offering Shares, the remaining unsubscribed Offering Shares, if any, shall be allocated to the Eligible Shareholders who have applied for subscription with an additional number of Offering Shares exceeding the number allocated to them, in accordance with the applicable rules in this regard. The number of shares allocated will be rounded to the nearest whole number and the Issuer has the absolute right to dispose of the fractional shares, if any, without the possibility of issuing fractional shares.
Minimum Subscription	1 Share

Trading The Offering Shares	After the end of the Subscription Period and the final allocation of the Offering Shares and the completion of all necessary regulatory procedures, the Offering Shares will be traded on Boursa Kuwait without restriction and will be at the same rank as all the shares of the Issuer, without any difference between the shares.
Trading the Preemption Rights	The Preemption Rights may be traded or assigned without consideration and without any restriction and according to the applicable rules at Boursa Kuwait and the Kuwait Clearing Company. The approval of this Prospectus constitutes an approval for the listing and trading of the Preemption Rights during the Subscription Period. The listing is canceled when the Issuer discloses the results of the Offering.
Timeline for listing and trading the Preemption Rights	The Preemption Rights will be listed and traded from the date of opening the Subscription Period and until at least five Business Days before the closing of the Subscription Period, and the timetable will be announced by the Issuer on Boursa Kuwait. The date of 15 June 2021 has been set to commence the trading in the Preemption Rights and the date of 28 June 2021 has been set as the last day for the trading in the Preemption Rights.
Allocation of Offering Shares	The Offering Shares are allocated between the Eligible Shareholders and those to whom the Preemption Rights have been transferred, who have applied for subscription in a number of the Offering Shares in proportion to their respective holdings in the share capital of the Issuer as on the Record Date. The surplus of any unsubscribed shares, in excess of the Preemption Rights, which may result from the failure of some shareholders to exercise the Preemption Right, will be allocated to Eligible Shareholders who wish to subscribe to more shares than the percentage allocated to each of them, in accordance with the applicable rules in this regard.
Refund of Surplus Subscription Amount	The value of the subscription will be paid by the Subscribers during the Subscription Period and before the closing date of the Subscription Period, and if there is any surplus in the sums that the Subscribers will transfer to the subscription account, these amounts will be refunded without interest within a period not exceeding five (5) Business Days from the date of the allocation of the Offering Shares.

Use of Proceeds	Proceeds from the Offering will be used to support the Company's operating activities and to improve its share capital in compliance with the regulatory requirements. The proceeds will also be used to fund growth plans and future goals. In addition, the proceeds will be used to cover the Offering Costs and some of the expenses that are incurred in the Offering process.
Offering Fees	Subscription fees will not be charged in respect of the Shares as the Issuer will bear all issuance costs.
Offering Costs	It is expected that the total costs of the issuance, including the fees of the Subscription Agent, the Legal Advisor of the Issuer, marketing costs, printing, and other costs and expenses related to the Offering, will reach a maximum of KWD 100,000 (one hundred thousand Kuwaiti dinars).
Summary of 2018 financial statements As on 31 December 2018	Assets: 62.866 million Kuwaiti dinars Paid up Capital: 20.000 Million Kuwaiti Dinars Shareholders' Equity: 37.836 million Kuwaiti dinars Liabilities: 25.030 million Kuwaiti dinars
Summary of 2019 financial statements As on 31 December 2019	Assets: 166.653 million Kuwaiti dinars Paid up Capital: 20.000 Million Kuwaiti Dinars Shareholders' Equity: 40.242 million Kuwaiti dinars Liabilities: 126.411 million Kuwaiti dinars
Summary of 2020 financial statements As on 31 December 2020	Assets: 162.625 million Kuwaiti dinars Paid up Capital: 20.000 Million Kuwaiti Dinars Shareholders' Equity: 11.976 million Kuwaiti dinars Liabilities: 150.649 million Kuwaiti dinars

Increase or Decrease of Securities by the Company

Type	Year	Date of Notation in Commercial Register	Number of shares Issued / Decreased	Total Nominal Value of the Issuance / Decrease (KWD)	Net Value of Issuance (including nominal value and issuance premium) (KWD)
Capital at Incorporation	2004	03/03/2004	100,000,000	10,000,000	10,000,000
Capital Increase	2007	12/11/2007	100,000,000	10,000,000	10,000,000
Bonus Shares	2009	28/07/2009	20,000,000	2,000,000	2,000,000
Bonus Shares	2012	23/05/2012	22,000,000	2,200,000	2,200,000
Capital Increase	2012	30/12/2012	178,000,000	17,800,000	17,800,000
Capital Decrease	2015	30/11/2015	(220,000,000)	(22,000,000)	(22,000,000)

Date of the Extraordinary General Assembly decision to approve the authorized capital increase	19 May 2021
Subscription Agent and Lead Manager	Kuwait Financial Center Company K.S.C.P. Universal Tower, Ahmed Al Jaber Street, Sharq, PO Box 23444, Safat 13095, State of Kuwait
Clearing and Depository Agent	Kuwait Clearing Company K.S.C Arabian Gulf Road, Ahmed Tower, Floor 5 P.O Box 22077, 13081 Safat
Legal Advisors	Meysan Partners Attorneys and Legal Consultants P.O. Box 298, Safat 13003 Al Hamra Tower, 17th Floor, Al Shuhada Street, Sharq,
Applicable Law	Laws of the State of Kuwait
Judicial Jurisdiction	Courts of the State of Kuwait
Business Day	Any day on which the Boursa Kuwait carries out normal trading business, and for the purposes of the subscription process, it must also be the day on which banks open to conduct their public business in the State of Kuwait except for of Fridays and Saturdays and public holidays.
Board Members of the Issuer	Marwan Marzouq Jassim Boodai, Chairman of the Board of Directors Muhammad Jassim Muhammad Al-Mousa, Vice Chairman of the Board of Directors Ahmed Abdullah, Board Member Hani Mohamed Shawky Younes, Board Member Bertrand Philippe Grabowski, Board Member Dermot Edward Manion, Board Member Yan Mahdi Pavi, Board Member Marzouq Jassim Marzouq Boodai, Board Member

INFORMATION RELATING TO OFFERING SHARES

Offer Price per Offering Share

The Offering will have a price of 500 fils per Offering Share, which represents a nominal value of 100 fils per Share and a share issuance premium of 400 fils per Share. The total nominal value of the offering is 2,000,000 Kuwaiti dinars and the total offering value after the addition of the shares issuance premium is 10,000,000 Kuwaiti Dinars.

Fair Value Per Share

The shares of Jazeera Airways Company K.S.C.P were valued for the purpose of increasing the Company's share capital through the issuance of ordinary shares to be offered for public subscription in accordance with the provisions of Law No. (7) of 2010 and its executive regulations and amendments, whereby BDO Economic and Management Consulting ("BDO"), the "accredited asset valuator"), valued the Company's shares with a fair and independent valuation based on the latest financial statements. The valuation report was submitted to the CMA as part of the share capital increase application.

The valuation of Jazeera Airways K.S.C.P. shares was derived from the application of four valuation methods:

- Discounted cash flow method.
- The modified net asset value method (this method has been considered as an outlier and excluded).
- Relative valuation method (market multiples).
- Enterprise value method (market method).

The accredited asset valuator ranked the valuation results as follows:

- Relative valuation method (market multiples) and enterprise value method (market method) - the first level in the fair value hierarchy as define in IFRS 13.
- Adjusted net asset value - the second level in the fair value hierarchy as defined in IFRS 13.
- Discounted cash flows - the third level in the fair value hierarchy as defined in IFRS 13.

The following is a summary of the indicative fair value according to each valuation method:

Valuation method	Indicative fair value of the Company	Weighting Factor	Weighted Amount of the Company's Fair Value
	KWD		KWD
Discounted cash flow	452,565,603	17%	75,427,601
Adjusted net asset value	9,870,838	0%	-
Relative Valuation	117,729,788	33%	39,243,263
Enterprise value	121,719,252	50%	60,859,626
Indicative fair value of the Company			**175,530,490**
Number of shares outstanding as of 31 December 2020			200,000,000
Indicative fair value per share of the Company (Kuwaiti Dinar)			**0.878**

Share Issuance Premium Calculation

The share premium was determined after the Board of Directors reviewed each of the following:

- The fair value of the share at 878 fils per share.
- The price of the share on the last trading day (13 April 2021), at 658 fils per share.
- Calculating the 90-day average of the market price prior to the last trading day, at 690 fils per share.
- In addition to reviewing the profit / loss per share during the year 2020.

In light of the above and the exceptional circumstances resulting from the outbreak of the Covid-19 virus in 2020, which caused extensive business disruptions, increased uncertainty surrounding economic activities, in addition to the travel restrictions imposed by governments, this has negatively impacted the performance of financial markets and companies operating in various sectors. It also had a direct impact on the revenues and operations of the Issuer and its earnings per share, which recorded a loss of (132) fils per share as of 31 December 2020.

Based on the foregoing, the Company's Board of Directors determined the subscription price at 500 fils (five hundred Kuwaiti fils) per Share, representing a discount of 28.7% from the last market price as on 13 April 2021, and a discount of 27.5% from the 90 days average of the market price prior to last trading day and a discount of 43.1% from the fair value of the Share, for the purpose of enhancing the Company's shareholders participation in the subscription process and thus achieve the offering goal to meet the regulatory capital requirements and to finance the Company's future operations.

Subscription to Shares/Eligible Shareholder

The Issuer and the regulatory authorities agreed to increase the current issued and paid-up capital of the Issuer from KWD 20,000,000 (twenty million Kuwaiti Dinars) to KWD 22,000,000 (twenty-two million Kuwaiti Dinars), an increase of KWD 2,000,000 (two million Kuwaiti Dinars)divided into 20,000,000 ordinary shares, at a value of 500 fils (five hundred Kuwaiti fils) per share (representing the nominal value of each share of one hundred fils plus a share issuance premium of four hundred fils), paid in cash and in one payment, and allocated to shareholders registered in the Company's shareholder register records on the Maturity Date/Record Date in proportion to their respective holdings in the Company's share capital, during the Subscription Period mentioned in this Prospectus and in accordance with the relevant laws, and in the event that the shareholder does not subscribe, sell or waive the Preemption Rights to subscribe, it is considered a waiver of the Preemption Right to subscribe to the Offering Shares for the benefit of other Eligible Shareholders. The Company's extraordinary general assembly, pursuant to its resolution issued on 19 May 2021, authorized the Company's Board of Directors to approve the right of current shareholders, as well as new investors, to subscribe to surplus shares that the Eligible Shareholders did not subscribe to, and to dispose of the fractional shares (if found) in the manner it deems appropriate in accordance with the provisions of the law. The holders of the Preemption Rights to subscribe to the Shares may waive this right during the Subscription Period to the benefit of other Eligible Shareholders or to others, with or without consideration. The waiver shall be in all or some of the Preemption Rights related to the Offering Shares that each of them is entitled to subscribe for, in accordance with the rules and the procedures applicable at Boursa Kuwait and at the Kuwait Clearing Company, and according to what is set forth in this Prospectus.

Conversion

The Offering Shares cannot be converted into another form of securities.

Tradability of the Offering Shares and Preemption Rights

The Preemption Rights may be traded without restriction in accordance with the applicable rules at Boursa Kuwait and Kuwait Clearing Company. The approval of this Prospectus constitutes an approval for the listing and trading of the Preemption Rights during the Subscription Period and the listing is canceled when the Company discloses the results of the subscription in the Offering. After the end of the Subscription Period and the final allocation of Shares and the completion of all the necessary regulatory procedures, the Offering Shares will be traded on Boursa Kuwait without restriction and will be in the same rank of all the shares of the Issuer, and without any differences.

Rights related to the Offering Shares

The share capital of the Issuer is of one class. Each share has one vote, and each shareholder has the right to attend and vote in the general assembly of shareholders. None of the shareholders has privileged voting rights. When the Offering Shares are issued, the shareholder who owns the Offering Shares has the right to receive his share of the dividends when announced by the Issuer. Shareholders are entitled to receive a share of the proceeds from the liquidation of the issued Company's assets upon liquidation, after paying its debts. In the event that the capital increase is not completed in full during the Subscription Period, the Company's Board of Directors may decide to extend the Subscription Period. In the event that the entire Offering Shares have not been subscribed for at the end of the extended Subscription Period, the Company's Board of Directors may either (1) cancel the Offering or (2) declare that the amount of the subscription subscribed for at the end of the Subscription Period is sufficient according to the law.

Short-term earnings per share

Basic and diluted earnings (loss) per share (EPS) attributable to the Company's shareholders are estimated at 2.646 Kuwaiti fils per share for the fiscal year ending on 31 December 2021. (EPS was estimated by dividing the forecasted profit attributable to the Company's shareholders for the year 2021 by the weighted average number of ordinary shares outstanding, prior to the capital increase. (EPS estimation is based on the assumptions of the assigned accredited asset valuator).

Consequences of non-subscription of Eligible Shareholders

The failure of the Issuer's shareholders to subscribe to the Offering Shares in which they are entitled to subscribe will result in a decrease in the percentage of their shareholding in the Issuer's share capital.

Exercise of Preemption Rights and Methods of Disposal of Preemption Rights

Eligible Shareholders may resort to the following actions:

- Eligible Shareholders may exercise their Preemption Right in whole or in part to the Offering Shares.
- Eligible Shareholders may exercise their Preemption Right to subscribe to the Offering Shares and to subscribe to additional Offering Shares.
- Eligible Shareholders and non-shareholders may trade in the Preemption Rights by sale and/or purchase during the Subscription Period and until prior to the closing of the Subscription Period by at least 5 Business Days in accordance with the relevant rules applied by Boursa Kuwait.
- Eligible Shareholders and non-shareholders may assign, without consideration, their Preemption Right in the Offering Shares (and their subscription in additional Offering Shares, as the case may be) or in part thereof according to the set assignment process, during the Subscription Period and until prior to the

closing of the Subscription Period by at least 5 Business Days and any such assignment shall be processed in accordance with the relevant rules applied by Boursa Kuwait and the Kuwait Clearing Company, or

- Eligible Shareholders and non-shareholders may refrain from resorting to any of the previous options, whether by assignment or by trading of the Preemption rights in the Offering Shares and may leave the right to subscribe in the unsubscribed shares to the rest of the Eligible Shareholders.

In all cases, the person who disposed of the Preemption Rights whether by trading in all or in part of it or by assignment without consideration in the manner previously mentioned is not entitled to subscribe to these rights, and their subscription in these disposed rights is considered null. However, the person to whom these rights have been disposed may subscribe to the number of Offering Shares as allocated for these rights and is also entitled to dispose of them in the manner prescribed in the applicable rules in force at the Boursa Kuwait and the Kuwait Clearing Company until at least five Business Days prior to the closing of the Subscription Period.

Maximum Ownership

The maximum ownership limit in the Issuer is determined in accordance with the articles of association of the Issuer, where it is permissible to own any percentage of the shares of the Issuer at any time in accordance with the law, ministerial decisions and regulations of the CMA as issued from time to time.

SUBSCRIPTION TERMS, CONDITIONS, AND INSTRUCTIONS

Subscription Agreement

The Subscription Agent and Lead Manager agreed with the Issuer under the subscription agreement, provided that relevant conditions are fulfilled, to take the necessary actions in order to offer the Shares to the Subscribers for subscription at the Offer Price including the share issuance premium. The Subscription Agent is not obligated to subscribe to any of the Shares that have not been subscribed for by the Eligible Shareholders and investors.

Subscription Period

The Subscription Period will commence on **15 June 2021** (included in the Subscription Period) and shall close on **5 July 2021** (included in the Subscription Period) unless the entire Offering is fully subscribed for prior to the closing date where the Company is entitled to stop and close the Subscription Period before the set closing date. The Preemption Rights will be traded from the commencement of the Subscription Period until at least five Business Days prior to the closing of the Subscription Period. In all cases where the Offering is not fully subscribed for, the Board of Directors of the Issuer may extend the Subscription Period for a similar period or periods or less so that the original Subscription Period and its total extension do not exceed three months, provided that the approval of the CMA is obtained.

Under-Subscription

In all cases where the Offering is not fully subscribed for, the Board of Directors of the Issuer may extend the Subscription Period for a similar period or periods so that the original Subscription Period and its total extension do not exceed three months, provided that the approval of the CMA is obtained and if the entire Offering is not fully subscribed for during the original Subscription Period and during the subsequent extensions, then the Issuer must either cancel the Offering or be satisfied with the amount that has been subscribed for, and reduce the share capital, in both cases, and a share capital decrease must be registered at the commercial register based on the Company's decision. In the event of cancellation of the Offering, the holders of the Preemption Rights will not be able to exercise their Preemption Rights in respect of the Shares entitlements based on their rights which may cause the purchaser of a Preemption Right to forfeit the purchase price of the Preemption Right without any recourse against the Company or against the Subscription Agent for any claim or compensation.

Subscribers

The Preemption Rights in the Offering is available to the shareholders with the current issued shares whose names are registered in the Company’s shareholder register on the Record Date or to whomever the Preemption Rights have been transferred. The remaining unsubscribed Offering Shares, if any, will be allocated to the Eligible Shareholders or to those to whom the Preemption Rights have been transferred, who have applied for subscription to an additional number of Offering Shares exceeding the number allocated to them, in accordance with the applicable rules in this regard. The allocation decision shall be final without any liability on the part of the Issuer or the Subscription Agent.

Subscription Application

Subscription applications are issued on the application form prepared for this Offering or through the electronic subscription platform (if any). The information must be completed in full and in a legible font and signed by the applicant and supported by the required documents. Individual subscription applications are submitted and paid for during the Subscription Period. The applicant must submit the original (valid) civil ID and a copy of it. Corporate entities must sign the subscription applications through its representatives authorized to represent it, and attach documents showing its capacity as the authorized person to represent the corporate entity together with a copy of the commercial register, commercial license and articles of association (all of which must be valid). The subscription application including all its terms, conditions and undertakings stipulated therein shall be binding on the Subscribers, and the subscription shall result in acceptance of the terms of the Offering as well as all the provisions of this Prospectus. All terms and conditions, subscription application forms and agreements relating thereto are subject to the laws of the State of Kuwait and must be interpreted and applied in accordance with the provisions of the laws of the State of Kuwait. Subscribers should read the subscription instructions carefully before submitting the subscription application form. The signing of the subscription application form will be considered as a binding contract and approval of all the terms of the Offering.

Documents required for subscription

The subscription application form must be accompanied by the following documentation, as applicable, and the IBAN number of the bank account that the Subscriber wishes to subscribe through. Staff at the offices of the Subscription Agent will compare copies with originals and return originals to the Eligible Shareholder:

a) Individual subscribers

- Original and copy of personal civil identification card for the Subscriber;
- Original and copy of passport for Subscribers from the States of the Gulf Cooperative Council;
- Original and copy of special legal proxy for subscribing in shares (for proxy subscriber);
- Original and copy of Certificate of Guardianship for orphans/minors;
- Original and copy of a Limitation of Succession Deed for beneficiaries; and
- In the event that the Subscriber does not appear in person, the original authorization issued by the Subscriber to the person authorized to conduct administrative transactions regarding the subscription application (provided that the signature contained in the authorization is attested by the Subscriber's bank).

b) Corporate subscribers

- Original and copy of Commercial Registration Certificate;
- Original and copy of the Authorized Signatories Certificate or the Extract of the Commercial Register;
- Original and copy of the personal civil identification card of the authorized signatory;
- Original and copy of the specimen of signature for the authorized signatory issued by the Ministry of Social Affairs and Labor or attested by the Kuwait Chamber of Commerce and Industry; and
- In the event that the authorized signatory does not appear in person, the original authorization issued by the authorized signatory to the person authorized to conduct administrative transaction regarding the subscription application.

Non-Kuwaiti subscribers

Non-Kuwaiti Subscribers (whether natural or corporate entities - as the case may be) must submit documents similar to the above-mentioned documents issued by similar authorities in their countries in the event that they do not possess documents issued to them in the State of Kuwait in this regard.

Payment of Subscription Amount

The subscription amount shall be paid by bank check or wire transfer as indicated in the subscription application. Cash payments will not be accepted. The full subscription amount must be received in the subscription account with the Subscription Agent during the Subscription Period and at the latest before the closing date.

Subscription Terms & Conditions

Subscription applications are final, and it is not permissible to revoke it for any reason, even before the closing date of the Subscription Period. The Subscriber may not add any conditions or restrictions to the subscription application and the subscription must be genuine, any fake subscription or using fictitious names or otherwise is prohibited. The subscription application must be submitted in accordance with this Prospectus prior to the closing of the Subscription Period. The Subscription Agent and the Clearing and Depositary Agent have the right to exclude duplicate requests and applications that do not satisfy the required information or are in violation of the law, unless they are corrected, and the Eligible Shareholder must subscribe through one bank account. In the event that the subscription application is submitted by someone who legally represents the Subscriber in accordance with the applicable laws, regulations and relevant rules, the Shares shall be allocated to the name of the Subscriber whose name is mentioned in the subscription application. The Subscription Agent reserves the right, without referring to the Subscriber, to reject any subscription application if it is found that it violates the terms and conditions of this Prospectus or if it does not satisfy all of its information or if it is not supported by the documents indicated in the Prospectus or with other documents that may be requested by the Subscription Agent and the Clearing and Depositary Agent.

The Subscriber acknowledges that they read the Prospectus and all its content and carefully reviewed it and understood its content and approved the articles and memorandum of association of the Company and all the subscription terms and conditions as set forth in this Prospectus and the right of the Company, the Subscription Agent and the Clearing and Depositary Agent to reject any subscription application in any of the events listed in this Prospectus and to approve the Shares as allocated to the Subscriber (number of the applied for shares as a maximum) and the Subscriber confirms the approval of the subscription terms and conditions and instructions as set forth in the subscription application and the Prospectus. In the event of a corporate entity Subscriber, it acknowledges on its own responsibility, that it satisfied all the processes and obtained all the approvals according to its articles and memorandum of association or pursuant to the law in order to submit the subscription application and implement its obligations as set forth under the Prospectus or to transfer its Preemption Rights and including the approval of the Board of Directors and the shareholders' assembly – as applicable – in respect of the Kuwaiti shareholding companies.

Bank Fees and Commissions

The Subscriber shall bear the bank fees and commissions related to the method of paying the subscription value of the subscription amount.

Allocation of Shares

The Shares are allocated to the Subscribers within a maximum period of (5) five Business Days after the date of closing the Subscription. The Board of Directors of the Issuer will allocate all the Shares subscribed for by the Eligible Shareholders on a pro rata basis. The surplus of subscribed shares, in excess of the Preemption Rights, which may result from the failure of some shareholders or those to whom the Preemption Rights have been assigned to exercise these rights, will be allocated to Eligible Shareholders who wish to subscribe to a number of Shares exceeding the percentage allocated to each of them, in accordance with the applicable rules.

Refund of Subscription Surplus Amount

The value of the subscription will be paid by the Subscribers prior to the closing date of the Subscription Period at the latest, and if there is any surplus in the amounts that the Subscribers will transfer to the subscription account for the Shares allocated to them (in the event of partial or full rejection of their applications), these amounts will be refunded on the date set by the Company within a period not exceeding five (5) Business Days from the date of the allocation of Shares without interest.

Compliance with the Laws

The Subscription Agent, Lead Manager, the Clearing and Depository Agent, and the Issuer shall comply with the laws, rules and regulations applicable to the Offering by the Company in any country where the Offering is taking place or is being marketed or offered for subscription or where this Prospectus is being distributed and the Issuer, the Subscription Agent and the Lead Manager and the Clearing and Depository Agent shall obtain all applicable approvals, certifications and permits that are required in such countries in order to carry out such activities pursuant to the laws and regulations applicable in each relevant country.

USE OF PROCEEDS

The total value of the proceeds from Offering will amount to KWD 10,000,000 (ten million Kuwaiti Dinars only) representing a nominal value of KWD 2,000,000 (two million Kuwaiti Dinars only) and the share issuance premium of KWD 8,000,000 (eight million Kuwaiti Dinars only). The proceeds of the Offering will be used to support the Company's operations and to provide sufficient liquidity amid extended periods of airport closures.

The following table shows the estimated uses of proceeds:

Size of the Issuance	Amount (KWD)
1) Nominal value of the Offering	2,000,000
2) Total value of the share issuance premium	8,000,000
Total	10,000,000

Estimated Uses of the Offering Proceeds	Amount (KWD)
1) General corporate purposes	9,900,000
2) Share issuance related costs (maximum)	100,000
Total	10,000,000

BUSINESS DESCRIPTION OF THE COMPANY

Incorporation

Jazeera Airways Company K.S.C.P. (the "**Issuer**", the "**Company**", "**Jazeera Airways**", or "**Jazeera**") was incorporated by Amiri Decree on 3 March 2004 as a Kuwait Public Shareholding Company, in accordance with Law No. 1 of 2016 of the Commercial Companies Law in the State of Kuwait. The Company is registered with the Ministry of Commerce and Industry ("**MOCI**") with commercial registration number 102546, and regulated by the Capital Markets Authority ("**CMA**") in accordance with Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and Regulating Securities Activities and its Amendments. Additionally, all air transportation and related activities are subject to the supervision of Directorate General of Civil Aviation, in accordance with License No. 2005-AT / 1 issued on 24 October 2005.

Registered Office

Liberty City, Kuwait International Airport - Airport Road 55 – Opposite the Ceremonies Auditorium.

Objectives as per the articles of association

The Company is engaged in the business of air transportation and commercial passenger services under a license from the Directorate General of Civil Aviation, and the operation and maintenance of an airport terminal in Kuwait. The objectives of the Company are as follows:

- 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 favor 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 project (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 and abroad 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 al 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.

Listing

The Company was listed on Boursa Kuwait on 14 January 2008.

Authorized, Issued and Paid-up capital

As at 31 December 2020, the Issuer's authorized, issued and paid-up share capital was KWD 20.0 million, consisting of 200,000,000 shares of 100 fils each. On 19 May 2021, the Extraordinary General Assembly Meeting of the Company approved the Board of Directors' recommendation to increase authorized capital to be KWD 22,000,000 comprising 220,000,000 ordinary shares with par value of 100 fils each.

Ownership

As at 31 December 2020, the following shareholders have holdings in excess of 5.0% of the Issuer's issued ordinary share capital:

Shareholders	Ownership Stake (%)
Jassim and Marwan M J Boodai & Group (Shell House R. E., Boodai Reliance R. E., Wings Trust Gen. Trdg, Al-Bawadi Intl R. E., Al-Jisr United R. E., Ghanayem Al-Khaleej Gen. Trdg, Golden Share R. E., Travel Technology Systems, Silver Share R. E.)	54.33%
Jassim Mohammed Al Moosa Sons Enterprises General Trading	9.41%

Subsidiaries

As at 31 December 2020, the Company had the following subsidiaries:

Name of the Company	Country of Incorporation	% of Holding
Al Sahaab Aviation Services W.L.L.	Kuwait	99.99%

Group Status

As at 31 December 2020, one shareholder owned a controlling stake in the Company as shown in the ownership table above. This shareholder also invests in other companies, that don't have direct relationship with the Issuer.

Extraordinary Factors that May Affect the Company's Business Activity

The outbreak of the novel Coronavirus ("**Covid-19**") and its rapid spread across several geographic regions during 2020 and its declaration as a pandemic by the World Health Organization (WHO), causing widespread business disruptions and uncertainties surrounding economic activities.

Governments around the world have taken several measures to restrict the spread of the virus, by imposing travel restrictions and quarantine measures. Accordingly, on 13 March 2020, the Directorate General of Civil Aviation (DGCA) had decided to suspend all commercial flights incoming to and departing from the State of Kuwait, with the exception of cargo and evacuation flights. This in effect had direct financial and operational implications on the Issuer. For more details, please refer to Risk Factors section in this Prospectus.

Corporate Social Responsibility

Jazeera Airways is committed to the engagement and inclusion of the local community, in which it offers its services on various occasions to, and that emphasize its social responsibility in areas including culture, education, and health.

<u>The Company's efforts during the pandemic include:</u>

- <u>Repatriation Flights</u>: During the start of the pandemic and the subsequent suspension of commercial flights, Jazeera Airways provided its aircrafts to the Government of Kuwait to contribute and support efforts to repatriate Kuwaiti citizens stranded around the world, as well as to transport needed medical goods and equipment. The evacuation plan lasted from 25 March to 10 May, during which the Company participated in the largest air bridge operation to return Kuwaiti citizens, operating more than 60 flights that transported over 6,800 Kuwaiti citizens from several city destinations including both those currently served by the Company as well as from other cities outside its usual network, such as London, Warsaw, Moscow, Yerevan, Riyadh, Manama, Dubai, Doha, Amman, Istanbul, Alexandria, Cairo, Najaf, Tehran, Tbilisi and Sarajevo.
- <u>Construction of a Reception Center for Citizens</u>: Jazeera Airways constructed the "Passenger Reception Center - Kuwait" in cooperation with the Directorate General of Civil Aviation and the Ministry of Health, enabling the assigned medical teams to test and examine returning citizens upon their arrival. Jazeera Airways has also placed its facilities under the Ministry of Health's disposal, one of which includes the transformation of Jazeera's "Park & Fly" parking station into a quick examination center for COVID-19, in which the Ministry of Health conducts necessary tests. The engineering team at Jazeera Airways prepared and equipped the facilities according to the strict requirements and specifications stipulated by the Ministry of Health. As a result of the success of establishing the first center, the engineering team prepared a second center in Jaber al-Ahmad International Stadium.
- <u>Free tickets for Frontline Workers</u>: In June 2020, Jazeera Airways announced the provision of fifty thousand free round-trip flight tickets for workers in the frontline during the pandemic in Kuwait.

Graduate Development Program

Jazeera Airways offers opportunities for young Kuwaiti nationals and fresh graduates. The Company is keen to support Kuwaiti graduates develop their skills and capabilities in the field of aviation through training provided in all airline-related functions in accordance with best policies and practices in the sector. The training includes practical on-the-job responsibilities with clearly defined objectives.

BUSINESS OVERVIEW & STRATEGY

Overview

Jazeera Airways Company K.S.C.P. (hereinafter referred to as the "**Company**", the "**Issuer**", "**Jazeera Airways**", or "**Jazeera**") is a Kuwaiti publicly traded company and is listed on Boursa Kuwait (formerly known as Kuwait Stock Exchange) since 14 January 2008. Jazeera Airways is based in Kuwait and was established in 2004. The Company commenced its operations in 2005, where it was granted a license permitting the Company to practice its activities by the Directorate General of Civil Aviation on 24 October of the same year. The Company is engaged in the business of air transportation and commercial passenger services, as well as managing its own terminal at the Kuwait International Airport. Ever since, the Company has worked with many companies in the field of aviation, aircraft maintenance, equipment, tourism, as well as car rental companies and hotel agencies, locally and worldwide.

Business Activities

The Company provides numerous services in relation to air transportation. The below offers an overview of the Company's primary business activities:

A. Passenger Transport Services

The Company provides passenger transport services from and to Kuwait, from various surrounding countries within the Middle East, the Indian subcontinent, the European Union, and other destinations, which amounted to 31 destinations in total by the end of December 2019. By that time, the Company had transported nearly 2.4 million passengers utilizing its fleet of 13 aircrafts, which include the A320 and the newer and improved A320-neo class aircraft – the Company was the first carrier to introduce this particular fleet in the Middle East in June 2018.

Passenger transport services offer three key tailor-made fare categories for passengers to choose from in the Economy Class, which are the Light, Value or Extra categories, each providing them with a set of services to meet their needs. Passengers in Economy Class Light, the lowest fare category, are offered basic services with the lowest baggage weight allowance for passengers, but bears any and all add-on costs, such as extra baggage weight, choice of seat, in-flight meals, or business lounge access. Passengers in Economy Class Value are allowed an additional 20 kilograms checked-in baggage allowance, and reduced charges for additional weight, but the traveler bears the additional costs for choice of seat, in-flight meals and business lounge access. Passengers in Economy Class Extra are allowed 30 kilograms checked-in baggage allowance, reduced charges for additional weight, priority check-in, and may select from exclusive flight seats. Extra also allows passengers the right to cancel and amend flights up to 24 hours before departure.

Economy is the main class offered on Jazeera Airways and attracts the largest passenger traffic.

Moreover, the Company's fleet offer a variety of services, which include personal screens and a variety of foods and beverages to select from. Passengers can also upgrade their seat selection as per one of the following:

- Premium Seat: Rows 4-6 with 31–inch seat pitch, as well as priority boarding.
- Preferred Seat: Rows 7-10 with 31–inch seat pitch.
- Extra Legroom Seat or XL Seat: Rows 11 – 12 with maximum possible legroom with 36-inch seat pitch.

The Company provides passenger flight services through several electronic platforms, including its website (www.jazeeraairways.com), mobile application (Jazeera Airways), in addition to travel agencies and companies working in the field of travel and bookings. The Company's website and mobile application provide a simple and straightforward way to make reservations at the best rates, while opting for any additional services of choice. Complementing its direct services, a group of the Company's partners, such as Booking.com (hotels), Rentalcars.com (cars), and AIG (insurance) offer special deals to customers booking through their websites.

B. Additional Passenger Services

In addition to passenger transport services, the Company also provides many supporting services, which include:

- Park & Fly at Kuwait International Airport: Allows passengers to drive to a designated parking lot at the Airport, where a trained valet agent will take care of the passenger's car, check-in the passenger, and assist the passenger to board the shuttle service to the departure terminal directly – bypassing the usual traffic and skipping airport queues.
- Jazeera Charter: Jazeera Airways provides charter services from Kuwait International Airport to the destinations specified by certain customers, fulfilling the customers wish to fly privately for a family or business trip.
- Pearl Lounge: One of the newer lounges at Kuwait International Airport, Pearl Lounge is available to travellers of all destinations, where they can find a wide range of exceptional services and various amenities to make use of their time prior to their flight departure.
- Meet & Assist: The Company provides Meet & Assist services upon departure and arrival at key international airports, through its partner Fasttrack.aero. This service allows the Company to take care of all the traveller's needs, whether they are travelling for business or leisure.
- Priority Service: Since January 2020, the Company introduced its new Priority Service, which caters to passengers who seek a faster service when travelling.
- Hotel Booking: This entails booking of hotels across all destinations the Company operates in, through their partnership with Booking.com.
- J Café: The Company offers a variety of meals on board its flights, by pre-ordering by 24 hours prior to flight departure or ordering directly on board.

C. Air Cargo

The Company provides air freight services from and to Kuwait International Airport that are fully designed to meet customer requirements at a competitive price. These services include:

- General Cargo: A service that enables you to conveniently move your regular shipments.
- Perishable Cargo: A service to ensure that your perishables arrive fast and fresh.
- Express Courier: A speedy service for paperwork connected to a specific deadline.
- Unaccompanied Bags: A service to provide passengers with the option of moving your unaccompanied bags to wherever you fly.
- Dangerous Goods: Highly specialized service for transportation of Dangerous Goods as per IATA and ICAO regulations.

D. Jazeera Terminal 5

Jazeera Airways operates its own terminal at Kuwait International Airport, Jazeera Terminal 5 ("T5"), to ensure a comfortable experience for its customers. The Jazeera Airways terminal offers many benefits to travelers, such as:

- Direct access to the terminal: The location of the Jazeera Airways building provides a shortcut that enables travelers via Jazeera Airways to avoid passing through the traditional road to Kuwait International Airport and avoid congestion at the main airport building.
- Duty Free & Dining Outlets: T5 now features a Duty-Free area for passengers, where they can purchase perfumes, gifts, confectionery and tobacco before boarding their flight. Several food and beverage outlets are also available in the terminal for passengers awaiting to board their flight.
- Wi-Fi: Each gate at the Jazeera Terminal now offers complimentary Wi-Fi for all passengers.
- Self-Service Kiosk: New self-service kiosks are provided for passengers to check-in, print their boarding pass, and collect their luggage tags at their convenience.
- Car Park: The Company offers passengers car parking services, in addition to receiving bags, providing check-in assistance, and gaining direct access to immigration offices to complete travel procedures by arranging for transportation using designated buses, where an additional amount is paid based on the services provided.
- Customer Service Team: The Company has dedicated on-ground support staff, who are there to ensure every passenger's experience with Jazeera is as comfortable as possible, from providing flight information to assisting with any baggage disruptions.
- Transfer Desk: The transfer desk is located in the arrivals area on the ground floor and provides necessary assistance to transfer passengers and provides assistance to passengers with their onward flights.
- Visa on Arrival Desk: The Visa on Arrival desk is accessible at the Arrivals area located before the Immigration Office. Whether passengers have pre-ordered the service online or wish to apply on arrival, passengers from any of the 52 permitted countries to which the State of Kuwait directly grants a Visa upon arrival may present themselves at the desk to process their Visa application

Developments in operations due to the global pandemic

Passenger Service Developments:

- After the decision to suspend commercial flights to Kuwait International Airport on 13 March 2020, the Issuer instead focused on operating one-way flights as travellers were not allowed entry to Kuwait, with the exception of incoming evacuation flights. The suspension of commercial flights led to incoming and outgoing flights to Kuwait that were free of passengers. With the start of the initial flights resumption plan announced by the Government of Kuwait on 1 August 2020, a list of 34 banned countries was announced concurrently, where flights from these countries were suspended; the travel ban comprised of India, Pakistan, Egypt, Lebanon, Nepal and UK (which was added to the original list in December 2020).
- The Company has shifted its focus to connecting cities and destinations outside the State of Kuwait, such as transporting passengers from Dhaka to Riyadh or from Kathmandu to Dubai or Doha, among others. As a result, Jazeera Airways avoided the challenges represented by the inability of a large

segment of passengers to enter the State of Kuwait. The Company also operates one-way flights to destinations located six hours from its main centre at Kuwait International Airport, including destinations with high demand in the Indian subcontinent to serve the segment of residents in Kuwait wishing to visit their home countries.

Cargo Service Developments:

- The exceptional circumstances required rapid adaptation and expansion of air freight services, which enabled the Company to support the operations of a large group of local companies and institutions by securing food, basic products and other resources in the State of Kuwait. The Company dedicated its aircrafts to serve this sector, with a payload of up to 15 tons per plane, to destinations located within six hours from Kuwait.
- The Jazeera Airways team succeeded in obtaining the necessary certificates from the Director General of Civil Aviation in Kuwait and from Airbus to operate these types of flights within two weeks, operating its first such flight at the beginning of April 2020.

Jazeera Terminal (T5) Developments:

- The restrictions imposed on airport capacity throughout the year impacted Kuwait International Airport's operations in general, and specifically affected Jazeera Terminal 5 in specific. With passengers unable to travel freely, traffic flows through T5 were significantly lowered. Accordingly, the Company waived several months of rent for its tenants.
- Income related to passenger charges and fees also reduced drastically. Revenue from Park & Fly ceased from 13 March until the end of the year, as the parking facility was converted to the first Covid-19 drive-through testing center in Kuwait.

The Company's Five-Year Business Plan

Jazeera Airways' management decided to adopt a future plan that focuses on enhancing profit margins as it continues to grow its fleet and operations. This plan will also support a cost management program, and a strategy to expand the network of destinations by increasing the number of flights to the Indian subcontinent, the Commonwealth of Independent States (CIS), the Gulf Cooperation Council (GCC) countries, and regions of East Africa. Additionally, the plan includes the development of the infrastructure at the Company's headquarters and the Jazeera Terminal (T5) at Kuwait International Airport. The following three initiatives showcase our anticipated expansions of Company services:

1. Air Transportation Services

Jazeera Airways is aiming to return to its growth plan supported by its agile business model, solid fundamentals, and comprehensive infrastructure. Further, the terminal operations have proven to be an integral part of the Company's business model, especially after considering it has proven its value and ability to support the Company's operations. Jazeera Airways intends to expand its fleet from 13 aircrafts at the end of 2020 to 30 aircrafts by 2025 to support a growing network of destinations that will reach 69 destinations, serving approximately 5.4 million passengers a year across the Middle East, Asia and Europe. In the short term, the Company also plans to announce the launch of new routes during 2021 to expand its network of destinations, and expects to receive delivery of four new aircrafts during this year.

Despite the restrictions currently imposed, Jazeera has succeeded in launching new commercial flights. The Company launched its first flight to the Turkish tourist destination, Trabzon, on 3 August 2020, with two flights per week, every Monday and Friday. This was followed by the launch of a flight route to Dhaka, the capital of the state of Bangladesh, on 1 October of the same year, and adding a flight to the Omani capital, Muscat, on 2 November as well. The Company also continued to operate scheduled commercial flights to other high-demand Turkish destinations as well as Dubai, and for a limited period, to various destinations in the Kingdom of Saudi Arabia.

The Company's predictions for future plans were based on the easing of travel restrictions and resurgence of international air travel, as it is expected that travel traffic will return gradually, starting from the second half of 2021, to levels much higher than that of 2020. In this context, IATA announced that the expected growth in demand in travel will increase by 50.4% compared to 2020 and reflecting 50.6% from 2019 levels.

2. Cargo flights

It is expected that the Company will continue to operate fully dedicated cargo flights with easing of travel restrictions, provided that the Company will balance the activities of passenger services and cargo activities with a focus on high profit margin activities.

3. Jazeera Terminal 5 (T5)

It is expected for developments to continue in the terminal building, which began operations during the year, from which the Company has served many private and commercial flights, as well as flights of other airlines. The Company has also started working on a new duty free market initiative that aims to increase revenues from this sector. In addition, it has completed the construction of a supporting operational building that will boost operations greatly by enabling the Company to operate hospitality services on board its aircraft and carry out maintenance operations, as well as accommodate equipment for ground operations and several other services.

It is expected that the accelerated Covid-19 vaccination programs in the State of Kuwait and worldwide will gradually result in lifting the restrictions imposed on Kuwait International Airport, which will in turn increase demand for airline operations during the summer season.

RISK MANAGEMENT

Risk Management is the process of identifying, assessing and addressing the risks facing an organization. The primary objective of establishing a risk management function is to assist the management in achieving performance and profitability objectives by maximizing business opportunities whilst minimizing the possibility and impact of adverse events and loss of resources on the Company. The risks inherent in the ongoing business activities of the Company are managed in an organized and systematic manner through the application of company risk policies. Accordingly, risk management is an integral and continuous function within the Company's day-to-day undertakings and is carried out by the Board of Directors, Risk and Audit Committee, Senior Management, as well as employees. The methodology applied in risk management relies on setting policies and procedures that include identifying, analyzing, evaluating, responding to and following up on sources of risk and events that may lead to an adverse impact on the Issuer, thus achieving the Company's objectives successfully and avoiding unforeseen events.

The Board of Directors is responsible for establishing a sound risk management strategy that provides direction for implementing effective risk management policies, procedures, and other measures, whereas the Risk Management Committee is responsible for implementing an effective risk management framework, systems, policies and procedures in line with the objectives and strategies set by the Board. Risk Officers are responsible for assisting the Senior Management in implementing the risk management function within the Company, while Concerned Business Heads are responsible for managing the risks inherent within their business divisions/departments as per the Company's policies and procedures.

Company Risk Policy:

The Company's risk policy addresses the following main points:

- Defining and identifying key risks associated with the various business functions and operations.
- Clearly defining the scope of responsibility for managing various risk categories.
- Examining identified risks in terms of probability and impact, and prioritized accordingly.
- Ensuring the methodology applied in managing risks shall be in accordance with the risk management strategy based on the nature and category of risk, and the tolerance limit for the said risk.

Operational Risk Management

The Company's operational risk management focuses on achieving the following:

- Acknowledge the risks involved throughout the course of the Company's business activities, and the Company's approach to managing those risks.
- Define the Company's risk philosophy, upon which the risk management system is developed.
- Provide direction and serve as a guide to employees in establishing and managing the Company's risk management function.

Operational risk management functions are summarized in respect to its adherence to comply with the following:

- Compliance with laws and regulations.
- Avoid reputational damage and its associated consequences.
- Effective flow of information and reliable reporting system.
- Safeguarding assets.

- Prevention and detection of frauds and irregularities.
- Readiness to manage contingencies of events with negative impact.
- Sound governance practices.

CORPORATE GOVERNANCE

The basic foundations of the Corporate Governance Framework followed by the Company are aligned with the provisions of Module Fifteen of the Executive Bylaws and the provisions of Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities. Below is a summary of the framework:

Rule One: Construct a balanced Board Composition:

Formation of the Board of Directors:

The Board of Directors of Jazeera Airways Company K.S.C.P. is composed of eight members who were elected by the General Assembly on 10 November 2020 for a period of three years. The Board of Directors of the Company was formed in accordance with the Company's nature of business activity. The majority of the Members of the Board of Directors are Non-Executive Members; the Board of Directors includes two (2) independent members, where all members enjoy diverse expertise and specialized skills that enhance the efficiency of undertaking resolutions.

The Board of Directors is responsible for developing the Company's vision, mission, objectives and general strategy to achieve shareholders' expectations. The Board works to avoid conflicts of interest, and that the priority is always in the interest of the Company. The Board has formed several committees derived from it to follow up on the implementation of best practices. The Governance Guide outlines the composition, roles, powers and responsibilities of the committees, and the assessment of committees, executive management and Board of Directors, and the determination of shareholders' rights, the establishment of code of ethics and the organizational policies of the Company. The Board of Directors has also established the financial, administrative and operational authorities which define the authority of each of the executive management and committees drawn from the Board of Directors. The Board of Directors is formed in accordance with the provisions of Companies' Law and Capital Markets Authority guidelines.

Rule Two: Establish appropriate roles and responsibilities

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 general framework of governance within the Company includes the responsibilities of the Board of Directors and defines their roles as it relates to the branching committees, in addition to the roles and responsibilities of the Executive Management, which all aim to protect shareholders' rights.

Roles and responsibilities of the Board of Directors:

- Approving the Company's major goals, strategies, plans and policies, for example, at the minimum.
- Acknowledging annual estimated budgets and approving phase and annual financial information.
- Supervising the Company's main capital expenses, assets ownership and disposal.
- Ensuring the Company's commitment with policies and procedures that procure the Company's compliance with internal applicable rules and regulations.
- Safeguarding accuracy and validity of the data and information to be disclosed in accordance with applicable disclosure and transparency policies and rules.
- Constructing effective communication channels that enable the Company shareholders periodic and continuous access to company various activities and any essential developments therein.

- Setting corporate governance framework with general supervision and monitoring how effective it is and amending the same, if necessary.
- Pursuing performance of each Board member and executive management member subject to Key Performance Indicators (KPIs).
- Forming specialized sub-committees where period, powers and responsibilities of the committee, titles of members and determining their roles, rights and duties are clarified and how the Board shall monitor it. This is in addition to assessing performance of the committees and their main members.
- Ensuring that company policies and procedures are transparent and clear so that resolutions' taking and governance principles are applied. This in addition to separating powers and authorities of both Board of Directors and executive management.
- Determine the powers authorized to executive management.
- Audit and supervise performance of executive management members and procuring their accomplishment of all assigned roles so that the Board can.
- Appoint or remove any of executive management members.
- Set a policy for regulating relationship with Stakeholders to protect their rights.
- Set a mechanism to regulate dealings with Related Parties to avoid conflicts of interest.
- Periodically ensure the applicable internal audit systems' efficiency in the Company.
- Recommending the appointment of independent auditors.
- Approving the code of conduct, work ethics and the policies and procedures of the Company.

Roles and responsibilities of the Executive Management:

The activities of the Company are carried out by the executive management under the supervision and guidance of the CEO with the aim of striking balance in the relations between the Company, its employees, investors and customers, and ensuring the work within the objectives of the Company and devoting its resources appropriately to meet its objectives and to be in line with the Company's policy and strategy.

The executive management is responsible for the Company's practices, activities and operations. The executive management roles and responsibilities in general are the achievement of objectives, oversight of day-to-day operations of the Company's activities, participation in strategic planning, and the 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.

Board of Directors Committees

The Board of Directors has formed specialized committees to help in accomplishing board assigned roles in relation to supervision, strategic planning, governance, risk management and control. These committees have been formed in accordance with the applicable governance rules and resolution which include the committee chairman and titles of members. The following provides a summary of all specialized committees:

I. Audit Committee Members:

Name	Position	Classification
Hany Shawky Younis	Chairman	Non-Executive
Marzouq Jassim Marzouq Boodai	Member	Non-Executive
Yaan Mehdi Pavie	Member	Independent

II. Risk Committee Members:

Name	Position	Classification
Hany Shawky Younis	Chairman	Non-Executive
Marzouq Jassim Marzouq Boodai	Member	Non-Executive
Yaan Mehdi Pavie	Member	Independent

III. Board Remuneration and Nominations Committee Members:

Name	Position	Classification
Ahmad Abdalla	Chairman	Non-Executive
Marzouq Jassim Marzouq Boodai	Member	Non-Executive
Hany Shawky Younis	Member	Non-Executive
Yaan Mehdi Pavie	Member	Independent

A summary on how the application of the requirements that allow Board members to obtain accurate and timely information and data:

The Board of Directors has ensured that all required information and data are provided in an accurate and timely manner. Mechanisms have been approved and headed by the Board Secretary, guaranteeing the soundness and integrity of the Company's reports, and that work towards constructing effective communication channels between the Board Secretary and the members of Board which ensure good delivery and distribution of information and coordination amongst the Members of a Board of Directors and other Stakeholders in the Company, including shareholders, different departments in the Company, and the employees.

The executive management provides full and accurate information and data on time for all the Members of the Board of Directors to help them perform and fulfil their duties and roles efficiently.

The Board of Directors is ensuring that all reports are prepared with high-quality and accuracy. The executive management is providing these reports to Members of the Board of Directors on time to facilitate the timely execution of resolutions.

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

The Board's Remuneration and Nomination Committee helps the Board of Directors to accomplish its assigned roles related to effective compliance with the policies and procedures applicable to remuneration and nomination. It also reviews performance measures and appointment procedures for members of the Board of Directors and executive management, whilst also ensuring that the remuneration and nomination policies are in line with the strategic objectives of the Company.

The Board's Remuneration and Nomination Committee term limit is valid 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 Corporate Governance Manual.

Rule 4: Safeguard the Integrity of Financial Reporting

The members of the Board of Directors of the Company had assured that the financial statements and reports of the Company have been prepared and presented in a fair and sound manner, and that the same reflects the

Financial Position of the Company and operational results in accordance with accredited accounting standards applied in the State of Kuwait and approved by CMA.

The Audit Committee helps the Company's Board of Directors in fulfilling its oversight related roles to financial reporting, internal control system and the Company's monitoring procedures for compliance with laws, regulations, and professional code of conduct. Furthermore, the Audit Committee assists the Company's Board of Directors in fulfilling its oversight related roles to current and potential risks inherent to the Company's activities, identifying weaknesses, and taking corrective action. Determining the extent to which the governance rules are implemented to ensure that shareholders' objectives are in line with the Company's management objectives and to enhance investor's confidence of system efficiency that protects their rights.

The Board of Directors is working towards reducing cases of potential conflicts of interest. The Audit Committee had verified the independence and integrity of the external auditor, by setting standards and principles for assessing its independence, so that it can recommend to the Board of Directors the appointment or re-appointment or change of the external auditor.

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

The Company has applied effective systems and procedures of risk management in order to be able to measure and monitor all types of risks to which the Company is exposed to, in order to identify, evaluate, measure, and manage the main risks encountered by the Company. Risk management at the Company is the joint responsibility of the Company's management and its employees, and it is ensured that the importance of risk management is conveyed and the duties are carried out in line with the general risk management framework. The Company has a risk officer responsible to measure, monitor, and mitigate all types of risks encountered by the Company.

The Risk Committee provides adequate resources and appropriate systems to the risk management unit, and evaluates the systems and mechanisms for identifying, measuring, and monitoring the various types of risks that the Company may be exposed to. The risk committee had been formed in compliance with the governance rules stipulated in article no. 6-4 of Corporate Governance Manual.

The Board of Directors verifies the adequacy and effectiveness of the internal control systems necessary to the Company's operations, as well as verifies compliance with those systems. The Company has effective internal control and internal audit systems that cover all the Company's activities to maintain its financial soundness, data accuracy, operations effectiveness. The Company had assigned an independent audit firm to evaluate and review the internal audit systems and prepare a report in this regard (Internal Control Report), which is submitted to the authority per annum. The Company has assigned another independent audit firm to revise and evaluate the internal audit unit periodically – every three years, and a copy of the report is provided to both, the internal audit committee and the Board of Directors.

Rule 6: Promote Code of Conduct and Ethical Standards

The Board of Directors approved the code of conduct and ethical standards for values in the Company. The integrity, accountability, and respect are among the fundamental principles established in the code of conduct that includes best practices and professional behaviors in order to achieve the Company's interest, the interests of shareholders, and other stakeholders, and not only the interests of a specific group, in addition to providing an opportunity for members of the Board of Directors, executive management, and employees to achieve the Company's goals.

The Company applies procedures and mechanisms to avoid conflict of interests, whereby the members of the Board are working towards the interests of shareholders, avoiding conflicts of interest, whether financial or non-financial, between their personal interests and carrying out their assigned roles. These mechanisms aim to prevent conflicts of interest and use of internal information to achieve personal interests. These mechanisms are also part of the Company's commitment to integrity in dealing with related parties. The Company has established a set policies and procedures to ensure that the Company's assets and resources are not used to achieve personal interests.

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

The Company applies mechanisms and policies for disclosure and transparency, which set to achieve fairness and transparency, preventing conflicts of interest and exploiting internal information. These mechanisms and policies aim also to organize the Company's procedures to disclose the material information which covering all data that must be disclosed to the Capital Markets Authority and other stakeholders of the Company. The Company's website provides all complete, accurate and also disclosed information that all shareholders of the Company need.

As per Capital Markets Authority requirements and the governance rules stipulated in article no. 8-6 of Corporate Governance Manual, the Company had prepared a register of disclosures of the members of the Board of Directors, and such register is available to be reviewed and it is updated periodically.

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 Company has also developed the infrastructure for the information technology on which it significantly relies on in the disclosure processes. In compliance with Corporate Governance rules stipulated in article no. 8-8, the Company has created a section on its website dedicated to corporate governance that displays all recent information and data that helps current and potential investors to exercise their rights and evaluate the Company's performance.

Rule 8: Respect the Rights of Shareholders

Protecting shareholders' rights remains one of the key requirements of the Corporate Governance Rules and the Companies Law. Additionally, in compliance with providing the highest levels of transparency and equality in transactions with current and future shareholders, the Company's Memorandum of Association, Articles of Association, and polices and regulations include procedures and conditions necessary to protect the rights of stakeholders, especially shareholders. The Company also ensures having access by all stakeholders, specifically the shareholders, to the rights in a manner that achieves fairness and equality. The general rights of shareholders include:

- List the ownership value of their shared investment in the company records.
- Dispose Shares, including registration and transfer of ownership.
- Receive the decided share in dividends.
- Have access to data and information of the company activity and operational and investment strategy regularly.
- Participate in meetings of the shareholders' general assembly and vote on the resolutions thereof.
- Elect Members of Board of Directors.

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 record is being updated through follow up and coordination with the clearing company.

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 is considered an inherent right for all shareholders as stipulated in the Company's 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, and all data included in the disclosure register through the Company website.

Rule 9: Recognize the Roles of Stakeholders

The Company has established a policy to protect stakeholders' rights. The policy ensures 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's usual activities. Through the Company's good financial performance, it had 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.

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

- Shareholders: The Company has established a policy to protect shareholders' rights as stipulated in the law and related instructions, and as part of the Corporate Governance Framework, in addition to effective communication with shareholders to know their views on various matters concerning the Company through the Investor Relations Unit.
- Regulatory Authorities: The Company adheres to the laws, executive regulations and instructions issued by the Capital Markets Authority, the Ministry of Commerce and Industry, and any other related Regulatory authorities; the Company also cooperates 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, as well as develop the skills of all the Company's employees. The Company's focus is on providing professional development and the necessary training programs, in addition to directing recruitment efforts towards recruiting and training national labor.

Rule 10: Encourage and Enhance Performance

The continuous training of the Board of Directors Members and executive management is a cornerstone of good governance rules, as it significantly contributes to enhance the Company'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 understanding of the Company’s operations, strategy, financial goals, and operational aspects of all company activities, and legal and supervisory obligations.

The Company had developed mechanisms to evaluate performance of the Board of Directors members and the executive management members periodically through Key Performance Indicators (KPIs) related to the extent of achieving strategic goals and the sufficiency of internal control systems, where self-evaluation procedures are accordingly made for members of the Board of Directors and its committees and define a plan to develop the work of the Board of Directors as well as the necessary development and training aspects.

The Board of Directors is working on value creation within 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. The extent of commitment to corporate values is linked with the performance evaluation of the employees to ensure achievement of the Company's strategic goals.

Rule 11: Focus on the Importance of Corporate Social Responsibility

The Company has developed and applied a policy to achieve a balance between its goals and the goals that society seeks to achieve. The Company is aligning its values and strategy with social and economic needs. Moreover, the Company provides the community with the support necessary to achieve business and social benefits in the long term.

The Company has established an effective framework of social responsibility, including responsibilities towards society, environment, and stakeholder participation and employee development. The Company also works to increase the degree of awareness of social responsibility among its employees by applying appropriate awareness and education programs, ensuring employees good familiarity with goals of social responsibility exercised by the Company in a manner that contributes to enhancing the company performance level. The policy works to improve living, social, and economic conditions for workforce in several areas.

MANAGEMENT

Board of Directors

The Board of Directors of Jazeera Airways Company K.S.C.P. is composed of eight members who were elected by the general assembly on 10 November 2020 for a period of three years. The Board of Directors of the Company had been properly composed in accordance with the Company's activity, volume and nature. The majority of Members of a Board of Directors are Non-Executive Members. The Board of Directors also includes two (2) independent members and all members have variety of experiences and specialized skills in order to enhance the efficiency of undertaking resolutions. The table below presents the members of the Company's Board of Directors and the corresponding shareholding percentage, as of 31 December 2020:

Name	Position	Classification	Notes	No. of Shares	% Ownership
Marwan Marzouq Jassim Boodai*	Chairman	Non-Executive	Elected	943,539	0.472%
Mohammad Jassim Mohammad Al-Mousa**	Vice Chairman	Non-Executive	Representative of the Travel Technology Systems Co.	90,908	0.045%
Marzouq Jassim Marzouq Boodai	Board Member	Non-Executive	Representative of Boodai Reliance Real Estate Co.	2,808,084	1.404%
Ahmad Abdalla	Board Member	Non-Executive	Representative of the Golden share Real Estate Co.	90,909	0.045%
Hany Mohamed Shawky Younis	Board Member	Non-Executive	Representative of the silver share Real Estate Co.	47,619	0.024%
Dermot Edward Mannion	Board Member	Non-Executive	Representative of Al Bawadi International Real Estate Co.	18,262,638	9.131%
Yaan Mehdi Pavie	Board Member	Independent	Elected / Independent	-	-
Bertrand Phillip Grabowski	Board Member	Independent	Elected / Independent	-	-

** Represents the direct ownership and not the indirect ownership through the controlling group.*

*** Represents the direct ownership through Travel Technology Systems Company and not the indirect ownership as disclosed on Boursa Kuwait.*

The following is a brief biography of each of the Board members:

Marwan Marzouq Jassim Boodai

Chairman of the Board of Directors
Date of Appointment: 10 November 2020

Mr. Marwan Boodai currently holds the position of Chairman of the Company and is an executive partner of the Group that founded Jazeera Airways Company K.S.C.P., whilst also holding executive positions in several closed and public shareholding companies. Mr. Boodai has excellent management skills and experience in both financial and commercial sectors at the local and regional level for more than 30 years. He was formerly the Chairman of The Transport & Warehousing Group Co K.S.C.P. and Hilal Cement Company K.S.C. P.

Mohammad Jassim Mohammad Al-Mousa

Vice Chairman of the Board of Directors
Date of Appointment: 10 November 2020

Mr. Mohmmad Al-Mousa currently holds the position of Vice Chairman of the Company. His previous positions include roles in the National Industries Company for Building Materials (NICBM) and Metal and Recycling Company (MRC). He has experience in projects management, and is the Co-Founder of Jamsons Company and acts as the Vice President and Managing Partner of the Company.

Mr. Mohammad Al-Mousa holds a degree of Industrial and Management Systems Engineering from Kuwait University.

Marzouq Jassim Marzouq Boodai

Non-Executive Member, Board Remuneration and Nominations Committee Member
Date of Appointment: 10 November 2020

Mr. Marzouq Boodai currently holds the position of Board Member of the Company. He holds several positions in publicly-listed companies, such as 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). Mr. Boodai is experienced in the development of logistics services, passenger transport, and heavy equipment.

Mr. Marzouq Boodai holds a Bachelor's degree in Management Information Systems from the Gulf University for Science and Technology.

Ahmad Abdalla

Non-Executive Member, Chairman of the Board Remuneration and Nominations Committee
Date of Appointment: 10 November 2020

Mr. Ahmad Abdalla currently holds the position of Board Member of the Company. His other positions include Vice Chairman of Gulf Projects For Cooling and Electricity Co. K.S.C.P, Gulf Engineering Co K.S.C.C. and Kuwait Application Service Provider K.S.C.C. (KASP). Mr. Abdalla previously worked in the United States of America and Canada for 18 years where he held different positions in the areas of Management and IT consulting. He has extensive experience in areas of corporate governance, corporate finance, project management and human resources.

Mr. Ahmad Abdalla holds a PhD in Control Systems (ME) from Columbia University in New York.

Hany Mohamed Shawky Younis

Non-Executive Member, Chairman of the Audit and Risk Committees and Member of the Board Remuneration and Nominations Committee

Date of Appointment: 10 November 2020

Mr. Hany Younis currently holds the position of Board Member of the Company. He holds other positions such as Vice Chairman of City Group Co. K.S.C.P., 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. His previous roles include Vice Chairman of Global Investment House and the Chairman of Jordan Trading Facilities Company.

Mr. Hany Younis holds a Bachelor's degree in Commerce and Business Administration from Helwan University in Egypt.

Dermot Edward Mannion

Non-Executive Member

Date of Appointment: 10 November 2020

Mr. Dermot Mannion currently holds the position of Board Member of the Company. He is also currently the Vice Chairman of Royal Brunei Airlines. Mr. Mannion has over 30 years of experience in the airline industry having worked at Emirates Airlines and Aer Lingus.

Mr. Dermot Mannion had graduated from Trinity College Business School, Dublin and is a Fellow of the Institute of Chartered Accountants in Ireland.

Yaan Mehdi Pavie

Independent Member, Member of the Audit, Risk and Board Remuneration and Nominations Committees

Date of Appointment: 10 November 2020

Mr. Yaan Mehdi Pavie currently holds the position of Board Member of the Company. He is also currently the founder and Chairman of Gulf Merger. Mr. Pavie was formerly the Chief Operating Officer and Board Member of NBK Capital and has extensive experience in the field of mergers and acquisitions.

Mr. Yaan Mehdi Pavie holds a BBA/MS from the Fox School of Business and an MBA from the Wharton School, where he graduated as a Palmer Scholar.

Bertrand Phillip Grabowski

Independent Member

Date of Appointment: 10 November 2020

Mr. Bertrand Phillip Grabowski currently holds the position of Board Member of the Company. He is also currently 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. Mr. Grabowski spent 11 years at DVB Bank SE as Board Member responsible for the whole Aviation activity of the Bank as well as Rail Financing. Before joining DVB, Mr. Grabowski 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.

Mr. Bertrand Phillip Grabowski holds a Master's degree in Business Administration from the University of Economics and Management Sciences in France.

Krishnan Balakrishnan

Board Secretary, Secretary of the Audit and Risk and Committees
Date of Appointment: 10 November 2020

Mr. Krishnan Balakrishnan currently holds the position of Board Secretary and has over 26 years of work experience, of which, he spent 9 years as the Company's Board Secretary.

Mr. Krishnan Balakrishnan holds an ACA and AICWA from India.

Directors' Remuneration

	2020* (in KWD)	2021** (in KWD)
Directors' remuneration*	-	24,000

** The Board of Directors meeting held on 22 February 2021 recommended not to distribute directors' remuneration to the board members (with the exception of sitting fees, where contracted) for the year ended 31 December 2020. The recommendation was approved by shareholders at the annual general meeting held on 21 April 2021, while contracted sitting fees amounted to KWD 30,570 (thirty thousand five hundred and seventy Kuwaiti Dinars).*

***Management expects to distribute directors' remuneration amounting to KWD 24,000 for the financial year ending 31 December 2021.*

Confirmation of Financials

The financial results for years 2020, 2019, 2018, 2017 and 2016 have been audited and approved by the Company's General Assembly Meeting of Shareholders on 21 April 2021, 22 June 2020, 15 April 2019, 5 April 2018, and 30 April 2017 respectively. The Company's Board of Directors have been assigned to present the financial results of the Company in accordance with the Companies Law No. 1 of 2016 and its subsequent amendments, and the Board of Directors accepts such responsibility.

Description of transactions carried out between the Company and Related Parties

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company or entities controlled, jointly controlled or significantly influenced by related parties. The terms and pricing policies of such contracts and transactions are approved by the Company's management. The following table presents the details of the key transactions that have been carried out by related parties. The Group does not expect further transactions to be carried out by related parties in the future that will have material financial impact other than within the usual course of business.

	For the year ended	
Summary of Related Party Transactions (in KWD)	31 December 2019	31 December 2020
Balance		
Due from related parties	47,038	1,550
Transactions		
Sales and services	409,397	194,523
General and administrative expenses	721,813	355,565
Key management compensation		
Salaries and other employment benefits	805,407	599,636

Contracts between the Company and the Board of Directors which involves a personal profit

There are no transactions between the Company and any member of the Board of Directors in which a personal profit has been gained other than within the normal course of business.

Executive Management

The Company is managed by an administrative team responsible for the day-to-day supervision and direction of the Company's operations, particularly with respect to ensuring compliance with the Company's strategy, risk management, as well as safeguarding the independence of functions. The executive management performs several tasks, which include the reviewal and discussion of proposals provided by the Board of Directors, implementation of internal policies and regulations adopted by the Board, preparation of periodic reports (financial and non-financial), and preparation of internal auditing and risk management systems and ensuring their efficiency and viability.

Executive Management Members:

Name	Position	Years of Experience in the Company*	Total Years of Experience*
Rohit Ramachandran	Chief Executive Officer	5	20
Krishnan Balakrishnan	Chief Financial Officer	4	26
Ayman Al Shammari	Vice President-Operations	4	27
Naser Al-Obaid	Vice President - Ground Operations	7	26
Andrew Ward	Vice President – Marketing & Customer Experience	5	30
Jarrah Aldhafiri	Vice President – Safety & Compliance Monitoring	5	30
Bharathan Ravindran	Vice President - Sales	1	20
Ginny Sethi	Vice President - Human Capital	4	18
Praful Thummar	Vice President - IT	16	20

** The number of years of experience has been rounded to the nearest year.*

Below is a brief biography of each member of the Executive Management team:

Rohit Ramachandran

Chief Executive Officer

Recently joining the team in 2017 with over 20 years of aviation experience, in both the commercial and operational side of the business, Rohit took on the role of CEO at Jazeera Airways, including aiding the Board with the development of the airline's strategy and working with management on its implementation. Prior to joining Jazeera Airways, Rohit has held leading roles at Singapore Airlines, KLM Royal Dutch Airlines, and most recently United Arab Emirates' low-cost carrier Air Arabia and its subsidiaries and joint ventures.

Academic Qualifications:

- MBA from University of Leicester, UK, & Aviation Law – Cranfield University, UK

Krishnan Balakrishnan

Chief Financial Officer

Krishnan joined Jazeera Airways in May 2018 with over 26 years of experience in Finance. Krishnan oversees finance and funding matters with the aircraft manufacturer and suppliers, in addition to overseeing the day-to-day financial activities for the Company. In his last assignment, he served as the CFO at Go Airlines in India and has held senior finance management positions in Jet Airways, India, and other aviation / airline companies in Maldives, Canada and India.

Academic Qualifications:

- Bachelor of Commerce from University of Mumbai & CA – Institute of Chartered Accountants of India & ICWA

Ayman Al Shammari

Vice President-Operations

Joined Jazeera Airways in 2018 with over 27 years of experience in the aviation industry. Capt. Ayman is responsible for flight operations management and crew training. Prior to joining Jazeera Airways, Capt. Ayman held leadership positions in Kuwait Airways and with the Directorate General of Civil Aviation (DGCA), Kuwait.

Academic Qualifications:

- Diploma in Operations Management – IATA Aviation & Training Institute
- Commercial Pilots License - Air Service Training College, UK

Naser Al-Obaid

Vice President - Ground Operations

Nasser joined Jazeera Airways in 2014 with over 26 years of experience in the aviation industry, handling various ground operations from aircraft line maintenance, ground handling, ground support equipment workshops, facilities maintenance, and quality assurance. Nasser was also instrumental in leading the establishment of the first maintenance, repair and overhaul (MRO) in the region following international standards that attracted international airlines. He also led the establishment of the operational team and service standards at the Khartoum International Airport in Sudan as part of his tenure in National Aviation Services (NAS). Prior to joining Jazeera Airways, Nasser was the director of engineering and director of ground operations at NAS.

Academic Qualifications:

– Bachelor’s Degree in Aeronautical Engineering – Air Service Training, Scotland, UK

Andrew Ward

Vice President – Marketing & Customer Experience

A graduate of Oxford University, Andrew started his career in marketing at Unilever in the UK. He subsequently moved into advertising in London and worked for global agency networks such as TBWA, BDDP and McCann Erickson, heading major international marketing communications accounts for blue-chip companies such as Nestlé, Coca-Cola, Hertz and Seagram. He ran his own communications consultancy for two years before moving client-side in 2009 when he joined Etihad Airways in Abu Dhabi as Vice President Marketing. At Etihad he was responsible for developing the brand into being recognized as one of the finest premium airlines in the world. He also headed the Etihad Airways Partners Marketing Council across 7 partner airlines, launching the EAP alliance brand and marketing programs; and managed the brand launch of Air Serbia and the new Alitalia corporate identity. In 2016 he moved to Air Berlin as SVP Marketing & Guest Experience where he led the brand re-positioning programs for the proposed new Air Berlin network carrier proposition and the Niki European leisure airline. He was also responsible for launching new interiors for the wide-bodied fleet, a new European Business Class and Buy-on Board service. Andrew joined Jazeera Airways in August 2017 as VP Marketing & Customer Experience.

Academic Qualifications:

– BA Hons & MA, Modern History & Economics – University of Oxford, UK

Jarrah Aldhafiri

Vice President – Safety & Compliance Monitoring

Joined Jazeera Airways in 2017 with over 30 years of extensive experience in aviation in Kuwait. Jarrah has worked for two decades with Kuwait Airways in the area of aircraft maintenance and over a decade with the Directorate General of Civil Aviation (DGCA), Kuwait, in different leadership positions. Jarrah was appointed as an ICAO National Continuous Monitoring Coordinator for the State of Kuwait.

Academic Qualifications:

– Bachelor’s Degree in Aeronautical Engineering – Air Service Training, Scotland, UK

Bharathan Ravindran

Vice President – Sales

Bharathan joined Jazeera Airways in March 2020 with over 20 years of commercial experience across Middle East, Asia, Africa & Europe. Having started his career in 1999 with KLM, he has worked with leading airlines like Emirates, Qatar Airways, Air Arabia and Air Astana. Prior to joining Jazeera Airways, he served as Director Sales Worldwide at Air Astana and has worked with Air Arabia for over a decade where he managed several regions globally.

Academic Qualifications:

– BA English Literature – Madras University, India

Ginny Sethi

Vice President - Human Capital

Ginny joined Jazeera Airways in 2018 with 18 years of rich experience in managing a wide spectrum of Human Resources functions, with accountabilities to drive sustainable workplace capabilities with geographically diverse and multi-cultural teams across multiple divisions, thus contributing to the achievement of the strategic goals of organizations. Ginny has previously held senior positions in City Group, Agility Logistics and other companies in Kuwait & India. Ginny holds an MBA in Human Resources, along with various certifications in the HR field and is a certified Project Management Professional.

Academic Qualifications:

- MBA in Human Resources – Faculty of Management Studies, The CMM, India

Praful Thummar

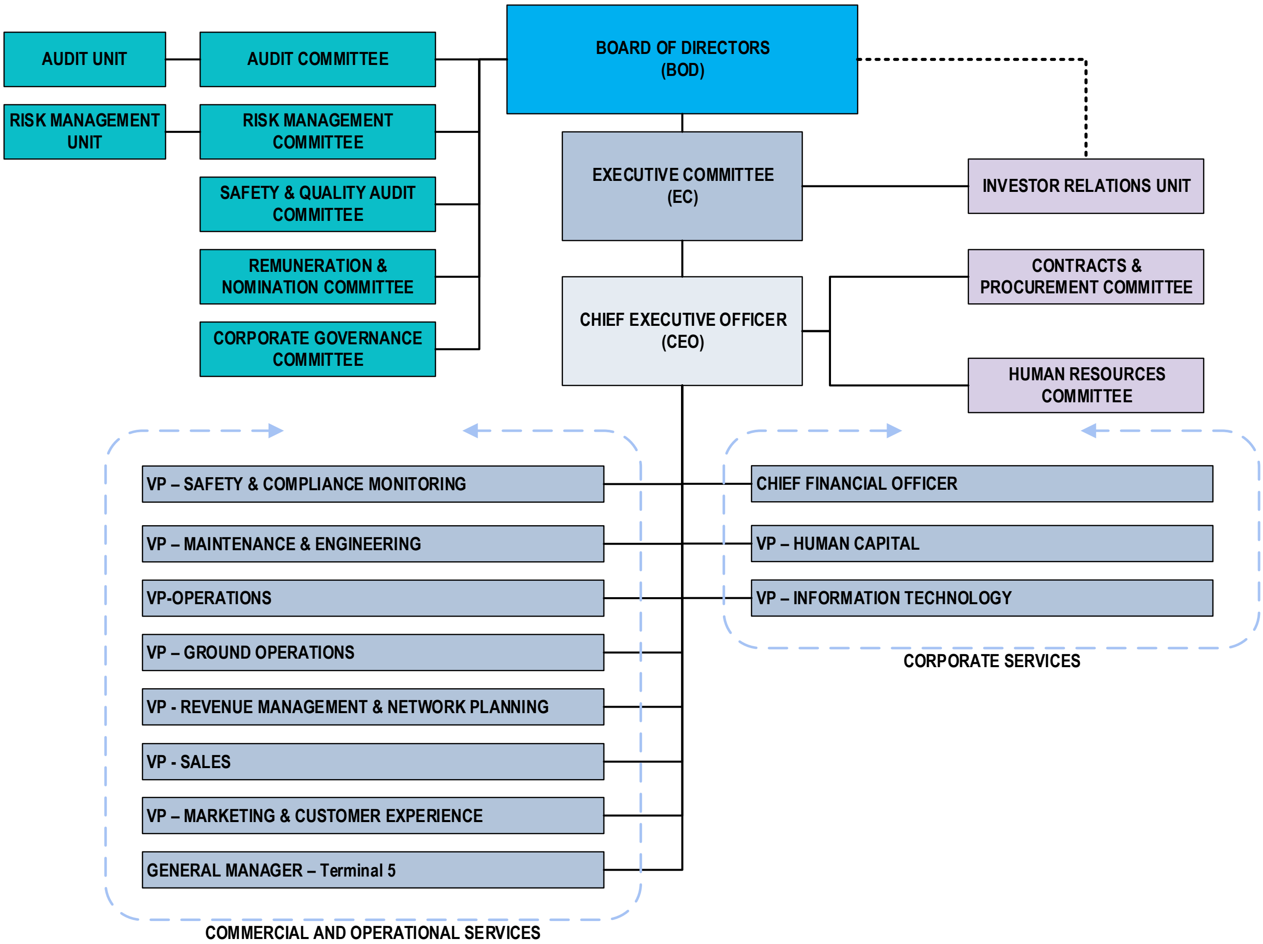
Vice President – IT

Praful has over 20 years of experience in Aviation IT industry. He joined Jazeera Airways in 2005 as startup team member and is responsible for all Information Technology and related functions. Praful was pioneer in setting up airline core systems and launching many first projects in the region including secure website, mobile apps and online check-in. Praful provides leadership for the continued development of an innovative, robust, cost efficient and secure information technology environment. Prior to joining Jazeera Airways, Praful worked at Air India in the core IT projects team with the major achievement in leading change from legacy to open systems.

Academic Qualifications:

- Bachelor of Engineering – Electronics & Communication – L.D. College of Engineering, Ahmedabad, India

ORGANIZATION STRUCTURE



CAPITALIZATION AND BORROWINGS

The table below presents the Company’s capitalization as at 31 December 2020, in addition to the pro-forma figures post Capital Increase:

KWD million	As at 31 December 2020 **(Actual)**	As at 31 December 2020 **(Post-Capital Increase)**
Equity		
Attributable to Parent Company’s shareholders		
Share capital	20.000	22.000
Share premium	-	8.000
Legal reserve	-	-
Hedge reserve	(1.028)	(1.028)
Accumulated losses	(6.996)	(6.996)
Total equity	**11.976**	**21.976**
Non-current liabilities		
Post-employment benefits	2.482	2.482
Maintenance payables	11.304	11.304
Lease liabilities	89.634	89.634
Murabaha payables	6.139	6.139
	109.560	**109.560**
Current liabilities		
Maintenance payables	6.684	6.684
Lease liabilities	16.048	16.048
Murabaha payables	0.883	0.883
Trade and other payables	12.791	12.791
Deferred revenue	0.264	0.264
Bank overdrafts	4.419	4.419
	41.089	**41.089**
Total liabilities	**150.649**	**150.649**
Total liabilities and equity	**162.625**	**172.625**

PROFIT DISTRIBUTION BY THE ISSUER

The table below shows profit distribution by the Issuer since 2016:

Dividends Distribution	2016	2017	2018	2019	2020
Date of Approval	30 April 2017	5 April 2018	15 April 2019	22 June 2020	21 April 2021
Bonus Shares (%)	-	-	-	-	-
Total Dividend Paid (in KWD)	7,000,000	7,000,000	7,000,000	-	-
Cash Dividend (Fils/Share)	35 fils	35 fils	35 fils	-	-
Cash Dividends Paid (in KWD)	7,000,000	7,000,000	7,000,000	-	-

SELECTED FINANCIAL INFORMATION

The following information has been extracted from the financial statements of the Company and should be read in conjunction with the respective financial statements along with accompanying disclosures.

Consolidated Statement of Financial Position:

	As at 31 December				
KWD	2016	2017	2018	2019	2020
Non-current assets					
Property and equipment	5,624,192	13,769,407	21,971,472	20,819,335	20,458,884
Right of use assets	-	-	-	82,691,386	93,806,490
Advance for maintenance	10,432,847	12,848,229	14,166,560	11,613,952	1,563,057
Security deposits	2,482,320	2,644,147	2,609,919	3,043,855	1,135,557
	18,539,359	**29,261,783**	**38,747,951**	**118,168,528**	**116,963,988**
Current assets					
Inventories	222,624	234,735	247,113	312,557	382,274
Security deposits	-	-	1,914,890	1,172,192	1,309,946
Trade and other receivables	5,508,594	3,938,226	15,490,885	23,245,301	24,300,207
Cash and bank balances	29,441,328	22,778,406	6,465,306	23,754,647	19,668,737
	35,172,546	**26,951,367**	**24,118,194**	**48,484,697**	**45,661,164**
Total assets	**53,711,905**	**56,213,150**	**62,866,145**	**166,653,225**	**162,625,152**
Equity					
Attributable to Parent Company's shareholders					
Share capital	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Legal reserve	2,735,709	3,596,897	4,294,462	5,835,242	-
Hedge reserve	-	-	-	837,562	(1,027,778)
Retained earnings (Accumulated losses)	14,225,922	14,600,026	13,541,950	13,569,535	(6,995,957)
Total Equity	**36,961,631**	**38,196,923**	**37,836,412**	**40,242,339**	**11,976,265**
Non-current liabilities					
Post-employment benefits	2,494,102	2,409,724	2,370,783	2,454,600	2,481,900
Maintenance payables	-	-	1,305,814	8,552,150	11,304,324
Provision for lease maintenance	1,194,848	1,717,131	-	-	-
Lease liabilities	-	-	-	76,931,616	89,634,444
Murabaha payables	-	-	-	-	6,139,022
	3,688,950	**4,126,855**	**3,676,597**	**87,938,366**	**109,559,690**
Current liabilities					
Maintenance payables	-	-	-	3,617,308	6,684,165
Lease liabilities	-	-	-	12,031,667	16,048,245
Murabaha payables	-	-	-	-	883,498
Trade and other payables	9,584,620	9,950,434	17,057,940	18,110,841	12,790,550
Deferred revenue	3,476,704	3,938,938	4,295,196	4,712,704	264,051
Bank overdrafts	-	-	-	-	4,418,688
	13,061,324	**13,889,372**	**21,353,136**	**38,472,520**	**41,089,197**
Total liabilities	**16,750,274**	**18,016,227**	**25,029,733**	**126,410,886**	**150,648,887**
Total liabilities and equity	**53,711,905**	**56,213,150**	**62,866,145**	**166,653,225**	**162,625,152**

Consolidated Statement of Income:

	For the year ended 31 December				
KWD	2016	2017	2018	2019	2020
Revenue	52,754,535	56,611,376	82,369,370	103,698,648	41,370,384
Operating costs	(40,286,445)	(44,857,612)	(69,835,144)	(80,058,139)	(55,661,556)
Gross profit (loss)	12,468,090	11,753,764	12,534,226	23,640,509	(14,291,172)
Other operating income	-	-	-	489,877	279,609
General and administrative expenses	(3,696,273)	(4,041,475)	(5,707,070)	(6,897,211)	(6,392,917)
Finance costs	(9,414)	(12,396)	(73,202)	(2,660,994)	(4,522,062)
Foreign currency loss	767,489	151,908	(299,302)	(223,249)	(520,773)
Other income	1,755,741	760,082	582,381	-	-
Gain on sale and lease back of engines	-	-	-	1,159,835	-
Expected credit loss - financial assets	-	-	(61,380)	(100,969)	(953,419)
Profit (loss) before contribution and taxes	**11,285,633**	**8,611,883**	**6,975,653**	**15,407,798**	**(26,400,734)**
Zakat expense	(111,100)	(85,453)	(69,991)	(93,695)	-
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)	(101,571)	(77,507)	(63,393)	(138,670)	-
National Labor Support Tax (NLST)	(277,750)	(213,631)	(174,977)	(234,236)	-
Profit (loss) for the year	**10,795,212**	**8,235,292**	**6,667,292**	**14,941,197**	**(26,400,734)**
Attributable to:					
Shareholders of the Parent Company	10,795,212	8,235,292	6,667,292	14,941,197	(26,400,734)
Earnings (Loss) per share (fils)					
Basic & Diluted	54	41	33	75	(132)

Consolidated Statement of Comprehensive Income:

	For the year ended 31 December				
KWD	2016	2017	2018	2019	2020
Profit (loss) for the year	10,795,212	8,235,292	6,667,292	14,941,197	(26,400,734)
Other comprehensive income					
Items that may be reclassified subsequently to statement of income					
Hedge reserve-Cash flow hedge	-	-	-	837,562	(1,865,340)
Total comprehensive income for the year	10,795,212	8,235,292	6,667,292	15,778,759	(28,266,074)
Attributable to:					
Shareholders of the Parent Company	10,795,212	8,235,292	6,667,292	15,778,759	(28,266,074)

Consolidated Statement of Cash Flows:

	For the year ended 31 December				
KWD	2016	2017	2018	2019	2020
Net cash flows from/(used in) operating activities	4,007,358	6,485,032	504,958	36,119,381	(4,943,969)
Net cash flows (used in)/from investing activities	(2,413,852)	(6,135,558)	(9,779,185)	(18,896,684)	5,314,246
Net cash flows used in financing activities	(3,009,414)	(7,012,396)	(7,028,423)	(19,143,036)	(1,815,265)
Net decrease in cash and cash equivalents	**(1,415,908)**	**(6,662,922)**	**(16,302,650)**	**(1,920,339)**	**(1,444,988)**
Cash and cash equivalents at beginning of the year	30,857,236	29,441,328	22,778,406	6,465,306	4,550,029
Expected credit loss on Financial Assets	-	-	(10,450)	5,062	390
Cash and cash equivalents at end of the year	29,441,328	22,778,406	6,465,306	4,550,029	3,105,431

Select Ratios:

Profitability (%)	2016	2017	2018	2019	2020
Return on Average Assets (ROAA) [1]	20.23%	14.98%	11.20%	13.02%	-16.04%
Return on Average Equity (ROAE) [2]	31.49%	21.91%	17.54%	38.27%	-101.12%
Gross Margin [3]	23.63%	20.76%	15.22%	22.80%	-34.54%
Net Margin [4]	20.46%	14.55%	8.09%	14.41%	-63.82%
Leverage (%)					
Debt / Equity [5]	0.00%	0.00%	0.00%	0.00%	95.53%
Total Liabilities / Total Equity [6]	45.32%	47.17%	66.15%	314.12%	1257.90%
Liquidity (%)					
Cash Ratio [7]	225.41%	164.00%	30.28%	61.74%	47.87%
Current Ratio [8]	269.29%	194.04%	112.95%	126.02%	111.13%
Share Ratios					
Earnings/(Loss) per share (fils) [9]	54	41	33	75	(132)
Average Price / Earnings per share (x) [10]	15.47	17.44	20.94	12.24	-
Book Value (fils) [11]	184.81	190.98	189.18	201.21	59.88
Cash dividends / par value % [12]	35.00%	35.00%	35.00%	-	-
Dividend yield % [13]	4.55%	5.26%	4.79%	-	-

1- *Calculated as net profit / (loss) divided by the average of total assets (start and end of the fiscal year).*

2- *Calculated as net profit / (loss) divided by the average of total equity (start and end of the fiscal year).*

3- *Calculated as gross profit / (loss) divided by total revenues.*

4- *Calculated as net profit / (loss) divided by total revenues.*

5- *Calculated as total debt divided by total equity.*

6- *Calculated as total liabilities divided by total equity.*

7- *Calculated as cash and bank balances divided by current liabilities.*

8- *Calculated as current assets divided by current liabilities.*

9- *Calculated as profit / (loss) for the year divided by the weighted average number of shares outstanding.*

10- *Calculated as average share price (start and end of the fiscal year) divided by earnings per share.*

11- *Calculated as total equity divided by the weighted average number of shares outstanding.*

12- *Calculated as cash dividends divided by par value.*

13- *Calculated as cash dividends divided by the last share price for the fiscal year.*

FINANCIAL REVIEW

The following discussion and analysis should be read in conjunction with the information set out in Financial Statements of Jazeera Airways Company K.S.C.P. (the "**Company**" or the "**Parent Company**") and "**Selected Financial Information**". The financial review is based on the audited Financial Statements for the years ended 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020.

The financial information in this section was presented based on audited Financial Statements of the Company. The analysis of the financial condition and results of operations is based on the Financial Statements, which have been prepared in accordance with IFRS Standards as adopted by financial services institutions in Kuwait and that are regulated by the CBK in accordance with Kuwait Companies Law (Law No. 1 of 2016 [as amended]) and the executive regulations thereto. The regulations adopted require the adoption and application of the IFRS requirements.

Impact of Covid-19

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

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

Impairment of non-financial assets

In accordance with IAS 36 "Impairment of assets", at the end of each reporting period, an entity is required to assess whether there is any indication that any non-monetary assets, like ROU asset, may be impaired. The impact of COVID-19 on the airline industry is such a trigger event. The Company has conducted the impairment test with the recoverable value determined by reference to the value in use. To forecast cash flows, the Company business plan was adopted as the basis, considering the reduction in demand for air transportation in 2020-2021 in connection with the COVID-19 pandemic and return to pre-crisis performance after that with the following assumptions:

1. The economic situation in Kuwait: maintaining the growth rate of the economy, maintaining demand through savings, maintaining the supply volume on the scheduled passenger transportation market;
2. Gradual resumption of volumes to achieve 2019 levels. Recovery due to deferred demand and maintaining business traffic.

The discount rate used (WACC) was 9.65% p.a. for the entire forecasting period and a terminal growth rate of Nil. Based on the aforementioned test, no impairment was recognized. No impairment assessment was performed in 2019 as there was no indication of impairment.

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

Expected credit loss on financial assets

The uncertainties caused by COVID-19 required the Company to consider the impact of higher volatility in the forward-looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2020. The Company updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate.

Hedge discontinuation and ineffectiveness

As a result of the reduction in the operations due to COVID-19 pandemic, the Company's consumption for jet fuel was significantly reduced, causing a proportion of derivatives previously considered as hedge to become ineffective.

In assessing whether future exposures are still expected to occur, the Company made estimates regarding future jet fuel consumption requirements. These estimates used assumptions based on the length of anticipated fleet grounding, the expected recovery of customer demand and subsequent flying schedule.

Commitments and contingent liabilities

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

Financial Statement Footnotes

Consolidated Statement of Income:

Revenue

	For the year ended 31 December				
KWD million	**2016**	**2017**	**2018**	**2019**	**2020**
Revenue	52.755	56.611	82.369	103.699	41.370

For the year ended 31 December 2020, total revenue decreased to KWD 41.370 million compared to KWD 103.699 million for the year ended 31 December 2019.

Operating costs

	For the year ended 31 December				
KWD million	**2016**	**2017**	**2018**	**2019**	**2020**
Operating costs	(40.286)	(44.858)	(69.835)	(80.058)	(55.662)

For the year ended 31 December 2020, operating costs amounted to KWD 55.662 million compared to KWD 80.058 million for the year ended 31 December 2019.

Gross profit / (loss)

	For the year ended 31 December				
KWD million	2016	2017	2018	2019	2020
Gross (loss) / profit	12.468	11.754	12.534	23.641	(14.291)

For the year ended 31 December 2020, gross losses amounted to KWD (14.291) million compared to gross profits of KWD 23.641 million for the year ended 31 December 2019.

General and administrative expenses

	For the year ended 31 December				
KWD million	2016	2017	2018	2019	2020
General and administrative expenses	(3.696)	(4.041)	(5.707)	(6.897)	(6.393)

General and administrative expenses decreased to KWD 6.393 million for the year ended 31 December 2020 compared to KWD 6.897 million for the year ended 31 December 2019.

Finance costs

	For the year ended 31 December				
KWD million	2016	2017	2018	2019	2020
Finance costs	(0.009)	(0.012)	(0.073)	(2.661)	(4.522)

For the year ended 31 December 2020, finance costs increased to KWD 4.522 million compared to KWD 2.661 million for the year ended 31 December 2019.

Foreign currency gain/(loss)

	For the year ended 31 December				
KWD million	2016	2017	2018	2019	2020
Foreign currency gain/ (loss)	0.767	0.152	(0.299)	(0.223)	(0.521)

For the year ended 31 December 2020, foreign currency loss amounted to KWD (0.521) million compared to a loss of KWD (0.223) million for the year ended 31 December 2019.

Gain on sale and leaseback of engines

	For the year ended 31 December				
KWD million	2016	2017	2018	2019	2020
Gain on sale and leaseback of engines	-	-	-	1.160	-

For the year ended 31 December 2020, the Company completed the sale and leaseback of two engines and recorded a gain of KWD 1,159,835. Engines sold were leased back for a period ranging from 2 to 12 years. The lease payments are fixed in nature. The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Company's liquidity.

Expected credit loss – financial assets

	For the year ended 31 December				
KWD million	2016	2017	2018	2019	2020
Expected credit loss – financial assets	-	-	(0.061)	(0.101)	(0.953)

For the year ended 31 December 2020, expected credit loss amounted to KWD (0.953) million compared to KWD (0.101) million for the year ended 31 December 2019.

(Loss)/Profit before contribution and taxes

	For the year ended 31 December				
KWD million	2016	2017	2018	2019	2020
(Loss)/Profit before contribution and taxes	11.286	8.612	6.976	15.408	(26.401)

For the year ended 31 December 2020, losses before contribution and taxes amounted to KWD (26.401) million compared to profit before contribution and taxes amounting to KWD 15.408 million for the year ended 31 December 2019.

(Loss)/profit for the year

	For the year ended 31 December				
KWD million	2016	2017	2018	2019	2020
(Loss)/profit for the year	10.795	8.235	6.667	14.941	(26.401)

For the year ended 31 December 2020, losses for the year amounted to KWD (26.401) million compared to profit for the year amounting to KWD 14.941 million for the year ended 31 December 2019.

Earnings per share

	For the year ended 31 December				
Kuwaiti fils	2016	2017	2018	2019	2020
(Loss)/Earnings per share	54	41	33	75	(132)

Earnings per share is calculated based on the earnings attributable to the equity shareholders of the Company for the year and the weighted average number of shares outstanding.

For the year ending 31 December 2020, Basic and Diluted loss per share attributable to the equity shareholders of the Parent Company was (132) fils per share compared to earnings per share of 75 fils per share for the year ending 31 December 2019.

Cash flow

KWD million	For the year ended 31 December 2016	2017	2018	2019	2020
Net cash flows from/(used in) operating activities	4.007	6.485	0.505	36.119	(4.944)
Net cash flows (used in) /from investing activities	(2.414)	(6.136)	(9.779)	(18.897)	5.314
Net cash flows used in financing activities	(3.009)	(7.012)	(7.028)	(19.143)	(1.815)
Net decrease in cash and cash equivalents	**(1.416)**	**(6.663)**	**(16.303)**	**(1.920)**	**(1.445)**
Cash and cash equivalents at beginning of the year	30.857	29.441	22.778	6.465	4.550
Expected credit loss on Financial Assets	-	-	(0.010)	0.005	0.000
Cash and cash equivalents at end of the year	**29.441**	**22.778**	**6.465**	**4.550**	**3.105**

Net cash from/(used in) operating activities

For the year ending 31 December 2020, net cash used in operating activities amounted to KWD (4.944) million compared to net cash from operating activities of KWD 36.119 million for the year ending 31 December 2019.

Net cash from/(used in) investing activities

Net cash flow from investing activities amounted to KWD 5.314 million for the year ending 31 December 2020 compared to net cash used in investing activities of KWD (18.897) million for the year ending 31 December 2019.

Net cash used in financing activities

Net cash used in financing activities amounted to KWD (1.815) million for the year ending 31 December 2020, compared to net cash used in financing activities of KWD (19.143) million for the year ending 31 December 2019.

<u>Consolidated Statement of Financial Position:</u>

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Non-current assets					
Property and equipment	5.624	13.769	21.971	20.819	20.459
Right of use assets	-	-	-	82.691	93.806
Advance for maintenance	10.433	12.848	14.167	11.614	1.563
Security deposits	2.482	2.644	2.610	3.044	1.136
	18.539	29.262	38.748	118.169	116.964
Current assets					
Inventories	0.223	0.235	0.247	0.313	0.382
Security deposits	-	-	1.915	1.172	1.310
Trade and other receivables	5.509	3.938	15.491	23.245	24.300
Cash and bank balances	29.441	22.778	6.465	23.755	19.669
	35.173	**26.951**	**24.118**	**48.485**	**45.661**
Total assets	**53.712**	**56.213**	**62.866**	**166.653**	**162.625**

Property and equipment

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Property and equipment	5.624	13.769	21.971	20.819	20.459

As at 31 December 2020, property and equipment amounted to KWD 20.459 million, compared to KWD 20.819 million as at 31 December 2019.

Right of use assets

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Right of use assets	-	-	-	82.691	93.806

As at 31 December 2020, right of use assets amounted to KWD 93.806 million, compared to KWD 82.691 million as of 31 December 2019.

The Company leases aircraft and engines for its operations. Lease contracts are typically made for fixed periods of 6 to 14 years for aircraft, 2 to 12 years for the engines and 20 years for leasehold land.

During the year, the Company renegotiated the terms for all of its aircraft lease contracts with the lessors. The lease period was extended for a period of 22 months to 24 months under revised payment terms that included waivers of payment of lease rent in 2020.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Advance for maintenance

KWD million	As at 31 December 2016	2017	2018	2019	2020
Advance for maintenance	10.433	12.848	14.167	11.614	1.563

As at 31 December 2020, advance for maintenance decreased to KWD 1.563 million compared to KWD 11.614 million as at 31 December 2019.

Security deposits – non-current portion

KWD million	As at 31 December 2016	2017	2018	2019	2020
Security deposits - non-current portion	2.482	2.644	2.610	3.044	1.136

As at 31 December 2020, the non-current portion of security deposits decreased to KWD 1.136 million compared to KWD 3.044 million as at 31 December 2019.

Non-current assets

KWD million	As at 31 December 2016	2017	2018	2019	2020
Non-current assets	18.539	29.262	38.748	118.169	116.964

As at 31 December 2020, non-current assets amounted to KWD 116.964 million compared to KWD 118.169 million as at 31 December 2019.

Inventories

KWD million	As at 31 December 2016	2017	2018	2019	2020
Inventories	0.223	0.235	0.247	0.313	0.382

As at 31 December 2020, inventories amounted to KWD 0.382 million compared to KWD 0.313 million as at 31 December 2019.

Security deposits – current portion

KWD million	As at 31 December 2016	2017	2018	2019	2020
Security deposits - current portion	-	-	1.915	1.172	1.310

As at 31 December 2020, the current portion of security deposits increased to KWD 1.310 million compared to KWD 1.172 million as at 31 December 2019.

Trade and other receivables

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Trade and other receivables	5.509	3.938	15.491	23.245	24.300

As at 31 December 2020, trade and other receivables increased to KWD 24.300 million compared to KWD 23.245 million as at 31 December 2019.

Cash and bank balances

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Cash and bank balances	29.441	22.778	6.465	23.755	19.669

As at 31 December 2020, cash and bank balances amounted to KWD 19.669 million compared to KWD 23.755 million as at 31 December 2019.

Current assets

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Current assets	35.173	26.951	24.118	48.485	45.661

As at 31 December 2020, current assets decreased to KWD 45.661 million compared to KWD 48.485 million as at 31 December 2019.

Total assets

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Total assets	53.712	56.213	62.866	166.653	162.625

As at 31 December 2020, total assets amounted to KWD 162.625 million compared to KWD 166.653 million as at 31 December 2019.

Total equity

KWD million	As at 31 December 2016	2017	2018	2019	2020
Equity					
Attributable to Parent Company's shareholders:					
Share capital	20.000	20.000	20.000	20.000	20.000
Legal reserve	2.736	3.597	4.294	5.835	-
Hedge reserve	-	-	-	0.838	(1.028)
Retained earnings	14.226	14.600	13.542	13.570	(6.996)
Total Equity	**36.962**	**38.197**	**37.836**	**40.242**	**11.976**

As at 31 December 2020, total equity amounted to KWD 11.976 million compared to KWD 40.242 million as at 31 December 2019.

Total liabilities

KWD million	As at 31 December 2016	2017	2018	2019	2020
Non-current liabilities					
Post-employment benefits	2.494	2.410	2.371	2.455	2.482
Maintenance payables	-	-	1.306	8.552	11.304
Provision for lease maintenance	1.195	1.717	-	-	-
Lease liabilities	-	-	-	76.932	89.634
Murabaha payables	-	-	-	-	6.139
Total non-current liabilities	**3.689**	**4.127**	**3.677**	**87.938**	**109.560**
Current liabilities					
Maintenance payables	-	-	-	3.617	6.684
Lease liabilities	-	-	-	12.032	16.048
Murabaha payables	-	-	-	-	0.883
Trade and other payables	9.585	9.950	17.058	18.111	12.791
Deferred revenue	3.477	3.939	4.295	4.713	0.264
Bank overdrafts	-	-	-	-	4.419
Total current liabilities	**13.061**	**13.889**	**21.353**	**38.473**	**41.089**
Total liabilities	**16.750**	**18.016**	**25.030**	**126.411**	**150.649**

Post-employment benefits – non-current portion

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Post-employment benefits (non-current portion)	2.494	2.410	2.371	2.455	2.482

As at 31 December 2020, the non-current portion of post-employment benefits amounted to KWD 2.482 million compared to KWD 2.455 million as at 31 December 2019.

Maintenance payables – non-current portion

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Maintenance payables (non-current portion)	-	-	1.306	8.552	11.304

As at 31 December 2020, non-current portion of maintenance payables increased to KWD 11.304 million, compared to KWD 8.552 million as at 31 December 2019.

Lease liabilities – non-current portion

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Lease liabilities (non-current portion)	-	-	-	76.932	89.634

As at 31 December 2020, non-current portion of lease liabilities increased to KWD 89.634 million compared to KWD 76.932 million as at 31 December 2019.

Murabaha payables – non-current portion

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Murabaha payables (non-current portion)	-	-	-	-	6.139

As at 31 December 2020, the non-current portion of Murabaha payables amounted to KWD 6.139 million, which was drawn down from an existing facility with a local commercial bank in local currency, repayable in 5 years.

Total non-current liabilities

KWD million	As at 31 December 2016	2017	2018	2019	2020
Total non-current liabilities	3.689	4.127	3.677	87.938	109.560

As at 31 December 2020, total non-current liabilities amounted to KWD 109.560 million compared to KWD 87.938 million as at 31 December 2019.

Maintenance payables – current portion

KWD million	As at 31 December 2016	2017	2018	2019	2020
Maintenance payables (current portion)	-	-	-	3.617	6.684

As at 31 December 2020, the current portion of maintenance payables amounted to KWD 6.684 million compared to KWD 3.617 million as at 31 December 2019.

Lease liabilities – current portion

KWD million	As at 31 December 2016	2017	2018	2019	2020
Lease liabilities (current portion)	-	-	-	12.032	16.048

As at 31 December 2020, the current portion of lease liabilities amounted to KWD 16.048 million compared to KWD 12.032 million as at 31 December 2019.

Murabaha payables – current portion

KWD million	As at 31 December 2016	2017	2018	2019	2020
Murabaha payables (current portion)	-	-	-	-	0.883

As of 31 December 2020, current portion of Murabaha payables amounted to KWD 0.883 million, which was drawn down from an existing facility with a local commercial bank in local currency, repayable in 5 years.

Trade and other payables

KWD million	As at 31 December 2016	2017	2018	2019	2020
Trade and other payables	9.585	9.950	17.058	18.111	12.791

As at 31 December 2020, trade and other payables amounted to KWD 12.791 million compared to KWD 18.111 million as at 31 December 2019.

Deferred revenue

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Deferred revenue	3.477	3.939	4.295	4.713	0.264

As at 31 December 2020, deferred revenue decreased to KWD 0.264 million compared to KWD 4.713 million as of 31 December 2019.

Bank overdrafts

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Bank overdrafts	-	-	-	-	4.419

As at 31 December 2020, bank overdrafts amounted to KWD 4.419 million.

Total current liabilities

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Total current liabilities	13.061	13.889	21.353	38.473	41.089

As at 31 December 2020, total current liabilities amounted to KWD 41.089 million compared to KWD 38.473 million as at 31 December 2019.

Total liabilities

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Total liabilities	16.750	18.016	25.030	126.411	150.649

As at 31 December 2020, total liabilities amounted to KWD 150.649 million compared to KWD 126.411 million as at 31 December 2019.

Total liabilities and equity

	As at 31 December				
KWD million	2016	2017	2018	2019	2020
Total liabilities and equity	53.712	56.213	62.866	166.653	162.625

As at 31 December 2020, total liabilities and equity amounted to KWD 162.625 million compared to KWD 166.653 million as at 31 December 2019.

PREVIOUS ISSUANCES BY THE COMPANY

The following table shows the increase / reduction of shares by the Company since its inception:

Type	Year	Date of Notation in Commercial Register	Number of shares Issued / Decreased	Total Nominal Value of the Issuance / Decrease (KWD)	Net Value of Issuance (including nominal value and issuance premium) (KWD)
Capital at Incorporation	2004	03/03/2004	100,000,000	10,000,000	10,000,000
Capital Increase	2007	12/11/2007	100,000,000	10,000,000	10,000,000
Bonus Shares	2009	28/07/2009	20,000,000	2,000,000	2,000,000
Bonus Shares	2012	23/05/2012	22,000,000	2,200,000	2,200,000
Capital Increase	2012	30/12/2012	178,000,000	17,800,000	17,800,000
Capital Decrease	2015	30/11/2015	(220,000,000)	(22,000,000)	(22,000,000)

MATERIAL CASES

Jazeera Airways Company K.S.C.P. and its subsidiaries are not a party to any governmental, administrative, litigation or arbitration proceedings (whether these proceedings are foreseen, suspended or probable and the Company or its subsidiaries are aware of it) that may have or have had, in the recent past, material effect and impact on the financial position of the Company and its profits, except for the claim described below:

- A lawsuit filed by the Ministry of Defense in the State of Kuwait related to the Company's airplane collision with the Ministry of Defense's radar balloon, noting that the Company is fully insured against these accidents, and based on legal advice received, the management of the Company considers that the risk of any loss caused by this claim is remote.

MAJOR CONTRACTS

The Company and its subsidiary did not enter any of the material contracts outside its normal course during the two years preceding the date of submitting the application for approval of this Prospectus. Nor has it relied on any specific customers or suppliers or on any patent rights or other intellectual property rights, licenses, or special contracts, any of which have a major importance in the activity of the Company.

RISK FACTORS

Prior to investing in any Offering Shares, prospective investors should carefully consider, together with all other information contained in this Prospectus, the risk factors described below. The Issuer believes that the factors described below represent the principal risks inherent in investing in the Offering Shares, but these risk factors are not exhaustive and other considerations, including some of which may not be presently known to the Company, or which the Issuer currently deems to be immaterial, may impact any investment in the Offering Shares.

Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.

RISKS RELATING TO THE ISSUER AND ITS OPERATIONS

Risks related to the outbreak of COVID-19 pandemic

The outbreak of the novel Coronavirus ("**Covid-19**") and its rapid spread across several geographic regions during 2020 and its declaration as a pandemic by the World Health Organization (WHO), causing widespread business disruptions and uncertainties surrounding economic activities.

Governments around the world have taken several measures to restrict the spread of the virus, by imposing travel restrictions and quarantine measures. Accordingly, on 13 March 2020, the Directorate General of Civil Aviation (DGCA) had decided to suspend all commercial flights incoming to and departing from the State of Kuwait, with the exception of cargo and evacuation flights. This in effect had direct financial and operational implications on the Issuer. For more details, please refer to Risk Factors section in this Prospectus.

The global pandemic event has affected the economic climate locally and internationally, due to the implemented restrictions and other measures, such as business and market closures, in the attempt to reduce and control the spread of the Covid-19 virus. This in turn has exposed the Issuer to various losses, including a significant decline in the Company's operations, fluctuations in foreign exchange rates, high credit losses, and decrease in the value of assets, on the back of the slowdown in economic activity. The Issuer ended the 2020 fiscal year with a sharp decrease in the number of passengers, which amounted to 696.1 thousand passengers, a decrease of 71% compared to previous fiscal year, where the number of passengers reached 2.4 million passengers. Seat occupancy rate reached 64.3% during 2020, down from 77.5% in the previous fiscal year.

The economic implications of Covid-19, or any of the other related strains, depend on several factors, such as the duration of the pandemic or the frequency of subsequent waves, the progress in acquiring a vaccine against the virus, the expected timing of vaccine distribution, and the suitability and effectiveness of the measures imposed by authorities around the world such as enforcing local or regional lockdown measures and its impact on central banks, and governments (especially regarding imposing quarantine requirements on clients), availability of resources, including human capital, financial capital, infrastructure, and financial resources (for example, government stimulus packages and / or measures introduced by central banks) necessary to implement economic reforms at the local and regional levels as well as the level of civil compliance with these measures.

Accordingly, there are no guarantees that such economic reforms, or a combination thereof, are effective methods in combatting such an outbreak or the consequences thereof, and the continuation of the implications of this pandemic may lead to a significant decrease in the Company's income, which will materially and negatively affect the Company's operations, financial condition, and economic prospects.

The spread of Covid-19 is significantly affecting the financial and commercial performance of Jazeera Airways. The continued spread and uncertainty about the end of the pandemic has led to a significant decrease in the demand for air travel and is likely to change customer behavior in general, especially business travel, in addition to tourism activities in the future. Some Gulf Cooperation Council (GCC) countries, including the State of Kuwait, have imposed travel restrictions to 39 highly populated countries. This has resulted in a significant drop in travel bookings and increased flight cancellations.

Geopolitical and Economic Factors

The operations of the Issuer are largely concentrated in Kuwait and GCC. Therefore, the operations of the Issuer are exposed to geopolitical risks associated with said countries, which may affect its performance. Particularly, the Issuer is exposed to adverse changes in economic and market conditions in the Middle East and its operating areas, which may adversely affect the demand for services offered by the Issuer and its affiliates.

In view of the recent geopolitical events in the Middle East and sustained terrorist acts in some of these countries, the operations of the Issuer remain exposed to acts of terrorism, sabotage, and other similar threats. Terrorism may create an atmosphere of uncertainty, eroding confidence and heightening risk factors, which may potentially translate into declining investments and economic growth.

Moreover, investors should be aware that investments in developing countries are exposed to significant risks as compared to investments in developed markets, including in some cases, but not limited to, the material legal, economic, and political risks.

The Issuer's operations may be affected by ongoing political and social instability in the Middle East

The operations of the Issuer are largely concentrated in Kuwait and GCC. Since 2011, a number of countries located in the MENA region are either experiencing, or have in the recent past experienced, political and social instability, domestic turmoil and violence, and armed conflict. For instance, there has been significant political change in Tunisia and Egypt, armed conflict in Libya and Syria, and protests and associated activities in a number of other countries in the MENA region. The situation has caused significant disruption to the economies of affected countries and has had a destabilizing effect on oil and gas prices.

The continuing instability in the MENA region could affect the Company's operations and investments and could materially affect the financial results of its operations and thus the Company's business. This instability could also have a negative impact on its travel revenues from the affected countries.

The implications of Covid-19 on the Issuer's revenues and its reimbursements for travel cancellations

Due to the outbreak of Covid-19, most flights since March 2020 have been cancelled. Accordingly, the Company has reduced the number of flights offered to lessen the financial consequences of the decline in air travel demand, in addition to obtaining an air cargo license within two weeks of the suspension of flights to Kuwait International Airport. These measures, in addition to other liquidity measures taken, complemented the Company's planned reduction in expenditure, saving on personnel, material costs and project budgets. Moreover, due to the exceptional circumstances caused by the outbreak of Covid-19, the Company has provided discounted evacuation flights for the return of Kuwaiti nationals from various destinations and had cancelled a significant number of commercial flights.

The Issuer is subject to reimbursements claims from passengers under laws of the State of Kuwait, in the context of flight cancellations, which may lead to a material adverse impact on the Company's financial condition and operations. Moreover, even in the case where the Company is not obliged to reimburse passengers due to circumstances and exceptions specific to an individual's case, the Company may be required to refund claims for cancelled flights or provide vouchers to passengers allowing them to re-book flights in the future – thus, further impacting the Issuer's revenues. This may lead to increasing liquidity risks for the Company, at the detriment of the Company's financial condition and operations.

The Company's management of its projects

The Company manages several projects, including lease contracts to manage or operate buildings awarded by the Directorate General of Civil Aviation, which include the airport terminal, the administrative building, and the Park & Fly building. The Company's inability to manage any of the aforementioned contracts or meet its contractual obligations to government entities might result in the termination of the management or operation of these projects. If such an event occurs, it may lead to a decrease in the Company's income, thus negatively affecting the business and its operations, financial condition, and future prospects.

Construction, development and building safety risks

The Company works with government authorities to carry out extensions and developments in Terminal 5 of Kuwait International Airport with the aim of expanding company operations and increasing the number of passengers on its fleet, which would make the Company vulnerable to risks generally associated with development and construction work.

The Issuer is exposed to the risk of losses arising from safety incidents

The Company faces the risk of potential losses from collisions or other safety accidents in the event that one or more of its aircraft are damaged or lost or grounded by an accident, terrorist attack, act of sabotage, technical, human or design failures, or other events. The Issuer cannot guarantee that the amount of insurance coverage available to the Company upon the occurrence of such an event would be adequate to cover the resulting losses. Moreover, the Company may be required to bear substantial losses, particularly in regards to damage claims for the loss of lives, personal injuries or other material or immaterial damages itself, irrespective of its insurance coverage.

This could be the case if the Company's insurers are unwilling or unable to pay out the agreed compensation, or if passengers were to switch to other airlines. In particular, it is possible that losses could exceed losses covered by insurance, or that the reputational damage could be significant enough that could exceed the estimate and coverage of insurance companies.

Incident of aircraft collisions and other comparable disasters could tarnish the Company's reputation, thus resulting in a significant, and possibly sustained, decline in demand and could also lead to significant liabilities. Further, even if an aircraft of any airline entirely unrelated to the Company should crash, be lost or damaged, or grounded, or should a similar disaster occur, the Issuer could be exposed to material additional risks, such as a significant decline in demand for its flights or its other products and, consequently, severe losses.

The Issuer is subject to the risk that liquidity may not always be readily available or may only be available at costs that may adversely affect its business or results of operations

Liquidity risk is the risk that the Issuer will be unable to meet its obligations, as they become due. This risk can be heightened by a number of enterprise-specific factors, including over-reliance on a particular source of funding (including, amongst others, overnight funding), changes in credit ratings or market-wide phenomena such as market dislocation and major disasters. Severe declines in oil revenues significantly contributed to budget deficits and slower growth, which has led to credit deterioration and tightened the liquidity conditions in the GCC markets.

Uncertain or volatile environment in the capital and credit markets may limit the Issuer's ability to refinance maturing liabilities with long-term funding or increase the cost of such funding. The Issuer's access to any additional financing it may need will depend on a variety of factors, including the prevailing market conditions, the availability of credit generally and to borrowers in the financial services industry specifically, and the Issuer's financial condition, credit ratings and credit capacity.

The Issuer's financial condition and results of operations could be adversely affected by market risks

The Issuer's financial condition and results of operations could be adversely affected by market risks that are outside its control, including, without limitation, factors related to the direct investments or investments related to the Issuer itself, or factors affecting all investments traded on the market.

Market risk also includes currency risk, which arises when its future commercial transactions, assets and liabilities are stated in a currency other than the Company's base currency. Foreign currency risk is the risk that the fair value or future cash flows will fluctuate due to changes in exchange rates. The Company's exposure to foreign currency risk relates mainly to trade and other receivables that are denominated in foreign currency, particularly the US Dollar.

Ultimately, there can be no assurance that the Issuer will be able to protect itself from any adverse change in the capital markets, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Damage to the Issuer's reputation or brand names could have a material adverse effect on the Issuer

The Company's reputation and the associated brand names have contributed strongly to its strong market position. Damage to its reputation or brand names, through either a single event or series of events, could adversely impact its market position and ultimately have a material effect on the Issuer's cash flows, financial condition, and results of operations.

The Issuer may be subject to cyber-security breaches

The Issuer faces, both, significant external cyber-attack threats and internal risks to its data and software systems. The Company's data and systems may be vulnerable to theft, payment fraud, loss, damage, and interruption due to unauthorized access, security breaches, cyber-attacks, computer viruses, power loss, or other disruptive events. A security breach could have a negative impact on customer confidence in the Company's systems and negatively impact its reputation. Should such an event occur, this could have a material adverse effect on the Company's cash flows, financial condition and could lead – in a worst-case scenario – to material disruptions of flight operations.

The Issuer may be subject to debtors' credit risk, with any decline in the volume and quality of trade receivable balances constituting a factor in increasing its credit risks

Credit risks arise from the failure of a counterparty to meet its contractual obligations, resulting in financial losses to the Issuer. The financial instruments which expose the Company to credit risks are comprised of cash and cash equivalents, trade receivables, among others.

The Company limits credit risks associated with customers by imposing credit restrictions on counterparties in any of the Company activities, monitoring existing receivable balances, receiving down payments, and limiting transactions to those counterparties with high credit worthiness. Other than the sums collected after year end or the anticipated credit losses listed in the Company's financial position, there are no substantial concentration of risks for the Company, which averts incurring financial losses on account of the possible counterparties' failure. The Company limits its credit risks related to its balances with the banks and short-term deposits by dealing with banks with high credit worthiness.

The Issuer is exposed to a range of operational risks – in particular, any failure of the Issuer's Information Technology systems could have a material adverse effect on its business and reputation

Operational risk and losses can result from fraud, errors by employees, failure to document transactions properly or to obtain proper internal authorization, failure to comply with regulatory requirements and conduct of business rules, systems and equipment failures (including, in particular, Information Technology (IT) failures), natural disasters or the failure of external systems (for example, those of the Issuer's counterparties or vendors). The Issuer has implemented risk controls and loss mitigation strategies, and substantial resources are devoted to developing efficient procedures and to staff training, but it is not possible to eliminate entirely each of the potential operational risks that the Issuer faces. Losses from the failure of the Issuer's system of internal controls could have a material adverse effect on its business, financial condition, results of operations and prospects and could materially adversely affect its reputation.

The operations of the Issuer are impacted by air traffic control, airports, transit, and take-off/landing fees, as well as the costs that airlines must incur to ensure air traffic security

Air traffic control, airport, transit, and take-off/landing fees, as well as security charges are specific costs levied by airport regulators which cannot be avoided, and represent a significant part of the Issuer's operating costs.

The Company cannot guarantee that such costs will remain stable or that it will not incur additional costs in any of the Issuer's main airport hubs. New costs could arise if, for example, additional fees were to be levied based on environmental criteria such as aircraft noise or emission levels, or if airlines were forced to assume additional security responsibilities. Furthermore, it is possible that security regulations worldwide could be further tightened, particularly if additional terrorist attacks occur, and that security charges or other costs arising from heightened security measures at airports across the Middle East, could increase further.

If the Issuer is unable to pass any increases in charges, fees, or other costs on to its customers, these increases could have material adverse effects on the Company's cash flows, financial condition and results of operations.

Disruptions to flights due to extreme natural events

A number of possible events may cause a significant disruption to the Company's flights schedule; forces of nature, including natural disasters, severe weather conditions, volcanic ash or other acts of God, union activity and strike action and epidemics and pandemics (such as Covid-19). If an event or circumstance were to weaken the demand for air travel or materially affect airline operations, this could have a disproportionate effect on the Company's results for the relevant financial year.

The occurrence and timing of such events, together with the reaction of aviation authorities to such events, cannot be predicted or controlled by the Issuer and could result in the disruption of the Company's operations and could have a material adverse effect on its results of operations, financial condition, and prospects.

Closure of or disruption at key airports for a significant period of time

The Issuer operates from a number of key airports across Middle East and North Africa, Indian subcontinent, and several airports around Europe and Africa. The complete or partial closure or temporary unavailability of any of the key airports from which the Company operates, for instance due to fire, flooding, excessive snow, a major air crash at the site, union activity and strike action or a terrorist or similar security incident, would result in the disruption of the Company's operations and could have a material adverse effect on the Company's results of operations, financial condition and prospects. This, in turn, could affect the Issuer's ability to honor its obligations.

Compliance with contractual obligations and risks of default on any outstanding dues

The Issuer's non-compliance with its contractual obligations or nonpayment of its debts and their fixed costs can lead to a variety of negative material results, including the accelerated payment of some debts or payment of compensations to its creditors, lessors or other contracting parties. Defaults might lead to additional defaults on debts and other agreements. In such a case, the Issuer may be unable to pay the accelerated debt, meet certain contractual obligations, pay the due aircraft rents or cover their fixed costs. Such an event may have a negative impact on the Company's financial position and future results, and might therefore affect the Company's ability to honor its obligations.

The Issuer is exposed to changes to regional, national, or international law or regulations affecting the airline industry

Airlines are subject to extensive regulatory requirements. The Company is subject not only to Kuwaiti laws and regulations, but also to the laws and regulations of other nations in which it operates outside the GCC, together with international organizations and international, bilateral, and multilateral treaties. The scope of such laws and regulations includes (among other things) infrastructure issues relating to slot capacity and route flying rights, environmental and security requirements, safety, licensing, competition, customer protection and tax.

Additional laws, regulations, taxes and airport rates and charges may be proposed from time to time that could significantly increase the cost of the Issuer's airline operations or reduce its revenues. Furthermore, while the Company can neither fully anticipate all changes that may be made in the future nor the possible adverse impact of such changes, its ability to comply with such regulations is key to maintaining its operational and financial performance. Any such reduction in revenues could have a material adverse effect on the Company's financial condition and results of operations and therefore on the ability of the Issuer to fulfil their obligations.

The Issuer's risk management policies and procedures may not be effective in all circumstances, exposing the Company to unspecified and unforeseen risks

There can be no assurance that the Issuer's risk management and internal control policies and procedures will adequately control, or protect it against, all credit, liquidity, market, operational and other risks. In addition, certain risks may not be accurately quantified by the Issuer's risk management systems. Some of the Issuer's methods of managing risk are based upon the use of historical market data, which may not always accurately predict future risk exposures that could be significantly greater than indicated by its historical measures. In addition, certain risks could be greater than the Issuer's empirical data would otherwise indicate.

Other risk management methods depend upon evaluation of information regarding the markets in which the Issuer operates, its clients or other matters that are publicly available or information otherwise accessible to it. This information may not be accurate, complete, up-to-date or properly evaluated in all cases. Any material deficiency in the Issuer's risk management or other internal control policies or procedures may expose it to significant credit, liquidity, market or operational risk, which may in turn have a material adverse effect on its business, financial condition, results of operations and prospects.

The Issuer's internal compliance systems might not be fully effective in all circumstances

The Issuer's ability to comply with all applicable regulations is largely dependent on its maintenance of compliance, audit and reporting systems and procedures, and its ability to attract and retain personnel qualified to manage and monitor such systems and procedures. Although the Issuer is subject to oversight by regulatory authorities in Kuwait, including regular examination activity, and performs regular internal audits and employs an external auditor to monitor and test its compliance systems, the Issuer cannot be certain that these systems and procedures will be fully effective in all circumstances, particularly in the case of deliberate employee misconduct or other frauds perpetrated against it. In the case of actual or alleged non-compliance with applicable regulations, the Issuer could be subject to investigations and judicial or administrative proceedings that may result in substantial penalties or civil lawsuits for damages. Any of these factors could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer may not be able to recruit and retain qualified and experienced personnel, which could have an adverse effect on its business and its ability to implement its strategy

The Issuer depends on the efforts, skill, reputation, and experience of its senior management, as well as synergies among their diverse fields of expertise and knowledge. The loss of key personnel could delay or prevent the Issuer from implementing its strategies. The Issuer is also not insured against losses that may be incurred in the event of the loss of any member of its key personnel. Any of these factors could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Issuer's accounting policies and methods are critical to how it reports its financial condition and results of operations, and requires management to make estimates about matters that are uncertain

Accounting policies and methods are fundamental to how the Issuer records and reports its financial condition and results of operations. Management must exercise judgment in selecting and applying many of these accounting policies and methods that adhere to the International Financial Reporting Standards (IFRS).

The Company's management has identified certain accounting policies in the notes to its financial statements as being critical because they require management's judgment, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities (please refer to note 2 in Annual Audited Financial Statements for the year ending 2019 and 2020). These judgments include, for example, the classification of financial assets, the determination of provisions for credit losses, and determination of the fair values of assets and liabilities.

A variety of policies and accounting standards could affect the financial results that is obtained either when earning income, recognizing an expense, recovering an asset, or reducing a liability. The Issuer has established policies and control procedures that are intended to ensure that these critical accounting estimates and judgments are well controlled and applied consistently. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. However, due to the uncertainty surrounding the Issuer’s judgments and the estimates pertaining to these matters, the Issuer cannot guarantee that it will not be required to make changes in accounting estimates or restate prior period financial statements in the future.

Lawsuits and fines that the Issuer or its subsidiaries and associates may face

The Issuer is at risk of prosecution from several parties it deals with, and any adverse judgements and/or sentences in these potential litigation cases will most likely incur damages, costs and fines. The occurrence of any of these risks would have a material adverse impact on their business, financial condition, results of operations and future prospects.

The interests of the major shareholders might occasionally conflict with those of the small shareholders

Major shareholders of the Company might collaborate, among themselves, or with other shareholders, to block some measures or resolutions proposed by the Issuer’s shareholders in Annual Ordinary General Meetings (AGM) or Extraordinary General meetings (EGM). Naturally, investors should be aware that the interests of major shareholders in the Issuer may sometimes conflict with minority shareholders, and in that case, affect some shareholders as a result.

The application of Corporate Governance rules and the extent to which the Issuer is able to comply with the requirements of regulatory bodies

The Issuer’s management approved the Corporate Governance Regulations for Companies as per the rules and regulations stated in the restated executive bylaws of the CMA in the State of Kuwait. These rules and procedures include the formation of risk, audit, and nomination and remuneration committees.

The Issuer’s success in implementing sound governance protocols will depend on a comprehensive understanding of corporate governance laws and their objectives, especially in relation to the formation of the board of directors, its committees, requirements for independence, and the performance of their roles and responsibilities, as well as upholding principles, with relation to conflicts of interest, related parties and periodic disclosures.

The Issuer’s non-compliance to the rules and regulations and the demands of regulatory bodies will result in penalties imposed by the CMA. As such, the Issuer’s failure in applying governance protocols will have an adverse negative material impact on the Issuer’s business, financial condition, results of operations and prospects.

RISKS RELATING TO THE REGION IN WHICH THE ISSUER OPERATES

Kuwait’s legal system continues to develop and this may create an uncertain environment for investment and business activity

Kuwait is passing through various stages of developing its legal and regulatory institutions that are a characteristic of more developed markets. As a result, procedural safeguards as well as formal regulations and laws may not be applied consistently. In some circumstances, it may not be possible to obtain the legal remedies provided under the relevant laws and regulations in a timely manner. As the legal environment remains subject to continuous development, investors in Kuwait and the GCC countries may face uncertainty as to the security of their investments. Any unexpected changes in the legal systems in Kuwait may have a material adverse effect on the rights of holders of the stocks or the investments that the Issuer has made or may make in the future, which may in turn have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

Legal and Regulatory Systems

Legal and regulatory systems may create an unfavorable environment for the aviation sector in many countries in which the Issuer operates, which continue to develop its governing institutions and legal and regulatory systems that are not yet as firmly established as they are in Western Europe and the United States.

Kuwait, has enacted measures to promote greater efficiency and certainty within its legal and regulatory systems. Among those measures, Kuwait and countries within the GCC region have assumed obligations under the General Agreement on Tariffs and Trade ("GATT") (as administered by the World Trade Organization ("WTO"), where Kuwait has already enacted legislation, inter alia, to allow foreign ownership. However, Kuwait may experience changes in its economy and government policies (including, without limitation, policies relating to the continued extension of the rights of foreign ownership pursuant to Kuwait's GATT/WTO obligations) that may affect the environment in which the Issuer operates.

Changes in government policies, as well as the interpretations of legislations and regulations, applicable to the aviation sector in the markets where the Issue operates, may adversely impact the Company's business, its reputation, the costs of its activities, and its ability to make new investments or divest existing assets, all of which can in turn impact the financial position of the Issuer.

The Issuer operates directly, or through subsidiaries and entities, in several legal and legislative systems. Local legislations of such systems can negatively affect the Issuer's activity and can lead, for example but not limited to, increased competition due to the issuance of additional licenses or changes in licensing terms in a manner affecting the activities of the Issuer or its profitability; they may also impose restrictions or limits related to ownership or scope of activities on the Issuer.

Kuwait Bankruptcy rules

Any claim or rights, by or on behalf of shareholders, in the Shares to be issued, will rank pari passu, without any preference, to the outstanding shares of the Issuer. In the event of the Issuer's insolvency, Kuwaiti bankruptcy rules under the Insolvency Law No. 71 of 2020 and the enforcement procedures over the assets of the Company may adversely affect the Issuer's ability to perform its obligations to the shareholders or return the funds of the shareholders in the event of insolvency. According to the law, shareholders' claims are ranked below priority claims, to the benefit of the state, government, tax and labor authorities, secured creditors and other creditors of the Issuer.

Obtaining a final bankruptcy judgment in Kuwait can take several years. There is, therefore, no certainty as to the shareholders receiving, in the event of the Company being pronounced bankrupt, their claims in full or at all.

Force Majeure

Some unpredictable events may happen which in turn may affect the ability of the Issuer to meet its obligations with respect to the current and planned operations. Force majeure events include, but are not limited to, accidents, wars, revolutions, riots, civil resurrection, acts of God, natural disasters, strikes or labor disputes. There is no guarantee of steady financial performance for the Issuer in the future.

The financial performance of the Issuer has been favored by robust economic conditions since inception in Kuwait and GCC states, during such period on the background of relative political stability and steady increase in oil prices. There is no guarantee of steady financial performance of the Issuer in the future or growth and stability in the markets in which the Issuer operates and invests. In view of the overlapping nature of the global financial markets, investors must be mindful that the activities and financial performance of the Issuer may be affected and influenced by the negative effects of other related political economic and other developments within and outside of the GCC states and the Middle East.

When dealing in the aviation sector, customers take consideration of the history of the Company, among other factors. When the Issuer cannot provide the required services at competitive prices, existing customers may decide to terminate their contracts with the Company. In addition, a prolonged period of poor performance may affect the ability of the Issuer to maintain its current customer base and attract new customers, which in turn erodes the ability of the Issuer to achieve stable earnings. Moreover, the Issuer is considered to be exposed to the risks of mismanagement, fraud, or failure.

The Issuer continues to upgrade its systems in keeping with the potential growth, increased complexity, and specialization in various assets and investments management. Although the Issuer believes that it has proper financial and administrative controls, any mismanagement, or act of fraud, circumvention, malfunctioning or failure in carrying out the operational responsibilities of the Issuer or the negative publicity caused by such acts, or a charge laid out by any other party may have negative impact on the ability of the Issuer to maintain income from various credit portfolios and investments, or its ability to grow such income.

RISKS RELATED TO THE OFFERING SHARES

Investing in securities in developing and emerging markets generally involves a higher degree of risk

Investors in developing and emerging markets, such as Kuwait, should be aware that these markets are subject to greater risks than developed markets including, but not limited to, higher volatility, limited liquidity, and changes in the political and economic environment. In addition, there can be no assurance that the market for securities bearing emerging market risk, such as the stocks, will not be affected negatively by events elsewhere, especially in emerging markets.

Specific risks in Kuwait and the Middle East and North Africa region that could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects include the following:

- Political, economic or social instability;
- External acts of warfare, civil clashes or other hostilities or conflict;
- Domestic unrest or violence;
- Increases in inflation and the cost of living;
- Changing tax regimes and tax laws, including the imposition of taxes in tax-free jurisdictions or the increase of taxes in low-tax jurisdictions;
- Government interventions and protectionism;
- Potential adverse changes in laws and regulatory practices, including legal structures and tax laws;
- Difficulties in staffing and managing operations;
- Legal systems which could make it difficult for the Issuer to enforce its intellectual property and contractual rights;
- Restrictions on the right to convert or repatriate currency or export assets;
- Greater risk of uncollectible accounts and longer collection cycles;
- Currency fluctuations; and
- Logistical and communications challenges.

Accordingly, prospective investors should exercise particular care in evaluating the risks involved, and must determine for themselves whether, in light of those risks, an investment in the stocks is appropriate.

Generally, investment in emerging markets is only suitable for sophisticated investors who fully comprehend the significance of the risk involved.

Suitability of investment

Each potential investor in the stocks must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- Have sufficient knowledge and experience to make a meaningful evaluation of the stocks, the merits and risks of investing in the stocks, and the information contained in this Prospectus;
- Have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the stocks and the impact the stocks will have on its overall investment portfolio;
- Understand thoroughly the terms of the stocks and be familiar with the behavior of any relevant financial markets; and
- Be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Liquidity and volatility in the share price

The Issuer's shares are listed on Boursa Kuwait. Investors may not be able to resell their shares (including the Offering Shares) at or above the Offer Price, or at all, as the market price of the Shares after the Offering may be adversely affected by factors within and beyond the Issuer's control, including, but not limited to, variations in the Issuer's results of operations, market conditions, or changes in government regulations. Investors should be aware that the value of an investment in the Shares (including the Offering Shares) may decline, as well as rise. The market price of the Offering Shares could be volatile and subject to significant fluctuations due to a change in sentiment in the market regarding the Offering Shares.

Stock markets have, from time to time, experienced significant price and volume fluctuations that have affected market prices for securities, and which may be unrelated to the Issuer's performance or prospects. Furthermore, the Issuer's operating results and prospects from time to time may be below the expectation of market analysts and the market generally. Any of these events could result in a decline in the market price of the Company's shares.

Dividend payments

The Offering Shares will be entitled to receive any dividends declared by the Issuer in the future. (The Issuer intends to maintain a dividend policy which has due regard to sustainable levels of dividend distribution and which reflects the Issuer's view on the outlook for sustainable recurring earnings. The Issuer does not aim to create reserves that are not available for distribution to Shareholders other than those required by law. The Issuer intends to pay dividends when the Board of Directors considers it appropriate). Furthermore, the dividend policy of the Issuer may change from time to time.

Dilution of existing shareholdings

If Eligible Shareholders do not take up their rights by the latest date for receipt of applications and payments in full that are set out in this Prospectus, their proportionate ownership and voting interests in the Issuer will be reduced and the percentage that their current shares represent in the share capital of the Issuer immediately following the Offering will be reduced accordingly. In addition, Eligible Shareholders as at the Record Date who take up their rights in full may suffer some dilution of their interest in the Issuer as their entitlement will be rounded down to the nearest whole number of Offering Shares. Such Shareholders may, in the event of availability of unsubscribed Offering Shares, be able to subscribe for additional Offering Shares, which may enable them to maintain or increase their proportionate interest in the Issuer.

Risks of unprofitability or not exercising Preemption Rights

A higher trading price for the Company's shares does not guarantee profitability for shareholders. Moreover, there is no guarantee of sufficient demand in the market for investors to exercise their Preemption Rights or be compensated by the Company for not exercising their Preemption Rights. In the event that investors are unable to sell their Preemption Rights by the end of the 5th Business day prior to the closing of the Subscription Period, investors may be losing these rights to subscribe in the Offering Shares. In the event investors do not subscribe, or fail to follow the procedures for subscription in the Offering Shares, there are no guarantees investors will be compensated for failure of exercising their Preemption Rights and thus incurring potential losses. Accordingly, investors should review the information on the mechanism for the listing and trading of Preemption Rights on Boursa Kuwait, the Kuwait Companies Law, and the provisions of the executive regulations of the CMA. Investors must be aware of factors that may potentially affect them, to ensure that any investment decision is based on awareness and a full understanding of the nature of the investment and the risks associated with it.

Risks of insufficient demand for Preemption Rights or the Company's shares, or withdrawal from subscription

There is no guarantee that there will be sufficient demand for Preemption Rights during the Subscription Period in the Offering Shares to allow preemption rightsholders to sell their rights at a profit. Moreover, there is no guarantee there will be sufficient demand for the Company's shares by Eligible Shareholders during the Subscription Period, and in this case, preemption rightsholders will not be compensated for failing to exercise their rights. In addition, there is no guarantee of sufficient market demand for the shares acquired by the Subscriber through the exercise of their Preemption Rights, or through the remaining shares offered, or through the market, which will in turn negatively affect the share price, the Company's profitability, and the shareholders. Besides, there is no guarantee the Offering will be successful, or is not cancelled, and in the event of a cancellation, the preemption rightsholders will not be able to exercise their right to subscribe in the Shares which may cause the preemption right holder to forfeit the purchase price of the Preemption Right, and will not have the right of recourse against the Company or the Subscription Agent or and the Clearing and Depositary Agent for any claim or compensation. The listing and trading of the Preemption Rights in respect of the Offering is subject to the Company's shares continuing to be listed on Boursa Kuwait during the Subscription Period in the Preemption Rights.

Risks of speculation in Preemption Rights

Speculation in Preemption Rights is subject to risks that could lead to material losses. The daily price trading limits of the Offering Shares are affected by the relative limits the stock is subject to. Additionally, there is a positive relation between the Company's share price and the reference price, and based on the daily price trading limits on the stock. In the event that the speculator does not sell their Preemption Rights or exercise it before the end of the trading period, the speculator will be forced to lose these rights and thus be exposed to potential losses.

Taxation risks on payments

The application and enforcement of the Kuwaiti income tax regime is uncertain, and holders of the Offering Shares which are "non-GCC corporate entities" may become subject to the Kuwaiti income tax regime in certain limited circumstances.

The application and enforcement of the Kuwaiti income tax regime to holders of the Offering Shares which are "non-GCC corporate entities" (as defined in "Taxation") is uncertain. There is a possibility that any holder of the Issue Shares which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future, should the Department of Income Tax (the "DIT") at the Kuwaiti Ministry of Finance and/or the Kuwaiti courts determine that the income received by a holder of the Offering Shares in respect of any Offering Shares is taxable notwithstanding the Tax Exemptions (as defined and explained in "Taxation").

As at the date of this Prospectus, there has been no official statement made publicly by the DIT regarding its interpretation of, and/ or application of, the Tax Exemptions in the context of a transaction such as the issue of the Offering Shares. Similarly, the Kuwaiti courts (who will be the final arbiters on the matter) have not been required to interpret such requirement to date. Although there has been no precedent of the DIT enforcing the imposition of income tax on non-GCC corporate entity shareholders in the circumstances described above, it is not possible to state definitively how the DIT and/or the Kuwaiti courts may implement or enforce the Taxation Laws (as defined in "Taxation") and the Tax Exemption in practice. Furthermore, the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally.

If the DIT and/or the Kuwaiti courts were to determine that the income received by a holder of Offering Shares which is a non-GCC corporate entity in respect of any Offering Shares held by it is taxable, then such non- GCC corporate entity would become subject to the Kuwaiti income tax regime, which requires income tax (at a rate of 15 per cent.) to be levied on the net income and possibly capital gains of such non-GCC corporate entities, and imposes certain disclosure and reporting obligations on persons subject to such regime (which would include an obligation to file a tax return in Kuwait). In addition, a deduction of five per cent. of the amount of any payments made by the Issuer directly to the holders of the Offering Shares may be applied in certain circumstances, pending resolution of their tax position. See “Taxation” – Retention for further details.

Whilst the application and enforcement of the Kuwaiti income tax regime remains uncertain, there can be no assurance that holders of Offering Shares which are “non-GCC corporate entities” will not become subject to such regime in the circumstances described above. Prospective subscribers for the Offering Shares are advised to consult their tax advisers as to the consequences under Kuwaiti and other applicable tax laws of acquiring, holding and disposing of the Offering Shares and receiving payments under the Offering Shares. See “Taxation” for further details.

Kuwait may introduce Corporate Income Tax on Kuwaiti and other Companies, as well as Value Added Taxes

The Issuer is not currently subject to corporation tax on its earnings within Kuwait. However, on 14 March 2016 the Kuwait Cabinet of Ministers approved plans to implement a corporate tax of 10 per cent. On the annual profits of Kuwaiti incorporated entities (the “**Proposed Corporate Income Tax**”), including Partnerships, Funds, Sole Partnership and Trusts, similar companies established under the laws of a foreign country and individuals, enterprises or sole traders (other than incorporated companies) who are carrying on a business in Kuwait which may be applicable to the Issuer for future financial years. As at the date of this Prospectus, the Proposed Corporate Income Tax does not have the force of law until such time as it has been approved by the Kuwaiti Parliament, signed by the Amir, and published in the Official Gazette. It is currently uncertain as to whether the Proposed Corporate Income Tax will be promulgated into law in the form in which it has been proposed by the Cabinet of Ministers, or at all. If the Kuwaiti authorities impose new tax regimes on the Issuer (whether in the form of the Proposed Corporate Income Tax or otherwise) or introduce any other changes in tax laws which make doing business in Kuwait less attractive, this may have a material adverse effect on the Issuer’s business, results of operations, cash flows and financial condition. The Proposed Corporate Income Tax also provides for Withholding taxes (WHT) to be imposed on payments to nonresident entities. Currently the Proposed Corporate Income Tax provides for WHT on royalties, interest and technical fees at 10% and insurance premiums at 5%, but not on dividends.

It is expected that the State of Kuwait will implement a value-added tax law in the coming periods, while a value-added tax will be implemented in most of the Gulf Cooperation Council countries. Although the application of this tax on financial services has not been confirmed, the application may cause economic effects on the Company's financial position, business results and prospects.

Change in Law

No assurance can be given as to the impact of any possible change to Kuwaiti law or to administrative practice after the date of the Prospectus, nor can any assurance by given as to whether any such change could adversely affect the ability of the Issuer to make payments and/or make deliveries under the Offering Shares, as applicable.

The application of the Kuwaiti income tax regime on stock dividends.

Article 150 (bis) of Law No. 7 of 2010 Concerning the Establishment of the Capital Markets Authority and the Regulating of Securities Activities, introduced pursuant to Law No. 22 of 2015 ("Article 150 (bis)"), provides that, without prejudice to the tax on profits arising from the disposal of securities issued by companies listed on the Boursa Kuwait, the returns in respect of securities, bonds, financial sukuk and all other similar securities, regardless of the Issuer, are exempt from taxes. However, there is no guarantee that the Article 150 (bis) will not be amended in the future and hence the payments made by the Company relating to the Shares may be subject to taxes if the article is amended.

GCC countries may form a monetary union

There exists a future possibility of the Kingdom of Bahrain, the State of Kuwait, the Kingdom of Saudi Arabia and the State of Qatar abandon their national currencies for a single Gulf currency. In the event of adopting a single Gulf currency, the necessary convergence and adjustment of laws, policies and procedures will create profound changes in the basic economic and political structure in every GCC country. So far, no timetable for the development of monetary union has been announced with no details available of new legislations or policies; nevertheless, potential shareholders and investors should be aware that the new legislations and any resulting change in the monetary policies and procedures in Kuwait can affect the Issuer's ability to fulfill its obligations towards its shareholders as it related to the Shares.

TAXATION

The following is a general description of certain Kuwaiti tax considerations relating to the Offering Shares. It does not purport to be a complete analysis of all tax considerations relating to the Shares, whether in Kuwait or elsewhere. Prospective subscribers of Offering Shares should consult their own tax advisers as to acquiring, holding and disposing of Offering Shares and receiving payments/dividend distributions under the Offering Shares and the consequences of such actions under the tax laws of the State of Kuwait. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date (and any change that may apply to the interpretations of the law and the practices of the Kuwait Department of Income Tax).

This summary of taxation in Kuwait is based on the Kuwait Income Tax Decree No. 3 of 1955 (the Decree), as amended by Law No. 2 of 2008 "Amending Certain Provisions of Kuwait Income Tax Decree No. 3 of 1955" (the Amendment), the Executive Bylaws of the Amendment (the Regulations), and various ministerial resolutions and circulars relating thereto issued by the Ministry of Finance (the MOF) (together, the Taxation Laws) as interpreted and implemented by the MOF's Department of Income Tax (DIT) as at the date of this Prospectus. Any subsequent changes in either the Taxation Laws or the interpretation or implementation of the same by the DIT would alter and affect this summary.

Income tax

Under the Taxation Laws, income tax (at a flat rate of 15 per cent.) is levied on, inter alia, the net income and capital gains realized by any corporate entity (interpreted by the DIT to mean any form of company or partnership), wherever incorporated, that conducts business in Kuwait. However, the DIT to date has granted a concession to such corporate entities incorporated in Kuwait or in any other GCC country (being referred to in this Prospectus as GCC corporate entities) and has only imposed income tax on corporate entities which are not GCC corporate entities (being referred to in this Prospectus as non-GCC corporate entities) which, for the avoidance of doubt, includes shareholders of GCC corporate entities which are themselves non-GCC corporate entities, in each case, conducting business in Kuwait. The following paragraphs in this section are therefore applicable only to non-GCC corporate entities. Pursuant to the Regulations, income generated from the investment of funds inside Kuwait is considered to be income realized from the conducting of business in Kuwait, and is therefore subject to income tax.

For the purposes of this section, the term “corporation” includes general partnerships, limited partnerships or joint ventures. The term “corporate body” that is subject to tax does not include any corporate body established in one of the member states of the Cooperation Council for the Arab States of the Gulf and wholly owned by citizens of the Gulf Cooperation Council countries only. The countries of the Gulf Cooperation Council at present include the State of Kuwait, the Kingdom of Bahrain, the Sultanate of Oman, the State of Qatar, the Kingdom of Saudi Arabia and the United Arab Emirates.

Stamp fees

According to the provisions of the tax laws in force in the State of Kuwait, shareholders are not entitled to pay any stamp fees, registration fees, or similar fees in the State of Kuwait in connection with the issuance of shares.

The contribution of the Issuer to the Kuwait Foundation for the Advancement of Sciences

According to the Emiri Decree of 12 December 1976 and its amendments, the Issuer is obligated, like other Kuwaiti shareholding companies, to pay an annual contribution of 1% (one percent) of its annual net profits (after deductions for the Company's legal reserve) to the Kuwait Foundation for the Advancement of Sciences.

Zakat

The Issuer is obligated to pay 1% (one percent) of its net profits as zakat in accordance with Law No. 46 of 2006 and Ministerial Resolution No. 58 of 2007, and their amendments.

Tax to support the national employment program

As a result of being a listed company on Boursa Kuwait, the Issuer is obligated to pay 2.5% (two and a half percent) of its net profits to the National Labor Support Program in accordance with Law No. 19 of 2000.

Tax exemption in the Capital Markets Authority Law

Notwithstanding the above, the recently implemented Law No. 22 of 2015 amending Law No. 7 of 2010 (the "CMA Amendment") provides that "yields of securities, bonds, finance sukuk and all other similar securities regardless of the issuer thereof shall be exempted from tax" (Article 150 bis of the CMA Amendment), the "Tax Exemptions"). Although the Tax Exemptions are yet to be tested, they clearly provide for a tax exemption to the holders of the Offering Shares.

Notwithstanding the foregoing, the application and enforcement of the Kuwaiti income tax regime and the Tax Exemptions remains uncertain, especially as a result of the lack of DIT and/or Kuwaiti court precedent referred to above and as a result of the fact that the DIT has to date not always adopted consistent rulings on Kuwaiti tax matters more generally. Accordingly, prospective investors in the Offering Shares are advised that there remains a possibility that any holder of Offering Shares which is a non-GCC corporate entity may become subject to the Kuwaiti income tax regime in the future (which would include an obligation to file an income tax return in Kuwait), should the DIT and/or the Kuwaiti courts determine that the income received by it in respect of any Offering Shares held by it represents the "investment of funds inside Kuwait" (and hence constitutes the conducting of business in Kuwait for the purposes of the income tax regime described above), even if the holder of Offering Shares is not incorporated or otherwise located in Kuwait.

Individuals are not subject to any Kuwaiti income tax on their income or capital gains.

Retention

Under the Regulations, a Kuwaiti-based party making such a payment (being referred to in this section as the payer) to any other party (being referred to in this section as the payee), wherever incorporated, is obliged to deduct 5% of the amount of each such payment until such time as the DIT issues a tax clearance certificate approving the release of such amount. The payer is not required to transfer the deducted amount to the DIT immediately, but instead retains such amount and releases it either (i) to the payee upon presentation to the payer by such payee of a tax clearance certificate from the DIT confirming that the payee is not subject to or is exempt from income tax, or has realized a loss, or has paid or guaranteed the payment of its income tax; or (ii) in the absence of such a tax clearance certificate, to the DIT, on demand. According to a literal interpretation of the Regulations, payments which are subject to a deduction as described above would include dividend payments. As such, the Issuer would be required to deduct 5% from every payment made by it to the holders of Shares, which amount would be released by the Issuer upon presentation to it by the relevant holder of Shares of a tax clearance certificate from the DIT.

Other taxes

Save as described above, all payments in respect of the Offering Shares may be made without withholding, deduction or retention for, or on account of, present taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of Kuwait.

No stamp, registration or similar duties or taxes will be payable in Kuwait by holders of Offering Shares in connection with the issue or any transfer of the Offering Shares.

GENERAL INFORMATION

Capital Markets Authority

The Capital Markets Authority in Kuwait is the regulating authority for the offering of the Shares, as per the Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its executive regulations issued pursuant to Resolution 72 of 2015 (each as amended), regulating the issuance of securities in Kuwait and responsible for issuing the required authorizations and approvals for the capital increase.

Change in Financial Position

Save as disclosed in this Prospectus, there has been no material adverse change in the financial position of the Company since 31 December 2020, the date of its latest audited financial statements.

Auditors

The Company has appointed Deloitte and Touche (Al Wazzan & Co.) as an auditor for the financial year ended as of 31 December 2021. The Company's financials for the years ended 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019, and 31 December 2020 have been audited by Deloitte and Touche (Al Wazzan & Co.)

Resolution of the General Assembly and Board of Directors

The Offering Shares shall be issued pursuant to Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its executive regulations issued pursuant to Resolution 72 of 2015 (each as amended), and the Companies Law No. 1 of 2016 and its executive bylaws, as amended.

The capital increase was authorized by resolutions of the Extraordinary General Shareholders Assembly of the Company passed on 19 May 2021 and the Board of Directors of the Company passed on 14 April 2021.

Official Approvals

Approval has been granted by the CMA on 11 May 2021 for the Company to increase its share capital and has granted approval of this Prospectus on **31 May 2021**.

Shareholders Register

The Issuer maintains the Company's Shareholders' Register with the Kuwait Clearing Company K.S.C. in accordance with the provisions of the Kuwaiti Companies Law No. 1 of 2016 and its executive bylaws.

Clearance

The clearance of transactions made on the capital increase shares of the Issuer have been accepted through Kuwait Clearing Company K.S.C.

Control/Supervision of the Company

The Company was incorporated by Amiri decree on 3 March 2004 in the State of Kuwait, pursuant to the Companies Law No. 1 of 2016, as amended and its executive regulations.

The Company is under the supervision of the Ministry of Commerce and Industry in the State of Kuwait in accordance with the aforementioned laws. The Company is also under the supervision of the CMA and Boursa Kuwait as a publicly listed company as per the Law No. 7 of 2010 regarding the Establishment of the Capital Markets Authority and Regulating Securities Activities and its executive regulations as amended. In addition to aforementioned regulatory bodies, all transport and air cargo activities of the Company are subject to the supervision of the General Administration of the Civil Aviation according to License No. 2005-AT / 1 issued on 24 October 2005.

INFORMATION ON THE ISSUER AND ITS MANAGEMENT

The legal form of the Issuer and the legislation that governs its establishment and operations

Jazeera Airways Company K.S.C.P. was incorporated on 3 March 2004 in the State of Kuwait by an Amiri decree as a Kuwaiti Public Shareholding Company and is registered with the Ministry of Commerce and Industry under Commercial Registration No. 82992. The Company is under the supervision of the Ministry of Commerce and Industry in the State of Kuwait in accordance with the provisions of the Kuwait Companies Law No. 1 of 2016 and its executive regulations. The Company is also under the supervision of the Capital Markets Authority and Boursa Kuwait as a listed company as per the Law No. 7 of 2010 regarding the establishment of the Capital Markets Authority and regulating securities activities and its executive regulations as amended.

Summary of provisions provided for by the Articles of Association of the Issuer:

Objectives of the Company

The objectives 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 favor 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 project (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 and abroad 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 al 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.

Management of the Company

The Company shall be managed by the Board of Directors consisting of eight members appointed by the General Assembly via secret ballot. The number of Board of Directors members selected shall be deducted from the numbers of Board of Directors nominated. Shareholders having representatives in the Board may not participate with other shareholders in nominating remaining Board members, except in case of exceeding the percentage so used in appointing representatives in the Board of Directors. A group of shareholders may ally amongst themselves to appoint one or more representatives up to their shareholding ratios combined. Those representatives shall be empowered with the same rights and obligations pertaining to those nominated members.

The Board of Directors shall meet and have the widest authority to manage the Company and carry out all the works necessary for managing the Company according to its objectives. Such authority shall only be restricted by what is stipulated in the law, this Statute, or the General Assembly's decisions. The Board of Directors may sell the real estate of the Company or mortgage the same or give guaranties, conclude loans, arbitration, conciliation, or donation according to what is required by the interest of the Company.

The Board of Directors shall, by secret ballot, elect a Chairman and a Deputy Chairman. The Chairman shall represent the Company in its relations with third parties and before courts, in addition to other competences stated by the contract of the Company. Further, the Chairman's signature shall be deemed as a Board of Directors' signature in relation to the Company with the third parties and must implement Board decisions and adhere to the recommendation thereof. The Deputy Chairman shall replace the Chairman in the case of absence or when prevented from practicing their competences.

The Board of Directors shall meet six times at least during a fiscal year, at the request of its Chairman or no less than two of its Board members. The Board meeting shall be deemed valid in the presence of the majority of its members provided that the number of attendees is no less than three. Attendance by way of proxy shall not be valid; the meeting may be held through modern means of communication. Moreover, decisions may be taken by passing subject to the consent of all Board members.

The Board of Directors may appoint one or more CEOs from non-Board members, while further determining their remunerations and powers. No Board members may act as the Chairperson and CEO at the same time. One or more Board of Directors members should be independent with expertise and efficiency to be selected by the Ordinary General Assembly, which shall determine their remunerations in accordance with the governance, provided their number should not exceed half the number of Board members. Any independent member is not preconditioned to be one of the Company's shareholders.

Share Capital of the Company

As at 31 December 2020, the Issuer's authorized, issued and paid-up share capital was KWD 20.0 million, consisting of 200,000,000 shares of fils 100 each.

As of 19 May 2021, the Extraordinary General Assembly meeting approved to increase the Issuer's authorized share capital to KWD 22.0 million, consisting of 220,000,000 shares of fils 100 each.

MEMORANDUM & ARTICLES OF ASSOCIATION

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Ministry of Justice Administrative Affairs Dept Translation Section

STATE OF KUWAIT
MINISTRY OF JUSTICE
REAL ESTATE REGISTRATION & AUTHENTICATION DEPT.
[NOTARY PUBLIC]
Contracts and Companies Authentication Office Register:
Serial No.: 1103
Vol.: 1

Jazeera Airways Company
A Kuwaiti Public Shareholding Company
Memorandum of Association

On Wednesday 12 Muharram 1425 AH Corresponding to, 03/03/2004, before me, Hiyam Abdullah Al-Mehri, Head of Shareholding Companies and Contracts, Authenticator at the Department,

There appeared: -

First

Supply And Exchanges Trading Company – Saleh Sulaiman Al-Huwaidi & Partner – a company with limited liability which its memorandum of association has been authenticated under number 129/A/Vol.1 dated 14/4/1980(outside the department) amended with several contracts last of the same the official contract authenticated under number 1846/Vol.1 dated 14/9/1997 and represented in signing by /Saleh Sulaiman Saleh Al-Huwaidi of Kuwaiti Nationality holder of Civil ID card No. 260080200985 in his capacity as partner, manager and authorized to sign on behalf of the company ================================== First party in his capacity.

Second:

Gulf Engineering Company- a shareholding Kuwaiti Company- closed which memorandum of association has been authenticated under No. 5243 Vol. 1 dated 1/11/2003 represented in signing by /Ahmed Mustafa Jassim Boodai of Kuwaiti Nationality, holder of Civil ID card No.265123000039 in his capacity as a chairman and the managing director of the company as per a certificate to whom it may concern issued from Ministry of Commerce and Industry

Translation Section

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under No. 1712 dated 13/1/2004 attached with the original of this Memorandum ===================== Second party in his capacity.

Third:

The Kuwaiti Applied Information Networks Company - a Kuwaiti shareholding Company - closed which memorandum of association has been authenticated under No. 3098 Vol. 1 dated 26/08/2001 represented in signing by /Saleh Sulaiman Saleh Al-Huwaidi of Kuwaiti Nationality, holder of Civil ID card No.260080200985 in his capacity as a chairman of the company as per a certificate to whom it may concern issued from Ministry of Commerce and Industry under No. 6501 dated 23/02/2004 attached with the original of this memorandum ===================== Third party in his capacity.

Fourth:

Al-Murabbae Real Estate Company - Jassim Marzouq Boodai & partners. a limited liability company which its memorandum of association is authenticated under No. 163/D/Vol.1 dated 23/1/1982 represented in signing by / Jassim Marzouq Jassim Boodai / of Kuwaiti Nationality, holder of Civil ID card No. 256040900512 in his capacity as a manager, and authorized to sign on behalf of the company. ========================== Fourth party in his capacity.

Fifth:

Abdul Aziz and Jassim Trading company. Jassim Marzouq Boodai & partners - a company limited liability which its memorandum of association is authenticated under No. 21 Vol. 14 dated 11/9/1994 represented in signing by Jassim Marzouq Boodai / of Kuwaiti Nationality, holder of Civil ID card No. 256040900512 in his capacity as a manger and authorized to sign on behalf of

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البرهان للترجمة
Tel.: 22491680 - 22461769 - Fax : 22491680 - 22461769 تلفون : ٢٢٤٩١٦٨٠ - ٢٢٤٦١٧٦٩ - فاكس : ٢٢٤٩١٦٨٠ - ٢٢٤٦١٧٦٩

the company as per the deed of amendment contract authenticated under No. 2598 Vol.1 dated 11/6/2003. ========== Fifth party in his capacity.

Sixth

International Investment House Company- a Kuwaiti Shareholding Closed Company which its memorandum of association is authenticated under No. 1290. Vol. 1 dated 15/6/1998 represented in signing by /Maha Khaled Al-Ghunaim of Kuwaiti Nationality, holder of Civil ID card No. 25903281008 in her capacity as Vice Chairman Managing Director and she is represented herein by Bader Abdullah Ahmed Al-Sumait of Kuwaiti Nationality and holder of Civil ID Card No. 255121800076 to the company under a certificate to whom it may concern issued from Ministry of Commerce and Industry under No. 122341 dated 21/04/2003, attached to the original of this Memorandum ===============================Sixth party in his capacity.

Seventh

Boodai Projects Company – Mustafa Jassim Boodai and Partners , which its memorandum of association is authenticated under No. 20. Vol. 403 dated 17/07/1994 amended by virtue of several deeds, the last of which is the deed authenticated under No. 2008 Vol. 1 dated 01/10/1997, represented in signing by/Marwan Marzouq Boodai in his capacity as a manager authorized to sign on behalf of the company, and Mr. Jassim Marzouq Boodai of Kuwaiti Nationality Holder of Civil ID Card No. 256040900512 shall represent him in his capacity of his attorney under General official Power of Attorney Authenticated Under No. 3 Vol. 681 dated 16/11/1994, and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ===============Seventh party in his capacity.

3

الكويت - المرقاب - شارع الشهداء - عمارة الربيعة - الدور الأرضي - مكتب (٧) - بجانب مركز الامارات للصيرفة
Kuwait - Murqab - Shuhada Street - Rabia Bldg. - Ground Floor - Office (7) - Next to UAE Exchange Centre

Eighth:

Combined Building Materials Company –Mustafa Jassim Boodai and partners a company with limited liability which it's memorandum of association is authenticated under No. 984 /f/ Vol. 3 dated 17/07/1984 represented in signing by Jassim Mustafa Boodai of Kuwaiti Nationality holder of Civil ID card No. 264020800039 in his capacity as manager and authorized to sign on behalf of the company under deed of amendment authenticated under No. 73 vol. 1 dated 11/01/1998 ================Eighth party in his capacity

Ninth

Al-Emareh General Trading & Contracting Co. – Yacoub Saleh Al-Sharhan and partners a company with limited liability which it's a memorandum of association is authenticated under No. 14 Vol. 42 dated 22/01/1994 represented in signing by Yacoub Saleh Yacoub Al-Sharhan in his capacity as manager and authorized to sign on behalf of the company under deed of amendment contract authenticated under No. 1862 vol. 1 dated 14/09/1997 ==================Ninth party in his capacity.

Tenth

Publisher Printing Co. – Mustafa Jassim Boodai and partner a company with limited liability which it's memorandum of association is authenticated under No. 2939 Vol. 1 dated 03/10/199 represented in signing by Marwan Marzouq Jassim Boodai in his capacity as a manager and authorized to sign on behalf of the company, and Saleh Sulaiman Saleh Al-Huwaidi of Kuwaiti Nationality, holder of Civil ID card No.260080200985 shall represent him and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ================== Tenth party in his capacity

Eleventh:

Quaxil Co. for Computer Cinsultations, Computer systems computer programming and operation – Yacoub Saleh Al-Sharhan and partners a company with limited liability which it's a memorandum of association is authenticated under No. 1288 Vol. 1 dated 25/06/1997 represented in signing by Yacoub Saleh Al-Sharhan of Kuwaiti Nationality holder of civil ID card No. 259052200015 in his capacity as manager and authorized to sign on behalf of the company ================Eleventh party in his capacity.

Twelfth:

Adil Mohammed Al-Sumait of Kuwaiti Nationality holder of Civil ID Card No. 258110601446, Yacoub Saleh Yacoub Al-Sharhan of Kuwaiti Nationality holder of civil ID card No. 259052200015 shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney Authenticated Under No. 11195 Vol. 4 dated 20/12/2003, and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence=================twelfth party in his capacity.

Thirteenth

Mishaal Abdul Karim Abdullah Al-Asqah of Kuwaiti Nationality holder of Civil ID Card No. 262092100075, Saleh Sulaiman Saleh Al-Huwaidi of Kuwaiti Nationality holder of civil ID card No. 260080200985 shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney Authenticated Under No. 11271 Vol. 6 dated 22/12/2003, and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ==========Thirteenth party in his capacity

Fourteenth

Yacoub Saleh Al-Sharhan of Kuwaiti Nationality holder of civil ID card No. 259052200015============ Fourteenth party in his capacity

Fifteenth

Saleh Sulaiman Al-Howaidi of Kuwaiti Nationality holder of civil ID card No. 260080200985========== Fifteenth party in his capacity

Sixteenth

Fadl Okab Al-Khatib of Kuwaiti Nationality holder of Civil ID Card No. 260101300011, Yacoub Saleh Yacoub Al-Sharhan of Kuwaiti Nationality holder of civil ID card No. 259052200015 shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney Authenticated Under No. 11177 Vol. 6 dated 20/12/2003, and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ================Sixteenth party in his capacity

Seventieth

Basma Jassim Marzouq Boodai of Kuwaiti Nationality holder of Civil ID Card No. 283061900398, minor and her father shall sign on her behalf In his capacity as her natural guardian =========== Seventieth party in his capacity.

Eighteenth

Mohammed Naser Al-Fouzan of Kuwaiti Nationality holder of Civil ID Card No. 262120800985, his attorney Saleh Sulaiman Saleh Al-Huwaidi of Kuwaiti Nationality holder of civil ID card No. 260080200985 shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney Authenticated Under No. 11234 Vol. 6 dated 21/12/2003, and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ================Eighteenth party in his capacity

Nineteenth

Adnan Musaed Al-Ojail of Kuwaiti Nationality holder of Civil ID Card No. 252061200066, Nineteenth party

Twentieth

Mustafa Jassim Boodai, Kuwaiti Nationality holder of Civil ID Card No. 236020800022, Jassim Marzouq Boodai of Kuwaiti Nationality shall sign on his behalf under General official Power of Attorney Authenticated Under No. 3 Vol. 681 dated 16/11/1994, and the attorney declares that his power of attorney is valid and that his principal is alive

==================Twentieth party in his capacity

Twenty first

Farrah Jassim Marzouq Boodai, Kuwaiti Nationality holder of Civil ID Card No.281042200362, Jassim Marzouq Boodai shall sign on her behalf in his capacity as her attorney under General official Power of Attorney Authenticated Under No. 940 Vol. 5 dated 11/09/2002, and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ==================Twenty first party in his capacity

Twenty second

Adnan Saleh Yacoub Al-Sharhan, Kuwaiti Nationality holder of Civil ID Card No.263032800154, Yacoub Saleh Yacoub Al-Sharhan of Kuwaiti Nationality holder of Civil ID Card No.259052200015 shall sign on his behalf in his capacity as his attorney under Special Power of Attorney Under No. 11290 Vol. 6 dated 22/12/2003, and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence==================Twenty second party in his capacity

Twenty third

Yousuf Ahmed Al-Jalahama of Kuwaiti Nationality holder of Civil ID Card No. 259090700766, twenty third party

Twenty fourth

Abdullah Ali Akber Bastaki of Kuwaiti Nationality holder of Civil ID Card No. 250122400979, twenty fourth party

Twenty fifth

Osama Abdullah Bastaki of Kuwaiti Nationality holder of Civil ID Card No. 276071301369, twenty fifth party

Twenty Sixth

Ahmed Ismail Behbehani of Kuwaiti Nationality holder of Civil ID Card No. 255022100314, twenty sixth party

Twenty seventh

Ahmed Yousuf Behbehani of Kuwaiti Nationality holder of Civil ID Card No. 241101500976, twenty seventh party

Twenty eighth

Farou Services & Consultations International Co. - a Kuwaiti Shareholding Closed Company which its memorandum of association is authenticated under No. 3752. Vol. 1 dated 07/08/2000 represented in signing by /Roula Abdullah Dashti of Kuwaiti Nationality, holder of Civil ID card No. 264021700259 in her capacity as Chairman of the company under a certificate to whom it may concern issued from Ministry of Commerce and Industry under No. 27772 dated 05/08/2003, attached to the original of this contract. ================================ Twenty eighth in his capacity.

Twenty ninth

Sarrah Tawfiq Al-Nassar of Kuwaiti Nationality holder of Civil ID Card No. 273051000629, twenty ninth party.

Thirtieth

Roula Abdullah Dashti of Kuwaiti Nationality, holder of Civil ID card No. 264021700259, thirtieth party

Thirty first

Mohammed Ghanim Al-Armali of Kuwaiti Nationality holder of Civil ID Card No. 260122800066, thirty first party

Thirty second

Sharif Jassim Bin Al-Eissa of Kuwaiti Nationality holder of Civil ID Card No. 265080301404, thirty second party

Thirty third

Shuaa Buildings Materials Establishment represented in signing by /Mustafa Jassim Boodai of Kuwaiti Nationality, holder of Civil ID card No. 236020800022 in his capacity as the Owner of the establishment by virtue of the license issued from Ministry of Commerce Under No. 130/71 dated 10/03/1971 Jassim Marzouq Boodai shall sign on his behalf in his capacity as his attorney under Genera official Power of Attorney Under No. 3 Vol. 681 dated 16/11/1994, and the attorney declares that his power of attorney is valid and that his principal is alive and have full competence ====================Thirty third party in his capacity .

Thirty fourth

Naser Khalifa AL-Asousi of Kuwaiti Nationality holder of Civil ID Card No. 254062100015, Jassim Marzouq Boodai Holder of Civil ID Card No. 256040900512 shall sign on his behalf in his capacity as his attorney under General official Power of Attorney authenticated under No. 2022/E/ Vol. 2 dated 16/10/1977 Thirty fourth party

Thirty fifth

Zaid Oukab Mohammed AL-Khatib of Kuwaiti Nationality holder of Civil ID Card No. 264102900041, Yacoub Saleh Yacoub Al-Shahran shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney authenticated under No. 11177 Vol. 6 dated 20/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence =============== Thirty fifth party in his capacity.

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Thirty sixth

Jassim Marzouq Boodai of Kuwaiti Nationality holder of Civil ID Card No.256040900512, thirty sixth party.

Thirty seventh

Munzer Ahmed Al-Jalahama of Kuwaiti Nationality holder of Civil ID Card No. 260031500894, Yousuf Ahmed Mohamemd Al-Jalahama shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney authenticated under No. 11181 Vol. 6 dated 20/12/2003 and the attorney declares that his power of attorney is valid and effective and that his principal is alive and have full competence ============= Thirty seventh party in his capacity.

Thirty eighth

Nouriyah Yousuf Saleh Al-Humaizi Kuwaiti Nationality holder of Civil ID Card No. 239020800018, Jassim Mustafa Boodai of Kuwaiti Nationality shall sign on her behalf in his capacity as her attorney under General official Power of Attorney authenticated under No. 393 Vol. 5 dated 23/04/2000 ============= Thirty eighth party in his capacity

Thirty ninth

Mohammed Saleh Yacoub Al-Sharhan of Kuwaiti Nationality holder of Civil ID Card No. 26412200188,represented by Yacoub Saleh Al-Sharhan in his capacity as his attorney under Special Power of Attorney authenticated under No. 11317 Vol. 6 dated 23/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============= Thirty ninth party in his capacity

Fortieth

Jassim Mustafa Boodai of Kuwaiti Nationality holder of Civil ID Card No. 264020800039========== fortieth party

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10

Forty first

Anwar Saleh Yacoub Al-Sharhan of Kuwaiti Nationality holder of Civil ID Card No. 261110800848, Yacoub Saleh Yacoub Al-Sharhan of Kuwaiti Nationality holder of Civil ID Card No. 259052200015 shall sign on his behalf in his capacity as his attorney under Special Power of Attorney authenticated under No. 11179 Vol. 6 dated 20/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============== Forty first party in his capacity.

Forty second

Ghanima Mustafa Jassim Boodai of Kuwaiti Nationality holder of Civil ID Card No. 270050600055, Jassim Marzouq Jassim Boodai of Kuwaiti Nationality holder of Civil ID Card No. 256040900512 shall sign on her behalf in his capacity as her attorney under Special Power of Attorney authenticated under No. 1229 Vol. 5 dated 13/12/2003(outside the department) and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============== Forty second party in his capacity.

Forty third

Sheikha Mohammed Thunayyan Al-Ghanim of Kuwaiti Nationality holder of Civil ID Card No. 233010200046, Jassim marzouq Jassim Boodai of Kuwaiti Nationality holder of Civil ID Card No. 256040900512 shall sign on her behalf in his capacity as her attorney under General official Power of Attorney authenticated under No. 16/A/ Vol. 1 dated 15/01/1995 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============== Forty third party in his capacity.

Ministry of Justice Administrative Affairs Dpt. Translation section

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Forty fourth

Maha Jabr Mohammed Al-Jalahama of Kuwaiti Nationality holder of Civil ID Card No. 261020800641, Yousuf Ahmed Mohammed Al-Jalahama of Kuwaiti Nationality holder of Civil ID Card No. 259090700766 shall sign on her behalf in his capacity as her attorney under General official Power of Attorney authenticated under No. 10852 Vol. 6 dated 07/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive have full competence ============ Forty forth party in his capacity

Forty fifth

Ahmed Mustafa Boodai of Kuwaiti Nationality holder of Civil ID Card No. 265123000039 ===========forty fifth party

Forty sixth

Tareq Ahmed Mohammed Al-Jalahama, of Kuwaiti Nationality holder of Civil ID Card No. 265021600471, Yousuf Ahmed Mohammed Al-Jalahama of Kuwaiti Nationality holder of Civil ID Card No. 259090700766 shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 11235 Vol. 6 dated 21/12/2003 and the attorney declares that his power of attorney is valid and that his principal is alive ============= Forty sixth party in his capacity

Forty seventh

Ayesha Marzouq Boodai of Kuwaiti Nationality holder of Civil ID Card No. 257051700027, Jassim Marzouq Boodai shall sign on her behalf in his capacity as her attorney under General official Power of Attorney authenticated under No. 16/A/ Vol. 1 dated 15/01/1985 and the attorney declares that his power of attorney is valid and that his principal is alive ============= Forty seventh party in his capacity

Forty eighth

Mousad Sulaiman Al-Howaidi, of Kuwaiti Nationality holder of Civil ID Card No. 264051900745, Saleh Sulaiman Saleh Al-Huwaidi of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney by virtue of special official power of the attorney authenticated under no. 1668 Vol.6 dated 01/03/2003 and attorney declares that his power of attorney is valid and legally that his principal is still alive==================== Forty eighth party in his capacity

Forty ninth

Tehani Mohammed Abdullah Al-Mutair of Kuwaiti Nationality holder of Civil ID Card No. 264052500049, Jassim Mustafa Boodai of Kuwaiti Nationality holder of Civil ID Card No. 264020800039 shall sign on her behalf in his capacity as her attorney under General official Power of Attorney authenticated under No. 334 Vol. 5 (X/D) dated 13/05/1977 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence============== Forty ninth party in his capacity

Fiftieth

Abdullah Naser Khalifa Al-Asousi of Kuwaiti Nationality holder of Civil ID Card No. 283020400012, Jassim marzouq Jassim Boodai of Kuwaiti Nationality holder of Civil ID Card No. 256040900512 shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney authenticated under No. 11250 Vol. 6 dated 21/12/2003 and the attorney declares that his power of attorney is valid and legally effective andss that his principal is alive ============== fiftieth party in his capacity.

Fifty first

Houda Abdullah Al-warre of Kuwaiti Nationality holder of Civil ID Card No. -, Jassim marzouq Jassim Boodai shall sign on her behalf in his capacity as her attorney under Special official Power of Attorney authenticated under No. 11249 Vol. 6 dated 21/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive ============== Fifty first party in his capacity

Fifty second

Farid Fouzan Abdullah Al-Sabij of Kuwaiti Nationality holder of Civil ID Card No. 253120800147- , Jassim marzouq Jassim Boodai shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney authenticated under No. 11186 Vol. 6 dated 20/12/2003 and the attorney declares that his power of attorney is valid and that his principal is alive and have full competence ============== Fifty second party in his capacity

Fifty third

Wafa Abdul Rahman Al-Mishaan of Kuwaiti Nationality holder of Civil ID Card No. 261061300125, Jassim marzouq Jassim Boodai of Kuwaiti Nationality shall sign on her behalf in his capacity as her attorney under general official Power of Attorney authenticated under No. 361/C/ Vol. 1 dated 11/11/1980 and the attorney declares that his power of attorney is valid and that his principal is alive ============== Fifty third party in his capacity

Fifty forth

Marwan Marzouq Boodai of Kuwaiti Nationality holder of Civil ID Card No. 260121101415- , Jassim marzouq Jassim Boodai of Kuwaiti Nationality holder of Civil ID Card No. 256040900512 sign on his behalf in his capacity as his attorney under general official Power of Attorney authenticated under No. 3 Vol. 618 dated 16/11/1994 and the attorney declares that his power of attorney is valid and that his principal is alive ============== Fifty forth party in his capacity

Fifty fifth

Salah Salem Zaid Al-Mirta of Kuwaiti Nationality holder of Civil ID Card No. 259010400879- , Yacoub Saleh Yacoub Al-Sharhan of Kuwaiti Nationality holder of Civil ID Card No. 2590520200015 shall sign on his behalf in his capacity as his attorney under Special official Power of

Attorney authenticated under No. 11199 Vol. 6 dated 20/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive ============ Fifty fifth party in his capacity

Fifty sixth

Wael Sulaiman Al-Huwaidi of Kuwaiti Nationality holder of Civil ID Card No. 267050700841 Saleh Sulaiman Al-Huwaidi shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney authenticated under No. 1684 Vol. 6 dated 01/03/2004 and the attorney declares that his power of attorney is valid and that his principal is alive ============ Fifty sixth party in his capacity

Fifty seventh

Waleed Khaled Al-Duraee of Kuwaiti Nationality holder of Civil ID Card No. 262110301111, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf under Special official Power of Attorney authenticated under No. 1727 Vol. 1 dated 02/03/2004 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============ Fifty seventh party in his capacity

Fifty eighth

Naser Farraj Al-Obaidi of Kuwaiti Nationality holder of Civil ID Card No. 247012700068, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney under Special official Power of Attorney authenticated under No. 1736 Vol. 6 dated 03/03/2004 and the attorney declares that his power of attorney is valid and that his principal is alive ============ Fifty eighth party in his capacity

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Fifty ninth

Salem Mohammed Al-Hassawi of Kuwaiti Nationality holder of Civil ID Card No. 245041800173, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf under Special official Power of Attorney authenticated under No. 1710 Vol. 6 dated 17/02/2004 and the attorney declares that his power of attorney is valid and that his principal is alive ============== Fifty ninth party in his capacity

Sixtieth

Abdullah Naser Al-Obaidi of Kuwaiti Nationality holder of Civil ID Card No. 279100700056, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney under official Power of Attorney authenticated under No. 1713 Vol. 6 dated 02/03/2004 and the attorney declares that his power of attorney is valid and that his principal is alive ============== sixtieth party in his capacity

Sixty first

Mohamed Naser Mohammed Al-Obaidi of Kuwaiti Nationality holder of Civil ID Card No. 271030300025, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 1735 Vol. 6 dated 03/03/2004 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive ============== sixty first party in his capacity

Sixty second

Misheri Yousuf Al-Nebairi of Kuwaiti Nationality holder of Civil ID Card No. 275012800868, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 1734 Vol. 6 dated 28/02/2004 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive ============== sixty second party in his capacity

Sixty third

Mohammed Jassim Al-Sharida of Kuwaiti Nationality holder of Civil ID Card No. 283012600495, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 1498 Vol. 6 dated 23/03/2004 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============ sixty third party in his capacity

Sixty fourth

Khaled Khaled Al-Duraee of Kuwaiti Nationality holder of Civil ID Card No. 265063000298, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 1500 Vol. 6 dated 23/02/2004 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============ sixty forth party in his capacity

Sixty fifth

Majid Sultan Ali Al-Majid of Kuwaiti Nationality holder of Civil ID Card No. 270041500079, Yacoub Saleh Al-Sharhan of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 1575 Vol. 6 dated 17/02/2004 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============ sixty forth party in his capacity

Sixty sixth

Abdullah Abdul Mohsen Al-Shatti of Kuwaiti Nationality holder of Civil ID Card No. 281100100053, ============ sixty sixth party

Sixty seventh

Sarrah Jassim Marzouq Boodai, of Kuwaiti Nationality holder of Civil ID Card No. 286071901654, minor and her father / Jassim Marzouq Boodai, shall sign on her behalf In his capacity as her natural guardian ============ sixty seventh party in his capacity.

Sixty eighth

Bunder Muflah Dahee Al-Hawwas of Kuwaiti Nationality holder of Civil ID Card No. 259062900074, Saleh Sulaiman Saleh Al-Huwadi, of Kuwaiti Nationality shall sign on his behalf in his capacity as his attorney under special official power of attorney No. 11219 Vol. 6 21/12/2003, ============ sixty eighth party in his capacity

Sixty ninth

Mohammed Ali Zaeir Al-Otaibi of Kuwaiti Nationality holder of Civil ID Card No. 258121800037, ============ sixty ninth party

Seventieth

Ayesha Yousuf Ahmed Al-Jalahama of Kuwaiti Nationality holder of Civil ID Card No. 2830407000903, Yousuf Ahmed Mohamemd Al-Jalahama shall sign on her behalf in his capacity as her attorney under genera official Power of Attorney authenticated under No. 10852 Vol. 6 dated 07/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence============== seventieth party in his capacity.

Seventy first

Marzouq Jassim Marzouq Boodai, of Kuwaiti Nationality holder of Civil ID Card No. 289070400835, minor and his father / Jassim Marzouq Boodai, shall sign on his behalf In his capacity as his natural guardian ============ seventy first party in his capacity.

Seventy second

Abdul Aziz Jassim Mustafa Boodai, of Kuwaiti Nationality holder of Civil ID Card No. 293020700217, minor and his father / Jassim Mustafa Boodai, shall sign on his behalf In his capacity as his natural guardian ============ seventy second party in his capacity.

Seventy third

Abdullah Ali Ahmed Failakawi of Kuwaiti Nationality holder of Civil ID Card No. 254010104735, Yousuf Ahmed Mohamemd Al-Jalahama shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 10858 Vol. 6 dated 09/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============ seventy third party in his capacity.

Seventy fourth

Hamoud Rashed Saeed Al-Rajhi of Kuwaiti Nationality holder of Civil ID Card No. 253092401391, Yousuf Ahmed Mohamemd Al-Jalahama shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 10861 Vol. 6 dated 09/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============ seventy fourth party in his capacity.

Seventy fifth

Bader Ahmed Ali Al-Kabandi of Kuwaiti Nationality holder of Civil ID Card No. 259090102854, Yousuf Ahmed Mohamemd Al-Jalahama shall sign on his behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 10922 Vol. 6 dated 10/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============ seventy fifth party in his capacity..

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Seventy sixth

Ghada Saleh Hamad Al-Othman Al-Khudair of Kuwaiti Nationality holder of Civil ID Card No. 273050800931, Yousuf Ahmed Mohamemd Al-Jalahama shall sign on her behalf in his capacity as his attorney under special official Power of Attorney authenticated under No. 10941 Vol. 6 dated 13/12/2003 and the attorney declares that his power of attorney is valid and legally effective and that his principal is alive and have full competence ============== seventy sixth party in his capacity.

Seventy seventh

Basil Khaled Sulaiman Al-Jarallah, of Kuwaiti Nationality holder of Civil ID Card No. 276030600055 ============== seventy seventh party .

Seventy eighth

Safi International General Trading Co. – Heirs of Fahad Sulaiman Al-Fahad – a company with limited liability which its memorandum of association has been authenticated under No. 1844/D Vol. 5 dated 01/11/1986, represented in signing by Fouzia Fahad Sulaiman Al-Fahad of Kuwaiti Nationality holder of Civil ID Card No. 250122400142, Sulaiman Fahad Sulaiman Al-Fahad of Kuwaiti Nationality holder of Civil ID Card No. 25202060098, shall represent her under General official Power of Attorney authenticated under No. 300 Vol. 4 dated 21/05/1996 and the attorney declares that his official Power of attorney is valid and legally effective and that his principal is alive and have full competence ============== seventy eighth party in his capacity.

Being fully competent to act and contract they requested the authentication of the contract of association as follows:

Article (1)

The foregoing preamble is considered as part and parcel of this contract.

The undersigned signatories constitute a group that design to establish a Public Kuwaiti Shareholding Company as per a license from the Kuwaiti government in accordance with the provisions of the commercial companies

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law No. 15 of 1960, the amending laws thereto and the herewith accompanying articles of association:

Article (2)

Company's name is: Jazeera AirwaysCompany (a Kuwaiti Public shareholding Company)

Article (3)

The Company's head office and domicile is in the State of Kuwait, However the board of directors may establish branches, agencies, offices, operation centers or appoint representatives inside Kuwait or abroad.

Article (4)

The term of this company is indefinite , commencing from the date of the Issuance of the decree pertaining to its incorporation

Article (5)

The objectives for which the company has been established are carrying out the follows services:

1- The Services of Air transport without Luxury service

The company may have interest or participate, in any manner, with the authorities that practice similar works or that which may assist the company to achieve its objectives in Kuwait or abroad. (Further it may purchase these entities or affiliate them to it).

Article (6)

The Company's capital was fixed at KD10,000,000/- (Kuwaiti Dinars ten million only) divided into 100,000,000 (one hundred million shares), each of 100 fills and all these shares are cash shares:

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Article (7)

The hereunder signatories have subscribed with a shares amounting to 30,000,000 shares (Thirty million shares) as follows:

No	Name	No. of Shares	Value in KD
1	Supply and Exchanges Trading Co.	400,000	KD40,000
2	Gulf Engineering Co.	400,000	KD40,000
3	Kuwait Apply Information Networks Co.	400,000	KD40,000
4	Al-Murabba Real Estate Co.	400,000	KD40,000
5	Abdul Aziz & Jassim Trading Co.	400,000	KD40,000
6	Investment House international Co.	400,000	KD40,000
7	Boodai Projects Co.	400,000	KD40,000
8	Combined Building Materials Co.	400,000	KD40,000
9	Al-Emara Trading & Contracting Co.	400,000	KD40,000
10	Publisher Printing Co.	400,000	KD40,000
11	Quaxil Computer Consultations Co.	400,000	KD40,000
12	Adil Mohamed Al-Sumait	400,000	KD40,000
13	Mishaal Abdul Karim Abdullah Al-asqa	400,000	KD40,000
14	Yacoub Saleh Al-Sharhan	400,000	KD40,000
15	Saleh Sulaiman Al-Huwaidi	400,000	KD40,000
16	Fadl Okab Al-Khatib	400,000	KD40,000
17	Basma Jassim Marzouq Boodai	400,000	KD40,000
18	Mohammed Naser Al-Fouzan	400,000	KD40,000
19	Adnan Musaed Al-Ojail	400,000	KD40,000
20	Mustafa Jassim Boodai	400,000	KD40,000
21	Farrh Jassim Marzouq Boodai	400,000	KD40,000
22	Adnan Saleh Yacoub Al-Sharhan	400,000	KD40,000
23	Yousuf Ahmed Al-Jalhama	400,000	KD40,000

24	Abdullah Ali Akber Bastiki	400,000	KD40,000
25	Usama Abdullah Bastiki	400,000	KD40,000
26	Ahmed Ismail Behbahani	400,000	KD40,000
27	Ahmed Yousuf Behbahani	400,000	KD40,000
28	**Farou Services & Consultations International Co.**	1,150,000	KD115,000
29	Sarrah Tawfiq Al-Nassar	300,000	KD30,000
30	Roula Abdullah Dashti	50,000	KD5,000
31	Mohammed Ghanim Al-Armali	50,000	KD5,000
32	Sharif Jassim Bin Al-Eissa	50,000	KD5,000
33	Shuaa Buildings Materials Co.	400,000	KD40,000
34	Naser Khalifa Al-Asousi	400,000	KD40,000
35	Zaid Oukab Mohammed Al-Khatib	400,000	KD40,000
36	Jassim Marzouq Boodai	400,000	KD40,000
37	Munzir Ahmed Al-Jalahma	400,000	KD40,000
38	Nouriyah Yousuf Saleh Al-Humaizi	400,000	KD40,000
39	Mohamed Saleh Yocoub Al-Shahrhan	400,000	KD40,000
40	Jassim Mustafa Boodai	400,000	KD40,000
41	Anwar Saleh Yacoub Al-Sharhan	400,000	KD40,000
42	Ghanima Mustafa Jassim Boodai	400,000	KD40,000
43	Shiekha Mohammed Thunayyan Al-Ghanim	400,000	KD40,000
44	Maha Jabr Mohammed Al-Jalahama	400,000	KD40,000
45	Ahmed Mustafa Boodai	400,000	KD40,000
46	Tariq Ahmed Al-Jalahma	400,000	KD40,000
47	Ayesha Marzouq Boodai	400,000	KD40,000
48	Mousad Sulaiman Al-Howaidi	400,000	KD40,000
49	Tahani Mohammed Abdullah Al-Mutair	400,000	KD40,000
50	Abdullah Naser Khallifa Al-Asousi	400,000	KD40,000

51	Houda Abdullah Al-warre	400,000	KD40,000
52	Farid Fouzan Abdullah Al-Sabij	400,000	KD40,000
53	Wafa Abdulrahman Al-Mishan	400,000	KD40,000
54	Marwan Marzouq Boodai	400,000	KD40,000
55	Salah Salem Zaid Al-Martaa	400,000	KD40,000
56	Wael Sulaiman Al-Huwaidi	400,000	KD40,000
57	Waleed Khaled Al-Duraee	400,000	KD40,000
58	Naser Faraj Al-Obaidi	400,000	KD40,000
59	Salem Mohammed Al-Hassawi	400,000	KD40,000
60	Abdullah Naser Al-Abaidi	400,000	KD40,000
61	Mohammed Naser Al-Abaidi	400,000	KD40,000
62	Misheri Yousuf Al-Neberi	400,000	KD40,000
63	Mohamed Jassim AL-Sharrida	400,000	KD40,000
64	Khaled Khaled Al-Duraee	400,000	KD40,000
65	Majid Sultan Al-Majid	400,000	KD40,000
66	Abdullah Abudl Mohsin Al-Shatti	400,000	KD40,000
67	Sarrah Jassim Boodai	400,000	KD40,000
68	Bunder Muflah Dahee Al-Hawwas	400,000	KD40,000
69	Mohammed Ali Zaer Al-Otaibi	400,000	KD40,000
70	Ayesha Yousuf Ahmed Al-Jalahama	400,000	KD40,000
71	Marzouq Jassim Boodai	400,000	KD40,000
72	Abdul Aziz Jassim Boodai	400,000	KD40,000
73	Abdullah Ali Ahmed Failakawai	400,000	KD40,000
74	Hamoud Rashid Sayeed Al-Rajhi	400,000	KD40,000
75	Bader Ahmed Ali Al-Qabandi	200,000	KD20,000
76	Ghada Saleh Hamad Al-Othman Al-Khudair	200,000	KD20,000
77	Basil Khaled Sulaiman Al-Jarrallah	200,000	KD20,000

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78	Safi General Trading International Co.	200,000	KD20,000
Total		**30,000,000**	**KD3,000,000**

The hereunder signatories have subscribed with a shares amounting to 30,000,000 shares (Thirty million shares) and have paid the full nominal value of these shares amounting to KD3,000,000 (Kuwaiti Dinars Three Millions, each pro-rata his contribution percentage in the memorandum of association with National Bank of Kuwait as per bank certificate issued from the bank dated 09/12/2003, which is attached to the memorandum of association provided that the remaining shares amounting to 70,000,000 (Kuwaiti Dinars Seventy Million Shares) shall be invited for Public Subscription.

Article (8)

The expenses, wages and costs that the company is obliged to pay due to incorporation are about KD65,000/- (Kuwaiti dinars Sixty five thousand) to be deducted from the overheads.

Article (9)

The company shall be obliged as follows:

1- With all the provisions of the International Legislations and rules, laws regulations and bylaws organizing the Civil Aviation Affairs applicable in state of Kuwait in particular as follows:

1- Law No. 30 of 1960 concerning the issuance of Civil Aviation Systems.

2- Decree Law No. 31 of 1978 concerning the organization of air transport market in Kuwait and its executive regulations.

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3- Systems, regulations and circulars applicable in Kuwait International Airport.

4- Systems of Kuwait Civil Aviation Safety related to the licensing of International Air Transporter.

5- The Rules issued by International Civil Aviation Organization (ICAO).

6- The International, Regional bilateral agreements related to Civil Aviation concluded between State of Kuwait and other countries.

B- To get the technical license necessary for practicing the activities pertaining to the objects of the company in Kuwait International Airport and to comply with all rules and instructions issued by General Administration of Civil Aviation in future and emerged from the requirements of the international civil Aviation Organization (ICAO) or any other requirements imposed by the public interest and decided by the administration being the authority concerned with the civil Aviation Affairs In State of Kuwait.

C- To appoint from the National Manpower not less than (10%) of the percentage prescribed legally from the total number of its labors whichever is bigger provided that the priority in the appointment of the staff shall be given to the staff working with Kuwait Airways Corporation.

Article (10)

The signatories hereto undertake to endeavor to get a decree for the incorporation and to do all necessary measures to complete the establishment of the company and undertake to exclude and cancel all the fictious and repeated applications of subscription and to take the necessary

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procedures to achieve the same For this purpose they have appointed the following Messrs:

1- Marwan Marzouq Boodai.
2- Yousuf Ahmed Al-Jalahama
3- Saleh Sulaiman Al-Huwaidi
4- Yacoub Saleh Al-Sharhan.

Jointly or severally to take the legal procedures and to fulfill the necessary documents and to insert the amendments deemed necessary by the official Authorities to be inserted herein or in the accompanying articles of association.

The founder should, within three months as from the date of closing the subscription and before the meeting of the constituent assembly, submits statements for the numbers of the shares subscribed therein and that the subscribers have paid the due installments along with the names of the subscribers whom their subscriptions have been canceled due to the classification of the applications of subscription.

Article 11

This contract has been made pursuant to the letter of the Ministry Commerce & Industry No. 6959 dated 29/04/2004 which is recorded in the incoming register of Contracts & Companies Authentication Office under No. 1184 dated 29/02/2004.

First Party in his capacity Signed	Second Party in his capacity Signed	Third Party in his capacity Signed
Fourth Party in his capacity Signed	Fifth Party in his capacity Signed	Sixth Party in his capacity Signed
Seventh Party in his capacity Signed	Eight Party in his capacity Signed	Ninth Party in his capacity Signed
Tenth Party in his capacity Signed	Eleventh Party in his capacity Signed	Twelfth Party in his capacity Signed

Thirteenth Party in his capacity Signed	Fourteenth Party in his capacity Signed	Fifteenth Party in his capacity Signed
Sixteenth Party in his capacity Signed	Seventeenth Party in his capacity Signed	Eighteenth Party in his capacity Signed
Nineteenth Party in his capacity Signed	Twentieth Party in his capacity Signed	Twenty first Party in his capacity Signed
Twenty second Party in his capacity Signed	**Twenty third Party** **Signed**	Twenty fourth Party Signed
Twenty fifth Party Signed	Twenty sixth Party Signed	**Twenty seventh Party** **Signed**
Twenty eighth Party Signed	Twenty ninth Party Signed	Thirtieth Party Signed
Thirty first Party **Signed**	**Thirty second** **Signed**	Thirty third Party in his capacity Signed
Thirty fourth Party in his capacity Signed	Thirty fifth Party in his capacity Signed	Thirty sixth Party Signed
Thirty seventh Party in his capacity Signed	Thirty eighth Party in his capacity Signed	Thirty ninth Party in his capacity Signed
Fortieth Party **Signed**	Forty first Party in his capacity Signed	Forty second Party in his capacity Signed
Forty third Party in his capacity Signed	Forty fourth Party in his capacity Signed	Forty fifth Party Signed
Forty sixth Party in his capacity Signed	Forty seventh Party in his capacity Signed	Forty eighth Party in his capacity Signed
Forty ninth Party in his capacity Signed	**Fiftieth Party in his capacity** **Signed**	Fifty first Party in his capacity Signed

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Fifty second Party in his capacity Signed	Fifty third Party in his capacity Signed	Fifty fourth Party in his capacity Signed
Fifty fifth Party in his capacity Signed	Fifty sixth Party in his capacity Signed	Fifty seventh Party in his capacity Signed
Fifty eighth Party in his capacity Signed	Fifty ninth Party in his capacity Signed	Sixtieth Party in his capacity Signed
Sixty first Party **Signed**	Sixty second Party in his capacity Signed	Sixty third Party in his capacity Signed
Sixty fourth Party in his capacity Signed	Sixty fifth Party in his capacity Signed	Sixty fifth Party Signed
Sixty sixth Party **Signed**	Sixty seventh Party in his capacity Signed	Sixty eighth Party in his capacity Signed
Sixty ninth Party Signed	Seventieth Party in his capacity Signed	Seventy first Party in his capacity Signed
Seventy second Party in his capacity Signed	Seventy third Party in his capacity Signed	Seventy fourth Party in his capacity Signed
Seventy fifth Party in his capacity Signed	Seventy sixth Party in his capacity Signed	Seventy seventh Party Signed
Seventy eighth Party in his capacity Signed		

This contract was made up in one original and (4) copies. It consists of (21) pages and it does not contain any deletion or addition and it consists of (11) articles. Find enclosed with each copy here of the articles of association that consists of (14) pages containing (55) articles without any deletion or addition and its enclosures are with the original. These enclosures are the letter of the Ministry of Commerce & Industry, the letter of the Bank, draft deed approved by the Ministry of Commerce & Industry and copies of the Civil ID cards of Founders.

Authenticator

Hiyam Abdullah Al-Mehri

(Signed & Official seal)

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Tel.: 22491680 - 22461769 - Fax : 22491680 - 22461769 ٢٢٤٦١٧٦٩ - ٢٢٤٩١٦٨٠ : فاكس - ٢٢٤٦١٧٦٩ - ٢٢٤٩١٦٨٠ : تلفون

State of Kuwait

Ministry of Justice

Real Estate Registration & Authentication DEPARTMENT

(Notary Public)

Register: Contracts & Companies Authentication Office

Serial No. : ------ Vol. 1

Jazeera Airways Company
A Kuwaiti Public Shareholding Company

Articles of Association

Chapter I on incorporation of the company

A- Elements of Company's incorporation

Article (1)

A Kuwaiti shareholding company called Jazeera Airways Company, A Kuwaiti Public Shareholding Company has been incorporated among the holders of the shares whose provisions are hereunder mentioned, according to the provision of corporations act and these articles of association.

Article (2)

The Company's head office and legal domicile is in the State of Kuwait. However the board of directors may establish branches or agencies or offices or operation centers or appoint representatives inside Kuwait and abroad.

Article (3)

The term of this company is indefinite, commencing from the date of the Issuance of the decree pertaining to its incorporation

Article (4)

The objectives for which the company has been established are carrying out the follows services:

1- The Services of Air transport without Luxury service

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The company may have interest or participate, in any manner, with the authorities that do similar business or those which may assist the company to achieve its objectives in Kuwait and abroad. Further, it may purchase these entities or affiliate them to it.

Article (5)

The company shall observe the following:

A- All the provisions of the International Legislations and rules, laws, regulations and bylaws organizing the Civil Aviation Affairs applicable in state of Kuwait in particular the followings

1- Law No. 30 of 1960 concerning the issuance of Civil Air Aviation Systems.

2- Decree Law No. 31 of 1978 concerning the organization of air transport market in Kuwait and its executive regulations.

3- Systems, regulations and circulars applicable in Kuwait International Airport.

4- Systems of Kuwait Civil Aviation Safety related to the licensing of International Air Transporter.

5- The Rules issued by International Civil Aviation Organization (ICAO).

6- The International, Regional and bilateral agreements related to Civil Aviation concluded between Statle of Kuwait and other countries.

B- To get the technical license necessary for practicing the activities pertaining to the objectives of the company in Kuwait International Airport and to comply with all rules and instructions issued by General Administration of Civil Aviation in the future that emerging from the requirements of the international civil Aviation Organization

(ICAO) or any other requirements imposed by the public interest and decided by the administration being the authority concerned with the civil Aviation Affairs In State of Kuwait.

C- To appoint National Manpower not less than (10%) or than the percentage prescribed legally of the total number of its labors whichever is bigger, provided that the priority in the appointment shall be given to the staff working with Kuwait Airways Corporation.

B- Capital

Article (6)

The Company's capital was fixed at KD10,000,000/- (Kuwaiti Dinars Ten million only) divided into 100,000,000 (Hundred million shares), each of 100 fills and all these shares are cash shares.

Article (7)

The shares of the company are nominal and non-Kuwaiti nationals may posses the same in accordance with the provisions of law and the regulatory ministerial resolutions.

Article (8)

The hereunder signatories have subscribed with shares amounting to (30,000,000 shares) Thirty million Shares, and have paid the full nominal value of the shares amounting to KD.3,000,000 (Kuwaiti Dinar Three Million each pro-rata his subscription percentage set forth in the memorandum of association with the National Bank of Kuwait as per the certificate issued from the bank dated 09/12/2003, attached to the original memorandum of association.

Article (9)

The remaining of shares, amounting to (70,000,000 shares) Seventy Million shares shall be offered for general subscription for at least ten days and no more than three months. Subscription shall be made in the Kuwaiti Banks, to be designated by announcements. Having closed the subscription it is found that all offered shares are not fully underwritten, the time for subscription shall be extended for three months. If subscription didn't exchange all shares on the new time, the founders shall give up the incorporation of the company or reduce its capital.

Article (10)

The Board of Directors shall, within three months from the final date of declaring the company's incorporation, give each shareholder temporary bonds to stand for the shares possessed by him and the board shall hand over the shares within three months from the date of fulfillment of the last installment

Article (11)

Without prejudice to article (81) of the Commercial Companies Law, any person may not subscribe in more than (3,000,000 shares) three million shares or the maximum limit determined by the constituent committee whichever is less.

Article (12)

The title to a share shall necessarily entail the acceptance of the Company's Articles of association and the memorandum of association and the provision of the company's General Assembly's Resolutions.

Article (13)

Each share gives its holder the right to a portion exactly equal to the same of others, without distinction, in the ownership of the Company's assets and profits which shall be divided in the manner specified hereunder.

Article (14)

Whereas the shares are nominal, so the last shareholder whose name is entered into the Company Register, shall alone be entitled to receive the amounts due against the share whether these be dividends or a share in the Company assets.

Article (15)

The Company's Capital may not be increased unless all the installments of shares have been fully paid and no issue of new shares at a lower par value may be floated. If it is floated at higher value, the increase shall be allocated firstly for the settlement of the issue expenses then to the reserve account or for the depreciation of the shares.

Every shareholder shall have the right to subscribe for the number of the new shares proportionate with his holdings of shares and the period allowed for the enjoyment of such a right shall be fifteen days from the date of publishing the relevant invitation to the shareholders. The shareholders may assign their priority right in advance or restrict this right under any restriction.

CHAPTER 2

THE COMPANY'S MANAGEMENT

A – THE BOARD OF DIRECTORS

Article (16)

The Management of the Company shall be entrusted to a Board of seven members to be elected by the general assembly by secret ballot.

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Article (17)

The term of the Board Directorship is three years renewable.

Article (18)

It is a condition that a director shall own in his personal capacity or that the moral person representing such director shall hold a number of one hundred thousand of the company's shares.

This amount of shares shall be allocated for securing the member's directorship and the same should be deposited within month from the date of the election in any of the approved banks. The same shall remain deposited and non-negotiable till the term of membership is over and the balance sheet of the last fiscal year where the director has worked should be attested. Should the director didn't submit the due security his directorship shall become void and the moral person shall be responsible towards the company, its creditors and its shareholders for the acts of his representatives.

Article (19)

The Chairman or any Director may not have direct or indirect interest in the contracts and dealings concluded with the company or for its own account unless a permit has been obtained from the general assembly. Further, no director may participate in the management of similar or competitive company. Furthermore, the chairman or any director, even though he is the representative of a normal person, may not use the information, which he obtained ex officio to make an interest, either for himself or third party. Moreover, he may not sell or buy the company's shares throughout the term of his membership in the board.

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Article (20)

Should the seat of a director become vacant in the board of directors, it shall be occupied by the unsuccessful candidate shareholder who obtained the greatest number of votes from the shareholders next to in the last election.

But if the number of the vacant seats are one quarter of the original seats or if there is no person who meets the conditions, then the board of directors must invite the general assembly for convention within two months as from the date when the last seat became vacant in order to elect candidates to occupy these vacancies. In all these circumstances the new director will complete the term of his predecessor only.

Article (21)

The Board of Directors shall by secret ballot elect the chairman and his deputy for a period of three years, provided that it shall not exceed their membership in the board. The chairman shall represent the company before the courts and third parties and shall also execute the resolutions passed by the board. The deputy shall act for the chairman at the time of his absence or being unable.

Article (22)

The board of directors may appoint, from among its directors, one managing director or more. The board will determine their powers and remuneration. Further the board of directors may appoint a general manager or more and determine his functions and remunerations.

Article (23)

Each of the chairman or his deputy and the managing directors shall have the right to sign severally on behalf of the company in accordance with the powers determined to them by the board of directors or any other director whom the board directors authorizes for such purpose.

Article (24)

The board of directors shall convene at least four times during each fiscal year, upon convocation from the chairman or two of its members. The quorum shall be formed with the attendance of the majority of members. However no representation by proxy in attending the board meetings is allowed.

Article (25)

The Board's Resolutions shall be passed by the majority votes of the directors present and in case of tie votes, the chairman shall have the casting vote. A special record shall be kept for the purpose of entering the minutes of meetings and shall be signed by the chairman. The objecting director may ask to record his opinion.

Article (26)

Should a director be absent from three successive meetings without lawful excuse, he may be deemed resigning upon a resolution to be passed by the board of directors.

Article (27)

Without prejudice to the provisions of the commercial companies law, the ordinary general assembly shall determine the remuneration of the directors.

Article (28)

The board of directors shall have full powers to manage the company and to exercise any such functions as may be required for running the same in line with the objectives thereof; and such powers shall not be limited except to the extent provided for by law or in these articles or in the resolutions of the general assembly. The Board may sell or mortgage the properties of the company, give guarantees or conclude loans pursuant to the interest of the company, provided that the value of these loans may not exceeds the half of the company's capital except with the approval of the general assembly.

Article (29)

The directors will not be under any personal liability as concerns any of the company undertakings by reason of carrying out their functions within the limits of their proxies.

Article (30)

The Chairman and Directors shall be responsible to the company, shareholders and third parties for all fraudulent acts, abuse of powers, any violation of law or of these Articles and also for mismanagement An action for liability shall not be precludes even if the general assembly vote for exoneration of such directors from responsibility.

B - GENERAL ASSEMBLY

Article (31)

Convocation shall be directed to the shareholders to attend the General Assembly meetings of any nature whatsoever under the provisions set forth in the commercial companies law. The convocation should contain the agenda. The founders shall formulate the agenda of the general assembly convened in the constituent capacity while the board of directors shall formulate the agenda of the general assembly convened in ordinary or extra ordinary capacity.

Article (32)

In the events where the convention of the general assembly is allowed upon a request from shareholders, auditors or the Ministry of Commerce & Industry, the agenda shall be prepared by whomever makes such a request and in this case, no other issue than those included in the agenda shall be discussed.

Article (33)

Every Shareholder shall have a number of votes equivalent to the number of his shares and he may be represented by proxy at all meetings of the general assembly, but minors and those interdicted shall be represented by their legal guardians or representatives.

No member shall be allowed to vote for himself or for the person he represents on matters connected with his personal interest or with dispute arising between him and the company.

Article (34)

The shareholders shall record their names in a special register prepared for this purpose in the company headquarters at least twenty four hours before the time fixed to convene the general assembly. The registration shall include the shareholder's name, number of shares possessed by him or the number of shares he represents, the names of their owners and the submission of proxy deed. The shareholder shall be given a card for attending the meeting and such card shall mention, the number of votes he is entitled for principally and by proxy.

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Article (35)

The provision of corporation act shall apply to the quorum required for the ralidity of the convention of the general assembly in its different from and to the majority necessary for description –making

Article(36)

At the meetings of the general assembly voting shall be cast in the manner specified by the chairman unless it has been otherwise decided by the general assembly. Voting must be secret during the election of the directors and dismissal of membership.

Article (37)

Within thirty days from the date of closing the subscription, the founders shall meet to convene the general assembly in its constituent form and the people authoring to take procedures for foundation of the company shall submit a report on all the processes of the foundation with the documents supporting the same and the assembly shall ascertain the correctness of the processes of the foundation and their compliance with the law and to the memorandum of association of the company and its articles of association. The said assembly shall also consider the reports submitted to this respect by the Ministry of Commerce and Industry. The general assembly shall elect the directors and appoint the auditors and then announce the final incorporation of the company.

Article (38)

Upon convocation from the board of directors, the ordinary general assembly shall, within three months from the end of the company's fiscal year, convene at least once a year. The Board may also call the general assembly whenever necessary, the board shall covens the 0rdinery general assembly meeting whenever so requested by holders of shares not less than one tenth of the capital. Further the general assembly will also be convened if the Ministry of Commerce & Industry requests so.

Article (39)

At an Ordinary Meeting, the General Assembly shall discuss all the company's affairs with the exception of matters and questions required by law or these Articles, to be discussed at an extra-ordinary meeting of the general assembly or at the constituent assembly.

Article (40)

At any Ordinary Meeting of the General Assembly the board of directors shall submit to the general assembly a report on the company's progress and its financial and economic position, the balance sheet and the profit and loss account together with a statement on the directors remuneration and the auditors fees as well as a proposal for the distribution of profits.

Article (41)

At an Ordinary Meeting, the General Assembly shall discuss the report of the board of directors and pass resolutions in respect thereof. Further it will consider auditors' report, the report of the Ministry of Commerce & Industry, if any, elect the directors, appoint auditors for the next years and fix their remuneration and fees.

Article (42)

The extra-ordinary General Assembly shall be convened upon a request from the board of directors or upon request from the shareholders who hold not less than one fourth of the shares, in which case, such a meeting shall be called by the board within one month from the receipt of the said request.

Article (43)

The following questions shall be considered only by the general assembly at an extra-ordinary meeting:

1 – Amendment of the company's memorandum or articles of association.

2 – Sale of the entire enterprise which the company has been established or otherwise disposing thereof.

3 – Dissolution of the company or its amalgamation with other firm or corporation.

4 – Reducing the company capital.

Every amendment in the company's articles of association will not be enforceable unless after the approval of the Ministry of Commerce & Industry. As well any amendment related to the shares of the company or its objectives or its capital, except the increase of the capital through the issuance of shares against profits achieved by the company or as result of adding its reserves allowed to be used to the capital shall not be effective unless decree has been issued in this concern.

C – ACCOUNTS OF THE COMPANY

Article (44)

The company shall have one auditor or more from chartered accountants to be appointed by the general assembly and shall fix their fees and they should examine the company accounts for the fiscal year in question

Article (45)

The fiscal year of the company shall commence on the first day of January and end on the 31st of December every year, with exception of the first fiscal year which shall commence as from the date of announcement of the company's final incorporation and end on 31st December of the next year.

Article (46)

The auditor shall have the powers and owe the obligations provided for in the commercial companies law. In particular he shall also have the powers to inspect the company's books, records and documents at any time, to obtain whatever information he deems necessary and to verify the assets and obligations of the company. Should he, however, be obstructed from the proper exercise of the said powers, he shall submit a report on this fact to the board of directors for presentation to the general assembly, and he shall have the right to call for a meeting of the general assembly for this purpose .

Article (47)

The auditor shall submit to the general assembly a report showing whether or not the balance sheet and the profit and loss account are agreeing with the fact and fairly reflects the real financial position of the company, whether the company keeps regular accounts, whether the inventory has been carried out according to the applicable principles whether or not the statements stated in the report of board of directors are in agreement with the company's books and whether any violations to the provisions of the law or the company's articles of association took place during the fiscal year in a way that would affect the company's activities or its financial position and whether, to the best of his knowledge, such violations are still being committed or not. In his capacity as attorney of all shareholders, the auditor shall be responsible for the validity of all statements contained in his report and at any meeting of the general assembly, every shareholder shall have the right to discuss the auditor on such statements and ask for explanations to the provision of his report .

Article (48)

Of the gross Profits, a percentage to be fixed by the board of Directors shall be deducted for the depreciation of the company's assets or to reimburse the decline in their value and these funds shall be applied in the purchase of necessary materials, plants, machineries and premises or in the repair thereof. Therefore these funds may not be distributed to the shareholders.

Article (49)

The Net Profits shall be distributed as follows:

1- 10% (ten percent) shall be deducted for the account of the compulsory reserve Fund. However, the general assembly may suspend this deduction if the compulsory reserve fund is more than one half of the company's capital.

2- 1% (one percent) shall be deducted for the account of Kuwait Foundation for the Advancement of Science.

3- The general assembly may, upon a proposal by the board of directors, deduct a part from the net profit for the account of the voluntary reserve fund. However, the ordinary general assembly may suspend this deduction pursuant to the proposal of the board of directors.

4- As determined by the general assembly and upon the proposal of the board of directors a part of the profits shall be deducted to meet the obligations to be entailed by the company under the labor laws. However, these funds may not be distributed among the shareholders.

5- There shall be deducted The amount necessary for the distribution of an initial share in profits at 5% (five percent) among shareholders as determined by the board of directors and sanctioned by the general assembly.

6- Following the aforementioned an amount, to be determined by the ordinary general assembly, shall be deducted provided that it must not exceed 10% (ten percent) of the balance to be allocated as remuneration to directors.

7- The balance of profits shall their be distributed among the shareholders as additional share in profits or it shall be posted, upon a proposal from the board of directors, to the next year are it shall be allocated for the formation of extra-ordinary reserve or depreciation fund.

Article (50)

The dividends shall be paid to the shareholders in place and times as fixed by the board of directors.

Article (51)

The reserve fund shall, upon a resolution from the board of directors, be used for the widest interest of the company. The compulsory reserve fund may not be distributed among the shareholders but it may be used to secure the distribution of dividends among the shareholders up to 5% (five percent) for the years in which the company's profits shall not secure such rate of profit. If the compulsory reserve fund is more than one half of the company's capital, the general assembly may decide to use the surplus in the manner it deems in the interest of the company and its shareholders.

Article (52)

The cash funds of the company shall be deposited with one bank or several banks to be specified by the board of directors which shall fix the highest limit of the cash money which shall be under the custody of the cashier at the company treasury.

CHAPTER 3
EXPIRY OF THE COMPANY & ITS LIQUIDATION

Article (53)

The Company shall be expired by any matters provided for in the commercial companies law.

Article (54)

The company properties shall be liquidated upon its expiry in accordance with the provisions stipulated in the commercial companies law .

Article (55)

The provisions of the commercial companies law No. 15 of 1960 and the amendments thereto are applicable on all matters that have not been specifically stipulated in the memorandum of association or in these articles of association.

Article (56)

This contract has been made pursuant to the letter of the Ministry Commerce & Industry No. 6959 dated 29/2/2004 which is recorded in the incoming register of Contracts & Companies Authentication Office under No. 1184 dated 29/2/2004.

First Party in his capacity Signed	Second Party in his capacity Signed	Third Party in his capacity Signed
Fourth Party in his capacity Signed	Fifth Party in his capacity Signed	Sixth Party in his capacity Signed
Seventh Party in his capacity Signed	Eight Party in his capacity Signed	Ninth Party in his capacity Signed

Tenth Party in his capacity Signed	Eleventh Party in his capacity Signed	Twelfth Party in his capacity Signed
Thirteenth Party in his capacity Signed	Fourteenth Party in his capacity Signed	Fifteenth Party in his capacity Signed
Sixteenth Party in his capacity Signed	Seventeenth Party in his capacity Signed	Eighteenth Party in his capacity Signed
Nineteenth Party in his capacity Signed	Twentieth Party in his capacity Signed	Twenty first Party in his capacity Signed
Twenty second Party in his capacity Signed	Twenty third Party Signed	**Twenty fourth Party in his capacity** **Signed**
Twenty fifth Party Signed	Twenty sixth Party Signed	Twenty seventh Party Signed
Twenty eighth Party Signed	Twenty ninth Party Signed	Thirtieth Party Signed
Thirty first Party Signed	Thirty second Party Signed	Thirty third Party in his capacity Signed
Thirty fourth Party in his capacity Signed	Thirty fifth Party in his capacity Signed	Thirty sixth Party in his capacity Signed
Thirty seventh Party in his capacity Signed	Thirty eighth Party in his capacity Signed	Thirty ninth Party in his capacity Signed
Fortieth Party in his capacity Signed	Forty first Party in his capacity Signed	Forty second Party in his capacity Signed
Forty third Party in his capacity Signed	Forty fourth Party in his capacity Signed	Forty fifth Party Signed
Forty sixth Party in his	Forty seventh Party in his	Forty eighth Party

capacity Signed	capacity Signed	Signed
Forty ninth Party in his capacity Signed	Fiftieth Party in his capacity Signed	Fifty first Party in his capacity Signed
Fifty second Party in his capacity Signed	Fifty third Party in his capacity Signed	Fifty fourth Party in his capacity Signed
Fifty fifth Party in his capacity Signed	Fifty sixth Party in his capacity Signed	Fifty seventh Party in his capacity Signed
Fifty eighth Party in his capacity Signed	Fifty ninth Party in his capacity Signed	Sixtieth Party in his capacity Signed
Sixty first Party in his capacity Signed	Sixty second Party in his capacity Signed	Sixty third Party in his capacity Signed
Sixty fourth Party Signed	Sixty fifth Party Signed	Sixty fifth Party in his capacity Signed
Sixty sixth Party in his capacity Signed	Sixty seventh Party in his capacity Signed	Sixty eighth Party in his capacity Signed
Sixty ninth Party in his capacity Signed	Seventieth Party in his capacity Signed	Seventy first Party in his capacity Signed
Seventy second Party in his capacity Signed	Seventy third Party in his capacity Signed	Seventy fourth Party in his capacity Signed
Seventy fifth Party in his capacity Signed	Seventy sixth Party in his capacity Signed	Seventy seventh Party Signed
Seventy eighth Party in his capacity		

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Signed		

As abovementioned this contract has been made after it had been read to the attendants, they signed it.

This is been made in one original and (4) copies. It consists of (14) pages and this is the end of contract without any deletion or addition and its enclosures are with the original.

Authenticator
Hiyam Abdullah Al-Mehri
(Signed & Official seal)

تســديد Tasdeed

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وزارة الخارجية الكويتية شؤون القنصلية

تصادق على صحة ... الختم

وزارة العدل

27 JAN 2020

دون أدنى مسؤولية فيما يختص بمحتويات هذه الوثيقة

عباس عبدالله عباس

التوقيع

29 JAN 2020

KC0616720

अभिप्रमाणित करनेवाले विदेश मंत्रालय
कुवैत राज्य सरकार की मोहर एवं हस्ताक्षर

Seal & signature of Ministry of Foreign Affairs, Government of the State of Kuwait attested.

भारत का राजदूतावास EMBASSY OF INDIA
रा० 34 कुवैत KUWAIT

कौंसल अधिकारी / Consular Officer
भारत का राजदूतावास / Embassy of India
कुवैत / Kuwait

Tushar Tank
Assistant Consular Officer
Embassy of India
Kuwait

Ministry of Justice
Administrative Affairs Dpt.
Translation Section

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Date :

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State of Kuwait
Ministry of Commerce & Industry
Commercial Registration Department
Commercial Registration Division

Notation in Commercial Register

Company Name & Type: Jazeera Airways Co. (K.S.C.) Public
Entry Number in Commercial Register: 102546

By virtue of a memorandum issued by Shareholding Companies Department under no. 201/2013 dated 28/04/2013 and according to the extraordinary general assembly held on 25/3/2013, it was agreed to the following:

It was notated in the commercial register as follows:

Amendment of some articles of the statute of the company so that they may become as follows:

1- Article No. (16)

The management of the company shall be taken over by a board of directors consisting of (5) five members elected by the general assembly by secret voting. The voting on the candidates for board membership shall be subject to the accumulative voting system, which grants every shareholder a voting power in amount of the shares he holds and so as he shall be entitled to vote with them for one candidate or to distribute the same among his elected candidates with no repetition of such votes. Every shareholder, whether he is a natural or corporate person, may appoint representatives for him in the board of directors of the company prorate the shares he holds therein. Further, the board members elected in this manner shall be reduced from the total board members elected. Shareholders having representatives in the board of directors may not take part with other shareholders in electing the remaining board members unless within the limits of what exceeded the percentage used in designating his representatives in the board of directors. A group of shareholders may ally to appoint one or more than one

representative in the board of directors pro-rate their collective ownership percentage. These representatives shall have the same rights and obligations as the elected members.

2- Article (17)

The term of board membership is three renewable years. If it is impossible to elect a new board of directors on proper time, the existing board shall continue managing the works of the company till the end of reasons and the election of a new board.

3- Article (18)

A board member may hold a number of the shares of the company in his personal capacity or through the person representing him. The person shall be responsible for the deeds of his representatives towards the company, its creditors and shareholders.

4- Article (21)

The Board of Directors shall, by secret ballot, elect a chairman and a deputy chairman. The chairman shall represent the company in its relations with third parties and before courts in addition to the other competences stated by the contract of the company. Further, his signature shall be deemed as a board of directors' signature in the relation of the company with third parties and he must implement the board decisions and adhere to the recommendations thereof. The deputy chairman shall replace the chairman upon his absence or when he is prevented from practicing his competences.

5- Article (22)

The chairman may appoint one or more Chief Executive Officers that are not board members. The board shall fix their provisions and powers.

6- Article (24)

The board of directors shall meet six times at least during the one fiscal year based on an invitation by its chairman. Further, it shall meet if so requested by two of its members at least. The board meeting shall be correct by the presence of the majority of its members, provided that the number of attendees shall not be less than three. Attendance may not be made by proxy in board meetings. The meeting may be made through new means of communication. Moreover, decisions may be taken by passing subject to the consent of all board members.

7- Article (25)

Board decisions are issued by the majority of attendees. If votes are equal, the chairman shall have the casting vote. Further, board minutes of meetings shall be recorded and signed by the present members and the board secretary. The opposing member may request recording his opinion.

8- Article (28)

The board of directors shall have the widest authority to manage the company and carryout all works necessary for managing the company according to its objectives. Such authority shall only be restricted by what is stipulated in the law, this Statute or the general assembly's decisions. The board of directors may sell the real estates of the company or mortgage the same or give guaranties, conclude loans, arbitration, conciliation or donations according to what is required by the interest of the company.

9- Article (38)

The general assembly shall be convened on an ordinary basis once at least in a year based on an invitation by the board of directors within three months from the expiration of the fiscal year of the company. Further, the board of directors shall be

entitled to call for to such assembly whenever it thinks appropriate and it must call for the same whenever it is requested by a number of shareholders owning not less than one-tenth of the capital or upon the auditor's request and within fifteen days from the request date. Moreover, the general assembly shall be convened whenever so requested b the Ministry of Commerce & Industry.

10- Article (42)

The general assembly shall be convened on an extraordinary basis according to the request of shareholders owning fifteen percent of the issued capital of the company. In such case, the board of directors must call for the assembly within one month from the date when it received the request.

11- Article (43)

The following issues shall be considered only by the general assembly convened on an extraordinary basis:

1- Amendment of the Memorandum of Association or the Statute of the company.
2- Selling the whole project, based on which the company was established, or disposing of the same in any other way.
3- Dissolving, merging, transferring or dividing the company.
4- Increasing or reducing the capital of the company.

Every amendment to the statute of the company shall not be enforceable unless obtaining the approval of regulatory authorities and taking the announcement procedures. The approval of the Ministry of Commerce & Industry must be obtained if the decisions are related to the name of the company, its objectives or capital, except for increasing the capital by issuing shares against profits achieved by the company or due to adding its permissible reserves to the capital.

Date: 28/04/2013

Commercial Registration Department Manager
Seal & Signature

Administrative Affairs Dpt.
Translation Section
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Date: 16-1-2020

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وزارة الخارجية الكويتية - شؤون القنصلية
تصادق على صحة توقيع وختم

19 JAN 2020

دون أدنى مسؤولية فيما يختص بمحتويات هذه الوثيقة

التوقيع:

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29 JAN 2020

अभिप्रमाणित करनेवाले विदेश मंत्रालय
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Seal & signature of Ministry of
Foreign Affairs, Government of the
State of Kuwait attested.

कौंसल अधिकारी / Consular Officer
भारत का राजदूतावास / Embassy of India
कुवैत / Kuwait

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KUWAIT

Tushar Tank
Assistant Consular Officer
Embassy of India
Kuwait

STATE OF KUWAIT
Ministry of Commerce & Industry
Commercial Registration Department
Commercial Registration Division

Notation in the Commercial Register

Company Name & Type	**: Jazeera Airways (K.S.C.) Public**
Registration Number	**: 102546**

By virtue of Memorandum No. 541 dated 30/11/2015 issued by Shareholding Companies Department, based on the resolution passed by the extraordinary general meeting held on 12/10/2015 and based on the Capital Markets Authority Approval No. 003713/S.E/1/3/2015, the following is approved:

The following entry was made in the commercial register:

1. It is approved to reduce the Company's authorized, issued and fully paid-up capital from K.D 42,000,000 (Kuwaiti Dinars forty two million) to K.D 20,000,000 (Kuwaiti Dinars twenty million), i.e. by KD 22,000,000 divided into 220,000,000 shares with nominal value of Kuwaiti Fils 100. The reduction percentage is 52.38% of the authorized, issued and fully paid-up capital. The reduction is at (5.238 per 10 shares), due to absence of need.

2. It is approved to distribute cash dividends to the shareholders by 25.519085% of the capital in addition to the amount of the capital reduction stated in item (1). The source of such dividends is as follows:

   1- The balance of statutory reserve of K.D 4,482,688 as at 31/12/2014.
   2- The balance of retained earnings including the Company's net interim profits as at 30/06/2015 amounting to K.D 6,235,328.

   Such dividends shall be distributed to the entire number of shares held by the shareholders to whom the capital reduction resolution applies.

3. It is approved to amend Article (6) of the memorandum of association and Article (6) of Chapter one (B) of the articles of association to read as follows:

The Company's capital is fixed at K.D 20,000,000 (Kuwaiti Dinars twenty million only) divided into 200,000,000 shares (two hundred million shares); each of Kuwaiti Fils 100, and all shares are contributed in cash.

30/11/2015

Director, Commercial Registration Department
Signed/Sealed

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[Coat of Arms]

Ministry of Commerce & Industry

Commercial Register Department

Commercial Register Division

Commercial Register Entry

Company Name & Form: AL-JAZERA AIRWAYS CO. (K.S.C.P)

Commercial Registry Number: 102546

Further to the memorandum issued by the Joint-Stock Companies Department # (2/10), dated 02/10/2017, further to the resolution passed by the Extraordinary General Assembly meeting held on 14/09/2017, it is hereby approved as follows:

The following entries shall be made into the commercial register:

- **Amendment of Article (16) of the Articles of Association, subject to the approval by the competent authorities:**

The Company shall be managed by a Board of Directors consisting of eight (8) members to be appointed by the General Assembly via secret ballot. The number of BOD members so selected shall be deducted from the number of BOD to be nominated. Shareholders having representatives in the BOD may not participate with other shareholders in nominating remaining BOD members, except in cases of exceeding the percentage so used in appointing representatives in the BOD. A group of shareholders may ally amongst themselves to appoint one or more representatives for them up to their shareholding ratios combined. Those representatives shall be empowered with the same rights and obligations pertaining to those nominated members.

- **Amendment of Article (22) of the Articles of Association, subject to the approval by the competent authorities:**

BOD may appoint one or more CEOs from non-BOD members, while further determining their remunerations and powers. No BOD member may act as the chairperson and CEO at the same time. One or more BOD members should be independent with expertise and efficiency to be selected by the Ordinary General Assembly, which shall determine their remunerations in accordance with the governance rules, provided their number should not exceed

02	10	2017

Commercial Register Dept. Director

(Signed & Stamped)

الكويت - المرقاب - شارع الشهداء - عمارة الربيعة - الدور الارضي - مكتب (٧) - بجانب مركز الامارات للصيرفة
Kuwait - Murqab - Shuhada Street - Rabia Bldg. - Ground Floor - Office (7) - Next to UAE Exchange Centre

[Coat of Arms]

Ministry of Commerce & Industry

Commercial Register Department

Commercial Register Division

Commercial Register Entry

Company Name & Form: AL-JAZERA AIRWAYS CO. (K.S.C.P)

Commercial Registry Number: 102546

half the number of BOD members. Any independent member is not preconditioned to be one of the company's shareholders.

- **Amendment of Article (55) of the Articles of Association, subject to the approval by the competent authorities:**

Where there shall be no specific provision is made under the MOA or AOAs, the provisions of the Decree Law No. (1 / 2016) on the enactment of the Companies Law, its Executive Regulations, and as amended, shall apply hereto.

- **It is agreed to add a new article to the Articles of Association, subject to the approval by the competent authorities:**

The company may purchase no more than 10% of its shares at their market rate, provided such purchase shall not be financed from the company's capital, and such shares shall not be included under the total shares of the company in such cases requiring shareholders to be holding any specific percentage of the capital, and in all assembly issues.

Ministry of Justice
Administrative Affairs Dpt.
Translation Section
The Papers Translated by ....the officially accredited office at the Ministry of Information are certified without any liability concerning the accuracy of translation or the document.
Head of Section : Rawya Abdulla Al-Fouzan Head of Section
Date : 2020

02 10 2017

Commercial Register Dept. Director

(Signed & Stamped)

وزارة الخارجية الكويتية - شؤون القنصلية
تصادق على صحة توقيع وختم

19 JAN 2020

دون أدنى مسؤولية فيما يختص بمحتويات هذه الوثيقة

التوقيع:

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अभिप्रमाणित करनेवाले विदेश मंत्रालय
कुवैत राज्य सरकार की मोहर एवं हस्ताक्षर
Seal & signature of Ministry of
Foreign Affairs, Government of the
State of Kuwait attested.

कौंसल अधिकारी / Consular Officer
भारत का राजदूतावास / Embassy of India
कुवैत / Kuwait

भारत का राजदूतावास
EMBASSY OF INDIA
रा० 34
कुवैत
KUWAIT

Tushar Tank
Assistant Consular Officer
Embassy of India
Kuwait

STATE OF KUWAIT
Ministry of Commerce & Industry
Commercial Registration Department
Commercial Registration Division

Notation in the Commercial Register

Company Name & Type : **Jazeera Airways (K.S.C.) Public**

Registration Number : **102546**

By virtue of Extraordinary General Assembly meeting held on 22/06/2020 and a memorandum issued by Shareholding Companies Department under no. 8/10 dated 31/08/2020, it was notated in the commercial register as follows:

First: Amendment of article no. 18 of the Articles of Association after the approval of the competent authorities as the below:

Any person nominated for membership in the board of directors shall meet the following requirements:

1. He shall have the legal capacity to act.
2. He shall not be convicted of a criminal offence with the punishment of incarceration, the crime of negligent bankruptcy or fraud, crime against honour or honesty or any crime in violation of the provisions of this law, unless he has been rehabilitated.
3. With the exception of independent members, he shall personally hold or be the representative of someone who holds a number of shares in the company.
4. Any other conditions mentioned in the memorandum of association.

If a member of the board of directors fails to satisfy any of the above requirements or any other requirements as may be stipulated in this law or any other laws, he shall lose the capacity to be a member as of the date such requirement falls away.

Second: Amendment of article no. 22 of the Articles of Association after the approval of the competent authorities as the below.

BURHAN TRANSLATION Certified Translation

The Board of directors may appoint one or more CEOs from amongst or outsidethe Board members. The chief executive officer shall be assigned the task of managing the company. The board of directors shall determine his remuneration and his powers to sign on behalf of the company. The positions of chairman of the board of directors and chief executive officer shall not be combined.

The Board of directors shall include one or more qualified and experienced independent members, to be elected by the ordinary general meeting. Their remunerations shall be determined on the basis of the principals of corporate governance. The number of independent members shall not exceed half the number of members of the board of directors. Independent members of the board of directors are not required to be shareholders in the company.

Third: Approval for adding a new article no. 59 to the company's Articles of Association after the approval of the competent authorities as the below.

Subject to the provisions contained in the Company Contract, the ordinary general assembly meeting, upon the proposal of the board of directors, may distribute dividends to shareholders at the end of the financial year or at the end of each financial period. Such distribution shall be valid if the profits are real, if these are made in accordance with the generally accepted accounting principles and do not affect the paid-up capital of the company.

BURHAN TRANSLATION Certified Translation البرهان للترجمة ترجمة معتمدة

إدارة السجل التجاري - تأشيرة السجل التجاري

الكويت في : 07/06/2021

إسم الشركة و نوعها: شركه طيران الجزيره-(ش.م.ك) عامة

الكيان القانوني : شركة مساهمة عامة

رقم القيد في السجل التجاري: 102546

بناء علي محضر جمعيه عموميه غير عاديه المنعقده في 19/05/2021 **جرى التأشير بالسجل التجاري**

تم الموافقة علي الاتي :

زيادة رأس المال من 20,000,000. الي 22,000,000. بقيمة 2,000,000.

الموافقة على تعديل المادة (6) من عقد التأسيس والمادة (6) من الفصل الأول (ب) من النظام الأساسي للشركة والخاصة برأس مال الشركة وذلك بعد موافقة الجهات المختصة كالتالي :-

نص المادة قبل التعديل :

حدد رأس مال الشركة المصرح به والمصدر والمدفوع بالكامل بمبلغ 20,000,000 دينار كويتي (عشرون مليون دينار) موزعاً على 200,000,000 سهم عادى (مئتان مليون سهم) قيمة كل سهم مائة فلس كويتى وجميع الأسهم نقدية.

نص المادة بعد التعديل :

حدد رأس مال الشركة المصرح به بمبلغ 22,000,000 دينار كويتي (إثنان وعشرون مليون دينار كويتى) موزعاً على 220,000,000 سهم عادى (مئتان وعشرون مليون سهم) قيمة كل سهم مائة فلس كويتى وجميع الأسهم نقدية.وحدد راس مال الشركة المصدر والمدفوع بمبلغ 20,000,000 دينار كويتي (عشرون مليون دينار كويتى) موزعاً على 200,000,000 سهم عادى (مئتان مليون سهم) قيمة كل سهم مائة فلس كويتى وجميع الأسهم نقدية.

مستند الكتروني لا يحتاج الي ختم او توقيع

FINANCIAL STATEMENTS

Jazeera Airways K.S.C.P.
Kuwait

Condensed Consolidated Interim Financial Information (Unaudited)
and
Independent Auditor's Review Report
31 March 2021

C o n t e n t s

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

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C.P. ("the Company") and its subsidiary (together called "the Group") as at 31 March 2021, and the related condensed consolidated statements of profit or loss, statement of profit or loss and other comprehensive income for the three months then ended and the related statement of changes in equity and statement of cash flows for the three months period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Memorandum of Incorporation and Articles of Association, as amended, of the Company, during the three months period ended 31 March 2021, that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 7 of 2010, concerning the Capital Markets Authority and its related regulations, as amended, during the three-months period ended 31 March 2021, that might have had a material effect on the business of the Company or on its financial position.

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

Kuwait
10 May 2021

Jazeera Airways K.S.C.P.
Kuwait

Condensed Consolidated Statement of Financial Position (Unaudited)
as at 31 March 2021

	Note	31 March 2021 (Unaudited)	31 December 2020 (Audited)	31 March 2020 (Unaudited)
		Kuwaiti Dinars		
ASSETS				
Non-current assets				
Property and equipment	3	20,320,432	20,458,884	21,082,437
Right to use asset	4	102,077,119	93,806,490	91,152,847
Advance for maintenance		1,654,632	1,563,057	13,232,847
Security deposits		1,138,733	1,135,557	2,961,475
		125,190,916	116,963,988	128,429,606
Current assets				
Inventories		424,798	382,274	321,755
Security deposits		1,305,034	1,309,946	1,134,392
Trade and other receivables		25,499,830	24,300,207	17,559,561
Cash and bank balances	5	17,595,706	19,668,737	33,445,387
		44,825,368	45,661,164	52,461,095
Total assets		170,016,284	162,625,152	180,890,701
LIABILITIES AND EQUITY				
Equity				
Share capital	6	20,000,000	20,000,000	20,000,000
Legal reserve		-	-	5,835,242
Hedge reserve		-	(1,027,778)	(4,615,764)
(Accumulated loss)/retained earnings		(12,174,219)	(6,995,957)	7,550,898
Total equity		7,825,781	11,976,265	28,770,376
Non-current liabilities				
Post-employment benefits		2,572,111	2,481,900	2,554,179
Maintenance payables		15,937,994	11,304,324	10,096,296
Lease liabilities	7	94,394,671	89,634,444	82,416,517
Murabaha payables		5,719,021	6,139,022	6,630,070
		118,623,797	109,559,690	101,697,062
Current liabilities				
Maintenance payables		4,050,469	6,684,165	-
Trade and other payables		14,097,711	12,790,550	26,562,042
Deferred revenue		1,887,513	264,051	764,866
Lease liabilities	7	17,483,720	16,048,245	17,581,042
Murabaha payables		840,000	883,498	369,930
Bank overdrafts	5	5,207,293	4,418,688	5,145,383
		43,566,706	41,089,197	50,423,263
Total liabilities and equity		170,016,284	162,625,152	180,890,701

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

Mohammad J M Al Mousa
Vice-chairman

Jazeera Airways K.S.C.P.
Kuwait

Condensed Consolidated Statement of Profit or Loss (Unaudited) -
Three months ended 31 March 2021

		Kuwaiti Dinars	
		Three months ended 31 March	
	Note	**2021**	**2020**
Revenue	9	8,137,370	18,962,737
Operating costs	10	(12,248,798)	(20,096,930)
Gross loss		(4,111,428)	(1,134,193)
Other operating income/(expenses)		462,696	(660,586)
General and administrative expenses	11	(1,201,305)	(1,904,128)
Finance costs		(1,248,617)	(1,021,395)
Foreign currency gain/(loss)		1,008,748	(1,244,120)
Expected Credit Loss (ECL) - financial assets		(88,356)	(54,215)
Loss before contribution and taxes		(5,178,262)	(6,018,637)
Zakat		-	-
Contribution to Kuwait Foundation for the Advancement of Sciences		-	-
National Labour Support Tax		-	-
Loss for the period		(5,178,262)	(6,018,637)
Attributable to:			
Shareholders of the Parent Company		(5,178,262)	(6,018,637)
Loss per share (fils)			
Basic & diluted	12	(25.9)	(30.09)

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited) - Three months ended 31 March 2021

	Kuwaiti Dinars	
	Three months ended 31 March	
	2021	**2020**
Loss for the period	(5,178,262)	(6,018,637)
Other comprehensive income		
Items that may be reclassified subsequently to statement of income		
Hedge Reserve – Cash flow hedge	1,027,778	(5,453,326)
Total comprehensive income for the period	(4,150,484)	(11,471,963)
Attributable to:		
Shareholders of the Parent Company	(4,150,484)	(11,471,963)

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

Condensed Consolidated Statement of Changes in Equity (Unaudited) –
Three months ended 31 March 2021

	Kuwaiti Dinars				
	Share capital	**Legal reserve**	**Hedge Reserve**	**(Accumulated loss)/retained earnings**	**Total equity**
At 1 January 2021	20,000,000	-	(1,027,778)	(6,995,957)	11,976,265
Total comprehensive income/(loss) for the period	-	-	1,027,778	(5,178,262)	(4,150,484)
At 31 March 2021	20,000,000	-	-	(12,174,219)	7,825,781
As at 1 January 2020	20,000,000	5,835,242	837,562	13,569,535	40,242,339
Total comprehensive income for the period	-	-	(5,453,326)	(6,018,637)	(11,471,963)
At 31 March 2020	20,000,000	5,835,242	(4,615,764)	7,550,898	28,770,376

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

Jazeera Airways K.S.C.P.
Kuwait

Condensed Consolidated Statement of Cash Flows (Unaudited) – Three months ended 31 March 2021

	Note	Kuwaiti Dinars 31 March 2021 (Unaudited)	Kuwaiti Dinars 31 March 2020 (Unaudited)
Cash flows from operating activities			
Loss for the period		(5,178,262)	(6,018,637)
Adjustments for:			
Depreciation	3,4	3,657,221	3,926,359
Finance costs		1,248,617	1,021,395
Foreign exchange (gain)/loss		(1,008,748)	1,244,120
Provision for post-employment benefits		166,711	186,090
Interest on security deposit		(11,073)	(16,113)
Expected Credit Losses on financial assets		88,356	54,215
Operating profit before working capital changes		(1,037,178)	397,429
Increase in inventories		(42,524)	(9,198)
(Increase)/decrease in trade and other receivables		(257,358)	5,735,627
Increase in maintenance payables		957,579	1,544,146
Increase /(decrease) in trade and other payables		1,335,467	(635,086)
Increase/(decrease) in deferred revenue		1,623,462	(3,947,838)
Decrease in advance for maintenance		(91,575)	(1,618,895)
Decrease in security deposit		(74,968)	164,936
Post-employment benefits paid		(76,500)	(86,511)
Net cash from operating activities		2,336,405	1,544,610
Cash flows from investing activities			
Purchase of property and equipment (net of disposal)	3	(375,492)	(926,131)
Net cash used in investing activities		(375,492)	(926,131)
Cash flows from financing activities			
Payment for lease liability		(4,185,821)	(2,976,034)
Finance costs paid		(173,229)	(97,088)
Murabaha payable facility		(463,499)	7,000,000
Net cash (used in)/ from financing activities		(4,822,549)	3,926,878
Net (decrease)/increase in cash and cash equivalents		(2,861,636)	4,545,357
Cash and cash equivalents at beginning of period	5	3,105,431	550,029
Cash and cash equivalents at end of period	**5**	**243,795**	**5,095,386**

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

1. Constitution and activities

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

The objects of the Parent Company are –

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

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

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

This condensed consolidated interim financial information was approved for issue by the Board of Directors on 10 May 2021.

2. Basis of preparation and significant accounting policies

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

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

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

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities.

Effective from August 1, 2020 the Director General of Civil Aviation (DGCA), Kuwait had announced a gradual resumption of operations.

However, late in February 2021 the operations were again impacted due to second wave of pandemic. The economic fallout of COVID-19 crisis is significant and evolving, impacting the key performance indicators of the Group. However, the restrictions on airport operations are expected to be relaxed in phases commencing from June 2021. With the increased pace of vaccinations in Kuwait and region, the demand for air travel is expected to increase in Summer 2021.

Business continuity planning and liquidity management

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

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

In addition to the measures adopted by the Group during previous year, the Board of Directors' of the Parent

Company have proposed a rights issue amounting to KD 10 million (including share premium of KD 8 million) subject to regulatory approval and by the shareholders in the Extra ordinary General Meeting.

The Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed consolidated interim financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing a material adjustment to the condensed consolidated interim financial information. Refer note 17 on the impact of COVID-19 on the significant accounting estimates and judgements.

Going concern

During the period, the Group has incurred a net loss of KD 5,178,262 and, as of that date, the accumulated losses amounted to KD 12,174,219. The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. At the present time the projections show that the Group has sufficient resources to continue in operational existence and its going concern position remains largely unchanged from 31 December 2020. Further, as disclosed above, with the Board of Directors' proposal to a right issue will further strengthen the liquidity position of the Group. These events and conditions do not indicate a material uncertainty that may cast significant doubt on the Group's ability to continue as going concern. As a result, this condensed consolidated interim financial information have been appropriately prepared on a going concern basis.

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

3. Property and equipment

	Kuwaiti Dinars					
	Engines & rotables	**Leasehold improvements**	**Furniture & equipment**	**Vehicles**	**Capital work-in-progress**	**Total**
Cost						
As at 31 December 2020	7,164,800	16,994,557	3,924,161	28,986	1,481,235	29,593,739
Additions	-	28,911	23,134	-	323,447	375,492
As at 31 March 2021	7,164,800	17,023,468	3,947,295	28,986	1,804,682	29,969,231
Depreciation						
As at 31 December 2020	2,005,578	4,215,519	2,884,772	28,986	-	9,134,855
Charge for the period	99,144	308,782	106,018	-	-	513,944
As at 31 March 2021	2,104,722	4,524,301	2,990,790	28,986	-	9,648,799
Net book value						
As at 31 March 2021	5,060,078	12,499,167	956,505	-	1,804,682	20,320,432
As at 31 December 2020	5,159,222	12,779,038	1,039,389	-	1,481,235	20,458,884
As at 31 March 2020	5,285,467	13,266,503	1,241,578	725	1,288,164	21,082,437

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

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2021	**2020**
Operating costs	408,025	562,345
General and administrative expenses	105,919	100,885
	513,944	663,230

4. Right of use assets

	Kuwaiti Dinars			
	Aircraft	**Aircraft engines**	**Leasehold land**	**Total**
Cost				
As at 31 December 2020	109,876,320	2,931,994	3,504,601	116,312,915
Additions	11,413,906	-	-	11,413,906
As at 31 March 2021	121,290,226	2,931,994	3,504,601	127,726821
Depreciation				
As at 31 December 2020	21,509,980	352,312	644,133	22,506,425
Charge for the period	2,964,558	76,695	102,024	3,143,277
As at 31 March 2021	24,474,538	429,007	746,157	25,649,702
Net book value				
As at 31 March 2021	96,815,688	2,502,987	2,758,444	102,077,119
As at 31 December 2020	88,366,340	2,579,682	2,860,468	93,806,490
As at 31 March 2020	85,066,993	2,795,959	3,289,895	91,152,847

5. Cash and bank balances

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	**31 December 2020 (Audited)**	**31 March 2020 (Unaudited)**
Cash on hand	61,305	67,879	61,724
Current account with banks	1,395,211	1,461,669	1,281,156
Time deposits with banks	16,144,968	18,144,968	32,104,967
	17,601,484	19,674,516	33,447,847
Expected credit loss	(5,778)	(5,779)	(2,460)
	17,595,706	19,668,737	33,445,387
Overdraft	(5,207,293)	(4,418,688)	(5,145,383)
Deposits with original maturity exceeding three months	(12,144,618)	(12,144,618)	(23,204,618)
Cash and cash equivalents in the statement of cash flows	243,795	3,105,431	5,095,386

The effective interest rate as of 31 March 2021 was 1.65% to 1.76% (31 December 2020: 1.4% to 3.02%, 31 March 2020: 2.07% to 3.89 %). Overdraft facility is from a local bank and carries effective interest rate of 1% to 1.5% per annum over the Central Bank of Kuwait discount rate ("CBDR").

6. Share capital

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

7. Lease liabilities

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	**31 December 2020 (Audited)**	**31 March 2020 (Unaudited)**
At the beginning of the period/year	105,682,689	88,963,283	88,963,283
Additions	10,371,111	11,696,668	11,890,587
Modification	-	9,037,870	(165,997)
Finance Cost	1,075,388	3,985,768	924,307
Payments	(4,185,821)	(8,301,491)	(2,976,034)
Foreign currency (gain)/ loss	(1,064,976)	300,591	1,361,413
At the end of the period/year	111,878,391	105,682,689	99,997,559

The above is segregated as:

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	**31 December 2020 (Audited)**	**31 March 2020 (Unaudited)**
Current	17,483,720	16,048,245	17,581,042
Non-current	94,394,671	89,634,444	82,416,517
	111,878,391	105,682,689	99,997,559

8. Murabaha payables

During the period, the Company had drawn an amount of KD 7,000,000 from an existing facility with a local commercial bank repayable in 5 years. The facility carries finance cost of 1% over CBDR.

9. Revenue

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2021	**2020**
Passenger revenue	6,674,495	16,143,267
Ancillary revenue	676,737	1,843,672
Facility ancillary revenue	88,078	160,686
Lease revenue	199,093	437,189
Passenger service fees	56,853	267,643
Cargo revenue	442,114	110,280
	8,137,370	18,962,737

10. Operating cost

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2021	**2020**
Aircraft fuel	1,431,536	4,773,016
Overflying, landing and ground handling charges	1,317,315	3,285,629
Staff costs	1,688,390	2,742,315
Depreciation (Refer Note 3&4)	3,551,302	3,825,474
Aircraft maintenance cost	3,366,552	3,437,426
Lease rental	-	250,059
Passenger meals	66,987	65,009
Insurance	246,203	225,231
Others	580,513	1,492,771
	12,248,798	20,096,930

11. General and administrative expenses

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2021	**2020**
Staff costs	533,956	980,726
Marketing	34,290	265,472
Depreciation (Refer Note 3)	105,919	100,885
Professional and consultancy	119,956	103,458
Travel	15,207	41,291
Rent	6,848	4,150
Others	385,129	408,146
	1,201,305	1,904,128

12. Earnings per share

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

	Three months ended 31 March (Unaudited)	
	2021	**2020**
Earnings for the period (in Kuwaiti Dinar)	(5,178,262)	(6,018,637)
Weighted average number of shares outstanding	200,000,000	200,000,000
Earnings per share (fils) – Basic & Diluted	(25.9)	(30.09)

13. Related party transactions and balances

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

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	**31 December 2020 (Audited)**	**31 March 2020 (Unaudited)**
Balances			
Due from a related party	36,423	1,550	55,787

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2021	**2020**
Transactions		
Sales and services	41,738	71,475
General and administrative expenses	154,538	125,653
Key management compensation		
Salaries and other employment benefits	147,330	175,177

14. 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 three months ended 31 March:

	Kuwaiti Dinars					
	Passenger airline Service		**Terminal operations**		**Total**	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Segment revenue	7,793,346	18,136,818	344,024	825,919	8,137,370	18,962,737
Segment expenses	11,857,105	22,609,365	672,606	690,028	12,529,711	23,299,393
Other operating income/(expenses)	462,696	(660,586)	-	-	462,696	(660,586)
Finance costs	1,180,731	995,646	67,886	25,749	1,248,617	1,021,395
Segment results [(loss)/profit]	(4,781,794)	(6,128,779)	(396,468)	110,142	(5,178,262)	(6,018,637)
Assets:						
Segment assets	152,562,858	162,646,345	17,453,426	18,244,356	170,016,284	180,890,701
Liabilities:						
Segment liabilities	157,522,565	147,701,854	4,667,938	4,418,471	162,190,503	152,120,325
Capital expenditure	279,880	515,533	95,612	410,598	375,492	926,131
Depreciation	3,329,808	3,638,362	327,413	287,997	3,657,221	3,926,359

15. Derivative financial instruments

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

Hedge discontinuation

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

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

31 March 2021:	Kuwaiti Dinars	**Nominal quantity by term to maturity**		
	Negative fair value	**Within 3 months**	**3- 24 months**	**Notional quantity**
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	-	-	-	-

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

31 March 2020:	Kuwaiti Dinars	**Nominal quantity by term to maturity**		
	Positive fair value	**Within 3 months**	**3- 24 months**	**Notional quantity**
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	4,615,764	25,000	910,000	935,000

16. Commitments and contingent liabilities

	Kuwaiti Dinars		
	31 March 2021 (Unaudited)	**31 December 2020 (Audited)**	**31 March 2020 (Unaudited)**
Capital Commitments	79,557	109,467	717,205
Bank guarantees	28,667,602	28,769,037	24,929,602
	28,747,159	28,878,504	25,646,807

The above bank guarantee include guarantee to the lessors amounting to KD 19,447,601 (31 December 2020: KD 23,891,184; 31 March 2020: KD 18,885,200) for the aircraft maintenance in lieu of payments for Maintenance Reserve under the lease agreement.

17. Impact of COVID-19

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

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

Impairment of non-financial assets

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

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

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

Commitments and contingent liabilities

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

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Annual Financial Statements and
Independent Auditors' Report
31 December 2020

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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 subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of income, consolidated statement of comprehensive income, consolidated statement of changes in shareholders' equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

Key audit matter	**How our audit addressed the key audit matter**
Revenue recognition Total passenger and ancillary revenue recognized by the Group during the year amounted to KD 38,522,518. 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 revenue recognition as a key audit matter as it involves complicated IT systems that handle large volumes of transaction data.	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 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.

Key audit matter	How our audit addressed the key audit matter
The accounting policy for revenue recognition for passenger revenue is set out in note 2.12 to the consolidated financial statements.	• 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.
Impairment assessment of non-monetary assets At 31 December 2020, the aggregate value of non-monetary assets which mainly consist of right of use assets, amounted to KD 115,828,431 (2019: KD 115,124,673) which represents 71% of the total assets. The impact of COVID - 19 on the airline industry was a trigger event that required the Group to assess whether there is any indication that any non-monetary assets, like right of use asset, may be impaired. The impairment test performed by the management is significant to our audit because the assessment of the recoverable amount under the value-in-use basis is complex and requires considerable judgment on the part of management many of which are forward-looking. Estimates of future cash flows are based on management's views of variables such as the recovery of growth in the airline sector, government regulations, economic conditions such as the economic growth and expected yields. Given the unpredictability of the duration and magnitude of the COVID-19 pandemic in the world, we identified the impairment testing of non-monetary assets as a key audit matter. The Group's policy on assessing impairment of non-monetary assets is set out in note 2.7 and related disclosure is in note 29 to the consolidated financial statements. The Group concluded that non- monetary assets are not impaired.	Our audit procedures included: • an evaluation of design and implementation and performed operating effectiveness of controls over the impairment assessment process. • with the support of our internal valuation experts, we benchmarked and challenged key assumptions forming the Group's value-in-use calculation including the cash flow projections and discount rate. • assessment of the cash flow forecast by considering the reduction in demand for air transportation and the gradual return to pre- Covid performance and comparing the discount rate and growth rate to market data. • performed a sensitivity analysis of the cash flow forecast. • reperformed the mathematical accuracy of the impairment test performed by management. We also assessed the disclosures in the consolidated financial statements relating to this matter against the requirements of IFRSs.
Going concern assessment- Impact of COVID-19 on the Group The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities and airline industry. The financial results of the Group in the future periods will continue to depend on the pace of recovery in demand for air travel in the world.	Our audit procedures included: • reviewed management's assessment in relation to going concern. • discussed with management and the Board the critical estimates and judgements applied in their assessments in order to understand and challenge the rationale underlying the judgements and sensitivities applied and estimates made as a result of COVID-19.

Key audit matter	How our audit addressed the key audit matter
As a result of the above and the loss incurred during the year of KD 26,400,734, the Group has assessed the impact of the COVID-19 outbreak on its ability to continue as a going concern. Management performed a going concern assessment considering the reduction in demand for air transportation, regulatory conditions, expectations regarding timing of routes being restarted, passenger demand on those routes and expected margins. In doing so, management have made estimates and judgements that are critical to the outcomes of these considerations with a particular focus on the Group's ability to continue as a going concern. Management concluded based on these forecasts and sensitivities, that it was appropriate to prepare the financial statements on a going concern basis. We considered this to be a key audit matter due to the evolving nature of the pandemic, the uncertainties involved and the significant level of judgement applied in the management forecast. Refer to note 2.1 in the financial statements relating to this matter.	• challenged the underlying cash flow projections and performed sensitivity analysis to assess the impact of the key assumptions underlying the forecast such as future flight demand, and the level of cash utilization in a no flight scenario; We also assessed the disclosure in the consolidated financial statements relating to this matter against the requirements of IFRSs.

Other information included in the Group's 2020 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2020 Annual Report, other than the consolidated financial statements and our auditor's report thereon.

We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

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

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 2020 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 2020, that might have had a material effect on the business of the Parent Company or on its financial position.

Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche - Al-Wazzan & Co.

Kuwait
22 February 2021

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Financial Position as at 31 December 2020

	Note	Kuwaiti Dinars 2020	Kuwaiti Dinars 2019
Non-current assets			
Property and equipment	3	20,458,884	20,819,335
Right of use assets	4	93,806,490	82,691,386
Advance for maintenance	5	1,563,057	11,613,952
Security deposits	6	1,135,557	3,043,855
		116,963,988	118,168,528
Current assets			
Inventories		382,274	312,557
Security deposits	6	1,309,946	1,172,192
Trade and other receivables	7	24,300,207	23,245,301
Cash and bank balances	8	19,668,737	23,754,647
		45,661,164	48,484,697
Total assets		162,625,152	166,653,225
LIABILITIES AND EQUITY			
Equity			
Attributable to Parent Company's shareholders			
Share capital	9	20,000,000	20,000,000
Legal reserve	10	-	5,835,242
Hedge reserve	23	(1,027,778)	837,562
(Accumulated losses)/Retained earnings		(6,995,957)	13,569,535
Total equity		11,976,265	40,242,339
Non-current liabilities			
Post employment benefits	11	2,481,900	2,454,600
Maintenance payables	12	11,304,324	8,552,150
Lease liabilities	13	89,634,444	76,931,616
Murabaha payables	14	6,139,022	-
		109,559,690	87,938,366
Current liabilities			
Maintenance payables	12	6,684,165	3,617,308
Lease liabilities	13	16,048,245	12,031,667
Murabaha payables	14	883,498	-
Trade and other payables	15	12,790,550	18,110,841
Deferred revenue	16	264,051	4,712,704
Bank overdrafts	8	4,418,688	-
		41,089,197	38,472,520
Total liabilities and equity		162,625,152	166,653,225

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

Marwan Marzouq Boodai
Chairman

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Income - Year ended 31 December 2020

	Note	Kuwaiti Dinars 2020	2019
Revenue	16	41,370,384	103,698,648
Operating costs	17	(55,661,556)	(80,058,139)
Gross (loss)/profit		(14,291,172)	23,640,509
Other operating income		279,609	489,877
General and administrative expenses	18	(6,392,917)	(6,897,211)
Finance costs		(4,522,062)	(2,660,994)
Foreign currency loss		(520,773)	(223,249)
Gain on sale and lease back of engines	19	-	1,159,835
Expected credit loss - financial assets		(953,419)	(100,969)
(Loss)/profit before contribution and taxes		(26,400,734)	15,407,798
Zakat expense		-	(93,695)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		-	(138,670)
National Labour Support Tax (NLST)		-	(234,236)
Loss/(profit) for the year		(26,400,734)	14,941,197
Attributable to:			
Shareholders of the Parent Company		(26,400,734)	14,941,197
(Loss)/earnings per share (fils)	20		
Basic & Diluted		(132)	74.71

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

Consolidated Statement of Comprehensive Income - Year ended 31 December 2020

	Kuwaiti Dinars	
	2020	**2019**
(Loss)/profit for the year	(26,400,734)	14,941,197
Other comprehensive income (OCI)		
Items that may be reclassified subsequently to statement of income		
Hedge reserve-Cash flow hedge	(1,865,340)	837,562
Total comprehensive (loss)/income for the year	(28,266,074)	15,778,759
Attributable to:		
Shareholders of the Parent Company	(28,266,074)	15,778,759

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

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Changes in Shareholders' Equity – Year ended 31 December 2020

	Kuwaiti Dinars				
	Share capital	**Legal reserve**	**Hedge reserve**	**(Accumulated losses)/Retained earnings**	**Total equity**
At 1 January 2020	20,000,000	5,835,242	837,562	13,569,535	40,242,339
Total comprehensive loss for the period	-	-	(1,865,340)	(26,400,734)	(28,266,074)
Transfer	-	(5,835,242)	-	5,835,242	-
At 31 December 2020	20,000,000	-	(1,027,778)	(6,995,957)	11,976,265
At 1 January 2019	20,000,000	4,294,462	-	13,541,950	37,836,412
Transition adjustment on adoption of IFRS 16 at 1 January 2019	-	-	-	(6,372,832)	(6,372,832)
Balance as at 1 January 2019 (restated)	20,000,000	4,294,462	-	7,169,118	31,463,580
Total comprehensive income for the period	-	-	837,562	14,941,197	15,778,759
Transfer	-	1,540,780	-	(1,540,780)	-
Dividend	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2019	20,000,000	5,835,242	837,562	13,569,535	40,242,339

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

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Cash Flows –Year ended 31 December 2020

	Note	Kuwaiti Dinars 2020	2019
Cash flows from operating activities			
(Loss)/profit before contributions and taxes		(26,400,734)	15,407,798
Adjustments for:			
Depreciation	3,4	14,910,440	12,409,435
Finance costs		4,522,061	2,660,994
Foreign exchange loss		520,773	223,249
Provision for post employment benefits	11	685,831	406,376
Gain on sale and lease back		-	(1,159,835)
Expected credit loss on financial assets		953,419	100,969
Interest on security deposit		(57,486)	(61,176)
Provision for KFAS, Zakat & NLST		-	466,601
Cash flows from operating activities before working capital changes		(4,865,696)	30,454,411
Decrease in advance for maintenance		10,050,895	2,552,608
Increase in inventories		(69,717)	(65,444)
Decrease /(increase) in security deposits		1,754,988	(59,336)
Increase in trade and other receivables		(2,059,155)	(7,841,152)
Increase in maintenance payables		2,651,030	7,246,336
(Decrease)/increase in trade and other payables		(6,837,768)	4,045,372
(Decrease)/increase in deferred revenue		(4,448,653)	417,508
Post-employment benefits paid	11	(658,531)	(322,559)
Cash (used in) /generated from operations		(4,482,608)	36,427,744
Paid to KFAS, Zakat & NLST		(461,362)	(308,363)
Net cash (used in)/from operating activities		(4,943,969)	36,119,381
Cash flows from investing activities			
Purchase of property and equipment	3	(1,745,754)	(4,314,900)
Sale of engine		-	4,622,834
Deposits maturing after three months		7,060,000	(19,204,618)
Net cash from/(used in) investing activities		5,314,246	(18,896,684)
Cash flows from financing activities			
Dividend paid		-	(7,000,000)
Murabaha payable	14	7,022,520	-
Re-payment of lease liabilities (including finance cost)	13	(8,301,491)	(11,977,076)
Finance costs paid		(536,294)	(165,960)
Net cash used in financing activities		(1,815,265)	(19,143,036)
Net decrease in cash and cash equivalents		(1,444,988)	(1,920,339)
Cash and cash equivalents at			
beginning of year	8	4,550,029	6,465,306
Expected credit loss on Financial Assets		390	5,062
end of year	8	3,105,431	4,550,029

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

1. Constitution and activities

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

The objects of the Company are –

- Air transportation services without the luxury services.
- Carry out all air transportation and other air services and all other related activities including people air transportation, cargo, goods and mails in Kuwait and abroad.
- Provide aircraft and other related asset purchasing services in favour of others and coordinate with the manufacturers.
- Provide both operating and financing lease services as needed and required by the clients "aviation companies".
- Market the aircraft to cover the medium and long-term needs of the aviation companies that ask for such services.
- Assist aviation companies to market their aircraft through sale or lease.
- Engage in providing and financing the technical support and various assets management services to aviation companies.
- Assist in co-investment processes specialized in the aviation industry.
- Invest whether partially or wholly in supplying aircraft, engines and spare parts as per needs of the clients "aviation companies" and manufacturers.
- Provide all aircraft related services to aviation companies and others whether in Kuwait or abroad, such as: handling, maintenance and other services.
- Booking tickets and passengers' services.
- Supply and deal in delivering and managing all services and products required by aviation sector, in order to properly carry out operations and maintain, support and provide aircraft customs brokerage services.
- Owning real estate and movable property to conduct its operations within the limits as stipulated by law.
- Providing services of financing aircraft purchase projects (in whole or in part) in light of the evaluation studies and determining the factors of risks associated with such projects.
- Establishing and utilizing aircraft service stations, warehouses, hangars, workshops, factories, as well as all machineries, devices and equipment related to the company's purposes.
- Investing in fields of air transportation of passengers, goods, facilities and utilities required to serve the company's purposes or its achievement.
- Founding and establishing branches and agencies of the company in Kuwait and abroad as well as conducting the businesses of ground, technical and commercial agency of Arabian and foreign airlines inside Kuwait and abroad.
- Providing service of tourism, travel and freight and conducting all its related businesses including land conveyance, holidays and flights' integrated services, car rental with or without a driver, as well as all touristic businesses related to the company's purposes, in addition to holding celebrations, competitions, exhibitions, currency exchange transactions and selling goods and products on the company's aircraft, offices and premises.

- Providing services of management and marketing in addition to the consultancy services related to the field of aircraft industry.
- Conducting all air cargo businesses inside and outside Kuwait within the limits as stipulated by law.
- Conducting all businesses of transporting, handling, distributing and customs clearance of goods related to air cargo.
- Establishing aviation, wireless studies, engineering, air and ground services institutes, in addition to training the technical personnel in the field of aviation and qualifying the Kuwaiti citizens in order to assume the technical, administrative and commercial businesses required to achieve the company's purposes.
- Owning and granting any privileges, leases or investments, as well as outsourcing any businesses or other rights related aircraft.
- Investing surplus funds in investment and real estate portfolios managed by specialized companies or entities.

The Parent Company has the following subsidiary:

Name of the Company	Country of Incorporation	Percentage of Holding	
		2020	2019
Al Sahaab Aviation Services W.L.L.	Kuwait	99.99%	99.99%

The Parent Company and the subsidiary are together referred to in these consolidated financial position as the Group.

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

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement.

These consolidated financial statements have been presented in Kuwaiti Dinar.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 28.

Impact of COVID-19 and current economic scenario

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities.

Effective from March 7, 2020 the Director General of Civil Aviation (DGCA), Kuwait suspended inbound and outbound flights to Kuwait from 7 countries as a preventive measure to contain the spread of COVID-19. Further, the oil prices also witnessed unprecedented volatility during this period.

From March 13, 2020 the aircraft were completely grounded and with limited operation in April to June 2020 for repatriation flight and cargo-only flights. The DGCA have announced a gradual resumption of operations from 1 August 2020. The economic fallout of COVID-19 crisis is significant and evolving, impacting the key performance indicators of the Group.

Business continuity planning and liquidity management

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

The management made a number of decisions, including reorienting aircraft for cargo flights, reducing costs, negotiating with lessors for deferral and concessions of lease payments, identifying additional opportunities to increase liquidity such as cancellation of dividend and postponing planned capital expenses. To date, the Group has reached agreements with a number of counterparties on deferral and/or restructuring of payments; negotiations are underway with lessors and aircraft manufacturers to delay the delivery of aircraft. Following is the summary measures adopted by the Group:

- Cancellation of dividend of 67.5 fils per share, amounting to KD 13,500,000 for the year ended 31 December 2019 which was approved by the shareholders in the AGM;
- Deferral of all non- essential costs and all capital expenditures;
- Voluntary salary reduction for all employees of 50% effective March 1, 2020 for a period of 7 months;
- Reduction in the total head count of staff;
- Seeking waivers from the Kuwait Government for all charges levied by airports authorities and other government organisations;
- Obtained waivers and reduction in charges from the various key service providers;
- Obtained waivers and exemption from aircraft and engine lessors from payment of lease rent for the aircraft in lieu of extension of the lease term; and
- Drawing down from Murabaha facility which was earlier not used and new facilities to help build a war chest to weather the challenges. As at the reporting date, the Group has a sound liquidity position with KD 19 million of available funds.

Following DGCA's permission for gradual resumption of operations, the Group resumed its flights to and from some of its destinations subject to regulatory conditions. Depending on the easing of lockdowns and travel restrictions around the world, the Group will make a gradual return to other destinations to serve its passengers. The Group has adopted operating procedures to ensure its passengers and its people are properly protected in this new environment and in line with any new requirements in the industry.

The Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements. Refer note 29 on the impact of COVID-19 on the significant accounting estimates and judgements.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. However, there exists a risk of another wave of pandemic and plausible prolongation of its consequential impact on air travel and the industry. The projections have been prepared covering the Group's future performance, capital and liquidity (refer note 29). The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.2 Changes in accounting policies and disclosures

Effective for the current year

The Group has applied the following new and revised IFRS Standards that have been issued and effective:

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The application of these amendments did not have a significant impact on the Group's consolidated financial statements, since the Group does not have exposure to LIBOR linked financial instruments.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c) There is no substantive change to other terms and conditions of the lease.

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

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework.

The Standards which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

Standards issued but not yet effective

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

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	The effective date is yet to be set. Earlier application is permitted.

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

New and revised IFRSs	Effective for annual periods beginning on or after
Amendments to IAS 1 – Classification of Liabilities as Current or Non-current The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. 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.	The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.
Amendments to IFRS 3 – Reference to the Conceptual Framework The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.	The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references.
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.	1 January 2022, with early application permitted.

New and revised IFRSs	**Effective for annual periods beginning on or after**
The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.	
If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.	
The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.	
The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.	
Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022, with early application permitted.
The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).	
The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.	

Annual Improvements to IFRS Standards 2018–2020

The Annual Improvements include amendments to four Standards.

IFRS 1 First-time Adoption of International Financial Reporting Standards The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).	1 January 2022, with early application permitted.
IFRS 9 Financial Instruments The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf. The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.	1 January 2022, with early application permitted.
IFRS 16 Leases The amendment removes the illustration of the reimbursement of leasehold improvements.	No effective date is stated.
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: – changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and – hedge accounting.	January 1, 2021

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. The Group does not have exposure to IBOR reforms.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas. – Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. – When a hedged item in a cash flow hedge is amended to reflect the changes that are required by

New and revised IFRSs	Effective for annual periods beginning on or after
the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined. – When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged. – If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.	

The management does not expect the adoption of the Standards and Interpretations listed above to have a material impact on the consolidated financial statements of the Group in future periods.

2.3 Business Combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets transferred, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Company separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

The Company uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within the measurement period which is twelve months from the acquisition date.

2.4 Consolidation

The Group consolidates the financial statements of the Company and subsidiaries (i.e. investees that it controls) and investees controlled by its subsidiaries.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- Voting rights and potential voting rights;

The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and statement of income. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling interest

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements of subsidiaries. Intra Group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra Group transactions that are recognized in assets are eliminated in full. Intracompany losses that indicate an impairment is recognized in the consolidated financial statements.

When the Company loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

Goodwill

Goodwill arising in a business combination is computed as the excess of the aggregate of: the consideration transferred; the non-controlling interests proportionate share in the recognized amounts of the acquiree's net identifiable assets at the acquisition date, if any; and in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Any deficit is a gain from a bargain purchase and is recognized directly in the consolidated statement of income.

Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. Gains and losses on disposal of an entity or a part of an entity include the carrying amount of goodwill relating to the entity or the portion sold.

2.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated provisions for impairment, if any. The cost of property and equipment consists of their purchase price, other directly attributable costs incurred to bringing them up to operating condition and ready for their intended use and borrowing costs capitalised in accordance with the Group's accounting policy.

The cost of property and equipment less estimated residual values is depreciated on straight-line basis over their estimated useful lives as follows:

	Years
Leasehold improvements	5
Building	20
Furniture & equipment	3 - 5
Engines	15
Rotables	2 - 3
Vehicles	5

Capital work-in-progress is stated at cost. When the asset is ready for its intended use, it is transferred from capital work-in-progress to the appropriate category under property and equipment and is depreciated from that date.

Rotables are classified as property and equipment if they are expected to be used over more than one period and are depreciated over their useful lives.

An element of the cost of a new engine is attributed on acquisition to prepaid maintenance and is depreciated over a period of five years from the date of manufacture. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and major overhaul, are capitalised and depreciated over the length of the period benefiting from these enhancements. All other maintenance costs are charged to the income statement as incurred.

Repairs and maintenance costs are charged to the consolidated statement of income during the period in which they are incurred. Major modifications and improvements to property and equipment are capitalised and depreciated over the remaining useful life of the related asset.

The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Manufacturers' credits

Credits received from manufacturers in connection with acquisition of aircraft and engines are reduced from the cost of the related aircraft and engines or are taken to consolidated statement of income, depending on the terms of the credit.

2.6 Leases

The Group as a lessee

The Group assesses whether contract is or contains a lease, at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

On the commencement date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred for restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period. This is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

Subsequent measurement

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate) and reducing the carrying amount to reflect the lease payment made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "operating cost" in statement of income.

For contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of income. The depreciation starts at the commencement date of the lease.

Sale and lease back

The Group enters into sale and leaseback transactions whereby it sells either new or mid-life aircraft engines and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the consolidated statement of income to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

2.7 Impairment of non-financial assets

If there is an indication that the carrying value of a non-financial asset such as property and equipment and right of use of assets is greater that its recoverable amount, it is tested for impairment and the asset is written down to its recoverable amount. Goodwill, if any, is tested, at least annually, for impairment.

The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In that case, they are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of property and equipment and goodwill.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal three years plan for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the four to five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. An impairment loss is recognized immediately in the consolidated statement of income unless the relevant assets are carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease to the extent of any previously recognized revaluation gain.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated statement of income. That relating to goodwill cannot be reversed in a subsequent period.

2.8 Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Classification of financial assets and financial liabilities

The Group classifies all its financial assets as "at amortised costs'.

A financial asset is subsequently measured at amortised cost if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model and measured at Fair Value through Profit or Loss. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent Solely Payments of Principal and Interest (the 'SPPI test').

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a basic lending arrangement are typically the consideration for the time value of money, credit risk, other basic lending risks and a profit margin. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Cash and bank balances, trade and other receivables and security deposits in the nature of financial assets are classified as financial assets carried at amortised cost.

Financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Recognition and de-recognition of financial assets and financial liabilities

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership of the financial asset, or when it has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset and when it no longer retains control over the asset.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in statement of income.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of income or in the statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Impairment of financial assets

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9.

The expected credit loss of a financial instrument is measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating range of possible outcomes; the time value of money; and past events, current conditions and forecast of future economic conditions. The ECL model applies to all financial instruments except investments in equity instruments. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

General approach

IFRS 9 introduces three-stage approach to measuring ECL. Assets migrate through the following three stages based on the change in credit quality since initial recognition.

Stage 1 includes financial instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses ('ECL') are recognized. 12-month ECL are the expected credit losses that result from default events that are possible within 12 months after the reporting date. It is not the expected cash shortfalls over the 12-month period but the entire credit loss on an asset weighted by the probability that the loss will occur in the next 12 months. The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".

Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognized. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. Expected credit losses are the weighted average credit losses with the probability of default ('PD') as the weight. When determining whether the credit risk on a financial instrument has increased significantly, management considers reasonable and supportable information available, in order to compare the risk of a default occurring at the reporting date with the risk of a default occurring at initial recognition of the financial instrument.

The Group incorporates forward-looking information based on expected changes in macro- economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognized as the difference between the financial asset's gross carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Any adjustments to the carrying amount of the financial asset arising from expected credit losses is recognized in statement of income as an impairment gain or loss.

ECL are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation.

The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

Simplified approach

The Group applies the simplified approach to recognise lifetime expected credit losses for trade receivables. Accordingly, trade receivables which are not credit impaired and which do not have significant financing component are categorised under stage 2 and lifetime ECL is recognised.

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and backstop indicators and analysis based on the Group's historical experience and expert credit risk assessment, including forward-looking information.

For amounts due from banks, the Group uses the low credit risk exemption as permitted by IFRS 9 based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk.

Financial instrument is determined to have low credit risk if:

The financial instrument has a low risk of default,

- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Credit-impaired financial assets

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 90 days.

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and other receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in statement of income.

Derivative financial instruments

Derivatives are recognised initially at fair value, at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in statement of income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk, interest rate risk and fuel price risk in fair value hedges, cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

In order to manage particular risks, the Group applies hedge accounting for transactions, which meet the specified criteria. At inception of the hedge relationship, the Group's formal hedge accounting documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge effectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in statement of income except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income (FVOCI) in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in statement of income. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in statement of income instead of other comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to statement of income, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to statement of income on disposal of hedge item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in statement of income, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to statement of income in the periods when the hedged item affects statement of income, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the hedging reserve will not be recovered in the future, that amount is immediately reclassified to statement of income.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in hedge reserve at that time remains in equity and is reclassified to statement of income when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the hedge reserve is reclassified immediately to statement of income.

2.9 Inventories

Inventories, expendable parts and supplies are valued at the lower of weighted average cost and net realizable value after provision for slow moving and obsolete items.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current account with banks and time deposits with banks with original maturities not exceeding three months from acquisition date.

2.11 Post-employment benefits

The Group employees are entitled to an end of service indemnity payable under the Kuwait Labor Law based on the employees' accumulated periods of service and latest entitlements of salaries and allowances. The present value of end of service indemnity payable, which is unfunded, is determined annually by actuarial valuations using the projected unit credit method. An actuarial valuation involves making various assumptions such as determination of the discount rate, future salary increases and mortality rates. These assumptions are reviewed at each reporting date.

Re-measurements, comprising actuarial gains and losses, are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Re-measurements recognized in other comprehensive income are reflected within equity under "Other Reserves" and will not be reclassified to statement of income.

Past service cost is recognised in statement of income when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service cost that had not previously been recognised.

2.12 Revenue recognition

The Group recognises revenue when it satisfies a performance obligation by transferring a promised service to a customer. The service is transferred when the customer obtains the control of service. The timing of the transfer of control of service, at point in time or over time, should be determined to recognise revenue. Accordingly, the specific revenue recognition criteria applied to significant elements of revenue is set out below:

Passenger revenue arises from the sale of flight seats, administration fees and service fees and is measured as the price paid by the customer. Passenger revenue is recognised when the performance obligation has been completed. This is when the flight takes place and revenue thus is recognised point in time. Amounts paid by 'no-show' customers are recognised as passenger revenue when the booked service is provided, as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Ancillary revenue includes revenue from the provision of checked baggage, allocated seating, change fees, inflight sales and cargo revenue. These are recognised when the performance obligation is complete, which is generally when the related flight takes place and is measured as the price paid by the customer for the service booked and thus revenue is recognised point in time.

Unearned revenue from flights not yet flown is held in the statement of financial position until the performance obligation is complete, when it is taken to statement of income.

The Group earns revenue from advertisement contracts which is recognised point over time in proportion to the period of contract.

2.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalised.

2.14 Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Group, it is the Kuwaiti Dinars.

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of consolidated statement of financial position are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

2.15 Provisions for liabilities

Provisions for liabilities are recognised when, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present obligation (legal or constructive) and the amount can be reliably estimated.

The Group, as a lessee, has a contractual obligation to repair and maintain leased aircraft to a level that meets specified redelivery conditions that aircraft airframes, engines, landing gear and auxiliary power units must meet at the end of the lease term. This requires the Group to schedule periodic maintenance for engine performance restoration and aircraft checks over the lease term to conform to aircraft manufacturer and regulatory specifications. The Group estimates the related maintenance costs based on the contractual reserve rates per hour or cycle in the related lease agreement and recognizes that amount in the statement of income for actual hours or cycles flown. This is subject to adjustment based on actual cost and engineering technical estimates derived from actual and estimated aircraft and engine usage to the next related maintenance check.

2.16 Fair value measurement

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments, fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.17 Income taxes

Income tax payable on profits is recognized as an expense in the period in which the profits arise, based on the applicable tax laws in each jurisdiction.

Deferred income tax is provided using the liability method on all temporary differences, at the date of the consolidated statement of financial position, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred tax assets are recognised for all temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each date of consolidated statement of financial position and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised

2.18 Contingencies

Contingent assets are not recognised as an asset till realisation becomes virtually certain. Contingent liabilities are not recognized as liabilities unless, as a result of past events, it is probable that an outflow of economic resources will be required to settle a present obligation (legal or constructive) and the amount can be reliably estimated.

3. Property and equipment

	Kuwaiti Dinars					
	Engines & rotables	**Leasehold improvements**	**Furniture & equipment**	**Vehicles**	**Capital work-in-progress**	**Total**
Cost						
As at 31 December 2018	10,173,265	13,630,286	2,985,630	28,986	1,644,969	28,463,136
Additions	4,102,995	1,077,012	323,312	-	1,576,728	7,080,047
Transfers	520,498	1,548,789	464,989	-	(2,534,276)	-
Disposals	(7,631,958)	-	-	-	(63,240)	(7,695,198)
As at 31 December 2019	7,164,800	16,256,087	3,773,931	28,986	624,181	27,847,985
Additions	-	652,601	103,704	-	989,449	1,745,754
Transfers	-	85,869	46,526	-	(132,395)	-
As at 31 December 2020	7,164,800	16,994,557	3,924,161	28,986	1,481,235	29,593,739
Depreciation						
As at 31 December 2018	2,326,723	1,925,976	2,212,682	26,283	-	6,491,664
Charge for the year	1,452,540	995,077	258,007	1,621	-	2,707,245
Disposal	(2,170,259)	-	-	-	-	(2,170,259)
As at 31 December 2019	1,609,004	2,921,053	2,470,689	27,904	-	7,028,650
Charge for the year	396,574	1,294,466	414,083	1,082	-	2,106,205
As at 31 December 2020	2,005,578	4,215,519	2,884,772	28,986	-	9,134,855
Net book value						
As at 31 December 2020	5,159,222	12,779,038	1,039,389	-	1,481,235	20,458,884
As at 31 December 2019	5,555,796	13,335,034	1,303,242	1,082	624,181	20,819,335

Leasehold improvements includes airport terminal and office building including park & fly constructed on leasehold land amounting to KD 10,484,217 (31 December 2019: KD 10,718,095) and KD 983,727 (31 December 2019: KD 1,187,777) respectively.

Capital work in progress includes additions of KD 516,404 which represent costs incurred on the extension of airport terminal.

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

	Kuwaiti Dinars	
	2020	**2019**
Operating costs	1,691,991	2,451,364
General and administrative expenses	414,214	255,881
	2,106,205	2,707,245

4. Right of use assets

	Kuwaiti Dinars			
	Aircraft	**Aircraft engines**	**Leasehold land**	**Total**
Cost				
As at 31 December 2019	86,965,637	2,913,926	2,514,013	92,393,576
Additions	10,811,884	-	1,108,276	11,920,160
Modification	11,999,179	-	-	11,999,179
As at 31 December 2020	109,776,700	2,913,926	3,622,289	116,312,915
Depreciation				
As at 31 December 2019	9,394,795	40,420	266,975	9,702,190
Charge for the period	12,115,185	311,892	377,158	12,804,235
As at 31 December 2020	21,509,980	352,312	644,133	22,506,425
Net book value				
As at 31 December 2020	88,266,720	2,561,614	2,978,156	93,806,490

The Group mostly leases aircraft and engines for its operations. Lease contracts are typically made for fixed periods of 6 to 14 years for aircraft, 2 to 12 years for the engines and 20 years for leasehold land.

During the year, the Group renegotiated the terms for all of its aircraft lease contracts with the lessors. The lease period was extended for a period of 22 months to 24 months under revised payment terms that included waivers of payment of lease rent in 2020.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

5. Advance for maintenance

This represents advance given to service provider for future maintenance of aircraft. During the year, the Group terminated its maintenance contract with one of its service providers.

6. Security deposits

	Kuwaiti Dinars	
	2020	**2019**
Deposits with lessors	1,140,615	2,767,875
Other deposits	1,309,946	1,455,156
Expected credit loss	(5,058)	(6,984)
	2,445,503	4,216,047

The above is segregated as:

	Kuwaiti Dinars	
	2020	**2019**
Current	1,309,946	1,172,192
Non-current	1,135,557	3,043,855
	2,445,503	4,216,047

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	
	2020	**2019**
Trade receivables	5,523,544	3,362,722
Expected credit loss	(359,818)	(226,701)
	5,163,726	3,136,021
Prepayments	1,509,500	1,082,537
Other receivables	14,289,475	15,502,473
Others- credits receivables from engine manufacturer for warranty claims and advance for maintenance	4,263,378	2,946,405
Derivative asset	-	681,899
Expected credit loss	(925,872)	(104,034)
	19,136,481	20,109,280
	24,300,207	23,245,301

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

	Kuwaiti Dinars	
	2020	**2019**
Kuwaiti Dinars	7,915,304	5,469,761
US Dollars	15,672,664	17,069,344
UAE Dirham	37,512	45,164
Egyptian Pounds	17,798	41,530
Euro	190,783	57,543
Indian Rupees	299,893	261,821
Others	166,253	300,138
	24,300,207	23,245,301

8. Cash and bank balances

	Kuwaiti Dinars	
	2020	**2019**
Cash on hand	67,879	34,820
Current account with banks	1,461,669	3,520,247
Time deposits with banks	18,144,968	20,204,968
Expected credit loss	(5,779)	(5,388)
	19,668,737	23,754,647
Less: Overdrafts	(4,418,688)	-
Deposits for original maturity for more than three months	(12,144,618)	(19,204,618)
Cash and cash equivalents in the statement of cash flows	3,105,431	4,550,029

The effective interest rate on time deposits as of 31 December 2020 was 1.4% to 3.02% (31 December 2019: 2.80% to 3.90%). Overdraft facility is from a local bank and carries effective interest rate of 1% to 1.5% per annum over the Central Bank of Kuwait discount rate ("CBDR").

Cash and bank balances are denominated in the following currencies:

	Kuwaiti Dinars	
	2020	**2019**
Kuwaiti Dinars	18,746,884	21,781,895
US Dollars	304,287	384,645
UAE Dirham	66,066	153,395
Egyptian Pounds	148,127	177,445
Indian Rupees	202,252	207,131
Others	206,900	1,055,524
	19,674,516	23,760,035

9. Share capital

The authorised, issued and fully paid up share capital of the Parent Company as at 31 December 2020 is KD 20,000,000 (31 December 2019: KD 20,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2019: 200,000,000 shares of 100 fils each).

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. The Board of Directors approved the transfer of reserve to accumulated losses in accordance with the Company's Law. This transfer is subject to approval by the shareholders.

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 2020. 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 2% (2019: 3.5%), expected rate of salary increase of Nil (2019: 3%) and expected rate of withdrawal in the range of 5% to 30% (2019: 5% to 30%).

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

	Kuwaiti Dinars	
	2020	**2019**
Balance at 1 January	2,454,600	2,370,783
Reduction in opening liability	-	(149,324)
Current service and interest cost	685,831	555,700
Benefits paid	(658,531)	(322,559)
	2,481,900	2,454,600

Sensitivity analysis on the post-employment benefits:

The sensitivity analysis below have 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 0.5%, the post-employment benefits obligation would decrease by KD 72,700 (increase by KD 77,900).
- If the expected salary growth is higher/(lower) by 0.5%, the post-employment benefits obligation would increase by KD 36,200 (decrease by KD 34,400).

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	
	2020	**2019**
At the beginning of the year	12,169,458	1,305,814
Charge for the year	9,865,081	13,540,731
Utilized during the year	(4,046,050)	(2,677,087)
At the end of the year	17,988,489	12,169,458

	Kuwaiti Dinars	
	2020	**2019**
Current	6,684,165	3,617,308
Non-Current	11,304,324	8,552,150
	17,988,489	12,169,458

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

13. Lease liabilities

	Kuwaiti Dinars	
	2020	**2019**
At the beginning of the year	88,963,283	60,784,175
Additions	11,696,668	37,617,177
Modification	9,037,870	-
Finance costs	3,985,768	2,495,034
Payments	(8,301,491)	(11,977,076)
Foreign currency	300,591	43,973
At the end of the year	105,682,689	88,963,283

The above is segregated as:

	Kuwaiti Dinars	
	2020	**2019**
Current	16,048,245	12,031,667
Non-current	89,634,444	76,931,616
	105,682,689	88,963,283

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

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

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

	Kuwaiti Dinars	
	2020	**2019**
Kuwait Dinars	3,576,646	2,530,629
US Dollars	102,106,043	86,432,654
	105,682,689	88,963,283

14. Murabaha payables

This represents amount payable that was drawn down from an existing facility with a local commercial bank in local currency, repayable in 5 years. The facility carries finance cost of 1% over CBDR.

The current and non-current amounts are as follows:

	Kuwaiti Dinars	
	2020	**2019**
Current	883,498	-
Non-current	6,139,022	-
	7,022,520	-

15. Trade and other payables

	Kuwaiti Dinars	
	2020	**2019**
Trade payables	3,789,429	4,255,034
Accrued expense	4,945,452	9,053,647
Tax payable	1,925,235	3,155,114
Staff leave payable	996,785	929,521
Others	653,071	717,525
Derivative liabilities	480,578	-
	12,790,550	18,110,841

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

	Kuwaiti Dinars	
	2020	**2019**
Kuwaiti Dinars	10,646,920	8,494,866
US Dollars	573,255	6,420,348
UAE Dirham	259,843	393,878
Egyptian Pounds	166,958	731,382
Euro	129,070	236,551
Indian Rupees	616,257	727,143
Others	398,247	1,106,673
	12,790,550	18,110,841

16. Revenue

Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	Kuwaiti Dinars	
	2020	2019
Passenger revenue	35,545,041	91,117,995
Ancillary revenue	2,977,477	7,806,089
Rental revenue	645,463	2,224,715
Passenger service fee	344,530	1,150,550
Facility ancillary revenue	358,031	905,655
Cargo revenue	1,499,842	493,644
	41,370,384	103,698,648

All revenue except rental revenue are recognised point in time.

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

Contract liabilities

	Kuwaiti Dinars	
	2020	2019
Deferred revenue	264,051	4,712,704
	264,051	4,712,704

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	
	2020	2019
Aircraft maintenance cost	13,959,396	12,844,339
Depreciation	14,496,226	12,153,554
Aircraft fuel	7,684,310	22,012,317
Staff costs	7,188,048	11,141,349
Overflying, landing and ground handling charges	6,811,690	12,920,891
Lease rentals	850,848	1,702,736
Insurance	848,590	491,195
Passenger meal	625,964	1,483,398
Reservation system expenses	761,548	1,327,772
Others	2,434,936	3,980,588
	55,661,556	80,058,139

Lease rentals for the current year consist of short-term lease payments and variable lease payment.

18. General and administrative expenses

	Kuwaiti Dinars 2020	Kuwaiti Dinars 2019
Staff costs	3,651,047	3,173,305
Marketing	455,273	1,177,803
Depreciation	414,214	255,881
Professional and consultancy	305,745	296,686
Travel	82,150	172,771
Others	1,484,488	1,820,765
	6,392,917	6,897,211

19. Gain on sale and lease back

In the previous year, the Group completed the sale and leaseback of two engines and recorded a gain of KD 1,159,835. Engines sold were leased back for a period ranging from 2 to 12 years. The lease payments are fixed in nature. The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

20. 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:

	2020	2019
Earnings for the year (in Kuwaiti Dinar)	(26,400,734)	14,941,197
Weighted average number of shares outstanding	200,000,000	200,000,000
Earnings per share (fils) – Basic and Diluted	(132)	74.71

21. 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 financial statements are as follows:

	Kuwaiti Dinars 2020	Kuwaiti Dinars 2019
Balance		
Due from related parties	1,550	47,038
Transactions		
Sales and services	194,523	409,397
General and administrative expenses	355,565	721,813
Key management compensation		
Salaries and other employment benefits	599,636	805,407

22. Segment information

The Group's operating segment is the operation of passenger airline service and operation and maintenance of Terminal.

Following is the segment information of the year ended 31 December:

	Passenger airline Service		Terminal operations		Total	
	2020	2019	2020	2019	2020	2019
Segment revenue	40,022,360	99,417,728	1,348,024	4,280,920	41,370,384	103,698,648
Segment expenses	61,008,328	84,146,027	2,520,338	3,059,391	63,528,666	87,205,418
Gain on sale and lease back	-	1,159,835	-	-	-	1,159,835
Interest income (included in Other income)	279,609	415,728	-	-	279,609	415,728
Finance costs	4,246,718	2,537,834	275,343	123,161	4,522,061	2,660,995
Segment results	(24,953,077)	14,309,430	(1,447,657)	1,098,368	(26,400,734)	15,407,798
Assets:						
Segment assets	144,616,632	155,225,374	18,008,520	11,427,851	162,625,152	166,653,225
Liabilities:						
Segment liabilities	146,377,628	122,802,296	4,271,259	3,608,590	150,648,887	126,410,886
Capital expenditure	814,249	6,061,947	931,505	1,018,100	1,745,754	7,080,047
Depreciation	13,645,868	11,504,757	1,264,572	904,678	14,910,440	12,409,435

23. Derivative financial instruments

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data. The Group enters into Brent-oil forward contracts to hedge fuel price risks and these derivatives are designated as hedging instruments.

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

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

31 December 2019:	Kuwaiti Dinars	Nominal quantity by term to maturity		
	Positive fair value	Within 3 months	3- 24 months	Notional quantity
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	837,562	75,000	425,000	500,000

24. Contingent liabilities and commitments

	Kuwaiti Dinars	
	2020	2019
Capital commitments	1,027,923	383,800
Bank guarantees	28,769,037	22,351,703
	29,796,960	22,735,503

The above bank guarantee include guarantee to the lessors amounting to KD 23,891,184 (31 December 2019: 17,792,815) 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.

25. 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	
	2020	2019
Not later than 1 year	1,855,789	1,710,612
Later than 1 year but not later than 5 years	2,986,164	4,354,718
Later than 5 years	18,751	186,312
	4,860,704	6,251,642

26. 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 2020, Kuwaiti Dinars had weakened against the major currencies by 5% with all other variables held constant the net impact on the profit/equity, as of 31 December 2020, is shown below:

	Kuwaiti Dinars	
	Impact on profit	
Currency	**2020**	**2019**
US Dollars	(5,189,119)	(4,225,081)
UAE Dirham	(7,663)	(18,223)
Egyptian Pounds	188	(768)
Euro	3,717	(15,618)
Indian Rupees	(1,901)	1,133
Others	1,824	6,429
Net impact	(5,192,954)	(4,252,128)

A 5% strengthening of the Kuwaiti Dinars against the above currencies would have had the equal but the opposite effect on profit for the year.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from time deposits with banks. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of income of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements wherever necessary.

At 31 December 2020, if interest rates at that date had been 50 basis points higher with all other variables held constant, profit for the year would have been higher by KD 33,519 (31 December 2019: profit would have been higher by KD 101,025).

A 50 basis points decrease in the interest rates at the date of statement of financial position would have had the equal but the opposite effect on profit for the year.

(iii) Equity price risk

Equity price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market.

The Group is not exposed to equity price risk as it does not have any financial instrument exposed to equity price risk.

(iv) Fuel price risk

The airline industry is exposed to fluctuations in the price of jet fuel. The Group manages this risk by closely monitoring actual and forecasted jet fuel cost. The Group uses, in line with the Board approved policy, Brent-oil forward contracts to achieve a level of control over jet fuel costs so that profitability is not adversely affected. The objective of the fuel price risk management policy is to provide protection against sudden and significant increases in jet fuel prices, thus mitigating volatility in both cash and the income statement in the short-term. The following table details the effectiveness of the hedging relationship and the amounts reclassified from hedging reserve to statement of income:

31 December 2020

	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	(1,887,941)	(353,116)	(624,284)	Other operating income/(expense)	(650,222)	Aircraft Fuel Cost

31 December 2019

	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	837,562	-	-	Other operating income/(expense)	7,783	Aircraft Fuel Cost

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group's to credit risk, consist principally of bank deposits and receivables. The Group manages this risk by placing deposits with high credit rating financial institutions. Credit risk with respect to receivables is limited due to the Group's credit management policies and dispersion across large number of customers.

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:

	Kuwaiti Dinars		
	Trade receivables	**Other receivables**	**Total**
31 December 2018	127,426	91,858	219,284
Increase in allowance	99,275	12,176	111,451
31 December 2019	226,701	104,034	330,735
Increase in allowance	133,117	821,838	954,955
31 December 2020	359,818	925,872	1,285,690

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

	Kuwaiti Dinars			
	2020		**2019**	
	Estimated total gross carrying amount at default	**Lifetime ECL**	**Estimated total gross carrying amount at default**	**Lifetime ECL**
Not due	935,613	6,851	2,853,613	2,791
30 – 90 days	786,619	8,914	145,770	2,335
Above 90 days	629,310	344,053	363,339	221,575
Total	2,351,542	359,818	3,362,722	226,701

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	
		2020	**2019**
Security deposits	General	2,450,561	4,223,031
Trade receivables	Simplified	5,523,544	3,362,722
Other receivables	General	14,289,475	15,502,473
Bank balances	General	19,606,637	23,725,215
Less: ECL		(1,296,527)	(343,107)
		40,573,690	46,470,334

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 96,679 (2019: KD 77,466) which is under non-investment grade credit rating.

Other receivables and Security deposits are due mainly from lessors of aircraft and deposits placed with airport authorities at 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 than1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2020				
Trade and other payables	12,790,550	-	-	-
Lease liabilities	18,134,955	14,394,271	40,492,730	43,427,699
Bank overdrafts	4,418,688	-	-	-
Murabaha payables	998,726	977,726	2,807,177	2,817,759
Maintenance payables	6,784,975	5,753,033	6,213,266	932,140
	43,127,894	21,125,030	49,513,173	47,177,598
At 31 December 2019				
Trade and other payables	18,110,841	-	-	-
Lease liabilities	15,318,642	15,179,626	25,828,464	47,961,144
Maintenance payables	3,617,308	4,116,465	2,435,137	2,000,548
	37,046,791	19,296,091	28,263,601	49,961,692

27. 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	
	2020	**2019**
Total borrowings including lease liabilities (refer note 14 and note 13)	112,705,209	88,963,283
Less: Cash and bank balances (refer note 8)	(15,255,828)	(23,760,035)
Net debt	97,449,381	65,203,248
Total equity	11,976,265	40,242,339
Total capital	109,425,646	105,445,587
Gearing ratio	**89%**	**62%**

28. 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.

Hedge accounting -Estimation on usage of fuel

In assessing whether future exposures are still expected to occur, the Group makes estimates regarding future jet fuel consumption requirements. These are based on assumption on the length of anticipated fleet grounding, the expected recovery of customer demand and subsequent flying schedule.

29. Impact of COVID-19

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

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

Impairment of non-financial assets

In accordance with IAS 36 "Impairment of assets", at the end of each reporting period, an entity is required to assess whether there is any indication that any non-monetary assets, like ROU asset, may be impaired. The impact of COVID - 19 on the airline industry is such a trigger event. The Group has conducted the impairment test with the recoverable value determined by reference to the value in use. To forecast cash flows, the Group business plan was adopted as the basis, considering the reduction in demand for air transportation in 2020-2021 in connection with a COVID-19 pandemic and return to pre-crisis performance after that with the following assumptions:

i) The economic situation in Kuwait: maintaining the growth rate of the economy, maintaining demand through savings, maintaining the supply volume on the scheduled passenger transportation market;

ii) Gradual resumption of volumes to achieve the 2019 levels. Recovery due to deferred demand and maintaining business traffic;

The discount rate used (WACC) was 9.65% p.a. for the entire forecasting period and a terminal growth rate of Nil. Based on the aforementioned test, no impairment was recognised. No impairment assessment was performed in 2019 as there was no indication of impairment.

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

Expected credit loss on financial assets

The uncertainties caused by COVID-19 required the Group to consider the impact of higher volatility in the forward-looking macro-economic factors considered for the determination of expected credit losses ("ECLs") as at 31 December 2020. The Group updated the relevant forward-looking information relating to the macroeconomic environment used to determine the likelihood of credit losses, relative to the economic climate of the respective market in which they operate. Further information on the Group's policy on expected credit losses is disclosed in Note 2.8.

Hedge discontinuation and ineffectiveness

As a result of the reduction in the operations due to COVID-19 pandemic, the Group's consumption for jet fuel were significantly reduced, causing a proportion of derivatives previously considered as hedge to become ineffective.

In assessing whether future exposures are still expected to occur, the Group made estimates regarding future jet fuel consumption requirements. These estimates used assumptions based on the length of anticipated fleet grounding, the expected recovery of customer demand and subsequent flying schedule.

Commitments and contingent liabilities

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

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Annual Financial Statements and
Independent Auditors' Report
31 December 2019

Contents

Deloitte.

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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 subsidiary (collectively the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities, under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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.

Emphasis of Matter

We draw attention to the disclosure in Note 1 to the consolidated financial statements that the consolidated financial statements for the year ended 31 December 2019 which were previously approved for issue by the Board of Directors on 11 February 2020 on which we had issued an unmodified audit report dated 20 February 2020 were amended following the decision of the Board of Directors in their meeting held on 19 March 2020 to cancel the distribution of proposed dividend for the year ended 31 December 2019 and for the disclosure of the matters in Note 31. Our report is not modified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

Revenue recognition

The Group recognises revenue from sale of passenger tickets in income when a passenger has flown or on expiry of ticket validity.

The amount and timing of revenue recognition involves complex information technology systems (IT) for tickets booked, utilised and expired. We have, therefore, considered revenue recognition as a key audit matter. The accounting policy for revenue recognition for passenger revenue is set out in note 2.13 to the consolidated financial statements.

We have evaluated the design and implementation of the key controls over passenger revenue recognition combined with appropriate substantive tests and analytical procedures. In addition, information technology audit specialist members of the audit team have performed the audit of the automated controls surrounding revenue recognition.

Deloitte.

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

Key Audit Matters (Continued)

Adoption of new accounting standard – IFRS 16 – Leases

The Group applied IFRS 16 Leases, which replaced IAS 17 Leases and the related interpretations from the date of its initial application of 1 January 2019 that resulted in changes to accounting policies. The Group has adopted IFRS 16 retrospectively from 1 January 2019 and has not restated comparative information in accordance with the transitional provisions contain within IFRS 16 and recognised the cumulative effect of initially applying the Standard as an adjustment to the opening balance of retained earnings as disclosed in Note 29.

We have considered this as a key audit matter because the adoption and implementation of IFRS 16 resulted in significant changes to the consolidated financial statements of the Group, along with changes to processes, systems and controls; degree of judgements, which have been applied; and the estimates made in determining the impact of IFRS 16.

Our audit procedures included understanding of the Group's adoption of IFRS 16 and the identification of internal controls including entity level controls adopted by the Group for the accounting, processes and systems under the new accounting standard. We assessed the design and implementation of key controls pertaining to the application of IFRS 16. Our substantive tests included, verifying the completeness of underlying lease contracts considered for application of IFRS 16 as on the date of transition; verifying on a sample basis the accuracy of recognised right of use assets and lease liabilities both on the transition date as well as the reporting date; verifying the incremental borrowing rates used for discounting the future lease payments; verifying whether the lease term used is the enforceable lease term in accordance with IFRS 16; assessing the key judgments applied and estimates made by the management and verifying whether the disclosures within the financial statements are in accordance with IFRSs

Other information included in the Group's 2019 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2019 Annual Report, other than the consolidated financial statements and our auditor's report thereon.

We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Deloitte.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists, related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 accounts 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 information that is required by Companies' Law No. 1 of 2016, and its executive regulations; 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 violations of the Companies' Law No. 1 of 2016, and its executive regulations; or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2019 that might have had a material effect on the business of the Parent Company or on its financial position.

Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
31 March 2020

Consolidated Statement of Financial Position as at 31 December 2019

		Kuwaiti Dinars	
ASSETS	Note	**2019**	**2018**
Non-current assets			
Property and equipment	3	20,819,335	21,971,472
Right of use assets	4	82,691,386	-
Advance for maintenance	5	11,613,952	14,166,560
Security deposits	6	3,043,855	2,609,919
		118,168,528	38,747,951
Current assets			
Inventories		312,557	247,113
Security deposits	6	1,172,192	1,914,890
Trade and other receivables	7	23,245,301	15,490,885
Cash and bank balances	8	23,754,647	6,465,306
		48,484,697	24,118,194
Total assets		166,653,225	62,866,145
LIABILITIES AND EQUITY			
Equity			
Attributable to Parent Company's shareholders			
Share capital	9	20,000,000	20,000,000
Legal reserve	10	5,835,242	4,294,462
Hedge Reserve		837,562	-
Retained earnings		13,569,535	13,541,950
Total equity		40,242,339	37,836,412
Non-current liabilities			
Post employment benefits	11	2,454,600	2,370,783
Maintenance payables	12	8,552,150	1,305,814
Lease liabilities	13	76,931,616	-
		87,938,366	3,676,597
Current liabilities			
Trade and other payables	14	21,728,149	17,057,940
Deferred revenue		4,712,704	4,295,196
Lease liabilities	13	12,031,667	-
		38,472,520	21,353,136
Total liabilities and equity		166,653,225	62,866,145

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

Marwan Marzouq Boodai
Chairman

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Income - Year ended 31 December 2019

	Note	Kuwaiti Dinars 2019	Kuwaiti Dinars 2018
Revenue	15	103,698,648	82,369,370
Operating costs	16	(82,553,173)	(69,835,144)
Operating profit		21,145,475	12,534,226
Other income		489,877	582,381
General and administrative expenses	17	(6,897,211)	(5,707,070)
Finance costs		(165,960)	(73,202)
Foreign currency loss		(223,249)	(299,302)
Gain on sale and lease back of engines	18	1,159,835	-
Expected credit loss - financial assets		(100,969)	(61,380)
Profit before contributions and taxes		15,407,798	6,975,653
Zakat expense		(93,695)	(69,991)
Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS)		(138,670)	(63,393)
National Labour Support Tax (NLST)		(234,236)	(174,977)
Profit for the year		14,941,197	6,667,292
Attributable to:			
Shareholders of the Parent Company		14,941,197	6,667,292
Earnings per share (fils)	19		
Basic & Diluted		74.71	33.34

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

Consolidated Statement of Comprehensive Income - Year ended 31 December 2019

	Kuwaiti Dinars	
	2019	**2018**
Profit for the year	14,941,197	6,667,292
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods		-
Hedge reserve	837,562	-
Total comprehensive income for the year	15,778,759	6,667,292
Attributable to:		
Shareholders of the Parent Company	15,778,759	6,667,292

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

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Changes in Shareholders' Equity – Year ended 31 December 2019

	Kuwaiti Dinars				
	Share capital	**Legal reserve**	**Hedge reserve**	**Retained earnings**	**Total equity**
At 1 January 2019	20,000,000	4,294,462	-	13,541,950	37,836,412
Transition adjustment on adoption of IFRS 16 at 1 January 2019 (Note 2)	-	-	-	(6,372,832)	(6,372,832)
Balance as at 1 January 2019 (restated)	20,000,000	4,294,462	-	7,169,118	31,463,580
Total comprehensive income for the period	-	-	837,562	14,941,197	15,778,759
Transfers	-	1,540,780	-	(1,540,780)	-
Dividend Paid (Note 9)	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2019	20,000,000	5,835,242	837,562	13,569,535	40,242,339
At 1 January 2018	20,000,000	3,596,897	-	14,600,026	38,196,923
Transition adjustment on adoption of IFRS 9 at 1 January 2018	-	-	-	(27,803)	(27,803)
Balance as at 1 January 2018 (restated)	20,000,000	3,596,897	-	14,572,223	38,169,120
Total comprehensive income for the period	-	-	-	6,667,292	6,667,292
Transfer	-	697,565	-	(697,565)	-
Dividend (Note 9)	-	-	-	(7,000,000)	(7,000,000)
At 31 December 2018	20,000,000	4,294,462	-	13,541,950	37,836,412

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

Consolidated Statement of Cash Flows –Year ended 31 December 2019

	Note	Kuwaiti Dinars 2019	2018
Cash flows from operating activities			
Profit before contributions and taxes		15,407,798	6,975,653
Adjustments for:			
Depreciation	3,4	12,409,435	1,577,120
Finance costs		2,660,994	28,423
Foreign exchange loss		223,249	299,302
Provision for post employment benefits		406,376	540,000
Gain on sale and lease back		(1,159,835)	-
Expected credit loss on Financial Assets		100,969	61,380
Interest on security deposit		(61,176)	-
Provision for KFAS, Zakat & NLST		466,601	308,361
Operating profit before working capital changes		30,454,411	9,790,239
Decrease/(increase) in advance for maintenance		2,552,608	(1,318,331)
Increase in inventories		(65,444)	(12,378)
Increase in security deposits		(59,336)	(1,893,065)
Increase in trade and other receivables		(7,841,152)	(11,618,987)
Increase/(decrease) in maintenance payables		7,246,336	(411,317)
Increase in trade and other payables		4,045,372	6,568,071
Increase in deferred revenue		417,508	356,258
Post-employment benefits paid		(322,559)	(578,941)
Cash generated from operations		36,427,744	881,549
Paid to KFAS, Zakat & NLST		(308,363)	(376,591)
Net cash from operating activities		36,119,381	504,958
Cash flows from investing activities			
Purchase of property and equipment (net of disposal)	3	(4,314,900)	(9,779,185)
Sale of Engine		4,622,834	-
Net cash from/(used in) investing activities		307,934	(9,779,185)
Cash flows from financing activities			
Dividend paid		(7,000,000)	(7,000,000)
Re-payment of lease liabilities (including finance cost)		(11,977,076)	-
Finance costs paid		(165,960)	(28,423)
Net cash used in financing activities		(19,143,036)	(7,028,423)
Net increase / (decrease) in cash and cash equivalents		17,284,279	(16,302,650)
Cash and cash equivalents at			
beginning of year		6,465,306	22,778,406
Expected credit loss on Financial Assets		5,062	(10,450)
end of year		23,754,647	6,465,306

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

1. Constitution and activities

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

The objects of the Company are –

- Air transportation services without the luxury services.
- Carry out all air transportation and other air services and all other related activities including people air transportation, cargo, goods and mails in Kuwait and abroad.
- Provide aircraft and other related asset purchasing services in favour of others and coordinate with the manufacturers.
- Provide both operating and financing lease services as needed and required by the clients "aviation companies".
- Market the aircraft to cover the medium and long-term needs of the aviation companies that ask for such services.
- Assist aviation companies to market their aircraft through sale or lease.
- Engage in providing and financing the technical support and various assets management services to aviation companies.
- Assist in co-investment processes specialized in the aviation industry.
- Invest whether partially or wholly in supplying aircraft, engines and spare parts as per needs of the clients "aviation companies" and manufacturers.
- Provide all aircraft related services to aviation companies and others whether in Kuwait or abroad, such as: handling, maintenance and other services.
- Booking tickets and passengers' services.
- Supply and deal in delivering and managing all services and products required by aviation sector, in order to properly carry out operations and maintain, support and provide aircraft customs brokerage services.
- Owning real estate and movable property to conduct its operations within the limits as stipulated by law.
- Providing services of financing aircraft purchase projects (in whole or in part) in light of the evaluation studies and determining the factors of risks associated with such projects.
- Establishing and utilizing aircraft service stations, warehouses, hangars, workshops, factories, as well as all machineries, devices and equipment related to the company's purposes.
- Investing in fields of air transportation of passengers, goods, facilities and utilities required to serve the company's purposes or its achievement.
- Founding and establishing branches and agencies of the company in Kuwait and abroad as well as conducting the businesses of ground, technical and commercial agency of Arabian and foreign airlines inside Kuwait and abroad.
- Providing service of tourism, travel and freight and conducting all its related businesses including land conveyance, holidays and flights' integrated services, car rental with or without a driver, as well as all touristic businesses related to the company's purposes, in addition to holding celebrations, competitions, exhibitions, currency exchange transactions and selling goods and products on the company's aircraft, offices and premises.
- Providing services of management and marketing in addition to the consultancy services related to the field of aircraft industry.
- Conducting all air cargo businesses inside and outside Kuwait within the limits as stipulated by law.

- Conducting all businesses of transporting, handling, distributing and customs clearance of goods related to air cargo.

- Establishing aviation, wireless studies, engineering, air and ground services institutes, in addition to training the technical personnel in the field of aviation and qualifying the Kuwaiti citizens in order to assume the technical, administrative and commercial businesses required to achieve the company's purposes.

- Owning and granting any privileges, leases or investments, as well as outsourcing any businesses or other rights related aircraft.

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

The Parent Company has the following subsidiary:

Name of the Company	Country of Incorporation	Percentage of Holding	
		2019	**2018**
Al Sahaab Aviation Services W.L.L.	Kuwait	99.99%	99.99%

The remaining shareholding in the above subsidiary is held by a party for the beneficial interest of the Company.

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.

The consolidated financial statements for the year ended 31 December 2019 were previously authorised for issue by the Board of Directors on 11 February 2020. Those financial statements were amended following the decision of the Board of Directors in their meeting held on 19 March 2020 to cancel the distribution of proposed dividend for the year ended 31 December 2019, and for the disclosure of the matter in Note 31. Accordingly, these are the amended financial statements for the year ended 31 December 2019 based on the above decisions of the Board of Directors. These amended financial statements are approved by Board of Directors on 31 March 2020 are subject to the approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement.

These consolidated financial statements have been presented in Kuwaiti Dinar.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 28.

2.2 Changes in accounting policies and disclosures

Effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018 except for the adoption of *IFRS 16 Leases* from 1 January 2019 as summarised below and policy related to hedge mentioned in note 2.9.

Impact of adoption of IFRS 16 Leases

In the current year, the Group applied IFRS 16 Leases that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. Instead, the Group has recognised the cumulative effect of initially applying this Standard as an adjustment to the opening balance of retained earnings as at 1 January 2019. The accounting policies of this new standard are disclosed in Note 2.7. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is disclosed in Note 29

Accounting for maintenance of leased aircraft

The Group has contractual obligations to maintain aircraft held under leases. Previously, provisions were created over the term of the lease based on the estimated future costs of major airframe checks, engine shop visits and end of lease liabilities. Under IFRS 16, contractual maintenance obligations which are not dependent on the use of the aircraft are recognised in full on commencement of the lease. They are capitalised as part of the right of use asset at the inception of the lease and depreciated over the lease term. Contractual maintenance obligations which are dependent on the use of the aircraft are provided for over the term of the lease.

2.3 Standards issued but not yet effective

The following IFRSs have been issued/amended but is not yet effective and have not been early adopted by the Group. The Group will adopt them when they become effective.

IFRS 10 and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Group anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a business

The amendments clarify that while businesses usually have outputs, those outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

2.4 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.

2.5 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 profit or loss. 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.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and accumulated provisions for impairment, if any. The cost of property and equipment consists of their purchase price, other directly attributable costs incurred to bringing them up to operating condition and ready for their intended use and borrowing costs capitalised in accordance with the Group's accounting policy.

The cost of property and equipment less estimated residual values is depreciated on straight-line basis over their estimated useful lives as follows:

	Years
Leasehold improvements	5
Building	20
Furniture & equipment	3 - 5
Engines	15
Rotables	2 - 3
Vehicles	5

Capital work-in-progress is stated at cost. When the asset is ready for its intended use, it is transferred from capital work-in-progress to the appropriate category under property and equipment and is depreciated from that date.

Rotables are classified as property and equipment if they are expected to be used over more than one period and are depreciated over their useful lives.

An element of the cost of a new engine is attributed on acquisition to prepaid maintenance and is depreciated over a period of five years from the date of manufacture. Subsequent costs incurred which lend enhancement to future periods, such as long-term scheduled maintenance and major overhaul, are capitalised and depreciated over the length of the period benefiting from these enhancements. All other maintenance costs are charged to the income statement as incurred.

Repairs and maintenance costs are charged to the consolidated statement of income during the period in which they are incurred. Major modifications and improvements to property and equipment are capitalised and depreciated over the remaining useful life of the related asset.

The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of income.

Manufacturers' credits

Credits received from manufacturers in connection with acquisition of aircraft and engines are reduced from the cost of the related aircraft and engines or are taken to consolidated statement of income, depending on the terms of the credit.

2.7 Leases

Policy applicable from 1 January 2019

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 on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that 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.

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 for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- 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.

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in profit or loss.

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.

Subsequent Measurement

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.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability 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 profit or loss 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.

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.

Sale and lease back

The Group enters into sale and leaseback transactions whereby it sells either new or mid-life aircraft engines and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the consolidated statement of income to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

Where the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

Policy applicable before 1 January 2019

Where the Group is the lessee

Operating lease

Leases of property and equipment under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to consolidated statement of income on a straight-line basis over the term of the lease.

Where the Group is the lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the 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.

2.8 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 four to five year plans 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 profit or loss 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.

2.9 Financial instruments

Classification of financial assets and financial liabilities

The Group classifies all its financial assets as “at amortised costs’.

A financial asset is 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 is 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 and are classified as financial assets carried at amortised cost.

Financial liabilities

All financial liabilities are classified as "other than at fair value through profit or loss".

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 profit or loss.

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.

Measurement

All financial assets or financial liabilities are initially measured at fair value including transaction costs that are directly attributable to the acquisition.

Financial liabilities "other than at fair value through profit or loss" are subsequently measured and carried at amortized cost using the effective yield method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

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 profit or loss 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.

Event of default

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Financial assets are written off when there is no realistic prospect of recovery.

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 profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss 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, or hedges of net investments in foreign operations. 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 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.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss 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 profit or loss. 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 profit or loss 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 profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss 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 profit or loss, 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 profit or loss in the periods when the hedged item affects profit or loss, 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 profit or loss.

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 profit or loss 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 profit or loss.

2.10 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.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current account with banks and time deposits with banks with original maturities not exceeding three months from acquisition date.

2.12 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 profit or loss.

Past service cost is recognised in profit or loss 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.

2.13 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.

2.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalised.

2.15 Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Group, it is the Kuwaiti Dinar and in the case of subsidiary it is their respective national currencies or the applicable foreign currency.

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of consolidated statement of financial position are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

2.16 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.

2.17 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.

2.18 Income taxes

Income tax payable on profits is recognized as an expense in the period in which the profits arise, based on the applicable tax laws in each jurisdiction.

Deferred income tax is provided using the liability method on all temporary differences, at the date of the consolidated statement of financial position, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred tax assets are recognised for all temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each date of consolidated statement of financial position and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

2.19 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 2017	8,551,829	2,125,741	2,167,366	28,986	5,810,029	18,683,951
Additions	1,384,420	576,619	818,264	-	6,999,882	9,779,185
Transfers	237,016	10,927,926	-	-	(11,164,942)	-
As at 31 December 2018	10,173,265	13,630,286	2,985,630	28,986	1,644,969	28,463,136
Additions	4,102,995	1,077,012	323,312	-	1,576,728	7,080,047
Transfers	520,498	1,548,789	464,989	-	(2,534,276)	-
Disposals	(7,631,958)	-	-	-	(63,240)	(7,695,198)
As at 31 December 2019	7,164,800	16,256,087	3,773,931	28,986	624,181	27,847,985
Depreciation						
As at 31 December 2017	1,471,550	1,310,216	2,109,330	23,448	-	4,914,544
Charge for the year	855,173	615,760	103,352	2,835	-	1,577,120
As at 31 December 2018	2,326,723	1,925,976	2,212,682	26,283	-	6,491,664
Charge for the year	1,452,540	995,077	258,007	1,621	-	2,707,245
Disposal	(2,170,259)	-	-	-	-	(2,170,259)
As at 31 December 2019	1,609,004	2,921,053	2,470,689	27,904	-	7,028,650
Net book value						
As at 31 December 2019	5,555,796	13,335,034	1,303,242	1,082	624,181	20,819,335
As at 31 December 2018	7,846,542	11,704,310	772,948	2,703	1,644,969	21,971,472

Leasehold improvements includes airport terminal and office building constructed on leasehold land amounting to KD 10,718,095 (31 December 2018: KD 10,452,287) and KD 1,187,777 (31 December 2018: KD 1,252,023) respectively.

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

	Kuwaiti Dinars	
	2019	**2018**
Operating costs	2,451,364	1,474,097
General and administrative expenses	255,881	103,023
	2,707,245	1,577,120

4. Right of use assets

	Kuwaiti Dinars			
	Aircraft	**Aircraft engines**	**Leasehold land**	**Total**
Balance as of 1 January 2019	52,909,294	-	2,514,013	55,423,307
Add: Additions	34,056,343	2,913,926	-	36,970,269
Less: Depreciation	(9,394,795)	(40,420)	(266,975)	(9,702,190)
	77,570,842	2,873,506	2,247,038	82,691,386

The Group mostly leases aircraft and engines for its operations. Lease contracts are typically made for fixed periods of 6 to 14 years for aircraft, 2 to 12 years for the engines and 20 years for leasehold land.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

5. Advance for maintenance

This represents advance given to service provider for future maintenance of aircraft.

6. Security deposits

	Kuwaiti Dinars	
	2019	**2018**
Deposits with lessors	2,767,875	3,176,782
Other deposits	1,455,156	1,360,430
Expected credit loss	(6,984)	(12,403)
	4,216,047	4,524,809

The above is segregated as:

	Kuwaiti Dinars	
	2019	**2018**
Current	1,172,192	1,914,890
Non-current	3,043,855	2,609,919
	4,216,047	4,524,809

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	
	2019	**2018**
Trade receivables	3,362,722	1,727,353
Expected credit loss	(226,701)	(127,426)
	3,136,021	1,599,927
Prepayments	1,082,537	989,044
Other receivables	15,502,473	11,365,765
Others- credits receivables from engine manufacturer for warranty claims and advance for maintenance	2,946,405	1,628,007
Derivative asset	681,899	-
Expected credit loss	(104,034)	(91,858)
	20,109,280	13,890,958
	23,245,301	15,490,885

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

	Kuwaiti Dinars			
	2019		**2018**	
	Estimated total gross carrying amount at default	**Lifetime ECL**	**Estimated total gross carrying amount at default**	**Lifetime ECL**
Not due	2,853,613	2,791	1,539,145	2,099
30 – 90 days	145,770	2,335	45,580	231
Above 90 days	363,339	221,575	142,628	125,096
Total	3,362,722	226,701	1,727,353	127,426

The movement in the loss allowance:

	Kuwaiti Dinars	
	2019	**2018**
Opening balance	127,426	152,956
Charge for the year	99,275	-
Recoveries	-	(25,530)
	226,701	127,426

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

	Kuwaiti Dinars	
	2019	**2018**
Kuwaiti Dinars	5,584,028	1,768,868
US Dollars	17,265,227	13,243,519
UAE Dirham	45,196	13,553
Egyptian Pounds	41,573	132,660
Euro	60,206	15,084
Indian Rupees	264,419	365,324
Others	315,387	171,161
	23,576,036	15,710,169

8. Cash and bank balances

	Kuwaiti Dinars	
	2019	**2018**
Cash on hand	34,820	30,761
Current account with banks	3,520,247	3,303,510
Time deposits with banks	20,204,968	3,141,485
	23,760,035	6,475,756
Expected credit loss	(5,388)	(10,450)
Cash and cash equivalents in the statement of cash flows	23,754,647	6,465,306

The effective interest rate on time deposits as of 31 December 2019 was 2.80% to 3.90% (31 December 2018: 2.05% to 3%).

Cash and bank balances are denominated in the following currencies:

	Kuwaiti Dinars	
	2019	**2018**
Kuwaiti Dinars	21,781,895	4,008,510
US Dollars	384,645	1,092,438
UAE Dirham	153,395	7,997
Egyptian Pounds	177,445	143,095
Euro	29,350	30,558
Indian Rupees	207,131	677,911
Others	1,026,174	515,247
	23,760,035	6,475,756

9. Share capital

The authorised, issued and fully paid up share capital of the Parent Company as at 31 December 2019 is KD 20,000,000 (31 December 2018: KD 20,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2018: 200,000,000 shares of 100 fils each).

Dividend

The Annual General Assembly of the shareholders of the Parent Company held on 15 April 2019 approved the distribution of cash dividend of 35 fils per share to the shareholders, amounting to KD 7,000,000 for the year ended 31 December 2018 (31 December 2017: KD 7,000,000).

Proposed dividend

The Board of Directors, in their meeting held on 11 February 2020, recommended the distribution of a cash dividend of 67.5 fils per share, amounting to KD 13,500,000 for the year ended 31 December 2019 (31 December 2018: 35 fils per share amounting to KD 7,000,000) to the registered shareholders, which was subject to the approval of the annual general meeting. Subsequently, in their meeting held on 19 March 2020, the Board of Directors decided to cancel the decision on distribution of dividend for the year ended 31 December 2019.

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 2019. The present value of the post-employment benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The principal assumptions in determining the post-employment benefit obligation are discount rate of 3.5%, expected rate of salary increase of 3% and expected rate of withdrawal in the range of 5% to 30%.

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

	Kuwaiti Dinars
	2019
Balance at 1 January	2,370,783
Reduction in opening liability	(149,324)
Current service and interest cost	555,700
Benefits paid	(322,559)
	2,454,600

Sensitivity analysis on the post-employment benefits:

The sensitivity analysis below have 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 0.5%, the post-employment benefits obligation would decrease by KD 80,950 (increase by 87,350).

- If the expected salary growth is higher/(lower) by 0.5%, the post-employment benefits obligation would increase by KD 84,350 (decrease by KD 82,250).

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.

13. Lease liabilities

	Kuwaiti Dinars
	2019
As on 1 January 2019	60,784,175
Additions	37,661,150
Finance Cost	2,495,034
Payments	(11,977,076)
	88,963,283

The above is segregated as:

	Kuwaiti Dinars
	2019
Current	12,031,667
Non-current	76,931,616
	88,963,283

The Group does not have any lease contracts that contains variable lease payments not included in the measurement of lease liabilities.

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 incremental borrowing ("IBR") rate applied to lease liabilities recognised in the statement of financial position on 31 December 2019 is 4%.

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

	Kuwaiti Dinars
	2019
Kuwait Dinars	2,530,629
US Dollars	86,432,654
	88,963,283

14. Trade and other payables

	Kuwaiti Dinars	
	2019	**2018**
Trade payables	7,872,342	7,576,649
Accrued expense	9,053,647	6,160,485
Tax payable	3,155,114	1,345,178
Staff leave payable	929,521	773,255
Others	717,525	1,202,373
	21,728,149	17,057,940

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

	Kuwaiti Dinars	
	2019	**2018**
Kuwaiti Dinars	8,494,866	3,064,047
US Dollars	10,037,656	10,823,464
UAE Dirham	393,878	565,514
Egyptian Pounds	731,382	311,734
Euro	236,551	383,391
Indian Rupees	727,143	592,763
Others	1,106,673	1,317,027
	21,728,149	17,057,940

15. Revenue

Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	Kuwaiti Dinars	
	2019	**2018**
Passenger revenue	91,117,995	74,970,779
Ancillary revenue	7,806,089	5,950,347
Rental revenue	2,224,715	337,062
Passenger service fee	1,150,550	575,968
Facility ancillary revenue	905,655	338,371
Cargo revenue	493,644	196,843
	103,698,648	82,369,370

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

Contract liabilities

	Kuwaiti Dinars	
	31 December 2019	**1 January 2019**
Deferred revenue	4,712,704	4,295,196
	4,712,704	4,295,196

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.

16. Operating costs

	Kuwaiti Dinars	
	2019	**2018**
Aircraft fuel	22,012,317	20,120,757
Overflying, landing and ground handling charges	12,920,891	10,788,998
Staff costs	11,141,349	9,401,172
Lease maintenance	6,790,118	5,984,409
Depreciation	12,153,554	1,474,097
Aircraft maintenance	6,054,221	4,567,369
Lease rental	1,702,736	11,582,166
Finance cost on lease liabilities	2,495,034	-
Passenger meal	1,483,398	1,439,513
Reservation system expenses	1,327,772	896,503
Insurance	491,195	380,768
Others	3,980,588	3,199,392
	82,553,173	69,835,144

Lease rentals for the current year consist of short term lease payments.

17. General and administrative expenses

	Kuwaiti Dinars	
	2019	**2018**
Staff costs	3,173,305	2,551,502
Marketing	1,177,803	1,294,453
Depreciation	255,881	103,023
Rent	136,386	243,868
Professional and consultancy	296,686	275,532
Travel	172,771	154,252
Others	1,684,379	1,084,440
	6,897,211	5,707,070

18. Gain on sale and lease back

During the year, the Group completed the sale and leaseback of two engines (2018: Nil) and recorded a gain of KD 1,159,835. Engines sold are leased back for a period ranging from 2 to 12 years. The lease payments are fixed in nature. The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group's liquidity.

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:

	2019	**2018**
Earnings for the year (in Kuwaiti Dinar)	14,941,197	6,667,292
Weighted average number of shares outstanding	200,000,000	200,000,000
Earnings per share (fils) – Basic and Diluted	74.71	33.34

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 financial statements are as follows:

	Kuwaiti Dinars	
	2019	**2018**
Balance		
Due from related parties	47,038	7,853
Transactions		
Sales and services	409,397	291,659
General and administrative expenses	721,813	535,462
Key management compensation		
Salaries and other employment benefits	805,407	792,645

21. Taxes

The Group has exemptions from tax liability under bilateral tax agreement with countries to which it operates passenger flights. However, the Group is contingently liable for any taxes that may finally be determined by the taxation authorities of those countries.

The Group is liable for alternate minimum tax on sale of four aircraft owned by Sahaab Aviation LLC, incorporated in the United States of America. In 2017, the Group paid this tax based on tax return filed and is awaiting the final tax assessment order.

22. Segment information

The Group's operating segment is the operation of passenger airline service and operation and maintenance of Terminal.

Following is the segment information of the year ended 31 December:

	Passenger airline Service		**Terminal operations**		**Total**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Segment revenue	99,417,728	81,117,971	4,280,920	1,251,399	103,698,648	82,369,370
Segment expenses	84,146,027	73,794,978	3,059,391	1,821,077	87,205,418	75,616,055
Gain on sale and lease back	1,159,835	-	-	-	1,159,835	-
Interest income (included in Other income)	415,728	295,540	-	-	415,728	295,540
Finance costs	2,537,834	73,202	123,161	-	2,660,995	73,202
Segment results	14,309,430	7,545,331	1,098,368	(569,678)	15,407,798	6,975,653
Assets:						
Segment assets	155,225,374	50,343,002	11,427,851	12,523,143	166,653,225	62,866,145
Liabilities:						
Segment liabilities	122,802,296	23,951,367	3,608,590	1,078,366	126,410,886	25,029,733
Capital expenditure	6,061,947	5,463,619	1,018,100	4,315,566	7,080,047	9,779,185
Depreciation	11,504,757	979,383	904,678	597,737	12,409,435	1,577,120

23. Derivative financial instruments

The table below shows the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data. The Group enters into Brent-oil forward contracts to hedge fuel price risks and these derivatives are designated as hedging instruments.

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

31 December 2019:	Kuwaiti Dinars	**Nominal quantity by term to maturity**		
	Positive fair value	**Within 3 months**	**3- 24 months**	**Notional quantity**
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	837,562	75,000	425,000	500,000

31 December 2018:	Kuwaiti Dinars	**Nominal quantity by term to maturity**		
	Positive fair value	**Within 3 months**	**3- 24 months**	**Notional quantity**
				Barrels
Derivatives held for hedging:				
Cash flow hedges-Commodity (oil) forward contracts	NIL	NIL	NIL	NIL

24. Contingent liabilities and Commitments

	Kuwaiti Dinars	
	2019	**2018**
Capital Commitments	383,800	1,229,830
Bank guarantees	22,351,703	5,872,103
	22,735,503	7,101,933

At 31 December 2019, the Group is committed to KD 243,377 for short-term leases.

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, believes that the possibility of any loss on account of the claim is remote.

25. Operating lease arrangements

Group as a lessor

Operating leases, in which the Group is the lessor, relates space leased at the Terminal. These contracts does 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	
	2019	**2018**
Not later than 1 year	1,710,612	1,191,932
Later than 1 year but not later than 5 years	4,354,718	2,030,378
Later than 5 years	186,312	-
	6,251,642	3,222,310

26. 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 2019, Kuwaiti Dinars had weakened against the major currencies by 5% with all other variables held constant the net impact on the profit/equity, as of 31 December 2018, is shown below:

	Kuwaiti Dinars	
	Impact on profit	
Currency	**2019**	**2018**
US Dollars	(3,941,022)	175,625
UAE Dirham	(9,764)	(27,198)
Egyptian Pounds	(25,618)	(1,799)
Euro	(7,350)	(16,887)
Indian Rupees	(12,780)	22,524
Others	11,744	(31,531)
Net impact	(3,984,790)	120,733

A 5% strengthening of the Kuwaiti Dinars against the above currencies would have had the equal but the opposite effect on profit for the year.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from time deposits with banks. The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of income of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements wherever necessary.

At 31 December 2019, if interest rates at that date had been 50 basis points higher with all other variables held constant, profit for the year would have been higher by KD 17,727 (31 December 2018: profit would have been higher by KD 15,707).

A 50 basis points decrease in the interest rates at the date of 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 may use jet fuel commodity rate swaps to achieve a level of control over jet fuel costs so that profitability is not adversely affected.

(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 contains an analysis of the maximum credit risk exposure of financial instruments for which an ECL allowance is recognized:

	ECL Approach	Kuwaiti Dinars	
		2019	**2018**
Security deposits	General	4,216,047	4,524,809
Trade receivables	Simplified	3,362,722	1,727,353
Other receivables	General	15,502,473	11,365,765
Bank balances	General	23,725,215	6,444,995
Less: ECL		(343,107)	(242,138)
		48,069,230	23,820,784

The Group uses the low credit risk exemption 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. All balances are placed with counter parties who are under investment grade credit rating except for KD 77,466 which is under non-investment grade credit rating.

Other receivables and Security deposits are due mainly from lessors of aircraft and deposits placed with airport authorities at 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. 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 than1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 December 2019				
Trade and other payables	21,728,149	-	-	-
Lease liabilities	15,318,642	15,179,626	25,828,464	47,961,144
	37,046,791	15,179,626	25,828,464	47,961,144
At 31 December 2018				
Trade and other payables	17,057,940	-	-	-
	17,057,940	-	-	-

27. 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. As at 31 December 2019 and 31 December 2018, the Group did not have any borrowing.

28. 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 profit or loss 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 2.9 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 2.9 impairment of financial assets for more information.

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

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. 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 options (or periods after termination options) are only included in the lease term if the lease 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.

29. Impact of adoption of IFRS 16

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases (except as noted below), the Group:

- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement income;
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

For short-term leases (lease term of 12 months or less) the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'Cost of Operations' in consolidated statement of income.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The Group's incremental borrowing ("IBR") rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 4%.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

	Kuwaiti Dinars
	2019
Operating lease commitments disclosed as at 31 December 2018	63,554,706
Add: adjustments as a result of different treatment of extension options	3,762,500
Add: in-substance lease adjustments	2,384,830
	69,702,036
Discounted using the lessee's incremental borrowing rate of at the date of initial application	60,784,175

The Group has recognised KD 55,423,307 of right-of-use assets and KD 60,784,175 of lease liabilities upon transition to IFRS 16. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

30. Comparatives

Certain prior year amounts have been reclassified to conform with current presentation but with no effect on net profit or shareholder's equity.

31. Subsequent event

The outbreak of Novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activity. The Group considers this event to be a non-adjusting event after the reporting period and therefore has not made any adjustments to the consolidated financial statements as a result of this matter. The outcome of this event is unknown and therefore the impact on the Group cannot be reasonably quantified at the date of issuance of these consolidated financial statements. Management is in the process of reassessing their trading and relevant cash flows using revised assumptions and incorporating down side scenarios. From the analysis performed so far, no liquidity crunch or matters having any impact on financial covenants have been identified. Management will continue to monitor the situation closely and utilize committed facilities, seek additional facilities, or take additional measures as a fall back plan in case the period of disruption becomes prolonged. These and other relevant matters will be considered in the determination of the Group's estimates in 2020.

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Jazeera Airways K.S.C.P.
Kuwait

Consolidated Annual Financial Statements and Independent Auditors' Report
31 December 2018

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Deloitte.

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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 subsidiary (collectively "the Group"), which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities, under those standards, are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each key audit matter below, our description of how our audit addressed the matter is provided in that context.

Revenue recognition

The Group recognises revenue from sale of passenger tickets in income when a passenger has flown or on expiry of ticket validity.

The amount and timing of revenue recognition involves complex information technology systems (IT) for tickets booked, utilised and expired. We have, therefore, considered revenue recognition as a key audit matter. The accounting policy for revenue recognition for passenger revenue is set out in note 2.13 to the consolidated financial statements.

We have evaluated the design and implementation of the key controls over revenue recognition combined with appropriate substantive tests and analytical procedures. In addition, information technology audit specialist members of the audit team have performed the audit of the automated controls surrounding revenue recognition.

Deloitte.

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

Other information included in the Group's 2018 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report, other than the consolidated financial statements and our auditor's report thereon.

We obtained the report of the Parent Company's Board of Directors, prior to the date of our auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of our auditor's report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing; as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- 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, related safeguards.

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 accounts 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 information that is required by Companies' Law No. 1 of 2016, and its executive regulations; 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 violations of the Companies' Law No. 1 of 2016, and its executive regulations; or of the Parent Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2018 that might have had a material effect on the business of the Parent Company or on its financial position.

Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
19 February 2019

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Financial Position as at 31 December 2018

		Kuwaiti Dinars	
ASSETS	Note	**2018**	**2017**
Non-current assets			
Property and equipment	3	21,971,472	13,769,407
Advance for maintenance	4	14,166,560	12,848,229
Security deposits		2,609,919	2,644,147
		38,747,951	29,261,783
Current assets			
Inventories		247,113	234,735
Security deposits		1,914,890	-
Trade and other receivables	5	15,490,885	3,938,226
Cash and bank balances	6	6,465,306	22,778,406
		24,118,194	26,951,367
Total assets		62,866,145	56,213,150
LIABILITIES AND EQUITY			
Equity			
Attributable to Parent Company's shareholders			
Share capital	7	20,000,000	20,000,000
Legal reserve	8	4,294,462	3,596,897
Retained earnings		13,541,950	14,600,026
Total equity		37,836,412	38,196,923
Non-current liabilities			
Post employment benefits		2,370,783	2,409,724
Provision for maintenance	9	1,305,814	1,717,131
		3,676,597	4,126,855
Current liabilities			
Trade and other payables	10	17,057,940	9,950,434
Deferred revenue		4,295,196	3,938,938
		21,353,136	13,889,372
Total liabilities and equity		62,866,145	56,213,150

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

Marwan Marzouq Boodai
Chairman

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Income - Year ended 31 December 2018

	Note	Kuwaiti Dinars 2018	2017
Revenue	11	82,369,370	56,611,376
Operating costs	12	(69,219,055)	(44,857,612)
Operating profit		13,150,315	11,753,764
Other income		582,381	760,082
General and administrative expenses	13	(6,367,938)	(4,041,475)
Finance costs		(28,423)	(12,396)
Foreign currency (loss)/gain		(299,302)	151,908
Expected credit loss (ECL)- financial assets		(61,380)	-
Profit before contributions and taxes		6,975,653	8,611,883
Zakat expense		(69,991)	(85,453)
Contribution to Kuwait Foundation for the Advancement of Sciences		(63,393)	(77,507)
National Labour Support Tax		(174,977)	(213,631)
Profit for the year		6,667,292	8,235,292
Attributable to:			
Shareholders of the Parent Company		6,667,292	8,235,292
Earnings per share (fils)	14		
Basic & Diluted		33.34	41.18

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

Consolidated Statement of Comprehensive Income - Year ended 31 December 2018

	Kuwaiti Dinars	
	2018	**2017**
Profit for the year	6,667,292	8,235,292
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-
Total comprehensive income for the year	6,667,292	8,235,292
Attributable to:		
Shareholders of the Parent Company	6,667,292	8,235,292

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

Jazeera Airways K.S.C.P.
Kuwait

Consolidated Statement of Changes in Shareholders' Equity – Year ended 31 December 2018

	Kuwaiti Dinars			
	Share capital	**Legal reserve**	**Retained earnings**	**Total equity**
At 1 January 2018	20,000,000	3,596,897	14,600,026	38,196,923
Transition adjustment on adoption of IFRS 9 at 1 January 2018 (Note 2.8)	-	-	(27,803)	(27,803)
Balance as at 1 January 2018 (restated)	20,000,000	3,596,897	14,572,223	38,169,120
Total comprehensive income for the period	-	-	6,667,292	6,667,292
Transfers	-	697,565	(697,565)	-
Dividend- 2017 (Note 7)	-	-	(7,000,000)	(7,000,000)
At 31 December 2018	20,000,000	4,294,462	13,541,950	37,836,412
At 1 January 2017	20,000,000	2,735,709	14,225,922	36,961,631
Total comprehensive income for the period	-	-	8,235,292	8,235,292
Transfers	-	861,188	(861,188)	-
Dividend – 2016 (Note 7)	-	-	(7,000,000)	(7,000,000)
At 31 December 2017	20,000,000	3,596,897	14,600,026	38,196,923

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

Consolidated Statement of Cash Flows –Year ended 31 December 2018

	Note	Kuwaiti Dinars 2018	2017
Cash flows from operating activities			
Net profit for the year		6,667,292	8,235,292
Adjustments for:			
Depreciation	3	1,577,120	837,019
Finance costs		28,423	12,396
Foreign exchange loss/(gain)		299,302	(151,908)
Provision for post employment benefits		540,000	418,339
Operating profit before working capital changes		9,112,137	9,351,138
Increase in advance for maintenance		(1,318,331)	(2,415,382)
Increase in inventories		(12,378)	(12,111)
Increase in security deposits		(1,890,950)	(161,827)
Increase in trade and other receivables		(11,568,894)	(1,276,308)
(Decrease)/ increase in provision for maintenance		(411,317)	522,283
Increase in trade and other payables		6,808,204	517,722
Increase in deferred revenue		356,258	462,234
Post-employment benefits paid		(578,941)	(502,717)
Net cash from/(used in) operating activities		495,788	6,485,032
Cash flows from investing activities			
Purchase of property and equipment (net of disposal)	3	(9,779,185)	(6,135,558)
Net cash used in investing activities		(9,779,185)	(6,135,558)
Cash flows from financing activities			
Dividend paid		(7,000,000)	(7,000,000)
Finance costs paid		(28,423)	(12,396)
Net cash used in financing activities		(7,028,423)	(7,012,396)
Net decrease in cash and cash equivalents		(16,313,820)	(6,662,922)
Cash and cash equivalents at			
beginning of year		22,778,406	29,441,328
Transition adjustment on adoption of IFRS 9 (Note 2.8)		(1,280)	-
end of year	6	6,465,306	22,778,406

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

1. Constitution and activities

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

The objects of the Company are –

- Air transportation services without the luxury services.
- Carry out all air transportation and other air services and all other related activities including people air transportation, cargo, goods and mails in Kuwait and abroad.
- Provide aircraft and other related asset purchasing services in favour of others and coordinate with the manufacturers.
- Provide both operating and financing lease services as needed and required by the clients "aviation companies".
- Market the aircraft to cover the medium and long-term needs of the aviation companies that ask for such services.
- Assist aviation companies to market their aircraft through sale or lease.
- Engage in providing and financing the technical support and various assets management services to aviation companies.
- Assist in co-investment processes specialized in the aviation industry.
- Invest whether partially or wholly in supplying aircraft, engines and spare parts as per needs of the clients "aviation companies" and manufacturers.
- Provide all aircraft related services to aviation companies and others whether in Kuwait or abroad, such as: handling, maintenance and other services.
- Booking tickets and passengers' services.
- Supply and deal in delivering and managing all services and products required by aviation sector, in order to properly carry out operations and maintain, support and provide aircraft customs brokerage services.
- Owning real estate and movable property to conduct its operations within the limits as stipulated by law.
- Providing services of financing aircraft purchase projects (in whole or in part) in light of the evaluation studies and determining the factors of risks associated with such projects.
- Establishing and utilizing aircraft service stations, warehouses, hangars, workshops, factories, as well as all machineries, devices and equipment related to the company's purposes.
- Investing in fields of air transportation of passengers, goods, facilities and utilities required to serve the company's purposes or its achievement.
- Founding and establishing branches and agencies of the company in Kuwait and abroad as well as conducting the businesses of ground, technical and commercial agency of Arabian and foreign airlines inside Kuwait and abroad.
- Providing service of tourism, travel and freight and conducting all its related businesses including land conveyance, holidays and flights' integrated services, car rental with or without a driver, as well as all touristic businesses related to the company's purposes, in addition to holding celebrations, competitions, exhibitions, currency exchange transactions and selling goods and products on the company's aircraft, offices and premises.

- Providing services of management and marketing in addition to the consultancy services related to the field of aircraft industry.

- Conducting all air cargo businesses inside and outside Kuwait within the limits as stipulated by law.

- Conducting all businesses of transporting, handling, distributing and customs clearance of goods related to air cargo.

- Establishing aviation, wireless studies, engineering, air and ground services institutes, in addition to training the technical personnel in the field of aviation and qualifying the Kuwaiti citizens in order to assume the technical, administrative and commercial businesses required to achieve the company's purposes.

- Owning and granting any privileges, leases or investments, as well as outsourcing any businesses or other rights related aircraft.

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

The Parent Company has the following subsidiary:

Name of the Company	Country of Incorporation	Percentage of Holding	
		2018	**2017**
Al Sahaab Aviation Services W.L.L.	Kuwait	99.99%	99.99%

The remaining shareholding in the above subsidiary is held by a party for the beneficial interest of the Company.

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 19 February 2019 and are subject to the approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These consolidated financial statements are prepared under the historical cost basis of measurement.

These consolidated financial statements have been presented in Kuwaiti Dinar.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 22.

2.2 Changes in accounting policies and disclosures

Effective for the current year

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017 except for the adoption of *IFRS 9 Financial Instruments* and *IFRS 15 Revenue from Contracts with Customers* from 1 January 2018 as summarised below.

Adoption of IFRS 9 'Financial Instruments'

The Group has adopted IFRS 9 - Financial Instruments effective from 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 sets out the requirements for recognising and measuring financial assets and financial liabilities and impairment of financial assets.

The Group has not restated comparative information for 2017 as permitted by the transitional provisions of the standard. Therefore, the information presented for 2017 does not reflect the requirements of IFRS 9 and is not comparable to the information presented for 2018. Differences in the carrying amount of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018 and are disclosed in note 2.8. The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 are summarized below:

Classification of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three classification categories for financial assets: measured at Amortised Cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The Group has evaluated the classification and measurement criteria to be adopted for various financial assets considering the IFRS 9 requirements with respect to the business model and contractual cash flow characteristics ("CCC") / Solely payment of principal and interest ("SPPI").

The Group's accounting policies for classification and measurement of financial assets under IFRS 9 are explained in note 2.8.

The adoption of IFRS 9 did not have a significant effect on the Group's accounting policies for financial liabilities.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, and debt investments at fair value through other comprehensive income but not to investments in equity investments. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The Group's accounting policies for impairment of financial assets under IFRS 9 is explained in note 2.8.

Adoption of IFRS 15 Revenue from Contracts with Customers

The Group has adopted IFRS 15 Revenue from contracts with customers effective from 1 January 2018. This standard supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 3. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue recognition from certain revenue streams, principally administration and change fees, will be recognised on the date of flight rather than the date of booking.However, it had no material impact on the Group's consolidated financial statements.

2.3 Standards issued but not yet effective

The following IFRS has been issued but is not yet effective and has not been early adopted by the Group. The Group intends to adopt them when they become effective.

IFRS 16 'Leases'

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees.

IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

Operating leases

IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet. Under IFRS 16, the Group will capitalise the right of use of all aircraft and properties currently held under operating leases. The lease term will correspond to the duration of the contracts signed except in cases where the Group is reasonably certain that it will exercise contractual extension options. The Group will recognise a right-of-use asset representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make lease payments. Operating lease expenses will be replaced by a depreciation expense on right-of-use assets recognised and an interest expense as the interest rate implicit in lease liabilities unwinds.

Under IFRS 16, contractual maintenance obligations which are not dependent on the use of the aircraft will be recognised in full on commencement of the lease. They will be capitalised as part of the right-of-use asset at the inception of the lease and depreciated over the lease term. These changes will result in a decrease in maintenance costs and an increase in depreciation expense. Contractual maintenance obligations which are dependent on the use of the aircraft will continue to be provided for over the term of the lease based on the estimated future costs, discounted to present value.

The Group intends to adopt the standard using the cumulative effect approach, which means that the Group will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Group is continuing to analyze the impact of the changes and its impact will be disclosed in the first interim financial information as of 31 March 2019 that includes the effects of its application from the effective date.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

2.4 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.

2.5 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 profit or loss. 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

2.6 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 and other directly attributable costs incurred to bringing them up to operating condition and ready for their intended use. The cost of aircraft and engines also includes borrowing costs incurred, until substantially all the activities necessary to prepare the asset for its intended use are complete.

The cost of property and equipment less estimated residual values is depreciated on straight-line basis over their estimated useful lives as follows:

	Years
Leasehold improvements	5
Building	20
Furniture & equipment	3 - 5
Engines	15
Rotables	2 - 3
Vehicles	5

Capital work-in-progress is stated at cost. When the asset is ready for its intended use, it is transferred from capital work-in-progress to the appropriate category under property and equipment and is depreciated from that date.

Rotables are classified as property and equipment if they are expected to be used over more than one period and are depreciated over their useful lives.

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.

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.

2.7 Impairment of non-financial assets

If there is an indication that the carrying value of a non-financial asset such as property and equipment 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 four to five year plans 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 profit or loss 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 profit or loss. That relating to goodwill cannot be reversed in a subsequent period.

2.8 Financial instruments

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.

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 consolidated statement of profit or loss or in the consolidated 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.

Classification of financial assets and financial liabilities

Policy applicable from 1 January 2018

IFRS 9 requires financial assets to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

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 is 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 Group's business model is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

Assessment of whether contractual cash flows are Solely Payments of Principal and Interest (SPPI 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.

The Group classifies its financial assets upon initial recognition into the following categories:

- Financial assets carried at amortised cost (AC)
- Investment securities at FVTPL
- Investment securities at FVOCI

Financial assets carried at amortised cost

A financial asset is 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.

All financial assets and liabilities are initially recognized at its fair value. Transaction costs are added for those financial instruments not measured at fair value through profit or loss.

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.

Investment securities at FVTPL

The Group classifies financial assets as held for trading when they have been purchased or issued primarily for short-term profit making through trading activities or form part of a portfolio of financial instruments that are managed together, for which there is evidence of a recent pattern of short-term profit taking. In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL, if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Included in this classification are certain, equities securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

Investment securities at FVOCI

Upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Equity instruments at FVOCI are subsequently measured at fair value. Gains and losses on these equity instruments are never recycled to consolidated statement of profit or loss. Dividends are recognised in consolidated statement of profit or loss, when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in consolidated statement of profit or loss and other comprehensive income. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal, cumulative gains or losses are reclassified from fair value reserve to retained earnings in the consolidated statement of changes in equity.

Policy applicable before 1 January 2018

Classification

In accordance with International Accounting Standard (IAS) 39, the Group classifies its financial assets as "loans and receivables" and "investment securities available for sale" and its financial liabilities as "other than at fair value through profit or loss".

Measurement

All financial assets and liabilities are initially recognized at its fair value. Transaction costs are added for those financial instruments not measured at fair value through profit or loss. Transaction costs on financial assets classified as investments at fair value through profit or loss are recognised in the consolidated statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at amortized cost using the effective interest method.

Available for sale

These are non-derivative financial assets not included in the above classification and are principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the fair valuation reserve in equity through the consolidated statement of profit or loss and other comprehensive income. When the "available for sale" asset is disposed of or impaired, the related accumulated changes in fair values carried in the fair valuation reserve in equity are transferred to the consolidated statement of profit or loss and other comprehensive income as gains or losses. Financial assets whose fair value cannot be reliably measured are carried at cost less impairment losses, if any.

Financial liabilities

Financial liabilities classified as "other than at fair value through profit or loss" are carried at amortized cost using the effective interest method.

Impairment of financial assets

Policy applicable from 1 January 2018

The Group recognizes expected credit losses (ECL) on financial assets that are measured at amortized cost in accordance with IFRS 9.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'Expected Credit Loss' (ECL) model. 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.

IFRS 9 introduces three-stage approach to measuring ECL under the general approach. 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.

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 profit or loss 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.

The Group recognizes ECL for cash and cash equivalents using the general approach described above. The Group applies the simplified approach to recognise lifetime expected credit losses for trade and other receivables as permitted by IFRS 9. Accordingly, trade and other receivables which are not credit impaired and which do not have significant financing component are categorised under stage 2 and lifetime ECL is recognised.

Event of default

The Group considers an event of default has occurred when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, in full (without taking into account any collateral held by the Group). Irrespective of this criteria, the Group considers that a default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Policy applicable before 1 January 2018

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset, or a group of financial assets, is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In the case of financial asset classified as investments available for sale, a significant or prolonged decline in the fair value of assets below its cost is considered in determining whether the assets are impaired. If any such evidence exists for investments available for sale, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of profit or loss, is removed from equity and recognised in the consolidated statement of profit or loss. Impairment losses on equity investments classified as investments available for sale recognised in the consolidated statement of profit or loss are not reversed through the consolidated statement of profit or loss.

Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets as at 1 January 2018.

			Kuwaiti Dinars		
	Original classification under IAS 39	**New classification under IFRS 9**	**Original carrying amount under IAS 39**	**Re-measurement ECL**	**New carrying amount under IFRS 9**
Financial assets					
Cash and bank balances	Loans and receivables	Amortised Cost	22,778,406	1,280	22,777,126
Trade and other receivables	Loans and receivables	Amortised Cost	3,938,226	16,235	3,921,991
Security deposits	Loans and receivables	Amortised Cost	2,644,147	10,288	2,633,859
Total financial assets			**29,360,779**	**27,803**	**29,332,976**

2.9 Inventories

Inventories, expendable parts and supplies are valued at the lower of weighted average cost and net realizable value after provision for slow moving and obsolete items.

2.10 Cash and cash equivalents

Cash and cash equivalents comprise of cash in hand, current account with banks and time deposits with banks with original maturities not exceeding three months from acquisition date.

2.11 Accounting for leases

Where the Group is the lessee

Operating lease

Leases of property and equipment under which all risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to consolidated statement of income on a straight-line basis over the term of the lease.

Finance lease

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are recognised as assets in the statement of financial position at the estimated present value of the related lease payments. Each lease payment is allocated between the liability and finance charge so as to produce a constant periodic rate of interest on the liability outstanding.

2.12 Post employment benefits

The Group is liable under Kuwait Labour Law to make payments under defined benefit plans payable to employees at cessation of employment.

This liability, which is unfunded, represents the amount payable to employees as a result of involuntary termination on the date of statement of financial position and approximates the present value of the final obligation.

2.13 Revenue recognition

Revenue from flight seats sold, but not flown, is included in deferred revenue and is recognised in consolidated statement of income when the service is provided.

Miscellaneous fees and ancillary revenue are recognised in the period in which the service is provided.

Interest on time deposits with banks is recognised on a time proportion basis using the effective interest rate.

2.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent that they are capitalised.

2.15 Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Group, it is the Kuwaiti Dinar and in the case of subsidiary it is their respective national currencies or the applicable foreign currency.

Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the date of consolidated statement of financial position are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated statement of income.

2.16 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.

2.17 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.

2.18 Income taxes

Income tax payable on profits is recognized as an expense in the period in which the profits arise, based on the applicable tax laws in each jurisdiction.

Deferred income tax is provided using the liability method on all temporary differences, at the date of the consolidated statement of financial position, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the consolidated statement of financial position.

Deferred tax assets are recognised for all temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each date of consolidated statement of financial position and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

2.19 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 2016	5,120,236	2,125,341	2,130,850	28,986	296,361	9,701,774
Additions	-	400	38,583	-	8,945,261	8,984,244
Transfers	3,431,593	-	-	-	(3,431,593)	-
Disposal	-	-	(2,067)	-	-	(2,067)
As at 31 December 2017	8,551,829	2,125,741	2,167,366	28,986	5,810,029	18,683,951
Additions	1,384,420	576,619	818,264	-	6,999,882	9,779,185
Transfers	237,016	10,927,926	-	-	(11,164,942)	-
As at 31 December 2018	10,173,265	13,630,286	2,985,630	28,986	1,644,969	28,463,136
Depreciation						
As at 31 December 2016	975,447	1,010,525	2,072,505	19,105	-	4,077,582
Charge for the year	496,103	299,691	36,882	4,343	-	837,019
Disposal	-	-	(57)	-	-	(57)
As at 31 December 2017	1,471,550	1,310,216	2,109,330	23,448	-	4,914,544
Charge for the year	855,173	615,760	103,352	2,835	-	1,577,120
As at 31 December 2018	2,326,723	1,925,976	2,212,682	26,283	-	6,491,664
Net book value						
As at 31 December 2018	7,846,542	11,704,310	772,948	2,703	1,644,969	21,971,472
As at 31 December 2017	7,080,279	815,525	58,036	5,538	5,810,029	13,769,407

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

	Kuwaiti Dinars	
	2018	2017
Operating costs	858,008	500,446
General and administrative expenses	719,112	336,573
	1,577,120	837,019

4. Advance for maintenance

This represents advance given to service provider for future maintenance of aircrafts.

5. Trade and other receivables

	Kuwaiti Dinars	
	2018	2017
Trade receivables	1,727,353	662,321
Expected credit loss/provision for impairment	(127,426)	(152,956)
	1,599,927	509,365
Prepayments	989,044	804,960
Deposits	-	534,572
Other receivables	11,365,765	2,089,329
Others- credits receivables from engine manufacturer for warranty claims	1,628,007	-
Expected credit loss/provision for impairment	(91,858)	-
	13,890,958	3,428,861
	15,490,885	3,938,226

The maximum exposure to credit risk at the statement of financial position date approximates the fair value of each class of receivables mentioned above.

	Kuwaiti Dinars	
	2018	
	Estimated total gross carrying amount at default	Lifetime ECL
Not due	1,539,145	2,099
30 - 90 days	45,580	231
Above 90 days	142,628	125,096
Total	1,727,353	127,426

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

	Kuwaiti Dinars	
	2018	2017
Kuwaiti Dinars	1,549,584	672,788
US Dollars	13,243,519	2,419,225
Egyptian Pounds	132,660	218,731
UAE Dirham	13,553	23,090
Euro	15,084	30,396
Indian Rupees	365,324	282,231
Others	171,161	291,765
	15,490,885	3,938,226

6. Cash and bank balances

	Kuwaiti Dinars	
	2018	**2017**
Cash on hand	30,761	20,711
Current account with banks	3,303,510	3,637,712
Time deposits with banks	3,141,485	19,119,983
	6,475,756	22,778,406
Expected credit loss	(10,450)	-
Cash and cash equivalents in the statement of cash flows	6,465,306	22,778,406

The effective interest rate on time deposits as of 31 December 2018 was 2.05% to 3% (31 December 2017: 1.6% to 13.25%).

The cash and bank balances are denominated in the following currencies:

	Kuwaiti Dinars	
	2018	**2017**
Kuwaiti Dinars	3,998,060	22,035,347
US Dollars	1,092,438	201,029
UAE Dirham	7,997	110,066
Egyptian Pounds	143,095	76,977
Euro	30,558	49,816
Indian Rupees	677,911	3,757
Others	515,247	301,414
	6,465,306	22,778,406

7. Share capital

The authorised, issued and fully paid up share capital of the Parent Company as at 31 December 2018 is KD 20,000,000 (31 December 2017: KD 20,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2017: 200,000,000 shares of 100 fils each).

Dividend

The Annual General Assembly of the shareholders of the Parent Company held on 5 April 2018 approved the distribution of cash dividend of 35 fils per share to the shareholders, amounting to KD 7,000,000 for the year ended 31 December 2017 (31 December 2016: KD 7,000,000).

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 35 fils per share, amounting to KD 7,000,000 for the year ended 31 December 2018 (31 December 2017 - KD 7,000,000) to the registered shareholders, after obtaining the necessary regulatory approvals.

8. 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.

9. Provision for maintenance

The Group estimates a provision for the maintenance 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.

10. Trade and other payables

	Kuwaiti Dinars	
	2018	**2017**
Trade payables	7,576,649	3,201,463
Accrued expense	6,160,485	3,697,461
Tax payable	1,345,178	2,266,215
Staff leave payable	773,255	665,463
Others	1,202,373	119,832
	17,057,940	9,950,434

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

	Kuwaiti Dinars	
	2018	**2017**
Kuwaiti Dinars	3,064,047	4,430,072
US Dollars	10,823,464	3,600,701
UAE Dirham	565,514	387,497
Egyptian Pounds	311,734	304,676
Euro	383,391	194,778
Indian Rupees	592,763	119,787
Others	1,317,027	912,923
	17,057,940	9,950,434

11. Revenue

Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	Kuwaiti Dinars	
	2018	**2017**
Passenger revenue	74,919,835	52,280,298
Ancillary revenue	6,014,234	4,270,040
Rental revenue	662,490	-
Passenger service fee	575,968	-
Others	196,843	61,038
	82,369,370	56,611,376

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

Contract liabilities

	Kuwaiti Dinars	
	31 December 2018	**1 January 2018**
Deferred revenue	4,295,196	3,938,938
	4,295,196	3,938,938

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.

12. Operating costs

	Kuwaiti Dinars 2018	Kuwaiti Dinars 2017
Staff costs	9,401,172	6,731,690
Depreciation	858,008	500,447
Aircraft fuel	20,120,757	10,295,610
Aircraft maintenance	4,567,369	3,568,384
Overflying, landing and ground handling charges	10,788,998	6,974,806
Insurance	380,768	358,992
Lease rental	11,582,166	9,221,027
Lease maintenance	5,984,409	3,695,992
Others	5,535,408	3,510,664
	69,219,055	44,857,612

13. General and administrative expenses

	Kuwaiti Dinars 2018	Kuwaiti Dinars 2017
Staff costs	2,551,502	2,109,701
Rent	251,068	169,827
Professional and consultancy	275,532	125,686
Travel	154,252	80,127
Marketing	1,294,453	747,953
Depreciation	719,112	336,574
Others	1,122,019	471,607
	6,367,938	4,041,475

The number of personnel employed by the Group as of 31 December 2018 was 645 (31 December 2017: 540).

14. 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:

	2018	2017
Earnings for the year (in Kuwaiti Dinar)	6,667,292	8,235,292
Weighted average number of shares outstanding	200,000,000	200,000,000
Earnings per share (fils) - Basic and Diluted	33.34	41.18

15. 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 financial statements are as follows:

	Kuwaiti Dinars	
	2018	**2017**
Balance		
Due from related parties	7,853	-
Due to related parties	-	2,360
Transactions		
Sales and services	291,659	377,705
General and administrative expenses	535,462	132,903
Key management compensation		
Salaries and other employment benefits	792,645	712,900

16. Taxes

The Group has exemptions from tax liability under bilateral tax agreement with countries to which it operates passenger flights. However, the Group is contingently liable for any taxes that may finally be determined by the taxation authorities of those countries.

The Group is liable for alternate minimum tax on sale of four aircraft owned by Sahaab Aviation LLC, incorporated in the United States of America. In 2017, the Group paid this tax based on tax return filed and is awaiting the final tax assessment order.

17. Segment information

The Group's operating segment is the operation of a passenger airline service and operation and maintenance of terminal in Kuwait. The terminal started its operation on 22 May 2018.

18. Contingent liabilities and Commitments

	Kuwaiti Dinars	
	2018	**2017**
Capital Commitments	1,229,830	7,392,562
Bank guarantees	5,872,103	4,961,983
	7,101,933	12,354,545

19. Operating lease expense

The future minimum lease rent payable on aircraft operating leases is KD 63,554,706 (31 December 2017: KD 51,201,928) and is payable as follows:

	Kuwaiti Dinars	
	2018	**2017**
Not later than one year	13,078,646	9,114,601
Later than one year but not later than five years	29,037,393	25,612,861
Later than five years	21,438,667	16,474,466
	63,554,706	51,201,928

This does not include the contingent rent payable based on future market interest rates.

20. 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 due to banks and term loans. The Group's exposure to foreign currencies have been disclosed in the Notes relating to the respective financial instruments.

If as at 31 December 2018, Kuwaiti Dinars had weakened against the major currencies by 5% with all other variables held constant the net impact on the profit/equity, as of 31 December 2018, is shown below:

	Kuwaiti Dinars			
	Impact on profit		Impact on equity	
Currency	**2018**	**2017**	**2018**	**2017**
US Dollar	175,625	(49,022)	-	-
UAE Dirham	(27,198)	(12,717)	-	-
Euro	(1,799)	(5,728)	-	-
Egyptian Pounds	(16,887)	(448)	-	-
Indian Rupees	22,524	(8,310)	-	-
Others	(31,531)	(15,987)	-	-
Net impact	120,734	(75,592)	-	-

A 5% strengthening of the Kuwaiti Dinars against the above currencies would have had the equal but the opposite effect on profit/equity for the year.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from time deposits with banks.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of income of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements wherever necessary.

At 31 December 2018, if interest rates at that date had been 50 basis points higher with all other variables held constant, profit for the year would have been higher by KD 15,707 (31 December 2017: profit would have higher by KD 95,600).

A 50 basis points decrease in the interest rates at the date of 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 may use jet fuel commodity rate swaps to achieve a level of control over jet fuel costs so that profitability is not adversely affected.

(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. The cash equivalents are from counter parties who are under investment grade credit rating except for KD 149,313 which is under non-investment grade credit rating. Credit risk with respect to receivables is limited due to the Group's credit management policies and dispersion across large number of customers.

The maximum exposures to credit risk of the Group are as follows:

	Kuwaiti Dinars	
	2018	**2017**
Security deposits	4,524,809	2,644,147
Trade and other receivables	14,501,841	3,133,266
Bank balances	6,434,545	22,757,695
Less: ECL	(242,138)	-
	25,219,057	28,535,108

The Group's trade receivables are substantially secured by bank guarantees and largely comprise of amounts receivable from reputed travel agents. Concentration of credit risk with respect to trade receivables is limited due to the Group's customer base being large and unrelated. Other receivables are due mainly from lessors of aircraft. The Company does not hold any collateral or credit enhancement to cover its credit risks associated over these receivables. These receivables are categorized under stage 2 and represent good credit risk quality.

(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 financial liabilities of the Group mature within a period of 12 months.

21. 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. As at 31 December 2018 and 31 December 2017, the Group did not have any borrowing.

22. 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 profit or loss 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

Policy applicable from 1 January 2018

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.

Policy applicable before 1 January 2018

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available for sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

Impairment of financial assets - Applicable from 1 January 2018

The Group estimates expected credit loss for all financial assets carried at amortised cost or fair value through consolidated statement of profit or loss except for equity instruments. The determination of expected credit loss involves significant use of external and internal data and assumptions. Refer note 2.5 impairment of financial assets for more information.

Impairment of receivables – Applicable before 1 January 2018

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the consolidated statement of profit or loss. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

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.

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