Jazeera Airways K.S.C
Kuwait

Interim Consolidated Financial Information (Unaudited)
and
Independent Auditors' Review Report
30 September 2013

Contents

Deloitte.

Deloitte & Touche
Al-Wazzan & Co.
Ahmed Al-Jaber Street, Sharq
Dar Al-Awadi Complex, Floors 7 & 9
P.O. Box 20174 Safat 13062 or
P.O. Box 23049 Safat 13091
Kuwait

Tel : + 965 22408844, 22438060
Fax: + 965 22408855, 22452080

www.deloitte.com

Crowe Horwath.

Horwath Al-Muhanna & Co.
Certified Accountants
Member Crowe Horwath International

P.O. Box 26154, Safat
13122 - Kuwait
+965 224 525 46/7/8
+965 224 525 49 Fax
www.crowehorwath.com.kw

Jazeera Airways K.S.C.
Kuwait

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Interim Consolidated Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C. ("the Ultimate Parent Company") and its subsidiaries' (together called "the Group") as at 30 September 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim consolidated 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 consolidated 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 consolidated financial information is in agreement with the books of account of the Ultimate Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies' Law No. 25 of 2012, as amended, or of the Articles of Association and memorandum of incorporation of the Ultimate Parent Company during the nine-month period ended 30 September 2013, that might have had a material effect on the business of the Group or on its financial position.

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

Rabea Saad Al-Muhanna
Licence No. 152A
Horwath Al-Muhanna & Co.

Kuwait
28 October 2013

Jazeera Airways K.S.C
Kuwait

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 September 2013

	Note	30 September 2013 (Unaudited)	31 December 2012 (Audited)	30 September 2012 (Unaudited)
		Kuwaiti Dinars		
ASSETS				
Non-current Assets				
Property and equipment	4	146,976,548	140,869,217	142,378,768
Advance for maintenance		5,106,391	3,479,883	6,338,559
Deposits		866,126	860,803	860,344
Goodwill		3,443,481	3,443,481	3,443,481
		156,392,546	148,653,384	153,021,152
Current Assets				
Inventories, expendable parts and supplies		230,205	221,930	222,294
Trade and other receivables		1,901,309	1,475,625	1,561,491
Cash and bank balances	5	48,749,106	47,887,598	27,721,122
		50,880,620	49,585,153	29,504,907
Total assets		207,273,166	198,238,537	182,526,059
LIABILITIES AND EQUITY				
Equity				
Attributable to Ultimate Parent Company's Shareholders				
Share capital	6	42,000,000	24,200,000	24,200,000
Share capital – rights issue		-	17,800,000	-
Legal reserve		2,737,593	2,737,593	1,306,107
Retained earnings		28,345,180	14,278,364	13,204,174
Foreign currency translation reserve		(682,425)	(991,311)	(1,054,422)
		72,400,348	58,024,646	37,655,859
Non-controlling interests		428	357	357
Total equity		72,400,776	58,025,003	37,656,216
Non-current liabilities				
Term loans	7	77,309,706	76,197,067	73,032,572
Post employment benefits		1,731,027	1,466,608	1,425,339
Security deposits from lessees		1,573,044	1,260,448	1,259,776
Due to a related party		-	-	3,466,302
Advance received from lessee		10,319,671	8,177,821	10,510,028
Deferred purchase consideration		-	-	22,255,973
		90,933,448	87,101,944	111,949,990
Current liabilities				
Term loans	7	23,401,249	17,572,209	13,441,213
Due to banks	8	240,897	114,621	216,215
Due to a related party		-	2,234,495	-
Trade and other payables		10,980,896	10,941,060	12,235,399
Deferred revenue		9,315,900	7,249,205	7,027,026
Deferred purchase consideration		-	15,000,000	-
		43,938,942	53,111,590	32,919,853
Total liabilities and equity		207,273,166	198,238,537	182,526,059

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

Marwan Marzouk Boodai
Chairman

Jazeera Airways K.S.C
Kuwait

Condensed Consolidated Statement of Income (Unaudited) - Nine months ended 30 September 2013

		Kuwaiti Dinars			
		Three months ended 30 September		Nine months ended 30 September	
	Note	2013	2012	2013	2012
Revenue		20,060,623	20,419,122	50,806,795	48,677,637
Operating costs		(11,305,441)	(10,594,777)	(30,741,514)	(30,748,095)
Operating profit		8,755,182	9,824,345	20,065,281	17,929,542
Other income		143,281	67,656	409,430	196,566
Administrative expenses		(995,444)	(1,003,702)	(2,835,426)	(2,691,256)
Finance costs		(876,108)	(1,137,770)	(2,699,394)	(3,608,171)
Foreign exchange (loss)/ gain		(146,450)	54,482	(215,968)	(155,795)
Profit before contribution to taxes		6,880,461	7,805,011	14,723,923	11,670,886
Zakat expense		(69,462)	(36,410)	(149,884)	(36,410)
Contribution to Kuwait Foundation for the Advancement of Sciences		(61,924)	(70,947)	(132,515)	(105,740)
National Labour Support Tax		(173,654)	(91,033)	(374,708)	(91,033)
Profit for the period		6,575,421	7,606,621	14,066,816	11,437,703
Attributable to:					
Shareholders of the Ultimate Parent Company		6,575,421	7,606,621	14,066,816	11,437,703
Earnings per share (fils) - Basic & Diluted	9	15.66	20.93	33.49	31.47

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

Jazeera Airways K.S.C
Kuwait

Condensed Consolidated Statement of Comprehensive Income (Unaudited) - Nine months ended 30 September 2013

	Kuwaiti Dinars			
	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
Profit for the period	6,575,421	7,606,621	14,066,816	11,437,703
Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translating foreign operations	(773,863)	269,931	308,886	344,164
Total comprehensive income for the period	5,801,558	7,876,552	14,375,702	11,781,867

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

Jazeera Airways K.S.C
Kuwait

Condensed Consolidated Statement of Changes in Equity (Unaudited) - Nine months ended 30 September 2013

	Kuwaiti Dinars						
	Equity attributable to the Ultimate Parent Company's Shareholders					Non-controlling interest	Total equity
	Share capital	Share capital - rights issue	Legal reserve	Retained earnings	Foreign currency translation reserve		
At 1 January 2013	24,200,000	17,800,000	2,737,593	14,278,364	(991,311)	357	58,025,003
Total comprehensive income for the period	-	-	-	14,066,816	308,886	-	14,375,702
Issue of right shares	17,800,000	(17,800,000)	-	-	-	-	-
Acquisition during the period	-	-	-	-	-	71	71
At 30 September 2013	42,000,000	-	2,737,593	28,345,180	(682,425)	428	72,400,776
At 1 January 2012	22,000,000	-	1,306,107	3,966,471	(1,398,586)	287	25,874,279
Total comprehensive income for the period	-	-	-	11,437,703	344,164	-	11,781,867
Issue of bonus shares	2,200,000	-	-	(2,200,000)	-	-	-
Acquisition during the period	-	-	-	-	-	70	70
At 30 September 2012	24,200,000	-	1,306,107	13,204,174	(1,054,422)	357	37,656,216

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

Jazeera Airways K.S.C
Kuwait

Condensed Consolidated Statement of Cash Flows (Unaudited) - Nine months ended 30 September 2013

	Note	Kuwaiti Dinars 30 September 2013 (Unaudited)	Kuwaiti Dinars 30 September 2012 (Unaudited)
Cash flows from operating activities			
Profit for the period		14,066,816	11,437,703
Adjustments for:			
Depreciation		4,832,043	4,420,603
Finance costs		2,699,394	3,608,171
Foreign exchange loss		215,968	155,795
Provision for post employment benefits		300,000	180,000
Operating profit before working capital changes		22,114,221	19,802,272
Increase in inventories		(8,275)	(37,638)
Increase in deposits		-	(192,258)
(Increase)/ decrease in trade and other receivables		(425,684)	210,641
Decrease in trade and other payables		(700,507)	(1,412,184)
Decrease in aircraft lease maintenance reserve		-	(7,695,720)
Increase in deferred revenue		2,066,695	756,650
Post employment benefits paid		(35,581)	(38,469)
Net cash from operating activities		23,010,869	11,393,294
Cash flows from investing activities			
Purchase of property and equipment (net)		(10,188,685)	(1,393,659)
Increase in advance for maintenance		(1,626,508)	-
Refund of advance paid towards aircraft purchase		-	3,985,031
Increase in time deposits with banks		(11,315,569)	(933,582)
Advance received from lessee		2,141,850	9,147,587
Change in non-controlling interest		71	70
Net cash (used in)/ from investing activities		(20,988,841)	10,805,447
Cash flows from financing activities			
Repayment of deferred purchase consideration		(15,000,000)	(6,600,000)
Proceeds from term loans (net)		6,941,679	15,508,914
Proceeds from/ (repayment of) overdraft		126,276	(12,273,537)
Increase in security deposits from lessees		312,596	-
Repayment of loan from related party		(2,234,495)	(4,296,624)
Finance costs paid		(2,175,019)	(2,380,751)
Net cash used in financing activities		(12,028,963)	(10,041,998)
Net (decrease)/ increase in cash and cash equivalents		(10,006,935)	12,156,743
Cash and cash equivalents at			
beginning of period		42,895,649	12,014,657
effects of exchange rate changes on cash and cash equivalents		(447,126)	(971,509)
end of period	5	32,441,588	23,199,891

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

1. Constitution and activities

Jazeera Airways K.S.C. (the "Ultimate 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 Ultimate Parent Company has the following subsidiaries:

Name of the Company	Percentage of Holding	Description
Al Sahaab Aircraft Leasing Company W.L.L.	100%	Intermediate Parent Company
Sahaab Aviation LLC	100%	Subsidiary of Intermediate Parent Company

The Ultimate Parent Company, the Intermediate Parent Company and the subsidiaries are together referred to in this interim consolidated financial information as "the Group".

The address of the registered office of the Ultimate Parent Company is Kuwait International Airport, State of Kuwait. The number of personnel employed by the Group as of 30 September 2013 was 423 (31 December 2012: 426, 30 September 2012: 429).

This interim consolidated financial information was approved for issue by the Board of Directors on 28 October 2013.

2. Basis of preparation and significant accounting policies

This interim consolidated financial information has been prepared in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting.

The accounting policies used in the preparation of the interim consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2012 except adoption of the following new Standards and amendments, which are applicable to the Group:

IFRS 7 Disclosures - *Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The adoption of these amendments has not resulted in any material impact on the interim condensed consolidated financial information of the Group.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e., whether an entity is controlled through voting rights of investors or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, control is based on whether an investor has 1) power over the investee; 2) exposure or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has not resulted in any significant impact on the financial position or performance of the Group.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The adoption of this Standard has not resulted in any material additional disclosures. The Group will review before the year end and may disclose any additional disclosure in the annual consolidated financial statements of the Group.

IFRS 13 Fair Value Measurement

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single Standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The adoption of this standard has not resulted in any material additional disclosures in the interim consolidated financial information of the Group. However adoption of the above Standard may result in more enhanced disclosures in the annual consolidated financial statements of the Group.

IAS 1: Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment)

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The adoption of this Standard has no effect on the financial position or performance of the Group.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional voluntarily comparative information does not need to be presented in a complete set of financial statements.

IAS 19: Employee Benefits (Amendment)

IAS 19 includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures. The adoption of this Standard has no material effect on the financial position or performance of the Group.

IAS 32 Tax effects of distributions to holders of equity instruments (Amendment)

The amendment to IAS 32 Financial Instruments: Presentation clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial information for the Group, as there is no tax consequences attached to cash or non-cash distribution.

IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment of this Standard has no material impact on the financial position, performance and disclosures of the Group.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2013 did not have any material impact on the accounting policies, financial position or performance of the Group.

This interim consolidated financial information does not contain all the information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included. Operating results for the nine-month period ended 30 September 2013 are not necessarily indicative of the results that may be expected for the year ending 31 December 2013. For further information, refer to the financial statements and notes thereto included in the Group's annual consolidated financial statement for the year ended 31 December 2012.

2.1. Consolidation

Subsidiaries are those entities, including special purpose entities, controlled by the Ultimate Parent Company. Control exists when the Ultimate Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. 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 Ultimate Parent Company until the date that control ceases.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on financial information of the subsidiary. Intra-group balances and transactions including income, expenses and dividends are eliminated in full. Unrealised losses resulting from intra-group transactions are also eliminated unless cost cannot be recovered. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. If the parent 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.

3. Special purpose entity

The Intermediate Parent Company has four subsidiaries, Jazeera Leasing Company (JLC), Sahaab Aircraft Leasing Company - 1 (SALC - 1), Sahaab Aircraft Leasing Company - 2 (SALC - 2) and Sahaab Aircraft Leasing Company - 3 (SALC - 3), Cayman Island companies, incorporated with an authorised capital of USD 1,000, USD 50,000, USD 50,000 and USD 250 respectively. The issued and fully paid up capital as of 30 September 2013 are USD 1,000, USD 1, USD 250 and USD 250 respectively, equivalent to KD 287, KD 0.276, KD 70 and KD 71. JLC , SALC-1, SALC -2 and SALC -3 are Special Purpose Entities ("SPE") fully owned by third parties and are set up for the sole purpose of arranging finance for acquiring aircraft and engines and for leasing them to the Intermediate Parent Company under finance leases. JLC, SALC-1, SALC-2 and SALC-3 have been consolidated in this financial information in accordance with IFRS 10 "Consolidated Financial Statements".

Sahaab Aviation LLC ("Trustor") has created "Sahaab Trust" in association with Wells Fargo Bank Northwest National Association ("Owner Trustee"), a national banking association organised and existing under the laws of the United States of America. Sahaab Trust is a Special Purpose Entity ("SPE") set up for the sole purpose of ensuring regulatory requirement of ownership of aircraft by a citizen of the United States of America. Sahaab Trust has been consolidated in this interim financial information in accordance with IFRS 10 "Consolidated Financial Statements".

4. Property and equipment

	Aircraft & engines	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	Total
	Kuwaiti Dinars					
Cost						
As at 31 December 2012	143,444,331	627,910	1,785,344	11,693	17,230,475	163,099,753
Additions	8,721,869	-	83,678	10,690	1,372,448	10,188,685
Transfer	5,787,971	-	1,247	-	(5,789,218)	-
Exchange adjustment	759,453	-	7	-	93,456	852,916
As at 30 September 2013	158,713,624	627,910	1,870,276	22,383	12,907,161	174,141,354
Depreciation						
As at 31 December 2012	20,289,297	555,710	1,374,256	11,273	-	22,230,536
Charge for the period	4,602,074	34,424	194,152	1,393	-	4,832,043
Exchange adjustment	102,224	-	3	-	-	102,227
As at 30 September 2013	24,993,595	590,134	1,568,411	12,666	-	27,164,806
Net book value						
As at 30 September 2013	133,720,029	37,776	301,865	9,717	12,907,161	146,976,548
As at 31 December 2012	123,155,034	72,200	411,088	420	17,230,475	140,869,217
As at 30 September 2012	124,505,118	93,920	396,269	628	17,382,833	142,378,768

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

	Kuwaiti Dinars Three months ended 30 September		Kuwaiti Dinars Nine months ended 30 September	
	2013	**2012**	**2013**	**2012**
Operating costs	1,597,369	1,427,844	4,603,467	4,115,354
Administrative expenses	71,876	102,899	228,576	305,249
	1,669,245	1,530,743	4,832,043	4,420,603

5. Cash and bank balances

	30 September 2013 (Unaudited)	31 December 2012 (Audited)	30 September 2012 (Unaudited)
	Kuwaiti Dinars		
Cash on hand	34,946	23,868	32,291
Current account with banks	16,281,192	29,729,850	12,455,764
Time deposits with banks	16,125,450	13,141,931	10,711,836
Cash & cash equivalents in the statement of cash flows	32,441,588	42,895,649	23,199,891
Time deposits with banks whose maturity period exceeds three months	16,307,518	4,991,949	4,521,231
Cash and bank balances	48,749,106	47,887,598	27,721,122

The effective interest rate as of 30 September 2013 was 1.2% to 2.5% (31 December 2012: 0.47% to 2.5%, 30 September 2012: 0.65% to 8%).

6. Share capital

The authorised share capital of the Ultimate Parent Company as at 30 September 2013 is KD 42,000,000 (31 December 2012: KD 42,000,000; 30 September 2012: KD 42,000,000) comprising of 420,000,000 shares of 100 fils each (31 December 2012: 420,000,000 shares of 100 fils each; 30 September 2012: 420,000,000 shares of 100 fils each), and the issued and fully paid up share capital of the Ultimate Parent Company, is KD 42,000,000, paid in cash (31 December 2012: KD 24,200,000; 30 September 2012: KD 24,200,000) comprising of 420,000,000 shares of 100 fils each (31 December 2012: 242,000,000 shares of 100 fils each; 30 September 2012: 242,000,000 shares of 100 fils each).

7. Term loans

	Kuwaiti Dinars		
	30 September 2013 (Unaudited)	**31 December 2012 (Audited)**	**30 September 2012 (Unaudited)**
Term loans are repayable as follows:			
Not later than 1 year	23,401,249	17,572,209	13,441,213
Later than 1 year and not later than 2 years	16,523,539	23,571,487	17,650,165
Later than 2 year and not later than 5 years	47,380,152	40,784,328	41,224,917
Later than 5 years	13,406,015	11,841,252	14,157,490
	77,309,706	76,197,067	73,032,572
	100,710,955	93,769,276	86,473,785

This includes three loans as follows:

a) Term loans of KD 73.64 million (31 December 2012: KD 71.11 million; 30 September 2012: KD 73.72 million), represent senior loans arranged through JLC, SALC-1, SALC-2, SALC-3 and Owner Trustee. They are denominated in US Dollars and represent the balance amounts due to local banks and a consortium of European banks. The effective interest rate as of 30 September 2013 was 1.22% to 6.52% (31 December 2012: 1.30% to 6.52%; 30 September 2012: 1.4% to 6.52%) and these term loans are secured by a first priority charge/ pledge over the shares of JLC, SALC-1, SALC-2 and SALC-3 and a first priority registered aircraft mortgage over each aircraft. These are repayable over a period up to 28 May 2025.

b) Term loan of KD 7.07 million (31 December 2012: KD 12.66 million; 30 September 2012: KD 12.76 million) denominated in US Dollars represents the balance amount due to a local commercial bank. This facility is fully guaranteed by the Ultimate Parent Company. This is repayable over a period up to 30 June 2014. The effective interest rate as at 30 September 2013 was 3% (31 December 2012: 3.22%; 30 September 2012: 3.21%).

c) Term loan of KD 20 million (31 December 2012: KD 10 million; 30 September 2012: Nil) denominated in Kuwaiti Dinar represents facility from a local commercial bank. This facility is secured by a pledge of the shares of the Intermediate Parent Company. The effective interest rate as at 30 September 2013 was 4.2% (31 December 2012: 4.2%; 30 September 2012: Nil).

8. Due to banks

This represents unsecured overdraft facility of USD 852 thousand (31 December 2012: USD 407 thousand, 30 September 2012: 769 thousand) from a local bank. The effective interest rate as of 30 September 2013 was 2.27% (31 December 2012: 2.47%, 30 September 2012: 2.46%).

9. Earnings per share

Earnings per share is calculated based on the profit for the period and the weighted average number of shares outstanding, as follows:

	Three months ended 30 September (Unaudited)		**Nine months ended 30 September (Unaudited)**	
	2013	**2012**	**2013**	**2012**
Earnings attributable to share holders of Ultimate Parent Company	6,575,421	7,606,621	14,066,816	11,437,703
Weighted average number of issued shares	420,000,000	363,419,360	420,000,000	363,419,360
Earnings per share (fils) – Basic & Diluted	15.66	20.93	33.49	31.47

Earnings per share were 31.43 fils and 47.26 fils for the three months and nine months ended 30 September 2012 before retrospective adjustment to the number of shares following the rights issue in 2013.

10. 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 interim consolidated financial information are as follows:

	Kuwaiti Dinars		
	30 September 2013 (Unaudited)	**31 December 2012 (Audited)**	**30 September 2012 (Unaudited)**
Balances			
Due from related parties	320,340	44,236	169,941

	Kuwaiti Dinars			
	Three months ended 30 September		**Nine months ended 30 September**	
	2013	**2012**	**2013**	**2012**
Transactions				
Sales and services	379,319	592,596	1,369,564	1,606,690
General and administrative expenses	26,969	25,620	68,345	99,337
Key management compensation				
Salaries and other employment benefits	207,016	120,525	458,708	360,567

11. Segment information

The Group derives its revenue primarily from operation of passenger airline service and leasing of aircraft and engines. The segment information provided to the key management for the reportable segments for the period ended 30 September 2013 is as follows:

	Kuwaiti Dinars											
	Three months period ended 30 September 2013 (Unaudited)			Three months period ended 30 September 2012 (Unaudited)			Nine months period ended 30 September 2013 (Unaudited)			Nine months period ended 30 September 2012 (Unaudited)		
	Passenger airline service	Leasing of aircraft and engines	Total	Passenger airline service	Leasing of aircraft and engines	Total	Passenger airline service	Leasing of aircraft and engines	Total	Passenger airline service	Leasing of aircraft and engines	Total
Segment revenue	18,603,649	3,647,906	22,251,555	18,739,955	3,856,528	22,596,483	46,153,596	11,106,770	57,260,366	43,769,623	11,212,292	54,981,915
Less: Intersegment revenue	-	(2,190,932)	(2,190,932)	-	(2,177,361)	(2,177,361)	-	(6,453,571)	(6,453,571)	-	(6,304,278)	(6,304,278)
Revenue from external customers	18,603,649	1,456,974	20,060,623	18,739,955	1,679,167	20,419,122	46,153,596	4,653,199	50,806,795	43,769,623	4,908,014	48,677,637
Reportable segment profit before contribution to taxes	5,931,605	948,856	6,880,461	6,188,300	1,616,711	7,805,011	11,176,000	3,547,923	14,723,923	7,303,188	4,367,698	11,670,886

Reportable segment's assets and liabilities:

	Kuwaiti Dinars								
	30 September 2013 (Unaudited)			31 December 2012 (Audited)			30 September 2012 (Unaudited)		
	Passenger airline service	Leasing of aircraft and engine	Total	Passenger airline service	Leasing of aircraft and engine	Total	Passenger airline service	Leasing of aircraft and engine	Total
Total assets	33,701,083	173,572,083	207,273,166	35,740,643	162,497,894	198,238,537	16,522,380	166,003,679	182,526,059
Allocated liabilities	40,993,979	93,221,304	134,215,283	31,400,455	93,441,601	124,842,056	21,987,267	100,393,420	122,380,687
Unallocated liabilities	-	-	657,107	-	-	15,371,478	-	-	22,489,156
Total liabilities	40,993,979	93,221,304	134,872,390	31,400,455	93,441,601	140,213,534	21,987,267	100,393,420	144,869,843

Revenue from external customers in the 'leasing of aircraft and engines' segment primarily represents lease income from aircraft leased out and operating in the United States of America and Sri Lanka.

12. Derivatives

The Group has hedged part of its interest rate risk from floating rate liabilities using interest rate options. As at 30 September 2013, interest rate options with an aggregate notional amount of KD 4,980,788 (31 December 2012: KD 5,481,227; 30 September 2012: KD 5,647,357) and a positive fair value of KD 55,761 (31 December 2012: KD 63,259; 30 September 2012: KD 65,823) were designated as hedging instrument in a cash flow hedge.

13. Commitments and contingent liabilities

The Group has issued bank guarantees to regulatory agencies and third party service providers amounting to KD 2,284,224 (31 December 2012: KD 2,078,369, 30 September 2012: KD 2,181,659).

The Ultimate Parent Company has also provided guarantee to Jazeera Leasing Company, the lessor of novated lease agreement, in respect of the obligations and liabilities of the Intermediate Parent Company pursuant to the novated lease agreement.

In accordance with the novation agreement, the Ultimate Parent Company has guaranteed the aircraft supplier the due and punctual observance and performance of all the obligations of the buyer to pay any monies falling due for payments by the buyer under the novated purchase agreement.

The Group is contractually committed to the acquisition of two aircraft (31 December 2012: three; 30 September 2012: three) with a list price of approximately KD 39,603,200 (31 December 2012: KD 59,083,500; 30 September 2012: KD 59,052,000). These aircraft have to be acquired over a period of one year.

Operating lease income

The future minimum lease rent receivable on the operating lease is KD 32,299,807 (31 December 2012: KD 36,188,826, 30 September 2012: KD 37,469,606) and is receivable as follows.

	Kuwaiti Dinars		
	30 September 2013 (Unaudited)	**31 December 2012 (Audited)**	**30 September 2012 (Unaudited)**
Not later than one year	5,397,350	5,375,790	5,365,296
Later than one year but not later than five years	20,330,835	20,856,118	21,019,394
Later than five years	6,571,622	9,956,918	11,084,916
	32,299,807	36,188,826	37,469,606

14. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period presentation, but with no effect on profit for the period or equity.