

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

**Interim Consolidated Financial Information (Unaudited)
and
Independent Auditors' Review Report
31 March 2014**

Contents

	Page
Independent Auditors' Review Report	1
Condensed Consolidated Statement of Financial Position (Unaudited)	2
Condensed Consolidated Statement of Income (Unaudited)	3
Condensed Consolidated Statement of Comprehensive Income (Unaudited)	4
Condensed Consolidated Statement of Changes in Equity (Unaudited)	5
Condensed Consolidated Statement of Cash Flows (Unaudited)	6
Notes to the Interim Consolidated Financial Information (Unaudited)	7 - 13

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Interim Condensed Consolidated Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C.P ("the Ultimate Parent Company") and its subsidiaries' (together called "the Group") as at 31 March 2014 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim condensed 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 condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

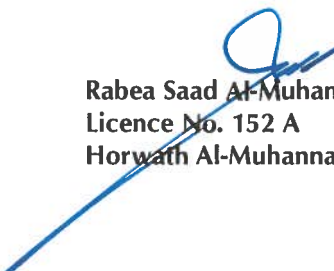
Report on other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed 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 Memorandum of Incorporation and Articles of Association of the Ultimate Parent Company during the three month period ended 31 March 2014, that might have had a material effect on the business of the Group or on its consolidated financial position.



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Kuwait
21 April 2014



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Condensed Consolidated Statement of Financial Position (Unaudited) as at 31 March 2014

		Kuwaiti Dinars		
		31 March 2014	31 December 2013	31 March 2013
		(Unaudited)	(Audited)	(Unaudited)
ASSETS				
Non-current Assets				
	Note			
Property and equipment	4	152,691,088	154,039,205	141,279,676
Advance for maintenance		4,374,919	3,797,061	4,059,699
Deposits		1,047,993	863,830	872,464
Goodwill		3,443,481	3,443,481	3,443,481
		<u>161,557,481</u>	<u>162,143,577</u>	<u>149,655,320</u>
Current Assets				
Inventories, expendable parts and supplies		237,910	210,229	225,109
Trade and other receivables		1,532,752	1,392,372	1,977,887
Cash and bank balances	5	56,192,159	43,263,789	44,642,613
		<u>57,962,821</u>	<u>44,866,390</u>	<u>46,845,609</u>
Total assets		<u>219,520,302</u>	<u>207,009,967</u>	<u>196,500,929</u>
LIABILITIES AND EQUITY				
Equity				
Attributable to Ultimate Parent Company's shareholders				
Share capital	6	42,000,000	42,000,000	42,000,000
Legal reserve		4,482,688	4,482,688	2,737,593
Retained earnings		24,990,885	29,206,674	17,858,310
Foreign currency translation reserve		(1,011,447)	(883,218)	(148,389)
		<u>70,462,126</u>	<u>74,806,144</u>	<u>62,447,514</u>
Non-controlling interests		428	428	357
Total equity		<u>70,462,554</u>	<u>74,806,572</u>	<u>62,447,871</u>
Non-current liabilities				
Term loans	7	94,002,878	80,537,379	85,128,674
Post employment benefits		1,828,645	1,743,934	1,572,730
Security deposits from lessees		1,511,059	1,513,204	1,472,337
Advance received from lessee		10,057,860	9,791,498	8,302,032
		<u>107,400,442</u>	<u>93,586,015</u>	<u>96,475,773</u>
Current liabilities				
Term loans	7	23,849,345	21,215,398	18,064,895
Due to banks	8	1,092,815	295,250	816,507
Trade and other payables		8,974,058	9,221,207	10,910,995
Deferred revenue		7,741,088	7,885,525	7,784,888
		<u>41,657,306</u>	<u>38,617,380</u>	<u>37,577,285</u>
Total liabilities and equity		<u>219,520,302</u>	<u>207,009,967</u>	<u>196,500,929</u>

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


Marwan Marzouk Boodai
Chairman

Condensed Consolidated Statement of Income (Unaudited) - Three months ended 31 March 2014

	Note	Kuwaiti Dinars	
		Three months ended	
		31 March	
		2014	2013
Revenue		13,803,546	14,659,498
Operating costs		(9,969,882)	(9,273,413)
Operating profit		3,833,664	5,386,085
Other income		129,684	139,606
Administrative expenses		(1,009,922)	(857,720)
Finance costs		(808,233)	(935,729)
Foreign currency gain		38,045	16,723
Profit before contribution to taxes		2,183,238	3,748,965
Contribution to Zakat Tax		(22,679)	(38,651)
Kuwait Foundation for the Advancement of Sciences		(19,649)	(33,741)
National Labour Support Tax		(56,699)	(96,627)
Profit for the period		2,084,211	3,579,946
Earnings per share (fils) - Basic & Diluted	9	4.96	8.52

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

Condensed Consolidated Statement of Comprehensive Income (Unaudited) -
Three months ended 31 March 2014

	Kuwaiti Dinars	
	Three months ended 31 March	
	2014	2013
Profit for the period	2,084,211	3,579,946
Exchange differences on translating foreign operation	(128,229)	842,922
Total comprehensive income for the period	1,955,982	4,422,868

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

Condensed Consolidated Statement of Changes in Equity (Unaudited) - Three months ended 31 March 2014

	Kuwaiti Dinars						Total equity
	Equity attributable to the Ultimate Parent Company's Shareholders						
	Share capital	Share capital - rights issue	Legal reserve	Retained earnings	Foreign currency translation reserve	Non-controlling interest	
At 1 January 2014	42,000,000	-	4,482,688	29,206,674	(883,218)	428	74,806,572
Total comprehensive income for the period	-	-	-	2,084,211	(128,229)	-	1,955,982
Dividend - 2013	-	-	-	(6,300,000)	-	-	(6,300,000)
At 31 March 2014	42,000,000	-	4,482,688	24,990,885	(1,011,447)	428	70,462,554
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	-	-	-	3,579,946	842,922	-	4,422,868
Issue of right shares	17,800,000	(17,800,000)	-	-	-	-	-
At 31 March 2013	42,000,000	-	2,737,593	17,858,310	(148,389)	357	62,447,871

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

Condensed Consolidated Statement of Cash Flows (Unaudited) - Three months ended 31 March 2014

	Note	Kuwaiti Dinars	
		31 March 2014 (Unaudited)	31 March 2013 (Unaudited)
Cash flows from operating activities			
Profit for the period		2,084,211	3,579,946
<i>Adjustments for:</i>			
Depreciation		1,872,536	1,548,089
Finance costs		808,233	935,729
Foreign exchange gain		(38,045)	(16,723)
Provision for post employment benefits		135,000	110,000
Operating profit before working capital changes		4,861,935	6,157,041
Increase in inventories		(27,681)	(3,179)
Increase in deposits		(184,163)	-
Increase in trade and other receivables		(140,380)	(502,262)
Decrease in trade and other payables		(305,601)	(553,901)
(Decrease)/increase in deferred revenue		(144,437)	535,683
Post employment benefits paid		(50,289)	(3,878)
Net cash from operating activities		4,009,384	5,629,504
Cash flows from investing activities			
Purchase of property and equipment (net)		(740,670)	(172,272)
Increase in advance for maintenance		(577,858)	(579,816)
Increase in time deposits with banks		(625,331)	(10,366,283)
Increase in advance received from lessee		266,362	124,211
Net cash used in investing activities		(1,677,497)	(10,994,160)
Cash flows from financing activities			
Repayment of deferred purchase consideration		-	(15,000,000)
Proceeds from term loans		19,861,965	10,000,000
Repayment of term loans		(3,762,519)	(575,707)
Proceeds from overdraft		797,565	718,609
(Decrease)/increase in security deposits from lessees		(2,145)	195,761
Repayment of loan from related party		-	(2,234,495)
Dividend paid		(6,300,000)	-
Finance costs paid		(711,736)	(411,893)
Net cash from/(used in) financing activities		9,883,130	(7,307,725)
Net increase/(decrease) in cash and cash equivalents		12,215,017	(12,672,381)
Cash and cash equivalents at			
beginning of period	5	36,986,579	42,895,649
effects of exchange rate changes on cash and cash equivalents		88,022	(938,887)
end of period	5	49,289,618	29,284,381

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

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2014

1. Constitution and activities

Jazeera Airways K.S.C.P (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 (Trustor)	100%	Subsidiary of Intermediate Parent Company

The ownership interest of related parties in the Intermediate Parent Company are for the beneficial interest of the Ultimate Parent Company, which have been confirmed by these related parties. The Group is in the process of re-structuring their shareholding, in accordance with Companies Law No. 25 of 2012, as amended and executive regulations thereof.

The Ultimate Parent Company, the Intermediate Parent Company and the subsidiary of Intermediate Parent Company are together referred to in these interim condensed 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 31 March 2014 was 436 (31 December 2013: 428, 31 March 2013: 423).

This interim consolidated financial information was approved for issue by the Board of Directors on 21 April 2014.

2. Basis of preparation and significant accounting policies

The accounting policies used in the preparation of the interim condensed 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 2013, except adoption of the following new Standards and amendments, which are applicable to the Group:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The adoption of this Standard has not resulted in any impact on the financial position or performance of the Group.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The adoption of this Standard has not resulted in any impact on the financial position or performance of the Group.

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2014

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The adoption of this Standard has not resulted in any material additional disclosures. The Group has adopted these amendments with effect from 1 January 2014.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

This interim condensed consolidated financial information does not contain information and disclosures required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of the management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the three months period ended 31 March 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. For further information, refer to the consolidated financial statements and notes thereto included in the consolidated financial statements of the Group for the year ended 31 December 2013.

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 31 March 2014 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 these consolidated financial statements 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 these consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements".

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2014

4. Property and equipment

	Kuwaiti Dinars					Total
	Aircraft & engines	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	
Cost						
As at 31 December 2013	173,256,526	627,910	2,007,311	22,383	7,050,001	182,964,131
Additions	36,546	-	17,398	-	686,726	740,670
Disposal	-	-	-	(4,424)	-	(4,424)
Exchange adjustment	(240,220)	-	(1)	-	(9,723)	(249,944)
As at 31 March 2014	173,052,852	627,910	2,024,708	17,959	7,727,004	183,450,433
Depreciation						
As at 31 December 2013	26,675,079	596,228	1,640,418	13,201	-	28,924,926
Charge for the period	1,781,385	5,784	84,832	535	-	1,872,536
Disposal	-	-	-	(4,424)	-	(4,424)
Exchange adjustment	(33,692)	-	(1)	-	-	(33,693)
As at 31 March 2014	28,422,772	602,012	1,725,249	9,312	-	30,759,345
Net book value						
As at 31 March 2014	144,630,080	25,898	299,459	8,647	7,727,004	152,691,088
As at 31 December 2013	146,581,447	31,682	366,893	9,182	7,050,001	154,039,205
As at 31 March 2013	123,272,717	57,972	407,860	212	17,540,915	141,279,676

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

	Kuwaiti Dinars	
	Three months ended	
	31 March (Unaudited)	
	2014	2013
Operating costs	1,781,920	1,470,942
Administrative expenses	90,616	77,147
	1,872,536	1,548,089

5. Cash and bank balances

	Kuwaiti Dinars		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Cash on hand	22,537	34,289	14,136
Current account with banks	14,044,209	13,640,810	14,420,519
Time deposits with banks	35,222,872	23,311,480	14,849,726
Cash & cash equivalents in the statement of cash flows	49,289,618	36,986,579	29,284,381
Time deposits with banks whose maturity period exceeds three months	6,902,541	6,277,210	15,358,232
	56,192,159	43,263,789	44,642,613

The effective interest rate as of 31 March 2014 was 1.5% to 2.5% (31 December 2013: 1.31% to 2.5%; 31 March 2013: 1.13% to 2.5%).

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2014

6. Share capital

The authorised share capital of the Ultimate Parent Company as at 31 March 2014 is KD 42,000,000 (31 December 2013: KD 42,000,000; 31 March 2013: KD 42,000,000) comprising of 420,000,000 shares of 100 fils each (31 December 2013: 420,000,000 shares of 100 fils each; 31 March 2013: 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 2013: KD 42,000,000; 31 March 2013: KD 42,000,000) comprising of 420,000,000 shares of 100 fils each (31 December 2013: 420,000,000 shares of 100 fils each; 31 March 2013: 420,000,000 shares of 100 fils each).

Dividend

The annual general meeting of the shareholders of the Ultimate Parent Company held on 20 March 2014 approved the distribution of cash dividend of 15 fils per share to the shareholders, amounting to KD 6,300,000 (31 December 2013: Nil, 31 March 2013: Nil).

7. Term loans

	Kuwaiti Dinars		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Term loans are repayable as follows:			
Not later than 1 year	23,849,345	21,215,398	18,064,895
Later than 1 year and not later than 2 years	21,493,399	17,246,331	33,854,961
Later than 2 year and not later than 5 years	57,740,490	47,754,126	40,170,555
Later than 5 years	14,768,989	15,536,922	11,103,158
	<u>94,002,878</u>	<u>80,537,379</u>	<u>85,128,674</u>
	<u>117,852,223</u>	<u>101,752,777</u>	<u>103,193,569</u>

This includes four loans as follows:

- Term loans of KD 76.82 million (31 December 2013: KD 79.06 million; 31 March 2013: KD 70.27 million), represent senior loans arranged through JLC, SALC-1, SALC-2, SALC-3 and Owner Trustee. They are denominated in US Dollars and represent amounts due to local banks and European banks. The effective interest rate as of 31 March 2014 was 1.19% to 6.52% (31 December 2013: 1.19% to 6.52%; 31 March 2013: 1.25% to 6.52%) and these term loans are secured by a first priority charge/pledge over the shares of JLC, SALC-1, SALC-2, SALC-3 and a first priority registered aircraft mortgage over each aircraft. These are repayable over a period up to 28 May 2025.
- Term loan of KD 4.23 million (31 December 2013: KD 4.23 million; 31 March 2013: 12.92 million) denominated in US Dollars represents amounts due to a local commercial bank. This facility is fully guaranteed by the Ultimate Parent Company. The final instalment is due on 30 June 2014. The effective interest rate as at 31 March 2014 was 2.99% (31 December 2013: 2.99%; 31 March 2013: 3.05%).
- Term loan of KD 16.95 million (31 December 2013: KD 18.46 million; 31 March 2013: 20 million) 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 31 March 2014 was 4.2% (31 December 2013: 4.2%; 31 March 2013: 4.2%). This loan is repayable over a period up to 19 December 2016.
- Term loan of KD 19.86 million (31 December 2013: Nil; 31 March 2013: Nil) denominated in US Dollars represents facility from a local commercial bank. This facility is fully guaranteed by the Ultimate Parent Company. The effective interest rate as at 31 March 2014 was 1.98% (31 December 2013: Nil; 31 March 2013: Nil). This loan is repayable over a period up to 1 April 2017.

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2014

8. Due to banks

This represents unsecured overdraft facility of USD 3.88 million (31 December 2013: USD 1.05 million, 31 March 2013: USD 2.87 million) from a local commercial bank. The effective interest rate as of 31 March 2014 was 2.24% (31 December 2013: 2.24%; 31 March 2013: 2.31%).

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 31 March (Unaudited)	
	2014	2013
Earnings attributable to share holders of Ultimate Parent Company	2,084,211	3,579,946
Weighted average number of issued shares	420,000,000	420,000,000
Earnings per share (fils) - Basic & Diluted	4.96	8.52

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 condensed consolidated financial information are as follows:

	Kuwaiti Dinars		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Balances			
Due from related party	109,275	17,102	390,744

	Kuwaiti Dinars Three months ended 31 March (Unaudited)	
	2014	2013
Transactions		
Sales and services	469,086	419,616
Administration and distribution expenses	19,906	19,144
Key management compensation		
Salaries and other employment benefits	129,915	124,431

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2014

11. Segment information

The Group derives their 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 three months ended 31 March 2014 is as follows:

	Kuwaiti Dinars					
	Three months period ended 31 March 2014 (Unaudited)			Three months period ended 31 March 2013 (Unaudited)		
	Passenger airline service	Leasing of aircraft	Total	Passenger airline Service	Leasing of aircraft	Total
Segment revenue	12,435,627	3,720,077	16,155,704	12,994,182	3,852,661	16,846,843
Less: Inter segment revenue	-	(2,352,158)	(2,352,158)	-	(2,187,345)	(2,187,345)
Revenue from external customers	12,435,627	1,367,919	13,803,546	12,994,182	1,665,316	14,659,498
Reportable segment profit before contribution to taxes	1,234,971	948,267	2,183,238	2,277,466	1,471,499	3,748,965

Reportable segment's assets and liabilities:

	Kuwaiti Dinars					
	31 March 2014 (Unaudited)			31 December 2013 (Audited)		
	Passenger airline service	Leasing of aircraft and engine	Total	Passenger airline service	Leasing of aircraft and engine	Total
Total assets	39,885,938	179,634,364	219,520,302	27,168,790	179,841,177	207,009,967
Allocated liabilities	36,149,686	112,809,035	148,958,721	36,543,130	94,882,716	131,425,846
Unallocated liabilities	-	-	99,027	-	-	777,549
Total liabilities	36,149,686	112,809,035	149,057,748	36,543,130	94,882,716	132,203,395
Total assets less liabilities	3,736,252	66,825,329	70,561,554	31,917,887	164,583,042	196,500,929

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

12. Derivatives

The Group has hedged part of its interest rate risk from floating rate liabilities using interest rate options. As at 31 March 2014, interest rate options with an aggregate notional amount of KD 4,591,176 (31 December 2013: KD 4,784,416; 31 March 2013: KD 5,198,710) and a positive fair value of KD 50,238 (31 December 2013: KD 53,007; 31 March 2013: KD 61,435) 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 957,598 (31 December 2013: KD 2,068,651; 31 March 2013: KD 2,083,481).

The Ultimate Parent Company has also provided guarantee to JLC, 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 one aircraft (31 December 2013: one; 31 March 2013: three) with a list price of approximately KD 19,721,100 (31 December 2013: KD 19,749,100; 31 March 2013: KD 59,839,500). This aircraft has to be acquired over a period of one year.

Operating lease income

The future minimum lease rent receivable on the operating lease is KD 32,131,261 (31 December 2013: KD 30,858,279; 31 March 2013: KD 35,049,809) and is receivable as follows.

	Kuwaiti Dinars		
	31 March 2014 (Unaudited)	31 December 2013 (Audited)	31 March 2013 (Unaudited)
Not later than one year	6,115,795	5,383,041	5,404,410
Later than one year but not later than five years	21,551,741	20,072,269	20,766,145
Later than five years	4,463,725	5,402,969	8,879,254
	<u>32,131,261</u>	<u>30,858,279</u>	<u>35,049,809</u>