

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

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

**C o n t e n t s**

	<b>Page</b>
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 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 June 2013 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six 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.

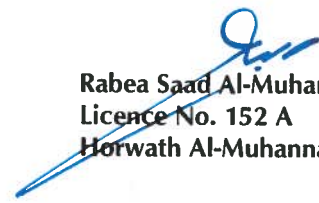
#### **Report on other Legal and Regulatory Requirements**

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 of the Ultimate Parent Company during the six month period ended 30 June 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.

Kuwait  
30 July 2013



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

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

	Note	Kuwaiti Dinars		
		30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2012 (Unaudited)
<b>ASSETS</b>				
<b>Non-current Assets</b>				
Property and equipment	4	149,283,011	140,869,217	142,674,168
Advance for maintenance		4,600,346	3,479,883	7,278,797
Deposits		874,240	860,803	671,152
Goodwill		3,443,481	3,443,481	3,443,481
		<u>158,201,078</u>	<u>148,653,384</u>	<u>154,067,598</u>
<b>Current Assets</b>				
Inventories, expendable parts and supplies		230,005	221,930	216,377
Trade and other receivables		2,011,485	1,475,625	1,795,527
Cash and bank balances	5	46,114,850	47,887,598	21,598,459
		<u>48,356,340</u>	<u>49,585,153</u>	<u>23,610,363</u>
<b>Total assets</b>		<u>206,557,418</u>	<u>198,238,537</u>	<u>177,677,961</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Equity</b>				
<b>Attributable to Ultimate Parent Company's shareholders</b>				
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		21,769,759	14,278,364	5,597,553
Foreign currency translation reserve		91,438	(991,311)	(1,324,353)
		<u>66,598,790</u>	<u>58,024,646</u>	<u>29,779,307</u>
<b>Non-controlling interests</b>		428	357	287
<b>Total equity</b>		<u>66,599,218</u>	<u>58,025,003</u>	<u>29,779,594</u>
<b>Non-current liabilities</b>				
Term loans	7	90,464,221	76,197,067	67,308,470
Post employment benefits		1,655,321	1,466,608	1,377,133
Security deposits from lessees		1,589,546	1,260,448	1,255,780
Due to a related party		-	-	3,799,869
Advance received from lessee		9,420,131	8,177,821	10,601,584
Deferred purchase consideration		-	-	28,459,011
		<u>103,129,219</u>	<u>87,101,944</u>	<u>112,801,847</u>
<b>Current liabilities</b>				
Term loans	7	14,457,417	17,572,209	12,479,108
Due to banks	8	430,660	114,621	735,998
Due to a related party		-	2,234,495	-
Trade and other payables		10,433,238	10,941,060	12,147,399
Deferred revenue		11,507,666	7,249,205	9,734,015
Deferred purchase consideration		-	15,000,000	-
		<u>36,828,981</u>	<u>53,111,590</u>	<u>35,096,520</u>
<b>Total liabilities and equity</b>		<u>206,557,418</u>	<u>198,238,537</u>	<u>177,677,961</u>

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



Marwan Marzouk Boodai  
Chairman

Condensed Consolidated Statement of Income (Unaudited) -  
Six months ended 30 June 2013

	Note	Kuwaiti Dinars			
		Three months ended 30 June		Six months ended 30 June	
		2013	2012	2013	2012
Revenue		16,086,674	15,561,369	30,746,172	28,258,515
Operating costs		(10,162,660)	(10,615,624)	(19,436,073)	(20,153,318)
<b>Operating profit</b>		<b>5,924,014</b>	<b>4,945,745</b>	<b>11,310,099</b>	<b>8,105,197</b>
Other income		126,543	97,114	266,149	128,910
Administrative expenses		(982,262)	(794,631)	(1,839,982)	(1,687,554)
Finance costs		(887,557)	(1,202,893)	(1,823,286)	(2,470,401)
Foreign exchange loss		(86,241)	(472,519)	(69,518)	(210,277)
Profit before contribution to taxes		4,094,497	2,572,816	7,843,462	3,865,875
Contribution to Zakat Tax		(41,771)	19,976	(80,422)	-
Kuwait Foundation for the Advancement of Sciences		(36,850)	(23,155)	(70,591)	(34,793)
National Labour Support Tax		(104,427)	49,941	(201,054)	-
<b>Profit for the period</b>		<b>3,911,449</b>	<b>2,619,578</b>	<b>7,491,395</b>	<b>3,831,082</b>
<b>Attributable to:</b>					
Shareholders of the Ultimate Parent Company		3,911,449	2,619,578	7,491,395	3,831,082
<b>Earnings per share (fils) - Basic &amp; Diluted</b>	9	<b>9.31</b>	<b>7.21</b>	<b>17.84</b>	<b>10.54</b>

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) -  
Six months ended 30 June 2013

	Kuwaiti Dinars			
	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
Profit for the period	3,911,449	2,619,578	7,491,395	3,831,082
Exchange differences on translating foreign operations	239,827	134,807	1,082,749	74,233
<b>Total comprehensive income for the period</b>	<b>4,151,276</b>	<b>2,754,385</b>	<b>8,574,144</b>	<b>3,905,315</b>

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) -  
Six months ended 30 June 2013

	Kuwaiti Dinars			
	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
Profit for the period	3,911,449	2,619,578	7,491,395	3,831,082
Exchange differences on translating foreign operations	239,827	134,807	1,082,749	74,233
<b>Total comprehensive income for the period</b>	<b>4,151,276</b>	<b>2,754,385</b>	<b>8,574,144</b>	<b>3,905,315</b>

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

Condensed Consolidated Statement of Changes in Equity (Unaudited) - Six months ended 30 June 2013

	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 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	-	-	-	7,491,395	1,082,749	-	8,574,144
Issue of right shares	17,800,000	(17,800,000)	-	-	-	-	-
Acquisition during the period	-	-	-	-	-	71	71
At 30 June 2013	42,000,000	-	2,737,593	21,769,759	91,438	428	66,599,218
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	-	-	-	3,831,082	74,233	-	3,905,315
Issue of bonus shares	2,200,000	-	-	(2,200,000)	-	-	-
At 30 June 2012	24,200,000	-	1,306,107	5,597,553	(1,324,353)	287	29,779,594

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



**Condensed Consolidated Statement of Cash Flows (Unaudited) - Six months ended 30 June 2013**

	Note	Kuwaiti Dinars	
		30 June 2013 (Unaudited)	30 June 2012 (Unaudited)
<b>Cash flows from operating activities</b>			
Profit for the period		7,491,395	3,831,082
<i>Adjustments for:</i>			
Depreciation		3,162,798	2,889,860
Finance costs		1,823,286	2,470,401
Foreign exchange loss		69,518	210,277
Provision for post employment benefits		200,000	120,000
Operating profit before working capital changes		12,746,997	9,521,620
Increase in inventories		(8,075)	(31,721)
Increase in trade and other receivables		(535,860)	(23,395)
Decrease in trade and other payables		(1,463,957)	(1,500,184)
Decrease in aircraft lease maintenance reserve		-	(7,695,720)
Increase in deferred revenue		4,258,461	3,463,639
Post employment benefits paid		(11,287)	(26,675)
Net cash from operating activities		14,986,279	3,707,564
<b>Cash flows from investing activities</b>			
Purchase of property and equipment (net)		(9,513,785)	(1,279,890)
Increase in advance for maintenance		(1,120,463)	(936,896)
Refund of advance paid towards aircraft purchase		-	3,935,431
Increase in time deposits with banks		(10,777,624)	(621,021)
Increase in advance received from lessee		1,242,310	9,239,143
Change in non-controlling interest		71	-
Net cash (used in)/ from investing activities		(20,169,491)	10,336,767
<b>Cash flows from financing activities</b>			
Repayment of deferred purchase consideration		(15,000,000)	-
Proceeds from term loans (net)		11,152,362	8,768,225
Proceeds from/ (repayment of) overdraft		246,521	(11,753,754)
Increase in security deposits from lessees		329,098	4,200
Repayment of loan from related party		(2,234,495)	(3,963,057)
Finance costs paid		(867,151)	(1,639,943)
Net cash used in financing activities		(6,373,665)	(8,584,329)
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(11,556,877)</b>	<b>5,460,002</b>
<b>Cash and cash equivalents at</b>			
beginning of period		42,895,649	12,014,657
effects of exchange rate changes on cash and cash equivalents		(993,495)	(84,870)
end of period	5	30,345,277	17,389,789

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 Companies Law issued on 26 November 2012 by Decree Law no 25 of 2012 (the "Companies Law"), which was published in the Official Gazette on 29 November 2012, cancelled the Commercial Companies Law No 15 of 1960. The Companies Law was subsequently amended on 27 March 2013 by Decree Law no 97 of 2013 (the Decree).

According to article 2 and 3 of the Decree, Executive Regulations which shall be issued by the Minister of Industry and Commerce by 26 September 2013 will determine the basis and rules which the Company shall adopt to regularise its affairs with the Companies Law as amended.

The Ultimate Parent Company has the following subsidiaries:

<i>Name of the Company</i>	<i>Percentage of Holding</i>	<i>Description</i>
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 June 2013 was 406 (31 December 2012: 426, 30 June 2012: 425).

This interim consolidated financial information was approved for issue by the Board of Directors on 30 July 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 to IFRS 7*

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. These amendments will not impact the Group's financial position or performance and become effective.

#### *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.

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 six-months period ended 30 June 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.

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 June 2013

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 June 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

	Kuwaiti Dinars					Total
	Aircraft & engines	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	
<b>Cost</b>						
As at 31 December 2012	143,444,331	627,910	1,785,344	11,693	17,230,475	163,099,753
Additions	8,803,368	-	79,930	10,690	619,797	9,513,785
Transfer	5,842,185	-	1,247	-	(5,843,432)	-
Exchange adjustment	2,074,847	-	15	-	255,325	2,330,187
As at 30 June 2013	160,164,731	627,910	1,866,536	22,383	12,262,165	174,943,725
<b>Depreciation</b>						
As at 31 December 2012	20,289,297	555,710	1,374,256	11,273	-	22,230,536
Charge for the period	3,005,242	28,281	128,419	856	-	3,162,798
Exchange adjustment	267,373	-	7	-	-	267,380
As at 30 June 2013	23,561,912	583,991	1,502,682	12,129	-	25,660,714
<b>Net book value</b>						
As at 30 June 2013	136,602,819	43,919	363,854	10,254	12,262,165	149,283,011
As at 31 December 2012	123,155,034	72,200	411,088	420	17,230,475	140,869,217
As at 30 June 2012	124,148,163	119,244	432,356	888	17,973,517	142,674,168

Depreciation has been allocated in statement of income as follows:

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
Operating costs	1,535,156	1,390,148	3,006,098	2,687,510
Administrative expenses	78,923	102,516	156,700	202,350
	1,614,079	1,492,664	3,162,798	2,889,860

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 June 2013

5. Cash and bank balances

	Kuwaiti Dinars		
	30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2012 (Unaudited)
Cash on hand	27,047	23,868	28,324
Current account with banks	16,067,484	29,729,850	12,667,508
Time deposits with banks	14,250,746	13,141,931	4,693,957
Cash & cash equivalents in the statement of cash flows	30,345,277	42,895,649	17,389,789
Time deposits with banks whose maturity period exceeds three months	15,769,573	4,991,949	4,208,670
	<u>46,114,850</u>	<u>47,887,598</u>	<u>21,598,459</u>

The effective interest rate as of 30 June 2013 was 1% to 2.5% (31 December 2012: 0.47% to 2.5%, 30 June 2012: 1% to 7.5%).

6. Share capital

The authorised share capital of the Ultimate Parent Company as at 30 June 2013 is KD 42,000,000 (31 December 2012: KD 42,000,000; 30 June 2012: KD 24,200,000) comprising of 420,000,000 shares of 100 fils each (31 December 2012: 420,000,000 shares of 100 fils each; 30 June 2012: 242,000,000 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 June 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 June 2012: 242,000,000 shares of 100 fils each).

7. Term loans

	Kuwaiti Dinars		
	30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2012 (Unaudited)
<i>Term loans are repayable as follows:</i>			
Not later than 1 year	14,457,417	17,572,209	12,479,108
Later than 1 year and not later than 2 years	34,631,329	23,571,487	12,664,139
Later than 2 year and not later than 5 years	41,483,490	40,784,328	42,327,388
Later than 5 years	14,349,402	11,841,252	12,316,943
	<u>90,464,221</u>	<u>76,197,067</u>	<u>67,308,470</u>
	<u>104,921,638</u>	<u>93,769,276</u>	<u>79,787,578</u>

This includes three loans as follows:

- Term loans of KD 76.27 million (31 December 2012: KD 71.11 million; 30 June 2012: KD 67.20 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 June 2013 was 1.23% to 6.52% (31 December 2012: 1.30% to 6.52%; 30 June 2012: 1.41% 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.
- Term loan of KD 8.65 million (31 December 2012: KD 12.66 million; 30 June 2012: KD 12.59 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 in two equal instalments of USD 15 million (KD 4.3 million) each of which the final instalment is due on 30 June 2014. The effective interest rate as at 30 June 2013 was 3.02% (31 December 2012: 3.22%; 30 June 2012: 3.22%).

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 June 2013

c) Term loan of KD 20 million (31 December 2012: KD 10 million; 30 June 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 June 2013 was 4.2% (31 December 2012: 4.2%; 30 June 2012: Nil).

8. Due to banks

This represents unsecured overdraft facility of USD 1.51 million (31 December 2012: USD 407 thousand, 30 June 2012: USD 2.6 million) from a local commercial bank. The effective interest rate as of 30 June 2013 was 2.28% (31 December 2012: 2.47%, 30 June 2012: 2.47%).

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 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2013	2012	2013	2012
Earnings attributable to share holders of Ultimate Parent company	3,911,449	2,619,578	7,491,395	3,831,082
Weighted average number of issued shares	420,000,000	363,419,360	420,000,000	363,419,360
<b>Earnings per share (fils) – Basic &amp; Diluted</b>	<b>9.31</b>	<b>7.21</b>	<b>17.84</b>	<b>10.54</b>

Earnings per share were 10.82 fils and 15.83 fils for the three months and six months ended 30 June 2012 before retrospective adjustment to the number of shares following the bonus and rights issue in 2012.

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 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2012 (Unaudited)
<b>Balances</b>			
Due from related party	153,100	44,236	264,766

	Kuwaiti Dinars			
	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
<b>Transactions</b>				
Sales and services	570,629	658,481	990,245	1,014,094
Administration and distribution expenses	22,232	56,632	41,376	73,717
<b>Key management compensation</b>				
Salaries and other employment benefits	127,261	120,777	251,692	240,042

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 June 2013

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 period ended 30 June 2013 is as follows:

	Kuwaiti Dinars											
	Three months period ended 30 June 2013 (Unaudited)			Three months period ended 30 June 2012 (Unaudited)			Six months period ended 30 June 2013 (Unaudited)			Six months period ended 30 June 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	14,555,765	3,606,203	18,161,968	13,923,656	3,777,775	17,701,431	27,549,947	7,458,864	35,008,811	25,029,668	7,355,764	32,385,432
Less: Intersegment revenue	-	(2,075,294)	(2,075,294)	-	(2,140,062)	(2,140,062)	-	(4,262,639)	(4,262,639)	-	(4,126,917)	(4,126,917)
Revenue from external customers	14,555,765	1,530,909	16,086,674	13,923,656	1,637,713	15,561,369	27,549,947	3,196,225	30,746,172	25,029,668	3,228,847	28,258,515
Reportable segment profit before contribution to taxes	2,966,929	1,127,568	4,094,497	1,287,136	1,285,680	2,572,816	5,244,395	2,599,067	7,843,462	1,114,888	2,750,987	3,865,875

Reportable segment's assets and liabilities:

	Kuwaiti Dinars											
	30 June 2013 (Unaudited)			31 December 2012 (Audited)			30 June 2012 (Unaudited)			30 June 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	Passenger airline service	Leasing of aircraft and engine	Total
Total assets	32,600,812	173,956,606	206,557,418	35,740,643	162,497,894	198,238,537	12,522,065	165,155,896	177,677,961			
Allocated liabilities	43,215,629	96,390,504	139,606,133	31,400,455	93,441,601	124,842,056	25,288,626	94,115,937	119,404,563			
Unallocated liabilities	-	-	352,067	-	-	15,371,478	-	-	28,493,804			
Total liabilities	43,215,629	96,390,504	139,958,200	31,400,455	93,441,601	140,213,534	25,288,626	94,115,937	147,898,367			

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.

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 June 2013

**12. Derivatives**

The Group has hedged part of its interest rate risk from floating rate liabilities using interest rate options. As at 30 June 2013, interest rate options with an aggregate notional amount of KD 5,209,292 (31 December 2012: KD 5,481,227; 30 June 2012: KD 5,782,181) and a positive fair value of KD 58,922 (31 December 2012: KD 63,259; 30 June 2012: KD 168,057) 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 2,082,126 (31 December 2012: KD 2,078,369, 30 June 2012: KD 2,177,308).

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 June 2012: three) with a list price of approximately KD 39,974,200 (31 December 2012: KD 59,083,500; 30 June 2012: KD 58,737,000). 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 34,024,597 (31 December 2012: KD 36,188,826, 30 June 2012: 38,613,946) and is receivable as follows.

	Kuwaiti Dinars		
	30 June 2013 (Unaudited)	31 December 2012 (Audited)	30 June 2012 (Unaudited)
Not later than one year	5,455,926	5,375,790	5,336,676
Later than one year but not later than five years	20,758,913	20,856,118	21,110,171
Later than five years	7,809,758	9,956,918	12,167,099
	<u>34,024,597</u>	<u>36,188,826</u>	<u>38,613,946</u>

**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.