

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

**Interim Condensed Consolidated Financial Information (Unaudited)
and
Independent Auditors' Review Report
31 March 2015**

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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 2015 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

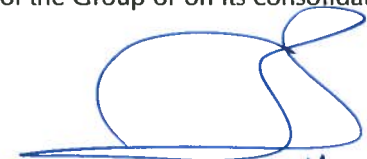
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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, and its executive regulations or of the Memorandum of Incorporation and Articles of Association of the Ultimate Parent Company during the three month period ended 31 March 2015, that might have had a material effect on the business of the Group or on its consolidated financial position.



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Kuwait
28 April 2015



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Condensed Consolidated Statement of Financial Position (Unaudited) as at 31 March 2015

		Kuwaiti Dinars		
		31 March 2015	31 December 2014	31 March 2014
		(Unaudited)	(Audited)	(Unaudited)
ASSETS				
Non-current Assets				
Property and equipment	4	1,855,556	1,970,221	152,691,088
Advance for maintenance		7,447,618	7,286,137	4,374,919
Security deposit with a lessor		1,419,790	1,419,790	-
Deposits		1,261,340	1,230,051	1,047,993
Goodwill		-	-	3,443,481
		<u>11,984,304</u>	<u>11,906,199</u>	<u>161,557,481</u>
Current Assets				
Inventories, expendable parts and supplies		227,023	211,985	237,910
Trade and other receivables		2,460,714	2,157,173	1,532,752
Cash and bank balances	5	67,002,611	64,810,640	56,192,159
		<u>69,690,348</u>	<u>67,179,798</u>	<u>57,962,821</u>
Assets classified as held for sale	6	152,267,310	148,490,160	-
		<u>221,957,658</u>	<u>215,669,958</u>	<u>57,962,821</u>
Total assets		<u>233,941,962</u>	<u>227,576,157</u>	<u>219,520,302</u>
LIABILITIES AND EQUITY				
Equity				
Attributable to Ultimate Parent Company's shareholders				
Share capital	7	42,000,000	42,000,000	42,000,000
Legal reserve		4,482,688	4,482,688	4,482,688
Retained earnings		23,034,101	20,019,589	24,990,885
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale		2,135,450	974,175	(1,011,447)
		<u>71,652,239</u>	<u>67,476,452</u>	<u>70,462,126</u>
Non-controlling interests		428	428	428
Total equity		<u>71,652,667</u>	<u>67,476,880</u>	<u>70,462,554</u>
Non-current liabilities				
Term loans	8	-	-	94,002,878
Post employment benefits		2,482,705	2,354,698	1,828,645
Security deposits from lessees		-	-	1,511,059
Advance received from lessees		-	-	10,057,860
		<u>2,482,705</u>	<u>2,354,698</u>	<u>107,400,442</u>
Current liabilities				
Term loans	8	114,343,941	116,283,015	23,849,345
Due to banks	9	552,445	321,362	1,092,815
Trade and other payables		13,635,745	11,350,373	8,974,058
Deferred revenue		5,877,982	6,335,469	7,741,088
		<u>134,410,113</u>	<u>134,290,219</u>	<u>41,657,306</u>
Liabilities directly associated with assets classified as held for sale	6	25,396,477	23,454,360	-
Total liabilities		<u>162,289,295</u>	<u>160,099,277</u>	<u>149,057,748</u>
Total liabilities and equity		<u>233,941,962</u>	<u>227,576,157</u>	<u>219,520,302</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 2015

	Note	Kuwaiti Dinars	
		Three months ended 31 March	
		2015	2014
Continuing operations			
Revenue		12,869,462	12,435,627
Operating costs		(9,473,258)	(10,500,743)
Operating profit		3,396,204	1,934,884
Other income		475,052	390,230
General and administrative expenses		(965,000)	(927,123)
Finance costs		(125,906)	(200,793)
Foreign currency (loss)/gain		(39,019)	37,773
Profit before contribution to taxes		2,741,331	1,234,971
Zakat expense		(28,693)	(13,196)
Contribution to Kuwait Foundation for the Advancement of Sciences		(24,672)	(11,115)
National Labour Support Tax		(71,734)	(32,992)
Profit for the period from continuing operations		2,616,232	1,177,668
Discontinued operations			
Net profit for the period from discontinued operations	10	398,280	906,543
Net profit for the period		3,014,512	2,084,211
Attributable to:			
Shareholders of the Ultimate Parent Company		3,014,512	2,084,211
Earnings per share (fils) - Basic & Diluted	11		
From continuing and discontinued operations		7.18	4.96
From continuing operations		6.23	2.80

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 2015

	Kuwaiti Dinars	
	Three months ended 31 March	
	2015	2014
Profit for the period	3,014,512	2,084,211
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Discontinued Operations		
Exchange differences on translating foreign operation	1,161,275	(128,229)
Total comprehensive income for the period	<u>4,175,787</u>	<u>1,955,982</u>
Attributable to:		
Shareholders of the Ultimate Parent Company	<u>4,175,787</u>	<u>1,955,982</u>

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 2015

	Kuwaiti Dinars						Total equity
	Equity attributable to the Ultimate Parent Company's Shareholders						
	Share capital	Legal reserve	Retained earnings	Amounts recognised in other comprehensive income and accumulated in equity relating to non- current assets held for sale	Non- controlling interest		
At 1 January 2015	42,000,000	4,482,688	20,019,589	974,175	428	67,476,880	
Total comprehensive income for the period	-	-	3,014,512	1,161,275	-	4,175,787	
At 31 March 2015	42,000,000	4,482,688	23,034,101	2,135,450	428	71,652,667	
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	

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 2015

	Note	Kuwaiti Dinars	
		31 March 2015 (Unaudited)	31 March 2014 (Unaudited)
Cash flows from operating activities			
Profit for the period		3,014,512	2,084,211
<i>Adjustments for:</i>			
Depreciation	4	123,671	1,872,536
Finance costs		768,938	808,233
Foreign exchange loss/(gain)		39,233	(38,045)
Provision for post employment benefits		172,435	135,000
Operating profit before working capital changes		4,118,789	4,861,935
Increase in inventories		(15,038)	(27,681)
Increase in deposits		(31,289)	(184,163)
Increase in trade and other receivables		(303,541)	(140,380)
Increase/(decrease) in trade and other payables		2,197,499	(305,601)
Decrease in deferred revenue		(457,487)	(144,437)
Post-employment benefits paid		(44,428)	(50,289)
Net cash from operating activities		<u>5,464,505</u>	<u>4,009,384</u>
Cash flows from investing activities			
Purchase of property and equipment (net)	4	(8,997)	(740,670)
Increase in advance for maintenance		(161,481)	(577,858)
Increase in time deposits with banks		(1,451,214)	(625,331)
Increase in advance received from lessee		1,859,595	266,362
Net cash from/(used in) investing activities		<u>237,903</u>	<u>(1,677,497)</u>
Cash flows from financing activities			
Proceeds from term loans		-	19,861,965
Repayment of term loans		(1,939,074)	(3,762,519)
Proceeds from overdraft		231,083	797,565
Increase/(decrease) in security deposits from lessees		82,522	(2,145)
Dividend paid		-	(6,300,000)
Finance costs paid		(720,298)	(711,736)
Net cash (used in)/from financing activities		<u>(2,345,767)</u>	<u>9,883,130</u>
Net increase in cash and cash equivalents		3,356,641	12,215,017
Cash and cash equivalents at			
beginning of period	5	52,490,273	36,986,579
effects of exchange rate changes on cash and cash equivalents		(2,615,884)	88,022
end of period	5	<u>53,231,030</u>	<u>49,289,618</u>

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

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 objects of the Ultimate Parent Company are –

- Air transportation services without the luxury services.
- Carry out all air transportation and other air services and all other related activities including people air transportation, cargo, goods and mails in Kuwait and abroad.
- Provide aircraft and other related asset purchasing services in favour of others and coordinate with the manufacturers.
- Provide both operating and financing lease services as needed and required by the clients "aviation companies".
- Market the aircraft to cover the medium and long-term needs of the aviation companies that ask for such services.
- Assist aviation companies to market their aircraft through sale or lease.
- Engage in providing and financing the technical support and various assets management services to aviation companies.
- Assist in co-investment processes specialized in the aviation industry.
- Invest whether partially or wholly in supplying aircraft, engines and spare parts as per needs of the clients "aviation companies" and manufacturers.
- Provide all aircraft related services to aviation companies and others whether in Kuwait or abroad, such as: handling, maintenance and other services.
- Booking tickets and passengers' services.
- Supply and deal in delivering and managing all services and products required by aviation sector, in order to properly carry out operations and maintain, support and provide aircraft customs brokerage services.
- Owning real estate and movable property to conduct its operations within the limits as stipulated by law.
- Providing services of financing aircraft purchase projects (in whole or in part) in light of the evaluation studies and determining the factors of risks associated with such projects.
- Establishing and utilizing aircraft service stations, warehouses, hangars, workshops, factories, as well as all machineries, devices and equipment related to the company's purposes.
- Investing in fields of air transportation of passengers, goods, facilities and utilities required to serve the company's purposes or its achievement.
- Founding and establishing branches and agencies of the company in Kuwait and abroad as well as conducting the businesses of ground, technical and commercial agency of Arabian and foreign airlines inside Kuwait and abroad.

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2015

- Providing service of tourism, travel and freight and conducting all its related businesses including land conveyance, holidays and flights' integrated services, car rental with or without a driver, as well as all touristic businesses related to the company's purposes, in addition to holding celebrations, competitions, exhibitions, currency exchange transactions and selling goods and products on the company's aircraft, offices and premises.
- Providing services of management and marketing in addition to the consultancy services related to the field of aircraft industry.
- Conducting all air cargo businesses inside and outside Kuwait within the limits as stipulated by law.
- Conducting all businesses of transporting, handling, distributing and customs clearance of goods related to air cargo.
- Establishing aviation, wireless studies, engineering, air and ground services institutes, in addition to training the technical personnel in the field of aviation and qualifying the Kuwaiti citizens in order to assume the technical, administrative and commercial businesses required to achieve the company's purposes.
- Owning and granting any privileges, leases or investments, as well as outsourcing any businesses or other rights related aircraft.
- Investing surplus funds in investment and real estate portfolios managed by specialized companies or entities.

The 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 2015 was 426 (31 December 2014: 424, 31 March 2014: 436).

This interim consolidated financial information was approved for issue by the Board of Directors on 28 April 2015.

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 2014, except adoption of the following amendment:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual reporting period starting from 1 July 2014 and did not result in any material impact on the financial position or performance of the Group.

Adoption of other new or amended Standards are not expected to have material effect on the consolidated financial position or financial 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 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. 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 2014.

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 2015 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".

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2015

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".

4. Property and equipment

	Kuwaiti Dinars					Total
	Aircraft & engines	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	
Cost						
As at 31 December 2014	1,543,003	1,239,947	2,064,098	21,854	75,372	4,944,274
Additions	-	-	6,815	-	2,182	8,997
Transfer	-	12,570	-	-	(12,570)	-
Exchange adjustment	-	-	27	-	-	27
As at 31 March 2015	1,543,003	1,252,517	2,070,940	21,854	64,984	4,953,298
Depreciation						
As at 31 December 2014	351,511	687,492	1,923,551	11,499	-	2,974,053
Charge for the period	51,005	34,744	37,193	729	-	123,671
Exchange adjustment	-	-	18	-	-	18
As at 31 March 2015	402,516	722,236	1,960,762	12,228	-	3,097,742
Net book value						
As at 31 March 2015	1,140,487	530,281	110,178	9,626	64,984	1,855,556
As at 31 December 2014	1,191,492	552,455	140,547	10,355	75,372	1,970,221
As at 31 March 2014	144,630,080	25,898	299,459	8,647	7,727,004	152,691,088

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

	Kuwaiti Dinars	
	Three months ended	
	31 March (Unaudited)	
	2015	2014
Operating costs	51,734	1,781,920
Administrative expenses	71,937	90,616
	123,671	1,872,536

5. Cash and bank balances

	Kuwaiti Dinars		
	31 March	31 December	31 March
	2015	2014	2014
	(Unaudited)	(Audited)	(Unaudited)
Cash on hand	24,326	23,784	22,537
Current account with banks	14,365,190	12,364,992	14,044,209
Time deposits with banks	38,841,514	40,101,497	35,222,872
Cash & cash equivalents in the statement of cash flows	53,231,030	52,490,273	49,289,618
Time deposits with banks whose maturity period exceeds three months	13,771,581	12,320,367	6,902,541
	67,002,611	64,810,640	56,192,159

The effective interest rate as of 31 March 2015 was 0.01% to 7.25% (31 December 2014: 0.01% to 7.50%; 31 March 2014: 1.5% to 2.5%).

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2015

6. Assets classified as held for sale and liabilities directly associated with assets classified as held for sale

On 15 January 2015, the Group entered into an agreement to sell its entire fleet of aircraft (the sale agreement) to third parties ("the Purchasers") with effective economic date as of 23 December 2014 for an aggregate base price of US\$ 507 million, with a minimum consideration of US\$ 500 million and maximum consideration of US\$ 514 million. Final consideration will be agreed at the delivery date of each aircraft and will be based on various factors including interest rates prevailing at that date. The delivery of all aircraft is agreed to take place within a period of six months from the agreement date. All advances for maintenance received from lessees, and the lease rentals from 23 December 2014 are agreed to be transferred to the Purchasers at the time of delivery.

The Group intends to repay the term loans, obtained earlier for the purchase of each aircraft, from the proceeds of sale. The following assets and liabilities directly associated with the assets are classified as held for sale:

6.1 Assets classified as held for sale

	Kuwaiti Dinars		
	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Equipment	152,267,310	148,490,160	-

6.2 Liabilities directly associated with assets classified as held for sale

	Kuwaiti Dinars		
	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Security deposits from lessees	3,326,695	3,244,173	-
Advances received from lessees	22,069,782	20,210,187	-
	25,396,477	23,454,360	-

Advance received from lessees is for future maintenance of leased aircraft, under the term of the operating lease agreement and are primarily based on actual flying hours.

7. Share capital

The authorised, issued and fully paid up share capital of the Ultimate Parent Company is KD 42,000,000, paid in cash (31 December 2014: KD 42,000,000; 31 March 2014: KD 42,000,000) comprising of 420,000,000 shares of 100 fils each (31 December 2014: 420,000,000 shares of 100 fils each; 31 March 2014: 420,000,000 shares of 100 fils each).

Proposed dividend

The Ultimate Parent Company's Board of Directors has proposed a cash dividend of 47.619 fils per share to the shareholders, amounting to KD 20,000,000 for the year ended 31 December 2014 (31 December 2013: KD 6,300,000). Such dividend if approved by the Annual General Assembly will be payable to the registered shareholders as of the date of the Annual General Assembly.

Proposed reduction of share capital

The Ultimate Parent Company's Board of Directors has proposed a reduction of authorised, issued and paid up share capital from 420,000,000 shares of 100 fils each to 200,000,000 shares of 100 fils each by way of buy back of 220,000,000 shares which is subject to approval of the regulators and Extraordinary General Assembly of the shareholders.

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2015

8. Term loans

	Kuwaiti Dinars		
	31 March 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Term loans are repayable as follows:			
Not later than 1 year	114,343,941	116,283,015	23,849,345
Later than 1 year and not later than 2 years	-	-	21,493,399
Later than 2 year and not later than 5 years	-	-	57,740,490
Later than 5 years	-	-	14,768,989
	-	-	94,002,878
	<u>114,343,941</u>	<u>116,283,015</u>	<u>117,852,223</u>

This includes four loans as follows:

- Term loans of KD 79.20 million (31 December 2014: KD 79.74 million; 31 March 2014: KD 76.82 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. 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. Under the terms of the sale agreement, the Group is obliged to settle these term loans before the delivery of aircraft. Accordingly, these term loans are classified as current liabilities.
- Term loan of KD 18.61 million (31 December 2014: 19.02 million; 31 March 2014: KD 19.86 million) denominated in US Dollars represents a facility from a local commercial bank. This facility is fully guaranteed by the Ultimate Parent Company.
- Term loan of KD 2.93 million (31 December 2014: KD 3.07 million; 31 March 2014: Nil) denominated in US Dollars represents amounts due to a local commercial bank. This facility is fully guaranteed by the Ultimate Parent Company.
- Term loan of KD 13.60 million (31 December 2014: KD 14.45 million; 31 March 2014: Nil) denominated in Kuwaiti Dinars represents a 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 of 31 March 2015 was 1.20% to 6.52% (31 December 2014: 1.18% to 6.52%; 31 March 2014: 1.19% to 6.52%).

9. Due to banks

This represents unsecured overdraft facility of USD 1.84 million (31 December 2014: USD 1.10 million, 31 March 2014: USD 3.88 million) from a local commercial bank. The effective interest rate as of 31 March 2015 was 1.75% (31 December 2014: 1.75%; 31 March 2014: 2.24%).

10. Discontinued operations

On 15 January 2015, the Group entered into an agreement to sell its entire fleet of aircraft to third parties with effect from 23 December 2014 (note 6). The results of discontinued operations arising from the proposed sale, included in the profit for the period, are set out below. The comparative profit from discontinued operations have been re-presented to disclose those operations classified as discontinued.

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2015

Analysis of profit from discontinued operations

	Three months ended 31 March (Unaudited)	
	2015	2014
Revenue	-	3,720,077
Less: intercompany revenue	-	(2,352,158)
	-	1,367,919
Operating costs	(60,952)	(1,821,297)
Gross loss	(60,952)	(453,378)
Other income	1,223,866	18,344
General and administrative expenses	(58,722)	(106,798)
Finance costs	(687,368)	(862,331)
Foreign exchange (loss)/gain	(214)	272
Cost recovered from Parent Company	-	2,352,158
Net profit for the period from discontinued operations before taxes	416,610	948,267
Zakat expense	(4,166)	(9,483)
Contribution to Kuwait Foundation for the Advancement of Sciences	(3,749)	(8,534)
National Labour Support Tax	(10,415)	(23,707)
Net profit for the period from discontinued operations	398,280	906,543

10.1 Cash flows from discontinued operations

	Kuwaiti Dinars	
	Three months ended 31 March (Unaudited)	
	2015	2014
Net cash inflows from operating activities	2,477,965	2,633,471
Net cash inflows/(outflows) from investing activities	1,859,595	(581,928)
Net cash outflows from financing activities	(428,497)	(1,849,906)
Net cash inflow	3,909,063	201,637

11. Earnings per share

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

From continuing and discontinued operations

	Three months ended 31 March (Unaudited)	
	2015	2014
Earnings for the period (in Kuwaiti Dinar)	3,014,512	2,084,211
Weighted average number of shares outstanding	420,000,000	420,000,000
Earnings per share (fils) – Basic and Diluted	7.18	4.96

From continuing operations

	Three months ended 31 March (Unaudited)	
	2015	2014
Earnings for the period (in Kuwaiti Dinar)	2,616,232	1,177,668
Weighted average number of shares outstanding	420,000,000	420,000,000
Earnings per share (fils) – Basic and Diluted	6.23	2.80

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2015

12. 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 2015 (Unaudited)	31 December 2014 (Audited)	31 March 2014 (Unaudited)
Balances			
Due from related party	152,628	135,211	109,275
		Kuwaiti Dinars	
		Three months ended 31 March (Unaudited)	
		2015	2014
Transactions			
Sales and services		314,790	469,086
Administration and distribution expenses		23,894	19,906
Key management compensation			
Salaries and other employment benefits		118,468	129,915

13. Segment information

The Group derives their revenue primarily from operation of passenger airline service. On 15 January 2015, the Group entered into an agreement to sell its entire fleet of aircraft to third parties with effect from 23 December 2014 (note 6). Accordingly, the passenger airline service information is disclosed as continuing operations and leasing of aircraft is shown as discontinued operations in the Condensed Consolidated Statement of Income.

14. Taxes

The Group may be liable for alternate minimum tax on the proposed sale of four aircraft (note 6) owned by the subsidiary, Sahaab Aviation LLC, incorporated in the United States of America.

15. Derivatives

The Group has a cash flow hedge of its interest rate risk from floating rate liabilities using interest rate options. As at 31 March 2015, the notional value of this hedge is KD 4,059,891 (31 December 2014: KD 4,168,508; 31 March 2014: KD 4,591,176). This hedge is out of the money as of 31 March 2015 (out of money as of 31 December 2014 and 31 March 2014). The unamortized portion of the upfront fee paid is KD 42,551 (31 December 2014: KD 44,201; 31 March 2014: KD 50,238).

16. Commitments and contingent liabilities

The Group has issued bank guarantees to regulatory agencies and third party service providers amounting to KD 881,948 (31 December 2014: KD 869,156; 31 March 2014: KD 957,598).

The Ultimate Parent Company has also provided guarantee to Jazeera Leasing Company (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.

Notes to the Interim Consolidated Financial Information (Unaudited) – 31 March 2015

17. Subsequent events

Subsequent to the period ended 31 March 2015, the Group completed the title transfer and delivery of four aircraft to the Purchasers against a consideration of USD 168.65 million.

18. Comparative figures

Certain comparative figures have been restated to conform to current period presentation but do not affect previously reported net profit or equity.