

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

**Interim Condensed Consolidated Financial Information (Unaudited)
and
Independent Auditor's Review Report
30 September 2016**

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

INDEPENDENT AUDITOR'S 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 30 September 2016 and the related condensed consolidated statements of income and comprehensive income for three-month and nine-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine-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. 1 of 2016 and its executive regulations or of the Memorandum of Incorporation and Articles of Association of the Ultimate Parent Company, as amended, during the nine month period ended 30 September 2016, that might have had a material effect on the business of the Group or on its consolidated financial position.



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Kuwait
31 October 2016

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 September 2016

	Note	Kuwaiti Dinars		
		30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
ASSETS				
Non-current assets				
Property and equipment	3	5,805,578	5,124,488	1,700,496
Advance for maintenance		11,564,325	8,671,717	8,276,159
Security deposit with lessors		2,962,928	2,968,048	2,960,908
Deposits		-	-	925,531
		<u>20,332,831</u>	<u>16,764,253</u>	<u>13,863,094</u>
Current assets				
Inventories, expendable parts and supplies		221,323	230,065	237,722
Trade and other receivables		2,346,741	1,629,535	2,177,667
Cash and bank balances	4	32,503,391	30,857,236	54,011,136
		<u>35,071,455</u>	<u>32,716,836</u>	<u>56,426,525</u>
Assets classified as held for sale		-	-	34,756,744
		<u>35,071,455</u>	<u>32,716,836</u>	<u>91,183,269</u>
Total assets		<u>55,404,286</u>	<u>49,481,089</u>	<u>105,046,363</u>
LIABILITIES AND EQUITY				
Equity				
Attributable to Ultimate Parent Company's shareholders				
Share capital	5	20,000,000	20,000,000	42,000,000
Legal reserve		1,607,146	1,607,146	4,482,688
Retained earnings		16,570,329	7,559,273	14,490,549
Foreign currency translation reserve		-	2,427,421	2,366,757
		<u>38,177,475</u>	<u>31,593,840</u>	<u>63,339,994</u>
Non-controlling interests		-	-	70
Total equity		<u>38,177,475</u>	<u>31,593,840</u>	<u>63,340,064</u>
Non-current liabilities				
Post employment benefits		2,755,682	2,669,735	2,554,132
Reserve for lease maintenance		1,189,592	1,728,317	-
		<u>3,945,274</u>	<u>4,398,052</u>	<u>2,554,132</u>
Current liabilities				
Term loans		-	-	17,921,500
Due to banks		895,819	-	-
Trade and other payables		9,116,948	8,254,333	10,032,084
Deferred revenue		3,268,770	5,234,864	4,049,859
		<u>13,281,537</u>	<u>13,489,197</u>	<u>32,003,443</u>
Liabilities directly associated with assets classified as held for sale		-	-	7,148,724
		<u>13,281,537</u>	<u>13,489,197</u>	<u>39,152,167</u>
Total liabilities and equity		<u>55,404,286</u>	<u>49,481,089</u>	<u>105,046,363</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) – Nine months ended 30 September 2016

		Kuwaiti Dinars			
		Three months ended 30 September		Nine months ended 30 September	
Note		2016	2015	2016	2015
Continuing operations					
	Revenue	18,776,039	21,005,442	43,456,359	47,633,961
	Operating costs	(11,817,532)	(11,526,667)	(31,175,481)	(31,566,973)
	Operating profit	6,958,507	9,478,775	12,280,878	16,066,988
	Other income	218,965	229,630	724,829	938,252
	General and administrative expenses	(934,578)	(943,832)	(2,814,568)	(2,877,910)
	Finance costs	(1,712)	(104,818)	(4,393)	(339,570)
	Foreign currency gain/(loss)	82,614	2,988	(91,850)	74,403
	Foreign currency translation reserve reclassified to statement of income	6	-	-	2,427,421
	Profit before contribution and taxes	6,323,796	8,662,743	12,522,317	13,862,163
	Zakat expense	(62,010)	(87,065)	(126,083)	(140,616)
	Contribution to Kuwait Foundation for the Advancement of Sciences	(56,640)	(77,738)	(112,701)	(124,759)
	National Labour Support Tax	(155,024)	(217,662)	(315,207)	(351,540)
	Profit for the period from continuing operations	6,050,122	8,280,278	11,968,326	13,245,248
Discontinued operations					
	Net (loss)/profit for the period from discontinued operations	7	(30,420)	(25,057)	42,730
	Net profit for the period	6,019,702	8,255,221	12,011,056	14,470,960
Attributable to:					
	Shareholders of the Ultimate Parent Company	6,019,702	8,255,221	12,011,056	14,470,960
Earnings per share (fils) - Basic & Diluted					
	From continuing and discontinued operations	8	30.10	19.66	60.06
	From continuing operations	30.25	19.71	59.84	31.54
	From discontinued operations	(0.15)	(0.06)	0.21	2.92

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

Jazeera Airways K.S.C.P.
Kuwait

Condensed Consolidated Statement of Comprehensive Income (Unaudited) -
Nine months ended 30 September 2016

	Kuwaiti Dinars			
	Three months ended 30-September		Nine months ended 30-September	
	2016	2015	2016	2015
Profit for the period	6,019,702	8,255,221	12,011,056	14,470,960
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>				
Discontinued Operations				
Exchange differences on translating foreign operations	-	13,604	-	1,392,582
Total comprehensive income for the period	<u>6,019,702</u>	<u>8,268,825</u>	<u>12,011,056</u>	<u>15,863,542</u>
Attributable to:				
Shareholders of the Ultimate Parent Company	<u>6,019,702</u>	<u>8,268,825</u>	<u>12,011,056</u>	<u>15,863,542</u>

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

Condensed Consolidated Statement of Changes in Equity (Unaudited) - Nine months ended 30 September 2016

	Kuwaiti Dinars						Total Equity
	Equity attributable to the Ultimate Parent Company's Shareholders					Non- controlling interest	
	Share capital	Legal reserve	Retained earnings	Foreign currency translation reserve			
At 1 January 2016	20,000,000	1,607,146	7,559,273	2,427,421	-	-	31,593,840
Total comprehensive income for the period	-	-	12,011,056	-	-	-	12,011,056
Foreign currency translation reserve reclassified to statement of income (Note 6)	-	-	-	(2,427,421)	-	-	(2,427,421)
Dividend – 2015 (Note 5)	-	-	(3,000,000)	-	-	-	(3,000,000)
At 30 September 2016	20,000,000	1,607,146	16,570,329	-	-	-	38,177,475
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	-	-	14,470,960	1,392,582	-	-	15,863,542
Dividend – 2014	-	-	(20,000,000)	-	-	-	(20,000,000)
Change in non-controlling interest	-	-	-	-	(358)	-	(358)
At 30 September 2015	42,000,000	4,482,688	14,490,549	2,366,757	70	-	63,340,064

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

Condensed Consolidated Statement of Cash Flows (Unaudited) - Nine months ended 30 September 2016

	Note	Kuwaiti Dinars	
		30 September 2016 (Unaudited)	30 September 2015 (Unaudited)
Cash flows from operating activities			
Profit for the period		12,011,056	14,470,960
<i>Adjustments for:</i>			
Depreciation	3	450,040	348,209
Finance costs		4,393	1,752,586
Foreign exchange loss/(gain)		95,371	(74,632)
Provision for post employment benefits		411,753	517,308
Foreign currency translation reserve reclassified to statement of income	6	(2,427,421)	-
Operating profit before working capital changes		10,545,192	17,014,431
Decrease/(increase) in inventories		8,742	(25,737)
Decrease in deposits		-	304,520
Increase in trade and other receivables		(717,206)	(20,494)
Decrease in reserve for lease maintenance		(538,725)	-
Increase/(decrease) in trade and other payables		767,244	(1,005,537)
Decrease in deferred revenue		(1,966,094)	(2,285,610)
Post employment benefits paid		(325,806)	(317,874)
Net cash from operating activities		<u>7,773,347</u>	<u>13,663,699</u>
Cash flows from investing activities			
Purchase of property and equipment	3	(1,131,130)	(78,474)
Proceeds from sale of aircraft		-	113,733,416
Increase in advance for maintenance		(2,892,608)	(990,022)
Decrease/(increase) in security deposit with lessors		5,120	(1,541,118)
Decrease in time deposits with banks		-	3,834,297
Decrease in advance received from lessee		-	(13,725,020)
Change in non-controlling interest		-	(358)
Net cash (used in)/from investing activities		<u>(4,018,618)</u>	<u>101,232,721</u>
Cash flows from financing activities			
Repayment of term loans		-	(98,361,515)
Proceeds from/(repayment of) overdraft		895,819	(321,362)
Decrease in security deposits from lessees		-	(2,580,616)
Dividend paid		(3,000,000)	(20,000,000)
Finance costs paid		(4,393)	(1,990,707)
Net cash used in financing activities		<u>(2,108,574)</u>	<u>(123,254,200)</u>
Net increase/ (decrease) in cash and cash equivalents		1,646,155	(8,357,780)
Cash and cash equivalents at			
beginning of period	4	30,857,236	52,490,273
effects of exchange rate changes on cash and cash equivalents		-	1,392,573
end of period		<u>32,503,391</u>	<u>45,525,066</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.
- 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, as well as any other hotels, restaurants or touristic entities established or utilized by the ultimate parent company and issuing necessary magazines and publications, including commercial ads.
- 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.

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) – 30 September 2016

The Ultimate Parent Company has the following subsidiaries:

Name of the Company	Country of Incorporation	Percentage of Holding		Description
		30 September 2016	30 September 2015	
Al Sahaab Aviation Services W.L.L. (formerly known as "Al Sahaab Aircraft Leasing Company W.L.L.")	Kuwait	99.99%	99.99%	Intermediate Parent Company
Sahaab Aviation LLC	United States of America	-	100%	Subsidiary of Intermediate Parent Company

The remaining shareholding in the Intermediate Parent Company is held by a party for the beneficial interest of the Ultimate Parent Company.

The Ultimate Parent Company, the Intermediate Parent Company and the subsidiary of Intermediate Parent Company are together referred to in these consolidated financial information as the Group.

The Intermediate Parent Company and subsidiary of the Intermediate Parent Company, which were engaged in leasing aircraft, decided in 2014 to discontinue this business and sell the aircraft. The sale was completed in 2015. The Intermediate Parent Company intends to enter into other aviation business. The management dissolved Sahaab Aviation LLC, the subsidiary of the Intermediate Parent Company, during the year 2016.

The address of the registered office of the Ultimate Parent Company is Kuwait International Airport, State of Kuwait.

The number of personnel employed by the Group as of 30 September 2016 was 455 (31 December 2015: 430; 30 September 2015: 412).

On 1 February 2016, the new Companies Law No.1 of 2016 was published in the Official Gazette which is effective from 26 November 2012. According to the new law, the Companies law No. 25 of 2012 and its amendments have been cancelled. On 17 July 2016, the new executive regulations for the Companies Law No. 1 of 2016 were issued which cancelled the executive regulations of Companies Law No. 25 of 2012 which were in force until then.

This interim consolidated financial information was approved for issue by the Board of Directors on 31 October 2016

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 2015. Amendments to IFRSs, which are effective for annual accounting period starting from 1 January 2016, 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 nine months period ended 30 September 2016 are not necessarily indicative of the results that may be expected for the year ending 31 December 2016. 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 2015.

2.1 Functional and presentation currency

The functional currency of an entity is the currency of the primary economic environment in which it operates. Accordingly, the functional currency of the Intermediate Parent Company was US Dollars, as it derived its revenue from US Dollars. During the year 2015, the Intermediate Parent Company sold the entire fleet of aircraft. In 2016, the management of the Intermediate Parent Company intends to use the entity for other aviation business, based in Kuwait. Accordingly, with effect from 01 January 2016, the functional currency was changed from US Dollars to Kuwaiti Dinar (Note 6).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) – 30 September 2016

3. Property and equipment

	Kuwaiti Dinars					
	Engines & rotables	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	Total
Cost						
As at 31 December 2015	5,083,293	1,303,817	2,100,913	28,986	46,315	8,563,324
Additions	19,406	705	21,477	-	1,089,542	1,131,130
Transfer	-	95,885	-	-	(95,885)	-
As at 30 September 2016	<u>5,102,699</u>	<u>1,400,407</u>	<u>2,122,390</u>	<u>28,986</u>	<u>1,039,972</u>	<u>9,694,454</u>
Depreciation						
As at 31 December 2015	565,518	829,235	2,029,322	14,761	-	3,438,836
Charge for the period	306,971	106,554	33,257	3,258	-	450,040
As at 30 September 2016	<u>872,489</u>	<u>935,789</u>	<u>2,062,579</u>	<u>18,019</u>	<u>-</u>	<u>3,888,876</u>
Net book value						
As at 30 September 2016	<u>4,230,210</u>	<u>464,618</u>	<u>59,811</u>	<u>10,967</u>	<u>1,039,972</u>	<u>5,805,578</u>
As at 31 December 2015	<u>4,517,775</u>	<u>474,582</u>	<u>71,591</u>	<u>14,225</u>	<u>46,315</u>	<u>5,124,488</u>
As at 30 September 2015	<u>1,043,419</u>	<u>508,130</u>	<u>71,050</u>	<u>8,167</u>	<u>69,730</u>	<u>1,700,496</u>

Depreciation has been allocated in statement of income as follows:

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Operating costs	102,805	52,385	310,229	156,177
Administrative expenses	48,776	59,163	139,811	192,032
	<u>151,581</u>	<u>111,548</u>	<u>450,040</u>	<u>348,209</u>

4. Cash and bank balances

	Kuwaiti Dinars		
	30 September 2016	31 December 2015	30 September 2015
	(Unaudited)	(Audited)	(Unaudited)
Cash on hand	28,034	26,627	17,209
Current account with banks	1,624,962	2,615,503	12,898,770
Time deposits with banks	30,850,395	28,215,106	32,609,087
Cash & cash equivalents in the statement of cash flows	<u>32,503,391</u>	<u>30,857,236</u>	<u>45,525,066</u>
Time deposits with banks whose maturity period exceeds three months	-	-	8,486,070
	<u>32,503,391</u>	<u>30,857,236</u>	<u>54,011,136</u>

The effective interest rate as of 30 September 2016 was 1.48% to 8.75% (31 December 2015: 1.75% to 7.25%; 30 September 2015: 0.01% to 7.25%).

5. Share capital

The authorised, issued and fully paid up share capital of the Ultimate Parent Company as at 30 September 2016 is KD 20,000,000 (31 December 2015: KD 20,000,000; 30 September 2015: KD 42,000,000) comprising of 200,000,000 shares of 100 fils each (31 December 2015: 200,000,000 shares of 100 fils each; 30 September 2015: 420,000,000 shares of 100 fils each).

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) – 30 September 2016

Dividend

The Annual General Assembly of the shareholders of the Ultimate Parent Company held on 17 April 2016 approved the distribution of cash dividend of 15 fils per share to the shareholders, amounting to KD 3,000,000, for the year ended 31 December 2015 (31 December 2014: KD 20,000,000).

6. Foreign currency translation reserve reclassified to statement of income

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended		Nine months ended	
	30 September (Unaudited)	2015	30 September (Unaudited)	2015
Due to change in functional currency	-	-	2,078,399	-
Due to discontinuance of foreign operations	-	-	349,022	-
	-	-	<u>2,427,421</u>	-

7. Discontinued operations

The Group sold the entire fleet of aircraft during the year 2015. The results of discontinued operations are set out below:

Analysis of profit from discontinued operations	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September (Unaudited)	2015	30 September (Unaudited)	2015
Revenue	-	-	-	-
Operating costs	-	(50,048)	-	(159,336)
Gross loss	-	(50,048)	-	(159,336)
Other income	-	407,828	106,696	3,073,561
General and administrative expenses	(30,475)	(106,371)	(58,479)	(219,312)
Finance costs	-	(276,340)	-	(1,413,016)
Foreign exchange gain/(loss)	55	(126)	(3,521)	229
Net (loss)/profit for the period from discontinued operations before taxes	(30,420)	(25,057)	44,696	1,282,126
Zakat expense	-	-	(447)	(12,822)
Contribution to Kuwait Foundation for the Advancement of Sciences	-	-	(402)	(11,539)
National Labour Support Tax	-	-	(1,117)	(32,053)
Net (loss)/profit for the period from discontinued operations	<u>(30,420)</u>	<u>(25,057)</u>	<u>42,730</u>	<u>1,225,712</u>

7.1 Cash flows from discontinued operations

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September (Unaudited)	2015	30 September (Unaudited)	2015
Net cash (outflows)/inflows from operating activities	(68,662)	(374,616)	(330,226)	4,123,455
Net cash inflows/(outflows) from investing activities (net)	-	34,816,372	(705)	98,466,920
Net cash inflows/(outflows) from financing activities	65,988	(41,540,848)	181,935	(106,238,212)
Net cash outflows	<u>(2,674)</u>	<u>(7,099,092)</u>	<u>(148,996)</u>	<u>(3,647,837)</u>

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) – 30 September 2016

8. 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 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2016	2015	2016	2015
Earnings for the period (in Kuwaiti Dinar)	6,019,702	8,255,221	12,011,056	14,470,960
Weighted average number of issued shares	200,000,000	420,000,000	200,000,000	420,000,000
Earnings per share (fils) – Basic & Diluted	30.10	19.66	60.06	34.45

From continuing operations

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2016	2015	2016	2015
Earnings for the period (in Kuwaiti Dinar)	6,050,122	8,280,278	11,968,326	13,245,248
Weighted average number of issued shares	200,000,000	420,000,000	200,000,000	420,000,000
Earnings per share (fils) – Basic & Diluted	30.25	19.71	59.84	31.54

From discontinued operations

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2016	2015	2016	2015
Earnings for the period (in Kuwaiti Dinar)	(30,420)	(25,057)	42,730	1,225,712
Weighted average number of issued shares	200,000,000	420,000,000	200,000,000	420,000,000
Earnings per share (fils) – Basic & Diluted	(0.15)	(0.06)	0.21	2.92

9. Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In the ordinary course of business, the Group enters into transactions with related parties (directors, key managerial personnel and group companies). Pricing policies and terms of these transactions are approved by the Group's management. Transactions and balances with related parties not disclosed elsewhere in this interim consolidated financial information are as follows:

	Kuwaiti Dinars			
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)	
Balances				
Due from related party	150,626	34,366	232,570	
	Kuwaiti Dinars			
	Three months ended 30 September		Nine months ended 30 September	
	2016	2015	2016	2015
Transactions				
Sales and services	192,192	311,305	603,862	978,379
General and administrative expenses	27,912	27,471	108,637	84,518
Key management compensation				
Salaries and other employment benefits	137,773	136,357	413,706	392,688

Notes to the Interim Condensed Consolidated Financial Information (Unaudited) – 30 September 2016

10. Taxes

The Ultimate Parent Company has exemptions from tax liability under bilateral tax agreement with countries to which it operates passenger flights. However, the Ultimate Parent Company is contingently liable for any taxes that may finally be determined by the taxation authorities of those countries.

The Group is liable for alternate minimum tax on sale of four aircraft owned by Sahaab Aviation LLC, incorporated in the United States of America. In 2016, the Group paid this tax based on tax return filed and is now awaiting tax assessment order.

11. 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 7). 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.

12. Commitments and contingent liabilities

The Group has issued bank guarantees to regulatory agencies and third party service providers amounting to KD 6,004,931 (31 December 2015: KD 4,857,140; 30 September 2015: KD 3,050,432).

13. Operating lease expense

The future minimum lease rent payable on the operating lease is KD 62,626,843 (31 December 2015: KD 70,064,914; 30 September 2015: KD 71,863,132) and is payable as follows:

	Kuwaiti Dinars		
	30 September 2016 (Unaudited)	31 December 2015 (Audited)	30 September 2015 (Unaudited)
Not later than one year	9,117,621	9,196,149	9,123,662
Later than one year but not later than five years	27,352,864	27,588,446	27,370,985
Later than five years	26,156,358	33,280,319	35,368,485
	<u>62,626,843</u>	<u>70,064,914</u>	<u>71,863,132</u>

14. Comparative figures

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