

Jazeera Airways K.S.C  
Kuwait

Interim Consolidated Financial Information (Unaudited)  
and  
Independent Auditors' Review Report  
31 March 2010

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

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

### Report on Review of Interim Consolidated Financial Information

#### Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Jazeera Airways K.S.C. ("the Parent Company") and its subsidiaries (together called "the Group") as at 31 March 2010 and the related condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three 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

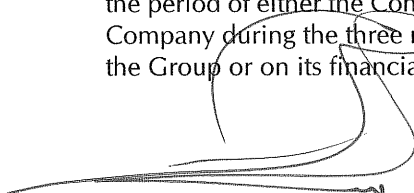
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

#### Emphasis of Matter

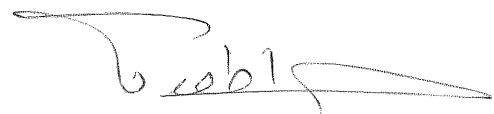
Without qualifying our conclusion, we draw attention to Note 2 to the interim consolidated financial information, which indicates that the ability of the Group to operate as a going concern is contingent on the financial support of the shareholders and lenders for the Group's working capital deficit. This matter indicates the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

#### 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 Parent Company. We further report that, to the best of our knowledge and belief, no contraventions during the period of either the Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Parent Company during the three month period ended 31 March 2010, 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 and Touche  
Al-Fahad, Al-Wazzan & Co.**

Kuwait  
13 May 2010

  
**Nasser Abdullah Al Muqait  
R.A.A. No. 9A  
Al Ahli Bureau**

Condensed Consolidated Statement of Financial Position (Unaudited) as at 31 March 2010

		Kuwaiti Dinars		
		31 March 2010	31 December 2009	31 March 2009
		(Unaudited)	(Audited)	(Unaudited)
ASSETS	Note			
<b>Non-current Assets</b>				
Property and equipment	3	159,032,191	26,895,107	3,929,268
Due from a related party		-	28,558,252	30,078,520
Goodwill	15	3,446,633	-	-
		<u>162,478,824</u>	<u>55,453,359</u>	<u>34,007,788</u>
<b>Current Assets</b>				
Non current assets classified as held for sale		-	-	22,736,643
Due from a related party		-	12,879,103	16,637,636
Inventories, expendable parts and supplies		152,152	161,601	137,752
Trade and other receivables		2,248,308	1,932,088	2,400,610
Cash and bank balances	4	3,316,872	3,311,644	1,016,930
		<u>5,717,332</u>	<u>18,284,436</u>	<u>42,929,571</u>
<b>Total assets</b>		<u>168,196,156</u>	<u>73,737,795</u>	<u>76,937,359</u>
<b>LIABILITIES AND EQUITY</b>				
<b>Equity</b>				
Share capital	5	21,998,746	21,998,746	19,998,860
Legal reserve		801,461	801,461	801,461
Equity transaction costs		(46,079)	(46,079)	(46,079)
(Accumulated deficit)/ retained earnings		(7,732,131)	(3,233,317)	5,987,927
<b>Equity attributable to the Parent Company's Shareholders</b>		<u>15,021,997</u>	<u>19,520,811</u>	<u>26,742,169</u>
Minority interest		3,173	348	276
<b>Total equity</b>		<u>15,025,170</u>	<u>19,521,159</u>	<u>26,742,445</u>
<b>Non-current liabilities</b>				
Term loans	6	79,205,761	13,772,274	-
Post employment benefits		636,693	663,118	507,219
Aircraft lease maintenance provision	7	4,314,891	3,531,771	710,898
		<u>84,157,345</u>	<u>17,967,163</u>	<u>1,218,117</u>
<b>Current liabilities</b>				
Term loans	6	7,785,708	1,372,556	20,210,229
Due to banks	8	12,892,828	12,336,552	13,358,337
Deferred purchase consideration	15	24,818,706	-	-
Trade and other payables		13,367,384	13,759,024	7,450,222
Deferred revenue		9,096,963	8,781,341	7,958,009
Due to a related party	9	1,052,052	-	-
		<u>69,013,641</u>	<u>36,249,473</u>	<u>48,976,797</u>
<b>Total liabilities and equity</b>		<u>168,196,156</u>	<u>73,737,795</u>	<u>76,937,359</u>

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



Marwan Marzouk Boodai  
Chairman

**Condensed Consolidated Statement of Comprehensive Income (Unaudited) – Three-months ended 31 March 2010**

	Note	Kuwaiti Dinars	
		Three months ended	
		2010	2009
Revenue		9,263,100	9,947,643
Operating costs		(11,617,237)	(10,371,514)
<b>Loss from operations</b>		<b>(2,354,137)</b>	<b>(423,871)</b>
Other income		566,802	288,454
Administrative expenses		(920,694)	(1,059,357)
Finance costs		(1,148,361)	(426,232)
Foreign currency (loss)/ gain		(643,099)	638,544
<b>Loss for the period</b>		<b>(4,499,489)</b>	<b>(982,462)</b>
Other comprehensive income		-	-
Total comprehensive expense for the period		<u>(4,499,489)</u>	<u>(982,462)</u>
<b>Attributable to:</b>			
Shareholders of the Parent Company		(4,498,814)	(982,462)
Minority interest		(675)	-
		<u>(4,499,489)</u>	<u>(982,462)</u>
<b>Loss per share (fils) - Basic &amp; Diluted</b>	10	<u>(20.45)</u>	<u>(4.47)</u>

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

Condensed Consolidated Statement of Changes in Equity (Unaudited) -  
Three months ended 31 March 2010

	Kuwaiti Dinars					Total equity
	Equity attributable to the Parent Company's Shareholders				Minority interest	
	Share capital	Legal reserve	Equity transaction costs	Retained earnings/ (accumulated deficit)		
At 1 January 2009	19,998,860	801,461	(46,079)	6,970,389	276	27,724,907
Total comprehensive expense for the period	-	-	-	(982,462)	-	(982,462)
At 31 March 2009	<u>19,998,860</u>	<u>801,461</u>	<u>(46,079)</u>	<u>5,987,927</u>	<u>276</u>	<u>26,742,445</u>
At 1 January 2010	21,998,746	801,461	(46,079)	(3,233,317)	348	19,521,159
Acquisition during the period	-	-	-	-	3,500	3,500
Total comprehensive expense for the period	-	-	-	(4,498,814)	(675)	(4,499,489)
At 31 March 2010	<u>21,998,746</u>	<u>801,461</u>	<u>(46,079)</u>	<u>(7,732,131)</u>	<u>3,173</u>	<u>15,025,170</u>

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

Condensed Consolidated Statement of Cash Flows (Unaudited)  
Three months ended 31 March 2010

	Note	Kuwaiti Dinars	
		31 March 2010 (Unaudited)	31 March 2009 (Unaudited)
<b>Cash flows from operating activities</b>			
Loss for the period		(4,499,489)	(982,462)
<i>Adjustments for:</i>			
Depreciation		1,362,129	71,102
Finance costs		1,148,361	426,232
Loss/ (gain) from foreign currency revaluation		643,099	(638,544)
Post employment benefits		(26,425)	50,000
Lease maintenance provision		783,120	552,817
Operating loss before working capital changes		(589,205)	(520,855)
Increase in due from related party		-	(2,617,172)
Decrease in inventories		9,449	8,256
Increase in trade and other receivables		(316,220)	(313,041)
Decrease in trade and other payables		(805,213)	(171,710)
Increase in deferred revenue		315,622	2,223,408
Net cash used in operating activities		(1,385,567)	(1,391,114)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment (net)		(8,485,944)	(2,606,270)
Cash from subsidiary on acquisition		701,319	-
Increase in deposits		(947,355)	-
Net cash used in investing activities		(8,731,980)	(2,606,270)
<b>Cash flows from financing activities</b>			
Proceeds from term loans		9,008,672	1,000,430
Proceeds from overdraft		556,276	1,210,900
Proceeds from loan from a related party		1,052,052	-
Finance costs paid		(798,829)	(426,232)
(Loss)/ gain on exchange rate changes		(643,099)	638,544
Net cash from financing activities		9,175,072	2,423,642
<b>Net decrease in cash and cash equivalents</b>		(942,475)	(1,573,742)
<b>Cash and cash equivalents at</b>			
beginning of period		1,982,475	2,548,646
end of period	4	1,040,000	974,904

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

