Jazeera Airways K.S.C
Kuwait

Interim Consolidated Financial Information (Unaudited)
and
Independent Auditors' Review Report
30 June 2010

Contents

	Page
Independent Auditors' Review Report	1
Condensed Consolidated Statement of Financial Position (Unaudited)	2
Condensed Consolidated Statement of Income (Unaudited)	3
Condensed Consolidated Statement of Comprehensive Income (Unaudited)	4
Condensed Consolidated Statement of Changes in Equity (Unaudited)	5
Condensed Consolidated Statement of Cash Flows (Unaudited)	6
Notes to the Interim Consolidated Financial Information (Unaudited)	7 - 15

Deloitte.

Deloitte & Touche
Al-Fahad, Al-Wazzan & Co.

Fahad Al-Salem Street
Salhiya Complex, Entrance 2,
P.O. Box 23049, Safat 13091
Kuwait City, Kuwait

Tel: +(965) 22438060
Fax:+(965) 22452080

Ahmed Al-Jaber Street,
7th Floor, Dar Al-Awadi Complex
P.O. Box 20174, Safat 13062
Sharq - Kuwait

Telephone (965) 22408844
Facsimile (965) 22408855

www.deloitte.com

AL- AHLI BUREAU

Certified Accountants

P.O. Box 5689 Safat
13057 Kuwait
Tel (965) 22461218
22432263

Fax (965) 22465378

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 Ultimate Parent Company") and its subsidiaries' (together called "the Group") as at 30 June 2010 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.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 to the interim consolidated financial information, which discloses that the Group's current liabilities exceed current assets and that management expects that business plans and strategies that have been implemented as well as financial support of lenders and shareholders will provide funds to meet maturing liability obligations.

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, no contraventions during the period of either the Commercial Companies Law of 1960, as amended, or of the Articles of Association of the Ultimate Parent Company during the six month period ended 30 June 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 & Touche
Al-Fahad, Al-Wazzan & Co.

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

Kuwait
12 August 2010

Jazeera Airways K.S.C
Kuwait

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 June 2010

		Kuwaiti Dinars		
ASSETS	Note	**30 June 2010 (Unaudited)**	**31 December 2009 (Audited)**	**30 June 2009 (Unaudited)**
Non-current Assets				
Property and equipment	4	158,405,352	26,895,107	4,500,909
Due from a related party		-	28,558,252	30,389,685
Goodwill	18	3,443,481	-	-
		161,848,833	55,453,359	34,890,594
Current Assets				
Non current assets classified as held for sale		-	-	22,736,643
Due from a related party		-	12,879,103	15,666,758
Deposits	5	687,267	-	-
Inventories, expendable parts and supplies		185,217	161,601	138,641
Trade and other receivables		1,565,834	1,932,088	1,306,780
Cash and bank balances	6	3,536,725	3,311,644	1,723,980
		5,975,043	18,284,436	41,572,802
Total assets		167,823,876	73,737,795	76,463,396
LIABILITIES AND EQUITY				
Equity				
Attributable to Ultimate Parent Company's shareholders				
Share capital	7	22,000,000	21,998,746	21,998,746
Legal reserve		801,461	801,461	801,461
Equity transaction costs		(46,079)	(46,079)	(46,079)
(Accumulated deficit)/ retained earnings		(12,454,342)	(3,233,317)	2,732,724
Foreign currency translation reserve		(18,970)	-	-
		10,282,070	19,520,811	25,486,852
Non-controlling interests		289	348	276
Total equity		10,282,359	19,521,159	25,487,128
Non-current liabilities				
Term loans	8	77,576,746	13,772,274	-
Post employment benefits		566,255	663,118	580,448
Aircraft lease maintenance provision	9	5,097,043	3,531,771	1,592,715
		83,240,044	17,967,163	2,173,163
Current liabilities				
Term loans	8	7,842,043	1,372,556	19,898,734
Due to banks	10	13,025,286	12,336,552	9,810,738
Deferred purchase consideration	18	25,182,891	-	-
Trade and other payables		12,122,069	13,759,024	8,028,181
Deferred revenue		12,049,598	8,781,341	11,065,452
Due to a related party	11	4,079,586	-	-
		74,301,473	36,249,473	48,803,105
Total liabilities and equity		167,823,876	73,737,795	76,463,396

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

Marwan Marzouk Boodai
Chairman

Jazeera Airways K.S.C
Kuwait

Condensed Consolidated Statement of Income (Unaudited) - Six months ended 30 June 2010

	Note	Kuwaiti Dinars			
		Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
Revenue		8,538,197	10,125,851	17,801,297	20,073,494
Operating costs		(9,332,504)	(11,537,283)	(20,949,741)	(21,908,797)
Operating loss		(794,307)	(1,411,432)	(3,148,444)	(1,835,303)
Other income		217,623	1,695,946	784,425	1,984,400
Administrative expenses		(1,037,568)	(1,056,299)	(1,958,262)	(2,115,656)
Restructuring costs	12	(1,367,465)	-	(1,367,465)	-
Finance costs		(1,065,360)	(369,042)	(2,213,721)	(795,274)
Foreign exchange (loss)/ gain		(674,459)	(114,619)	(1,317,558)	524,054
Loss for the period		(4,721,536)	(1,255,446)	(9,221,025)	(2,237,779)
Attributable to:					
Shareholders of the Ultimate Parent Company		(4,721,536)	(1,255,446)	(9,221,025)	(2,237,779)
Loss per share (fils) - Basic & Diluted	13	(21.46)	(5.71)	(41.91)	(10.17)

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 2010

	Kuwaiti Dinars			
	Three months ended 30 June		**Six months ended 30 June**	
	2010	**2009**	**2010**	**2009**
Loss for the period	(4,721,536)	(1,255,446)	(9,221,025)	(2,237,779)
Exchange differences on translating foreign operations	(18,970)	-	(18,970)	-
Total comprehensive expense for the period	(4,740,506)	(1,255,446)	(9,239,995)	(2,237,779)

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 2010

	Kuwaiti Dinars						
	Equity attributable to the Ultimate Parent Company's Shareholders					Minority interest	Total equity
	Share capital	Legal reserve	Equity transaction costs	Retained earnings/ (accumulated deficit)	Foreign currency translation reserve		
At 1 January 2009	19,998,860	801,461	(46,079)	6,970,389	-	276	27,724,907
Issue of bonus shares	1,999,886	-	-	(1,999,886)	-	-	-
Total comprehensive expense for the period	-	-	-	(2,237,779)	-	-	(2,237,779)
At 30 June 2009	21,998,746	801,461	(46,079)	2,732,724	-	276	25,487,128
At 1 January 2010	21,998,746	801,461	(46,079)	(3,233,317)	-	140	19,520,951
Acquisition during the period (net)	-	-	-	-	-	149	149
Sale of fractional shares	1,254	-	-	-	-	-	1,254
Total comprehensive expense for the period	-	-	-	(9,221,025)	(18,970)	-	(9,239,995)
At 30 June 2010	22,000,000	801,461	(46,079)	(12,454,342)	(18,970)	289	10,282,359

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

Jazeera Airways K.S.C
Kuwait

Condensed Consolidated Statement of Cash Flows (Unaudited) - Six months ended 30 June 2010

	Note	Kuwaiti Dinars	
		30 June 2010 (Unaudited)	**30 June 2009 (Unaudited)**
Cash flows from operating activities			
Loss for the period		(9,221,025)	(2,237,779)
Adjustments for:			
Depreciation		2,641,993	140,463
Finance costs		2,213,721	795,274
Non cash items and provisions		1,468,410	1,557,863
Loss/ (gain) on foreign currency revaluation		1,317,558	(524,054)
Operating loss before working capital changes		(1,579,343)	(268,233)
(Increase)/ decrease in inventories		(23,616)	7,367
Decrease in trade and other receivables		366,254	454,839
Increase in due from related party		-	(1,631,509)
(Decrease)/ increase in trade and other payables		(2,050,529)	406,249
Increase in deferred revenue		3,268,257	5,330,850
Net cash(used in)/ from operating activities		(18,977)	4,299,563
Cash flows from investing activities			
Purchase of property and equipment (net)		(9,157,903)	(3,247,271)
Cash from subsidiary on acquisition		701,424	-
Increase in deposits		(687,267)	-
Increase in time deposit with bank		(763,956)	-
Net cash used in investing activities		(9,907,702)	(3,247,271)
Cash flows from financing activities			
Proceeds from term loans (net)		7,435,992	688,935
Proceeds from/ (repayment) of overdraft		688,734	(2,336,699)
Finance costs paid		(1,500,552)	(795,274)
Proceeds from loan from related party		4,079,586	-
(Loss)/ gain on foreign currency revaluation		(1,317,558)	524,054
Sale of fractional shares		1,254	-
Net cash from/ (used in) financing activities		9,387,456	(1,918,984)
Net decrease in cash and cash equivalents		(539,223)	(866,692)
Cash and cash equivalents at			
beginning of period		1,982,475	2,548,646
end of period	6	1,443,252	1,681,954

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.

During the period, the Ultimate Parent Company acquired 100% of the share capital of Al Sahaab Aircraft Leasing Company WLL (the "Intermediate Parent Company"), a Kuwaiti Limited Liability Company engaged in leasing of aircraft and engines, for a deferred consideration of KD 25,552,422 which is payable by 30 September 2010. The acquisition is effective from 01 January 2010.

On 28 May 2010, Sahaab Aviation LLC, a limited liability company, was incorporated under the laws of the State of Delaware, United States of America. The initial contribution and paid up capital as of 30 June 2010 is USD 1, equivalent to KD 0.29 which is held by the Intermediate Parent Company. Sahaab Aviation LLC, along with a US banking association has created a trust which beneficially owns aircrafts on behalf of Sahaab Aviation LLC.

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 2010 was 453 (31 December 2009: 620, 30 June 2009: 612).

This interim consolidated financial information was approved for issue by the Board of Directors on 12 August 2010.

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.

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 2010 are not necessarily indicative of the results that may be expected for the year ending 31 December 2010.

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 financial statements for the year ended 31 December 2009. For further information, refer to the financial statements of the Company for the year ended 31 December 2009.

The Group has accumulated deficit of KD 12,454,342 as at 30 June 2010 (31 December 2009: KD 3,233,317, 30 June 2009: Nil) and, as of that date, the Group's current liabilities exceed current assets (excluding deferred revenue) by KD 56,276,832 (31 December 2009: KD 9,183,696, 30 June 2009: Nil). Current liabilities primarily include deferred purchase consideration of KD 25,182,891 (refer note: 18). The Board of Directors' meeting held on 15 February 2010 has resolved to issue right shares amounting to KD 30 million comprising of 200 million shares of 100 fils par value at a premium of 50 fils per share. The increase in authorised capital has been approved by shareholders in the extra ordinary general meeting held on 13 May 2010. This consolidated financial information has been prepared on a going concern basis as the Board of Directors and management expect the cash flow position to continually improve based on business plans and strategies that have been implemented and from the financial support from shareholders and lenders.

2.1. Business Combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The purchase method of accounting is used to account for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired in a business combination is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired in a business combination, the difference is recognized directly in the statement of income.

When a business combination is achieved in stages, each exchange transaction is treated separately and the cost of the transaction and fair value information at the date of transaction is used to determine the amount of goodwill associated with the transaction. An adjustment is made to recognize previously held interests at their fair values on the date of the latest exchange transaction which is accounted for as a revaluation.

The Group separately recognizes the contingent liabilities of an acquiree at the acquisition date, if its fair value can be measured reliably. The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within twelve months from the acquisition date.

2.2. Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise 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 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, transactions, income and expenses are eliminated in full. Unrealised losses resulting from inter-company 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 Ultimate Parent Company's subsidiaries, Jazeera Leasing Company - 2 (JLC-2) and Jazeera Leasing Company - 3 (JLC -3), have been derecognised from consolidation as the Ultimate Parent Company ceased to obtain all of the benefits of its activities.

Intermediate Parent Company has two subsidiaries, Jazeera Leasing Company (JLC) and Sahaab Aircraft Leasing Company -1 (SALC -1), Cayman Island companies, incorporated with an authorised capital of USD 1,000 and USD 50,000 respectively. The issued and fully paid up capital as of 30 June 2010 is USD 1000 and USD 1 respectively, equivalent to KD 289 and KD 0.29 and are fully owned by third parties. JLC and SALC-1 are Special Purpose Entities ("SPE") 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 and SALC-1 have been consolidated in this financial information in accordance with Interpretation - SIC-12 'Consolidation - Special Purpose Entities' as the Intermediate Parent Company obtains all of the benefits of its activities.

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 Sates of America. Sahaab Trust has been consolidated in this financial information in accordance with Interpretation - SIC-12 'Consolidation - Special Purpose Entities' as Sahaab Aviation LLC obtains all of the benefits of its activities.

4. Property and equipment

	Kuwaiti Dinars					
	Aircraft & engines	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	Total
Cost						
As at 31 December 2009	22,904,666	557,634	1,024,526	10,624	5,087,783	29,585,233
On acquisition of subsidiary	90,390,763	-	425	-	37,706,128	128,097,316
Additions	8,085,451	-	89,573	-	983,180	9,158,204
Transfer	3,965,662	-	8,272	-	(3,973,934)	-
Disposals	-	-	(1,302)	-	-	(1,302)
Exchange adjustment	(18,970)	-	-	-	-	(18,970)
As at 30 June 2010	125,327,572	557,634	1,121,494	10,624	39,803,157	166,820,481
Depreciation						
As at 31 December 2009	1,837,563	258,566	587,313	6,684	-	2,690,126
On acquisition of subsidiary	3,083,990	-	57	-	-	3,084,047
Charge for the period	2,483,269	48,656	109,006	1,062	-	2,641,993
Disposals	-	-	(1,037)	-	-	(1,037)
As at 30 June 2010	7,404,822	307,222	695,339	7,746	-	8,415,129
Net book value						
As at 30 June 2010	117,922,750	250,412	426,155	2,878	39,803,157	158,405,352
As at 31 December 2009	21,067,103	299,068	437,213	3,940	5,087,783	26,895,107
As at 30 June 2009	28,349	312,613	246,354	5,003	3,908,590	4,500,909

Depreciation has been allocated in statement of income as follows:

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Operating costs	1,201,344	10,817	2,484,331	23,027
Administrative expenses	78,520	58,547	157,662	117,436
	1,279,864	69,364	2,641,993	140,463

Capital work-in-progress includes pre-payments of KD 5,442,700 (31 December 2009: KD 4,610,157, 30 June 2009: KD 3,427,636) for aircraft maintenance.

5. Deposits

This represents short term deposit with a lender of term loan. The effective interest rate as at 30 June 2010 ranged from 0.104% to 0.105%.

6. Cash and bank balances

	Kuwaiti Dinars		
	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
Cash on hand	17,130	16,192	18,617
Balances with banks			
- Current Accounts	1,426,122	1,966,283	1,663,337
- Time Deposits	2,093,473	1,329,169	42,026
	3,536,725	3,311,644	1,723,980
Time deposits with banks whose original maturity period exceeds three months	(2,093,473)	(1,329,169)	(42,026)
Cash & cash equivalents in the statement of cash flows	1,443,252	1,982,475	1,681,954

The effective interest rate as of 30 June 2010 was 1.5% (31 December 2009: 1.5% to 2%, 30 June 2009: nil).

7. Share capital

The authorised capital of the Ultimate Parent Company as of 30 June 2009 2010 is KD 22,000,000 (31 December 2009: KD 22,000,000, 30 June 2009: KD 22,000,000) comprising of 220,000,000 shares of 100 fils each (31 December 2009 - 220,000,000 shares of 100 fils each, 30 June 2009 - 220,000,000 shares of 100 fils each).

On 11 May 2010, the Ultimate Parent Company sold existing unsubscribed 15,417 fractional shares in the open market.

Accordingly the issued and fully paid up capital of the Ultimate Parent Company as of 30 June 2010 is KD 22,000,000 (31 December 2009: 21,998,746, 30 June 2009: KD 21,998,746) comprising of 220,000,000 shares of 100 fils each (31 December 2009 -219,987,462 shares of 100 fils each, 30 June 2009 -219,987,462 shares of 100 fils each).

The extra-ordinary general meeting of share holders held on 13 May 2010 resolved to increase the authorised and issued share capital of the Ultimate Parent Company by KD 20,000,000 through issuance of 200,000,000 ordinary shares at 100 fils par value and a share premium of 50 fils per share. The capital increase is subject to an Amiri Decree approval, which is pending as of the reporting date.

8. Term loans

	Kuwaiti Dinars		
	30 June 2010 (Unaudited)	31 December 2009 (Audited)	30 June 2009 (Unaudited)
Term loans are repayable as follows:			
Not later than 1 year	7,842,043	1,372,556	19,898,734
Later than 1 year and not later than 2 years	7,923,079	1,371,701	-
Later than 2 year and not later than 5 years	36,260,508	6,418,477	-
Later than 5 years	33,393,159	5,982,096	-
	77,576,746	13,772,274	-
	85,418,789	15,144,830	19,898,734

The term loans are senior loans and are arranged through JLC, SALC-1 and Owner Trustee. They are denominated in US Dollars and represent amounts due to a local bank and a consortium of European banks. The effective interest rate as of 30 June 2010 was 1.24% to 6.52% (31 December 2009 – 2.32% to 5.50%, 30 June 2009: 2.32% to 2.39%).

The above balances include foreign currency revaluation loss of KD 1,208,788 (31 December 2009: 759,460, 30 June 2009: 773,262), which has been taken to the condensed consolidated statement of income.

The term loans are secured by a first priority charge/pledge over the shares of JLC and SALC-1 and a first priority registered aircraft mortgage over each aircraft.

9. Aircraft lease maintenance provision

This represents provision for future maintenance of leased aircrafts payable under the operating lease agreement and are primarily based on actual flying hours.

10. Due to banks

This represents unsecured overdraft facility of USD 44.75 million (31 December 2009: USD 43 million, 30 June 2009 – USD 34.17 million) from a local commercial bank which carries an interest rate of 1.25% over funding cost. The effective interest rate as of 30 June 2010 was 3.31% to 3.38% (31 December 2009: 3.13% to 5.5%, 30 June 2009 – 3.63% to 9.25%).

11. Due to a related party

This represents short term unsecured credit facility from a related party carrying an interest rate of CBDR plus 2%. The effective interest rate as of 30 June 2010 was 4.5% (31 December 2009: Nil, 30 June 2009 – Nil).

12. Restructuring costs

During the period the Group's management decided to right size its operations. Accordingly, costs of operations which have been restructured and are not expected to recur in future periods have been classified separately.

13. Loss per share

Loss per share is calculated based on the loss 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)	
	2010	**2009**	**2010**	**2009**
Loss attributable to share holders of Ultimate Parent company	(4,721,536)	(1,255,446)	(9,221,025)	(2,237,779)
Weighted average number of issued shares	220,000,000	219,987,462	220,000,000	219,987,462
Loss per share (fils) – Basic & Diluted	(21.46)	(5.71)	(41.91)	(10.17)

14. Related party transactions and balances

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 consolidated financial information are as follows:

	Kuwaiti Dinars		
	30 June 2010 (Unaudited)	**31 December 2009 (Audited)**	**30 June 2009 (Unaudited)**
Balances			
Due from related party	215,413	6,714	207,601

	Kuwaiti Dinars			
	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
Transactions				
Sales and services	568,432	445,067	1,027,541	538,050
Administration and distribution expenses	49,074	102,874	92,966	168,140
Premium on novation of aircraft purchase agreement	-	604,699	-	604,699
Key management compensation				
Salaries and other employment benefits	195,096	158,992	284,488	315,175

15. 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 2010 is as follows:

Reportable segment's expenses and losses:

	Kuwaiti Dinars											
	Three months period ended 30 June 2010 (Unaudited)			Three months period ended 30 June 2009 (Unaudited)			Six months period ended 30 June 2010 (Unaudited)			Six months period ended 30 June 2009 (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	8,538,197	2,809,655	11,347,852	10,125,851	-	10,125,851	17,801,297	5,572,581	23,373,878	20,073,494	-	20,073,494
Less: Intersegment revenue	-	(2,809,655)	(2,809,655)	-	-	-	-	(5,572,581)	(5,572,581)	-	-	-
Revenue from external customers	8,538,197	-	8,538,197	10,125,851	-	10,125,851	17,801,297	-	17,801,297	20,073,494	-	20,073,494
Segment revenue	8,538,197	2,809,655	11,347,852	10,125,851	-	10,125,851	17,801,297	5,572,581	23,373,878	20,073,494	-	20,073,494
Other income	217,623	-	217,623	1,695,946	-	1,695,946	792,425	-	792,425	1,984,400	-	1,984,400
Operating costs	(10,909,558)	(31,257)	(10,940,815)	(11,526,467)	-	(11,526,467)	(23,984,312)	(53,679)	(24,037,991)	(21,885,770)	-	(21,885,770)
Restructuring costs	(1,367,465)	-	(1,367,465)	-	-	-	(1,367,465)	-	(1,367,465)	-	-	-
Gain/ (loss) on foreign currency revaluation	961,974	(1,636,433)	(674,459)	(114,619)	-	(114,619)	815,063	(2,132,621)	(1,317,558)	524,054	-	524,054
Finance cost	(565,041)	(500,319)	(1,065,360)	(369,042)	-	(369,042)	(1,236,481)	(977,240)	(2,213,721)	(795,274)	-	(795,274)
Depreciation	(311,486)	(968,378)	(1,279,864)	(69,361)	-	(69,361)	(741,724)	(1,900,269)	(2,641,993)	(140,463)	-	(140,463)
General and Administrative expenses	(869,523)	(89,525)	(959,048)	(997,754)	-	(997,754)	(1,691,827)	(116,773)	(1,808,600)	(1,998,220)	-	(1,998,220)
Reportable segment (loss)/profit	(4,305,279)	(416,257)	(4,721,536)	(1,255,446)	-	(1,255,446)	(9,613,024)	391,999	(9,221,025)	(2,237,779)	-	(2,237,779)

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 June 2010

Reportable segment's assets and liabilities:

	Kuwaiti Dinars								
	30 June 2010 (Unaudited)			31 December 2009 (Audited)			30 June 2009 (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
Property and equipment	4,845,089	153,560,263	158,405,352	26,895,107	-	26,895,107	4,500,909	-	4,500,909
Due from a related party	-	-	-	41,437,355	-	41,437,355	46,056,443	-	46,056,443
Assets classified as held for sale	-	-	-	-	-	-	22,736,643	-	22,736,643
Inventories, expendable parts and supplies	185,217	-	185,217	161,601	-	161,601	138,641	-	138,641
Trade and other receivables	1,565,834	-	1,565,834	1,932,088	-	1,932,088	1,306,780	-	1,306,780
Cash and bank balances	2,834,895	701,830	3,536,725	3,311,644	-	3,311,644	1,723,980	-	1,723,980
Deposits	-	687,267	687,267						
Goodwill	-	3,443,481	3,443,481	-	-	-	-	-	-
Total assets	9,431,035	158,392,841	167,823,876	73,737,795	-	73,737,795	76,463,396	-	76,463,396
Term loans	-	85,418,789	85,418,789	15,144,830	-	15,144,830	19,898,734	-	19,898,734
Post employment benefits	566,255	-	566,255	663,118	-	663,118	580,448	-	580,448
Aircraft lease maintenance provision	5,097,043	-	5,097,043	3,531,771	-	3,531,771	1,592,715	-	1,592,715
Bank overdraft	13,025,286	-	13,025,286	12,336,552	-	12,336,552	9,810,738	-	9,810,738
Trade and other payables	11,642,266	479,803	12,122,069	13,759,024	-	13,759,024	8,028,181	-	8,028,181
Deferred revenue	12,049,598	-	12,049,598	8,781,341	-	8,781,341	11,065,452	-	11,065,452
Due to related party	3,829,587	249,999	4,079,586	-	-	-	-	-	-
	46,210,035	86,148,591	132,358,626	54,216,636	-	54,216,636	50,976,268	-	50,976,268
Un allocated liabilities	-	-	25,182,891	-	-	-	-	-	-
Total liabilities	46,210,035	86,148,591	157,541,517	54,216,636	-	54,216,636	50,976,268	-	50,976,268

16. Derivatives

During May 2010 the Group entered into a commodity rate swap of Jet fuel to manage its exposure to price variances. The notional quantity outstanding as of 30 June 2010 was 15,000 barrels. The Group has fair valued this derivative instrument outstanding as of 30 June 2010 and the resultant unrealised gain of KD 11,810 has been taken to the condensed consolidated statement of income.

17. Commitments and contingent liabilities

The Group has issued bank guarantees to regulatory agencies and third party service providers amounting to KD 936,453 (31 December 2009: KD 916,967, 30 June 2009: 702,690). The Group is contractually committed to the acquisition of twenty nine aircraft (31 December 2009 thirty, 30 June 2009: thirty two) with a list price of approximately KD 590,730,000 (31 December 2009: KD 602,490,000, 30 June 2009 KD: 652,848,000) over a period of four years.

18. Business combinations

During the period, the Ultimate Parent Company acquired 100% of the share capital of Al Sahaab Aircraft Leasing Company W.L.L a Kuwaiti Limited Liability Company engaged in leasing of aircraft and engines, for a total consideration of KD 25,552,422 which is payable by 30 September 2010.

The fair value of deferred consideration is as follows:

Deferred consideration	25,552,422
Fair value of deferred consideration	(24,459,787)
Finance cost to be amortised	1,092,635

The fair value of deferred purchase consideration is computed using an effective interest rate of 6% per annum.

Fair value of deferred consideration	24,459,787
Finance cost for the period	723,104
Deferred payment obligation as at 30 June 2010	25,182,891

The following are the provisional values assigned to the identifiable assets and liabilities acquired on the effective date of acquisition of Al Sahaab Aircraft leasing Company WLL, pending finalisation of the purchase price allocation.

	Fair value
Cash and cash equivalents	701,424
Property and equipment	125,013,267
Trade and other payables	(413,636)
Borrowings	(62,847,394)
Due to related parties	(41,437,355)
Provisional value of net assets	21,016,306
Purchase consideration settled in cash	-
Cash and cash equivalents in subsidiary acquired	701,424
Cash inflow on acquisition	701,424
Purchase consideration :	
Deferred purchased consideration (fair value)	24,459,787
Less: provisional value of net assets acquired	(21,016,306)
Goodwill arising on acquisition	3,443,481

Goodwill represents the excess of cost of acquisition over Group's interest in the fair value of the identifiable assets and liabilities acquired from Al Sahaab Aircraft Leasing Company WLL

19. Comparative figures

Certain comparative amounts have been reclassified to conform to the current period presentation, but with no effect on loss for the period or equity.