

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

**Interim Condensed Consolidated Financial Information (Unaudited)
and
Independent Auditors' Review Report
30 September 2014**

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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 30 September 2014 and the related condensed consolidated statements of income and comprehensive income for the 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.

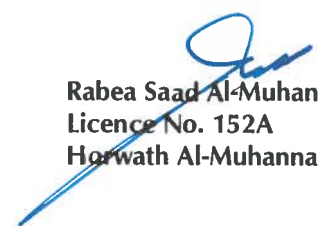
Report on other Legal and Regulatory Requirements

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. 25 of 2012, as amended, or of the Memorandum of Incorporation and Articles of Association of the Ultimate Parent Company during the nine-month period ended 30 September 2014, that might have had a material effect on the business of the Group or on its consolidated financial position.



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Kuwait
22 October 2014



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Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 September 2014

	Note	Kuwaiti Dinars		
		30 September 2014 (Unaudited)	31 December 2013 (Audited)	30 September 2013 (Unaudited)
ASSETS				
Non-current Assets				
Property and equipment	4	161,634,524	154,039,205	146,976,548
Advance for maintenance		5,939,697	3,797,061	5,106,391
Deposits		1,210,102	863,830	866,126
Goodwill		3,443,481	3,443,481	3,443,481
		<u>172,227,804</u>	<u>162,143,577</u>	<u>156,392,546</u>
Current Assets				
Inventories, expendable parts and supplies		216,492	210,229	230,205
Trade and other receivables		2,036,234	1,392,372	1,901,309
Cash and bank balances	5	66,568,425	43,263,789	48,749,106
		<u>68,821,151</u>	<u>44,866,390</u>	<u>50,880,620</u>
Total assets		<u>241,048,955</u>	<u>207,009,967</u>	<u>207,273,166</u>
LIABILITIES AND EQUITY				
Equity				
Attributable to Ultimate Parent Company's Shareholders				
Share capital	6	42,000,000	42,000,000	42,000,000
Legal reserve		4,482,688	4,482,688	2,737,593
Retained earnings		35,859,161	29,206,674	28,345,180
Foreign currency translation reserve		331,943	(883,218)	(682,425)
		<u>82,673,792</u>	<u>74,806,144</u>	<u>72,400,348</u>
Non-controlling interests		428	428	428
Total equity		<u>82,674,220</u>	<u>74,806,572</u>	<u>72,400,776</u>
Non-current liabilities				
Term loans	7	100,079,641	80,537,379	77,309,706
Post employment benefits		2,048,654	1,743,934	1,731,027
Security deposits from lessees		1,741,170	1,513,204	1,573,044
Advance received from lessee		15,905,901	9,791,498	10,319,671
		<u>119,775,366</u>	<u>93,586,015</u>	<u>90,933,448</u>
Current liabilities				
Term loans	7	19,858,002	21,215,398	23,401,249
Due to banks	8	482,341	295,250	240,897
Trade and other payables		9,985,420	9,221,207	10,980,896
Deferred revenue		8,273,606	7,885,525	9,315,900
		<u>38,599,369</u>	<u>38,617,380</u>	<u>43,938,942</u>
Total liabilities and equity		<u>241,048,955</u>	<u>207,009,967</u>	<u>207,273,166</u>

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



Marwan Marzouk Boodai
Chairman

Jazeera Airways K.S.C.P
Kuwait

Condensed Consolidated Statement of Income (Unaudited) -
Nine months ended 30 September 2014

	Note	Kuwaiti Dinars			
		Three months ended 30 September		Nine months ended 30 September	
		2014	2013	2014	2013
Revenue		23,114,305	20,060,623	52,403,321	50,806,795
Operating costs		(12,803,858)	(11,305,441)	(33,582,606)	(30,741,514)
Operating profit		10,310,447	8,755,182	18,820,715	20,065,281
Other income		187,551	143,281	528,003	409,430
Administrative expenses		(1,172,660)	(995,444)	(3,293,831)	(2,835,426)
Finance costs		(841,521)	(876,108)	(2,508,589)	(2,699,394)
Foreign exchange (loss)/ gain		(43,725)	(146,450)	13,945	(215,968)
Profit before contribution to taxes		8,440,092	6,880,461	13,560,243	14,723,923
Zakat expense		(85,810)	(69,462)	(138,802)	(149,884)
Contribution to Kuwait Foundation for the Advancement of Sciences		(75,868)	(61,924)	(121,949)	(132,515)
National Labour Support Tax		(214,525)	(173,654)	(347,005)	(374,708)
Profit for the period		8,063,889	6,575,421	12,952,487	14,066,816
Attributable to:					
Shareholders of the Ultimate Parent Company		8,063,889	6,575,421	12,952,487	14,066,816
Earnings per share (fils) - Basic & Diluted	9	19.20	15.66	30.84	33.49

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

Condensed Consolidated Statement of Comprehensive Income (Unaudited) -
Nine months ended 30 September 2014

	Kuwaiti Dinars			
	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
Profit for the period	8,063,889	6,575,421	12,952,487	14,066,816
<i>Other comprehensive income/ (expense) to be reclassified to profit or loss in subsequent periods:</i>				
Exchange differences on translating foreign operations	1,132,014	(773,863)	1,215,161	308,886
Total comprehensive income for the period	9,195,903	5,801,558	14,167,648	14,375,702

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 2014

	Kuwaiti Dinars						Total equity
	Equity attributable to the Ultimate Parent Company's Shareholders						
	Share capital	Share capital - rights issue	Legal reserve	Retained earnings	Foreign currency translation reserve	Non-controlling interest	
At 1 January 2014	42,000,000	-	4,482,688	29,206,674	(883,218)	428	74,806,572
Total comprehensive income for the period	-	-	-	12,952,487	1,215,161	-	14,167,648
Dividend - 2013	-	-	-	(6,300,000)	-	-	(6,300,000)
At 30 September 2014	42,000,000	-	4,482,688	35,859,161	331,943	428	82,674,220
At 1 January 2013	24,200,000	17,800,000	2,737,593	14,278,364	(991,311)	357	58,025,003
Total comprehensive income for the period	-	-	-	14,066,816	308,886	-	14,375,702
Issue of right shares	17,800,000	(17,800,000)	-	-	-	-	-
Acquisition during the period	-	-	-	-	-	71	71
At 30 September 2013	42,000,000	-	2,737,593	28,345,180	(682,425)	428	72,400,776

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 2014

	Note	Kuwaiti Dinars	
		30 September 2014 (Unaudited)	30 September 2013 (Unaudited)
Cash flows from operating activities			
Profit for the period		12,952,487	14,066,816
<i>Adjustments for:</i>			
Depreciation	4	5,977,320	4,832,043
Finance costs		2,508,589	2,699,394
Foreign exchange (gain)/loss		(13,945)	215,968
Provision for post employment benefits		405,000	300,000
Operating profit before working capital changes		21,829,451	22,114,221
Increase in inventories		(6,263)	(8,275)
Increase in deposits		(346,272)	-
Increase in trade and other receivables		(643,862)	(425,684)
Increase/(decrease) in trade and other payables		521,869	(700,507)
Increase in deferred revenue		388,081	2,066,695
Post employment benefits paid		(100,280)	(35,581)
Net cash from operating activities		21,642,724	23,010,869
Cash flows from investing activities			
Purchase of property and equipment (net)	4	(10,369,230)	(10,188,685)
Increase in advance for maintenance		(2,142,636)	(1,626,508)
Increase in time deposits with banks		(4,569,433)	(11,315,569)
Advance received from lessee		6,114,403	2,141,850
Change in non-controlling interest		-	71
Net cash used in investing activities		(10,966,896)	(20,988,841)
Cash flows from financing activities			
Repayment of deferred purchase consideration		-	(15,000,000)
Proceeds from term loans (net)		18,184,866	6,941,679
Proceeds from overdraft		187,091	126,276
Increase in security deposits from lessees		227,966	312,596
Repayment of loan from related party		-	(2,234,495)
Dividend paid	6	(6,300,000)	-
Finance costs paid		(2,252,300)	(2,175,019)
Net cash from/(used in) financing activities		10,047,623	(12,028,963)
Net increase/(decrease) in cash and cash equivalents		20,723,451	(10,006,935)
Cash and cash equivalents at			
beginning of period	5	36,986,579	42,895,649
effects of exchange rate changes on cash and cash equivalents		(1,988,248)	(447,126)
end of period	5	55,721,782	32,441,588

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

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2014

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 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 30 September 2014 was 442 (31 December 2013: 428, 30 September 2013: 423).

This interim consolidated financial information was approved for issue by the Board of Directors on 22 October 2014.

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 2013, except adoption of the following new Standards and amendments, which are applicable to the Group:

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments are effective for annual periods beginning on or after 1 January 2014 and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. The adoption of this Standard has not resulted in any impact on the financial position or performance of the Group.

IAS 32: Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendment)

The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The adoption of this Standard has not resulted in any impact on the financial position or performance of the Group.

IAS 36: Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendment)

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The adoption of this Standard has not resulted in any material additional disclosures. The Group has adopted these amendments with effect from 1 January 2014.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

Standards issued but not yet effective

The following IASB Standards have been issued/ amended but are not yet mandatory, and have not been adopted by the Group:

IFRS 9: Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but is not expected to have on financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final Standard including all phases is issued. The Standard was initially effective for annual periods beginning on or after 1 January 2013, but IASB in its November 2013 meeting tentatively decided to defer the mandatory effective date of IFRS 9 until the issue date of the completed version of IFRS 9 is known.

IFRS 15 – Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014 is effective for annual periods beginning on or after 1 January 2017. IFRS 15 supersedes IAS 11 – Construction Contracts and IAS 18 – Revenue along with related IFRIC 13, IFRIC 18 and SIC 31 from the effective date. This new standard would remove inconsistencies and weaknesses in previous revenue recognition requirements, provide a more robust framework for addressing revenue issues and improve comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The Group is in the process of evaluating the effect of IFRS 15 and do not expect any significant impact on adoption of this standard.

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 2014 are not necessarily indicative of the results that may be expected for the year ending 31 December 2014. 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 2013.

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 30 September 2014 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) – 30 September 2014

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 2013	173,256,526	627,910	2,007,311	22,383	7,050,001	182,964,131
Additions	9,120,078	-	35,165	3,895	2,650,802	11,809,940
Transfer	9,166,977	607,583	-	-	(9,774,560)	-
Disposal	(2,292,318)	-	(2,765)	(4,424)	-	(2,299,507)
Exchange adjustment	3,603,298	-	22	-	145,845	3,749,165
As at 30 September 2014	192,854,561	1,235,493	2,039,733	21,854	72,088	196,223,729
Depreciation						
As at 31 December 2013	26,675,079	596,228	1,640,418	13,201	-	28,924,926
Charge for the period	5,696,903	56,597	221,827	1,993	-	5,977,320
Disposal	(851,668)	-	(2,705)	(4,424)	-	(858,797)
Exchange adjustment	545,743	-	13	-	-	545,756
As at 30 September 2014	32,066,057	652,825	1,859,553	10,770	-	34,589,205
Net book value						
As at 30 September 2014	160,788,504	582,668	180,180	11,084	72,088	161,634,524
As at 31 December 2013	146,581,447	31,682	366,893	9,182	7,050,001	154,039,205
As at 30 September 2013	133,720,029	37,776	301,865	9,717	12,907,161	146,976,548

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

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2014	2013	2014	2013
Operating costs	2,047,580	1,597,369	5,698,896	4,603,467
Administrative expenses	101,203	71,876	278,424	228,576
	2,148,783	1,669,245	5,977,320	4,832,043

5. Cash and bank balances

	Kuwaiti Dinars		
	30 September 2014 (Unaudited)	31 December 2013 (Audited)	30 September 2013 (Unaudited)
Cash on hand	25,234	34,289	34,946
Current account with banks	14,488,461	13,640,810	16,281,192
Time deposits with banks	41,208,087	23,311,480	16,125,450
Cash & cash equivalents in the statement of cash flows	55,721,782	36,986,579	32,441,588
Time deposits with banks whose maturity period exceeds three months	10,846,643	6,277,210	16,307,518
Cash and bank balances	66,568,425	43,263,789	48,749,106

The effective interest rate as of 30 September 2014 was 0.00075% to 7.75% (31 December 2013: 0.00828% to 2.5%, 30 September 2013: 0.00621% to 2.5%).

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2014

6. Share capital

The authorised, issued and fully paid up share capital of the Ultimate Parent Company as at 30 September 2014 is KD 42,000,000 (31 December 2013: KD 42,000,000; 30 September 2013: KD 42,000,000) comprising of 420,000,000 shares of 100 fils each (31 December 2013: 420,000,000 shares of 100 fils each; 30 September 2013: 420,000,000 shares of 100 fils each).

Dividend

The annual general meeting of the shareholders of the Ultimate Parent Company held on 20 March 2014 approved the distribution of cash dividend of 15 fils per share to the shareholders, amounting to KD 6,300,000 (31 December 2013: Nil, 30 September 2013: Nil).

7. Term loans

	Kuwaiti Dinars		
	30 September 2014 (Unaudited)	31 December 2013 (Audited)	30 September 2013 (Unaudited)
<i>Term loans are repayable as follows:</i>			
Not later than 1 year	19,858,002	21,215,398	23,401,249
Later than 1 year and not later than 2 years	21,715,611	17,246,331	16,523,539
Later than 2 year and not later than 5 years	61,956,193	47,754,126	47,380,152
Later than 5 years	16,407,837	15,536,922	13,406,015
	<u>100,079,641</u>	<u>80,537,379</u>	<u>77,309,706</u>
	<u>119,937,643</u>	<u>101,752,777</u>	<u>100,710,955</u>

This includes the loans as follows:

- a) Term loans of KD 81.83 million (31 December 2013: KD 79.06 million; 30 September 2013: KD 73.64 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. The effective interest rate as of 30 September 2014 was 1.18% to 6.52% (31 December 2013: 1.19% to 6.52%; 30 September 2013: 1.22% to 6.52%) and 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. These are repayable over a period up to 28 May 2026.
- b) Term loan of KD 19.56 million (31 December 2013: Nil; 30 September 2013: Nil) denominated in US Dollars represents facility from a local commercial bank. This facility is fully guaranteed by the Ultimate Parent Company. The effective interest rate as at 30 September 2014 was 2.15% (31 December 2013: Nil; 30 September 2013: Nil). This loan is repayable over a period up to 1 April 2017.
- c) Term loan of KD 3.24 million (31 December 2013: KD Nil; 30 September 2013: KD Nil) denominated in US Dollars represents amounts due to a local commercial bank. This facility is fully guaranteed by the Ultimate Parent Company. The final instalment is due on 30 June 2018. The effective interest rate as at 30 September 2014 was 1.83% (31 December 2013: Nil; 30 September 2013: Nil).
- d) Term loan of KD 15.3 million (31 December 2013: KD Nil; 30 September 2013: Nil) denominated in Kuwaiti Dinar represents facility from a local commercial bank. This facility is secured by a pledge of the shares of the Intermediate Parent Company. The effective interest rate as at 30 September 2014 was 3.25% (31 December 2013: Nil; 30 September 2013: Nil). This loan is repayable over a period up to 31 March 2019.

8. Due to banks

This represents unsecured overdraft facility of USD 1.67 million (31 December 2013: USD 1.05 million, 30 September 2013: USD 852 thousand) from a local commercial bank. The effective interest rate as of 30 September 2014 was 1.83% (31 December 2013: 2.24%, 30 September 2013: 2.27%).

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2014

9. Earnings per share

Earnings per share is calculated based on the profit for the period and the weighted average number of shares outstanding, as follows:

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2014	2013	2014	2013
Earnings attributable to shareholders of Ultimate Parent Company	8,063,889	6,575,421	12,952,487	14,066,816
Weighted average number of issued shares	420,000,000	420,000,000	420,000,000	420,000,000
Earnings per share (fils) – Basic & Diluted	19.20	15.66	30.84	33.49

10. Related party transactions and balances

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

	Kuwaiti Dinars		
	30 September 2014 (Unaudited)	31 December 2013 (Audited)	30 September 2013 (Unaudited)
Balances			
Due from related parties	171,573	17,102	320,340

	Kuwaiti Dinars			
	Three months ended 30 September		Nine months ended 30 September	
	2014	2013	2014	2013
Transactions				
Sales and services	627,206	379,319	1,649,061	1,369,564
General and administrative expenses	30,223	26,969	89,352	68,345
Key management compensation				
Salaries and other employment benefits	123,106	160,924	380,411	412,616

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2014

11. Segment information

The Group derives its 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 September 2014 is as follows:

	Kuwaiti Dinars											
	Three months period ended			Three months period ended			Nine months period ended			Nine months period ended		
	30 September 2014 (Unaudited)			30 September 2013 (Unaudited)			30 September 2014 (Unaudited)			30 September 2013 (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	21,206,322	4,010,187	25,216,509	18,603,649	3,647,906	22,251,555	47,614,094	11,206,496	58,820,590	46,153,596	11,106,770	57,260,366
Less: Intersegment revenue	-	(2,102,204)	(2,102,204)	-	(2,190,932)	(2,190,932)	-	(6,417,269)	(6,417,269)	-	(6,453,571)	(6,453,571)
Revenue from external customers	21,206,322	1,907,983	23,114,305	18,603,649	1,456,974	20,060,623	47,614,094	4,789,227	52,403,321	46,153,596	4,653,199	50,806,795
Reportable segment profit before contribution to taxes	7,522,196	917,896	8,440,092	5,931,605	948,856	6,880,461	11,005,671	2,554,572	13,560,243	11,176,000	3,547,923	14,723,923

Reportable segment's assets and liabilities:

	Kuwaiti Dinars											
	30 September 2014 (Unaudited)			31 December 2013 (Audited)			30 September 2013 (Unaudited)			30 September 2013 (Unaudited)		
	Passenger airline service	Leasing of aircraft and engine	Total	Passenger airline service	Leasing of aircraft and engine	Total	Passenger airline service	Leasing of aircraft and engine	Total	Passenger airline service	Leasing of aircraft and engine	Total
Total assets	53,187,303	187,861,652	241,048,955	27,168,790	179,841,177	207,009,967	33,701,083	173,572,083	207,273,166			
Allocated liabilities	35,060,450	122,706,529	157,766,979	36,543,130	94,882,716	131,425,846	40,993,979	93,221,304	134,215,283			
Unallocated liabilities	-	-	607,756	-	-	777,549	-	-	657,107			
Total liabilities	35,060,450	122,706,529	158,374,735	36,543,130	94,882,716	132,203,395	40,993,979	93,221,304	134,872,390			

Revenue from external customers in the 'leasing of aircraft and engines' segment primarily represents lease income from aircraft leased out and operating in the United States of America, Sri Lanka, Kingdom of Saudi Arabia and Portugal.

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12. Derivatives

The Group has hedged part of its interest rate risk from floating rate liabilities using interest rate options. As at 30 September 2014, interest rate options with an aggregate notional amount of KD 4,302,914 (31 December 2013: KD 4,784,416; 30 September 2013: KD 4,980,788) and a positive fair value of KD 46,147 (31 December 2013: KD 53,007; 30 September 2013: KD 55,761) were designated as hedging instrument in a cash flow hedge.

13. Commitments and contingent liabilities

The Group has issued bank guarantees to regulatory agencies and third party service providers amounting to KD 793,436 (31 December 2013: KD 2,068,651, 30 September 2013: KD 2,284,224).

The Ultimate Parent Company has also provided guarantee to Jazeera Leasing Company, the lessor of novated lease agreement, in respect of the obligations and liabilities of the Intermediate Parent Company pursuant to the novated lease agreement.

Operating lease income

The future minimum lease rent receivable on the operating lease is KD 41,717,277 (31 December 2013: KD 30,858,279, 30 September 2013: KD 32,299,807) and is receivable as follows.

	Kuwaiti Dinars		
	30 September 2014 (Unaudited)	31 December 2013 (Audited)	30 September 2013 (Unaudited)
Not later than one year	7,821,001	5,383,041	5,397,350
Later than one year but not later than five years	26,930,956	20,072,269	20,330,835
Later than five years	6,965,320	5,402,969	6,571,622
	<u>41,717,277</u>	<u>30,858,279</u>	<u>32,299,807</u>

14. Comparative figures

Certain prior year amounts have been reclassified to conform to current year presentation with no effect on net profit or equity.