

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

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

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 Condensed Consolidated Financial Information (Unaudited)	7 - 13

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 2015 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

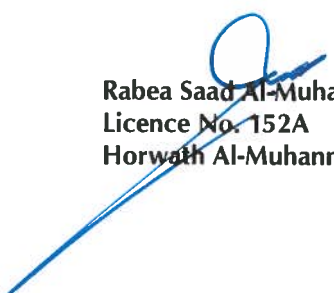
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

Report on Review and Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of account of the Ultimate Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any material violations of the Companies' Law No. 25 of 2012, as amended, and its executive regulations, or of the Memorandum of Incorporation and Articles of Association of the Ultimate Parent Company during the nine-month period ended 30 September 2015, that might have had a material effect on the business of the Group or on its consolidated financial position.


Bader A. Al-Wazzan
Licence No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
4 November 2015


Rabea Saad Al-Muhanna
Licence No. 152A
Horwath Al-Muhanna & Co.

Condensed Consolidated Statement of Financial Position (Unaudited) as at 30 September 2015

	Note	Kuwaiti Dinars		
		30 September 2015 (Unaudited)	31 December 2014 (Audited)	30 September 2014 (Unaudited)
ASSETS				
Non-current Assets				
Property and equipment	4	1,700,496	1,970,221	161,634,524
Advance for maintenance		8,276,159	7,286,137	5,939,697
Security deposit with lessors		2,960,908	1,419,790	-
Deposits		925,531	1,230,051	1,210,102
Goodwill		-	-	3,443,481
		<u>13,863,094</u>	<u>11,906,199</u>	<u>172,227,804</u>
Current Assets				
Inventories, expendable parts and supplies		237,722	211,985	216,492
Trade and other receivables		2,177,667	2,157,173	2,036,234
Cash and bank balances	5	54,011,136	64,810,640	66,568,425
		<u>56,426,525</u>	<u>67,179,798</u>	<u>68,821,151</u>
Assets classified as held for sale	6	34,756,744	148,490,160	-
		<u>91,183,269</u>	<u>215,669,958</u>	<u>68,821,151</u>
Total assets		<u>105,046,363</u>	<u>227,576,157</u>	<u>241,048,955</u>
LIABILITIES AND EQUITY				
Equity				
Attributable to Ultimate Parent Company's Shareholders				
Share capital	7	42,000,000	42,000,000	42,000,000
Legal reserve		4,482,688	4,482,688	4,482,688
Retained earnings		14,490,549	20,019,589	35,859,161
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale		<u>2,366,757</u>	<u>974,175</u>	<u>331,943</u>
		<u>63,339,994</u>	<u>67,476,452</u>	<u>82,673,792</u>
Non-controlling interests		<u>70</u>	<u>428</u>	<u>428</u>
Total equity		<u>63,340,064</u>	<u>67,476,880</u>	<u>82,674,220</u>
Non-current liabilities				
Term loans	8	-	-	100,079,641
Post employment benefits		2,554,132	2,354,698	2,048,654
Security deposits from lessees		-	-	1,741,170
Advance received from lessee		-	-	15,905,901
		<u>2,554,132</u>	<u>2,354,698</u>	<u>119,775,366</u>
Current liabilities				
Term loans	8	17,921,500	116,283,015	19,858,002
Due to banks		-	321,362	482,341
Trade and other payables		10,032,084	11,350,373	9,985,420
Deferred revenue		4,049,859	6,335,469	8,273,606
		<u>32,003,443</u>	<u>134,290,219</u>	<u>38,599,369</u>
Liabilities directly associated with assets classified as held for sale	6	<u>7,148,724</u>	<u>23,454,360</u>	-
		<u>39,152,167</u>	<u>157,744,579</u>	<u>38,599,369</u>
Total liabilities and equity		<u>105,046,363</u>	<u>227,576,157</u>	<u>241,048,955</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 2015

		Kuwaiti Dinars			
		Three months ended 30 September		Nine months ended 30 September	
Note		2015	2014	2015	2014
Continuing operations					
	Revenue	21,005,442	21,206,322	47,633,961	47,614,094
	Operating costs	(11,526,667)	(12,691,125)	(31,566,973)	(34,056,710)
	Operating profit	9,478,775	8,515,197	16,066,988	13,557,384
	Other income	229,630	274,978	938,252	985,885
	General and administrative expenses	(938,341)	(1,081,936)	(2,862,952)	(3,035,124)
	Finance costs	(110,309)	(142,070)	(354,528)	(515,969)
	Foreign exchange gain/ (loss)	2,988	(43,974)	74,403	13,494
	Profit before contribution to taxes	8,662,743	7,522,195	13,862,163	11,005,670
	Zakat expense	(87,315)	(78,126)	(140,616)	(113,360)
	Contribution to Kuwait Foundation for the Advancement of Sciences	(77,964)	(68,952)	(124,759)	(99,051)
	National Labour Support Tax	(218,288)	(195,316)	(351,540)	(283,399)
	Profit for the period from continuing operations	8,279,176	7,179,801	13,245,248	10,509,860
Discontinued operations					
	Net (loss)/ profit for the period from discontinued operations	9 (23,955)	884,088	1,225,712	2,442,627
	Net profit for the period	8,255,221	8,063,889	14,470,960	12,952,487
Attributable to:					
	Shareholders of the Ultimate Parent Company	8,255,221	8,063,889	14,470,960	12,952,487
Earnings per share (fils) - Basic & Diluted					
	From continuing and discontinued operations	10 19.66	19.20	34.45	30.84
	From continuing operations	19.71	17.09	31.54	25.02

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 2015**

	Kuwaiti Dinars			
	Three months ended 30 September		Nine months ended 30 September	
	2015	2014	2015	2014
Profit for the period	8,255,221	8,063,889	14,470,960	12,952,487
<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	1,132,014	1,392,582	1,215,161
Total comprehensive income for the period	<u>8,268,825</u>	<u>9,195,903</u>	<u>15,863,542</u>	<u>14,167,648</u>
Attributable to:				
Shareholders of the Ultimate Parent Company	<u>8,268,825</u>	<u>9,195,903</u>	<u>15,863,542</u>	<u>14,167,648</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 2015

Note	Kuwaiti Dinars					Total equity
	Equity attributable to the Ultimate Parent Company's Shareholders	Share capital	Legal reserve	Retained earnings	Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale	
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
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

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 2015

		Kuwaiti Dinars	
		30 September 2015	30 September 2014
Note		(Unaudited)	(Unaudited)
Cash flows from operating activities			
	Net profit for the period	14,470,960	12,952,487
	<i>Adjustments for:</i>		
4	Depreciation	348,209	5,977,320
	Finance costs	1,779,177	2,508,589
	Foreign exchange gain	(74,632)	(13,945)
	Provision for post employment benefits	517,308	405,000
	Operating profit before working capital changes	17,041,022	21,829,451
	Increase in inventories	(25,737)	(6,263)
	Decrease/(increase) in deposits	304,520	(346,272)
	Increase in trade and other receivables	(20,494)	(643,862)
	(Decrease)/increase in trade and other payables	(1,032,128)	521,869
	(Decrease)/increase in deferred revenue	(2,285,610)	388,081
	Post employment benefits paid	(317,874)	(100,280)
	Net cash from operating activities	13,663,699	21,642,724
Cash flows from investing activities			
4	Purchase of property and equipment (net)	(78,474)	(10,369,230)
7	Proceeds from sale of assets held for sale	113,733,416	-
	Increase in advance for maintenance	(990,022)	(2,142,636)
	Decrease/(increase) in time deposits with banks	3,834,297	(4,569,433)
	(Decrease)/increase in advance received from lessee	(13,725,020)	6,114,403
	Increase in security deposits with lessor	(1,541,118)	-
	(Decrease)/increase in security deposits from lessees	(2,580,616)	227,966
	Change in non-controlling interest	(358)	-
	Net cash from/(used in) investing activities	98,652,105	(10,738,930)
Cash flows from financing activities			
	(Repayment of)/proceeds from term loans (net)	(98,361,515)	18,184,866
	(Repayment of)/proceeds from overdraft	(321,362)	187,091
6	Dividend paid	(20,000,000)	(6,300,000)
	Finance costs paid	(1,990,707)	(2,252,300)
	Net cash (used in)/from financing activities	(120,673,584)	9,819,657
	Net (decrease)/increase in cash and cash equivalents	(8,357,780)	20,723,451
	Cash and cash equivalents at		
	beginning of period	52,490,273	36,986,579
	effects of exchange rate changes on cash and cash equivalents	1,392,573	(1,988,248)
5	end of period	45,525,066	55,721,782

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.

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2015

- Providing services of management and marketing in addition to the consultancy services related to the field of aircraft industry.
- Conducting all air cargo businesses inside and outside Kuwait within the limits as stipulated by law.
- Conducting all businesses of transporting, handling, distributing and customs clearance of goods related to air cargo.
- Establishing aviation, wireless studies, engineering, air and ground services institutes, in addition to training the technical personnel in the field of aviation and qualifying the Kuwaiti citizens in order to assume the technical, administrative and commercial businesses required to achieve the company's purposes.
- Owning and granting any privileges, leases or investments, as well as outsourcing any businesses or other rights related aircraft.
- Investing surplus funds in investment and real estate portfolios managed by specialized companies or entities.

The Ultimate Parent Company has the following subsidiaries:

Name of the Company	Percentage of Holding	Description
Al Sahaab Aircraft Leasing Company W.L.L.	100%	Intermediate Parent Company
Sahaab Aviation LLC (Trustor)	100%	Subsidiary of Intermediate Parent Company

The ownership interest of related parties in the Intermediate Parent Company are for the beneficial interest of the Ultimate Parent Company, which have been confirmed by these related parties. The Group is in the process of re-structuring their shareholding, in accordance with Companies Law No. 25 of 2012, as amended and executive regulations thereof.

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

The address of the registered office of the Ultimate Parent Company is Kuwait international Airport, State of Kuwait. The number of personnel employed by the Group as of 30 September 2015 was 412 (31 December 2014: 424, 30 September 2014: 442).

This interim consolidated financial information was approved for issue by the Board of Directors on 4 November 2015.

2. Basis of preparation and significant accounting policies

The accounting policies used in the preparation of the interim condensed consolidated financial information for the period are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2014, except adoption of the following amendment:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

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

Adoption of other new or amended Standards are not expected to have material effect on the consolidated financial position or financial performance of the Group.

This interim condensed consolidated financial information does not contain information and disclosures required for complete consolidated financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of the management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the nine months period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the year ending 31 December 2015. The Ultimate Parent Company operates in an industry where the demand for its services are higher in certain months of the year due to summer holidays and festival season. Accordingly, the Ultimate Parent's revenue and costs may vary from quarter to quarter. For further information, refer to the consolidated financial statements and notes thereto included in the consolidated financial statements of the Group for the year ended 31 December 2014.

2.1 Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control is achieved when the Parent Company has power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee; exposure or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect its returns). The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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 two subsidiaries, Sahaab Aircraft Leasing Company - 1 (SALC-1) and Sahaab Aircraft Leasing Company - 2 (SALC-2), Cayman Island companies, incorporated with an authorised capital of USD 50,000 each. The issued and fully paid up capital as of 30 September 2015 are USD 1 and USD 250 respectively, equivalent to KD 0.276 and KD 70. SALC-1, and SALC-2 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. SALC-1 and SALC-2 have been consolidated in these consolidated financial statements in accordance with IFRS 10 "Consolidated Financial Statements".

4. Property and equipment

	Kuwaiti Dinars					Total
	Aircraft & engines	Leasehold improvements	Furniture & equipment	Vehicles	Capital work-in-progress	
Cost						
As at 31 December 2014	1,543,003	1,239,947	2,064,098	21,854	75,372	4,944,274
Additions	5,916	-	15,630	-	56,928	78,474
Transfer	-	62,570	-	-	(62,570)	-
Exchange adjustment	-	-	34	-	-	34
As at 30 September 2015	1,548,919	1,302,517	2,079,762	21,854	69,730	5,022,782
Depreciation						
As at 31 December 2014	351,511	687,492	1,923,551	11,499	-	2,974,053
Charge for the period	153,989	106,895	85,137	2,188	-	348,209
Exchange adjustment	-	-	24	-	-	24
As at 30 September 2015	505,500	794,387	2,008,712	13,687	-	3,322,286
Net book value						
As at 30 September 2015	1,043,419	508,130	71,050	8,167	69,730	1,700,496
As at 31 December 2014	1,191,492	552,455	140,547	10,355	75,372	1,970,221
As at 30 September 2014	160,788,504	582,668	180,180	11,084	72,088	161,634,524

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2015

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

	Kuwaiti Dinars		Kuwaiti Dinars	
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
Operating costs	52,385	2,047,580	156,177	5,698,896
Administrative expenses	59,163	101,203	192,032	278,424
	<u>111,548</u>	<u>2,148,783</u>	<u>348,209</u>	<u>5,977,320</u>

5. Cash and bank balances

	Kuwaiti Dinars		
	30 September	31 December	30 September
	2015	2014	2014
	(Unaudited)	(Audited)	(Unaudited)
Cash on hand	17,209	23,784	25,234
Current account with banks	12,898,770	12,364,992	14,488,461
Time deposits with banks	32,609,087	40,101,497	41,208,087
Cash & cash equivalents in the statement of cash flows	<u>45,525,066</u>	<u>52,490,273</u>	<u>55,721,782</u>
Time deposits with banks whose maturity period exceeds three months	8,486,070	12,320,367	10,846,643
Cash and bank balances	<u>54,011,136</u>	<u>64,810,640</u>	<u>66,568,425</u>

The effective interest rate as of 30 September 2015 was 0.01% to 7.25% (31 December 2014: 0.01% to 7.50%, 30 September 2014: 0.01% to 7.75%).

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

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

The Group intends to repay the term loans obtained earlier for the purchase of each aircraft, from the proceeds of sale. Subsequently, the parties to the agreement decided to extend period of delivery from six months to ten months from the agreement date.

As of 30 September 2015, twelve aircraft have been delivered to the purchasers at a consideration of KD 113,733,416, and subsequent to 30 September 2015, the remaining three aircraft were also delivered to the purchasers.

The following are the assets and liabilities directly associated with the assets held for sale:

6.1 Assets classified as held for sale

	Kuwaiti Dinars		
	30 September	31 December	30 September
	2015	2014	2014
	(Unaudited)	(Audited)	(Unaudited)
Equipment	<u>34,756,744</u>	<u>148,490,160</u>	<u>-</u>

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2015

6.2 Liabilities directly associated with assets classified as held for sale

	Kuwaiti Dinars		
	30 September 2015 (Unaudited)	31 December 2014 (Audited)	30 September 2014 (Unaudited)
Security deposits from lessees	663,557	3,244,173	-
Advances received from lessees	6,485,167	20,210,187	-
	<u>7,148,724</u>	<u>23,454,360</u>	<u>-</u>

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

7. Share capital

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

Dividend

The Annual General Assembly of the shareholders of the Ultimate Parent Company held on 21 May 2015 approved the distribution of cash dividend of 47.619 fils per share to the shareholders, amounting to KD 20,000,000 (31 December 2014: Nil; 30 September 2014: KD 6,300,000).

Proposed reduction of share capital

The Ultimate Parent Company's Board of Directors has proposed a reduction of authorised, issued and paid up share capital from 420,000,000 shares of 100 fils each to 200,000,000 shares of 100 fils each by way of buy back of 220,000,000 shares which was approved by Extraordinary General Assembly of the shareholders on 12 October 2015 and is subject to approval of the regulators.

8. Term loans

	Kuwaiti Dinars		
	30 September 2015 (Unaudited)	31 December 2014 (Audited)	30 September 2014 (Unaudited)
<i>Term loans are repayable as follows:</i>			
Not later than 1 year	<u>17,921,500</u>	<u>116,283,015</u>	<u>19,858,002</u>
Later than 1 year and not later than 2 years	-	-	21,715,611
Later than 2 years and not later than 5 years	-	-	61,956,193
Later than 5 years	-	-	16,407,837
	-	-	100,079,641
	<u>17,921,500</u>	<u>116,283,015</u>	<u>119,937,643</u>

Term loans of KD 17.92 million (31 December 2014: KD 79.74 million; 30 September 2014: KD 81.83 million), represent senior loans arranged through SALC-1, SALC-2 and Owner Trustee. They are denominated in US Dollars and represent amounts due to local banks and European banks. These term loans are secured by a first priority charge/pledge over the shares of SALC-1, SALC-2 and a first priority registered aircraft mortgage over each aircraft. Under the terms of the sale agreement referred to in note 6, the Group is obliged to settle these term loans before the delivery of aircraft. Accordingly, these term loans are classified as current liabilities.

The effective interest rate as of 30 September 2015 was 1.23% to 6.52% (31 December 2014: 1.18% to 6.52%; 30 September 2014: 1.18% to 6.52%).

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2015

9. Discontinued operations

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

Analysis of profit from discontinued operations	Kuwaiti Dinars			
	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2015	2014	2015	2014
Revenue	-	4,010,187	-	11,206,496
Less: intercompany revenue	-	(2,102,204)	-	(6,417,269)
	-	1,907,983	-	4,789,227
Operating costs	(50,048)	(2,214,938)	(159,336)	(5,943,166)
Gross loss	(50,048)	(306,955)	(159,336)	(1,153,939)
Other income	407,828	636	3,073,561	20,006
General and administrative expenses	(97,245)	(114,423)	(207,679)	(330,399)
Finance costs	(285,466)	(763,813)	(1,424,649)	(2,398,815)
Foreign exchange (loss)/ gain	(126)	248	229	451
Cost recovered from Parent Company	-	2,102,204	-	6,417,269
Net (loss)/ profit for the period from discontinued operations before taxes	(25,057)	917,897	1,282,126	2,554,573
Zakat expense	250	(7,684)	(12,822)	(25,442)
Contribution to Kuwait Foundation for the Advancement of Sciences	226	(6,915)	(11,539)	(22,898)
National Labour Support Tax	626	(19,210)	(32,053)	(63,606)
Net (loss)/ profit for the period from discontinued operations	(23,955)	884,088	1,225,712	2,442,627

9.1 Cash flows from discontinued operations

	Kuwaiti Dinars	
	Nine months ended 30 September (Unaudited)	
	2015	2014
Net cash (outflow)/inflows from operating activities	4,123,455	(8,525,395)
Net cash inflows/(outflows) from investing activities (net)	98,466,920	(2,894,643)
Net cash (outflows)/inflow from financing activities	(106,238,212)	15,646,559
Net cash (outflow)/inflow	(3,647,837)	4,226,521

10. 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)	
	2015	2014	2015	2014
	Earnings for the period (in Kuwaiti Dinar)	8,255,221	8,063,889	14,470,960
Weighted average number of issued shares	420,000,000	420,000,000	420,000,000	420,000,000
Earnings per share (fils) – Basic & Diluted	19.66	19.20	34.45	30.84

From continuing operations

Notes to the Interim Consolidated Financial Information (Unaudited) – 30 September 2015

	Three months ended		Nine months ended	
	30 September (Unaudited)		30 September (Unaudited)	
	2015	2014	2015	2014
Earnings for the period (in Kuwaiti Dinar)	8,279,176	7,179,801	13,245,248	10,509,860
Weighted average number of issued shares	420,000,000	420,000,000	420,000,000	420,000,000
Earnings per share (fils) – Basic & Diluted	19.71	17.09	31.54	25.02

11. **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	31 December	30 September
	2015	2014	2014
	(Unaudited)	(Audited)	(Unaudited)
Balances			
Due from related parties	232,570	135,211	171,573

	Kuwaiti Dinars			
	Three months ended		Nine months ended	
	30 September		30 September	
	2015	2014	2015	2014
Transactions				
Sales and services	311,305	627,206	978,379	1,649,061
General and administrative expenses	27,471	30,223	84,518	89,352
Key management compensation				
Salaries and other employment benefits	136,357	123,106	392,688	380,411

12. **Segment information**

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

13. **Taxes**

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

14. **Commitments and contingent liabilities**

The Group has issued bank guarantees to regulatory agencies and third party service providers amounting to KD 3,050,432 (31 December 2014: KD 869,156; 30 September 2014: KD 793,436).

15. **Comparative figures**

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