

**Air Arabia PJSC
and its subsidiaries**

Condensed Consolidated Interim
Financial Information
For the period ended June 30, 2019

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information
For the period ended June 30, 2019

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Grant Thornton

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**Grant Thornton
United Arab Emirates**

Rolux Tower
Level 23
Sheikh Zayed Road
P.O. Box 1620
Dubai

T +971 4 388 9925

F +971 4 388 9915

**Report on review of the condensed
consolidated interim financial information
To the Shareholders of Air Arabia PJSC**

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Air Arabia PJSC ("the Company") and its subsidiaries (collectively referred to as "the Group") as at June 30, 2019, and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income for the three months and six months periods then ended and the related condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended, and explanatory notes.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

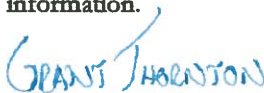
We conducted our review in accordance with International Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*". A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons 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 condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2018 were audited by another auditor whose report dated February 13, 2019 expressed an unmodified opinion on those consolidated financial statements. Furthermore, the condensed consolidated interim financial information of the Group for the period ended June 30, 2018 was reviewed by another auditor whose review report dated August 9, 2018 expressed a disclaimer of conclusion on that condensed consolidated interim financial information.



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Osama El Bakry
Registration No. 935
Dubai, United Arab Emirates

07 AUG 2019

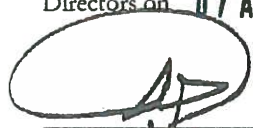


Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

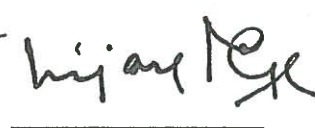
Condensed consolidated statement of financial position
As at June 30, 2019

	Notes	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
ASSETS			
Non-current assets			
Property and equipment	4	7,233,228	7,402,785
Investment properties		124,970	124,970
Intangible assets		1,304,617	1,300,934
Net investment in lease		53,298	-
Deferred charges		26,271	24,135
Investments	5	9,794	10,191
Investments in associates and joint ventures		39,321	88,613
		8,791,499	8,951,628
Current assets			
Inventories		26,655	20,628
Trade and other receivables		892,510	631,938
Net investment in lease		13,803	-
Other investments	6	168,374	168,366
Bank balances and cash	7	2,155,575	1,645,014
		3,256,917	2,465,946
TOTAL ASSETS		12,048,416	11,417,574
EQUITY AND LIABILITIES			
Equity			
Share capital		4,666,700	4,666,700
Statutory reserve		482,932	482,932
General reserve		-	426,155
Other reserves		(122,015)	(329,743)
Retained earnings/(accumulated losses)		11,013	(732,713)
Equity attributable to owners of the Company		5,038,630	4,513,331
Non-controlling interests		90,174	72,267
Total equity		5,128,804	4,585,598
Non-current liabilities			
Employees' end of services benefits		134,071	129,744
Trade and other payables		1,056,055	1,255,311
Finance lease liabilities	8	3,195,559	3,260,328
		4,385,685	4,645,383
Current liabilities			
Deferred income		520,147	264,963
Trade and other payables		1,493,598	1,439,565
Short term bank borrowings		23,058	21,064
Finance lease liabilities	8	497,124	461,001
		2,533,927	2,186,593
Total liabilities		6,919,612	6,831,976
TOTAL EQUITY AND LIABILITIES		12,048,416	11,417,574

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on **07 AUG 2019** and were signed on their behalf by:


Chairman


Chief Executive Officer


Director of Finance

The accompanying notes from 1 to 15 form an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of profit or loss
For the period ended June 30, 2019

	Note	Three-month period ended June 30, 2019 (Unaudited) AED '000	Three-month period ended June 30, 2018 (Unaudited) AED '000	Six-month period ended June 30, 2019 (Unaudited) AED '000	Six-month period ended June 30, 2018 (Unaudited) AED '000
Revenue		1,143,980	938,259	2,173,313	1,815,547
Direct costs		(850,837)	(755,907)	(1,671,237)	(1,480,050)
GROSS PROFIT		293,143	182,352	502,076	335,497
Administrative and general expenses		(68,404)	(47,745)	(125,239)	(86,304)
Selling and marketing expenses		(21,193)	(17,940)	(44,296)	(37,083)
Finance income		20,677	23,560	38,781	63,564
Finance costs		(31,772)	(31,036)	(61,844)	(60,595)
Share of (loss)/profit on investments in associates and joint ventures		(150)	105	(7,180)	1,698
Other income, net		17,505	10,329	35,412	12,758
PROFIT FOR THE PERIOD		209,806	119,625	337,710	229,535
<i>Profit for the period attributable to:</i>					
Owners of the Company		200,562	110,006	319,803	211,652
Non-controlling interests		9,244	9,619	17,907	17,883
		209,806	119,625	337,710	229,535
Basic and diluted earnings per share (AED)	10	0.04	0.02	0.07	0.05

The accompanying notes from 1 to 15 form an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of comprehensive income
For the period ended June 30, 2019

	Three-month period ended June 30, 2019 (Unaudited) AED '000	Three-month period ended June 30, 2018 (Unaudited) AED '000	Six-month period ended June 30, 2019 (Unaudited) AED '000	Six-month period ended June 30, 2018 (Unaudited) AED '000
Profit for the period	209,806	119,625	337,710	229,535
Other comprehensive income:				
<i>Items that will never be subsequently reclassified to profit or loss:</i>				
Change in fair value of investments measured at fair value through other comprehensive income	60	365	(397)	(78,165)
<i>Items that are or may be reclassified subsequently to profit or loss</i>				
Cash flow hedge				
Effective portion of changes in fair value	(68,803)	407,078	208,125	519,164
Total other comprehensive income for the period	(68,743)	407,443	207,728	440,999
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	141,063	527,068	545,438	670,534
Total comprehensive income for the period attributable to:				
Owners of the Company	131,819	517,449	527,531	652,651
Non-controlling interests	9,244	9,619	17,907	17,883
	141,063	527,068	545,438	670,534

The accompanying notes from 1 to 15 form an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of changes in equity
For the period ended June 30, 2019

	Other reserves				Retained earnings/ (accumulated losses) AED '000	Attributable to owners of the Company AED '000	Non-controlling Interests AED '000	Total AED '000
	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Cumulative change in FVOCI AED '000	Cash flow hedge reserve AED '000			
As at January 1, 2019 (audited)	4,666,700	482,932	426,155	4,530	(334,273)	4,513,331	72,267	4,585,598
Adjustment on initial application of IFRS 16 (Note 2 [d])	-	-	-	-	-	(2,232)	-	(2,232)
Adjusted balance as at January 1, 2019	4,666,700	482,932	426,155	4,530	(334,273)	4,511,099	72,267	4,583,366
Profit for the period	-	-	-	-	-	319,803	17,907	337,710
Other comprehensive income for the period	-	-	-	(397)	208,125	207,728	-	207,728
Total comprehensive income for the period	-	-	-	(397)	208,125	527,531	17,907	545,438
Absorption of accumulated losses through general reserve*	-	-	(426,155)	-	-	426,155	-	-
As at June 30, 2019 (unaudited)	4,666,700	482,932	-	4,133	(126,148)	5,038,630	90,174	5,128,804

* During the period ended June 30, 2019 and on the General Assembly dated March 17, 2019, the Board of Directors proposed, and the Shareholders resolved to utilise the general reserve balance of AED'000 426,155 to absorb a portion of the accumulated losses.

The accompanying notes from 1 to 15 form an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of changes in equity (continued)
For the period ended June 30, 2019

	Other reserves					Attributable to owners of the Company		Non-controlling interests	Total
	Share capital	Statutory reserve	General reserve	Cumulative change in FVOCI	Cash flow hedge reserve	Retained earnings	AED '000		
	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000	AED '000
As at January 1, 2018 (audited)	4,666,700	482,932	426,155	60,351	(192,662)	592,727	6,036,203	66,461	6,102,664
Profit for the period	-	-	-	-	-	211,652	211,652	17,883	229,535
Other comprehensive income for the period	-	-	-	(78,165)	519,164	-	440,999	-	440,999
Transfer to retained earnings on disposal of investment measured at fair value through other comprehensive income	-	-	-	(1,724)	-	1,724	-	-	-
Total comprehensive income for the period	-	-	-	(79,889)	519,164	1,724	440,999	-	440,999
Transactions with owners Dividend (Note 15)	-	-	-	-	-	(466,670)	(466,670)	(24,500)	(491,170)
As at June 30, 2018 (unaudited)	4,666,700	482,932	426,155	(19,538)	326,502	339,433	6,222,184	59,844	6,282,028

The accompanying notes from 1 to 15 form an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of cash flows
For the period ended June 30, 2019

	Six-month period ended June 30, 2019 (Unaudited) AED '000	Six-month period ended June 30, 2018 (Unaudited) AED '000
OPERATING ACTIVITIES		
Profit for the period	337,710	229,535
<i>Adjustments to reconcile profit to net cash flows:</i>		
Depreciation and amortisation	266,992	257,423
Provision for employees' end of services benefits	10,544	12,788
Ineffective portion of cash flow hedge	-	(32,193)
Profit on sale of property and equipment	(3,663)	-
Share of loss/ (profit) on investments in associates and joint ventures	7,180	(1,698)
Finance income	(38,781)	(63,564)
Finance costs	61,844	60,595
<i>Operating cash flows before changes in working capital</i>	<i>641,826</i>	<i>462,886</i>
<i>Changes in working capital</i>		
Trade and other receivables	(195,133)	(35,618)
Inventories	(6,026)	1,420
Trade and other payables	(54,050)	(22,212)
Deferred income	255,184	166,585
Cash from operations	641,801	573,061
Employees' end of services benefits paid	(6,217)	(3,104)
Net cash flow from operating activities	635,584	569,957
INVESTING ACTIVITIES		
Acquisition of property and equipment	(12,574)	(38,347)
Dividend received from joint ventures and associates	42,112	32,020
Proceeds from disposal of investments at fair value through other comprehensive income	-	9,276
Decrease in deferred charges	(2,136)	-
Proceeds on disposals of property and equipment	61,893	-
Acquisition of intangible assets	(3,683)	(905)
Change in fixed and margin deposits	(448,154)	283,828
Finance income received	38,781	76,908
Other investments made	(8)	(275,470)
Net cash flow (used in)/from investing activities	(323,769)	87,310
FINANCING ACTIVITIES		
Dividends paid to non-controlling interests	-	(24,500)
Dividend paid to owners of the Company	-	(466,670)
Payments of finance lease liabilities	(304,279)	(221,127)
Net movement in bank borrowings	1,993	127,493
Finance costs paid	(61,844)	(60,595)
Net cash flow used in financing activities	(364,130)	(645,399)
Net change in cash and cash equivalents	(52,315)	11,868
Cash and cash equivalents at the beginning of the period	271,419	270,148
Cash and cash equivalents at the end of the period	219,104	282,016
Cash and cash equivalents comprise of:		
Bank balances and cash	2,155,575	1,775,622
Fixed deposits with maturity over 3 months	(1,936,471)	(1,492,400)
Margin deposits with warranty over 3 months	-	(1,206)
	219,104	282,016

The accompanying notes from 1 to 15 form an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries

Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information

For the period ended June 30, 2019

1 Legal status and principal activities

Air Arabia PJSC ("the Company") was incorporated on June 19, 2007 as a Public Joint Stock Company. The Company operates in the United Arab Emirates under a trade license issued by the Economic Development Department of the Government of Sharjah and Air Operator's Certificate Number AC 2 issued by the General Civil Aviation Authority, United Arab Emirates.

The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates. The registered office address is P.O. Box 132, Sharjah, United Arab Emirates.

The condensed consolidated interim financial information for the period ended June 30, 2019 includes the financial performance and position of the Company and its subsidiaries (collectively referred to as "the Group") and the Group's interest in associates and joint ventures.

The licensed activities of the Group are international commercial air transportation, aircraft trading, aircraft rental, aircraft spare parts trading, travel and tourist agencies, commercial brokerage, hotels, hotel apartment rentals, airline companies' representative office, passengers transport, cargo services, air cargo agents, documents transfer services, aviation training and aircraft repairs and maintenance.

The details of the Group's ownership in its various subsidiaries, joint ventures and associates and their principal activities are as follow:

Name	Legal/ beneficial ownership interest		Country of operation and Ownership	Principal activities
	2019	2018		
Subsidiaries				
COZMO Travel LLC and its Subsidiaries <i>Subsidiaries of COZMO Travel LLC (sub-subsidiaries)</i>	51%	51%	United Arab Emirates	Travel and tours, tourism and cargo services.
COZMO Travel WLL	100%	100%	Qatar	Travel and tours, tourism and cargo services.
COZMO Travel Limited Company	100%	100%	Kingdom of Saudi Arabia	Travel and tours, tourism and cargo services.
COZMO Travel LLC	100%	100%	Kuwait	Travel and tours, tourism and cargo services.
COZMO Travel LLC	100%	100%	Bahrain	Travel and tours, tourism and cargo services.
COZMO Travel World	100%	100%	United Arab Emirates	Travel agent.
COZMO Travel (Private) Limited	100%	100%	India	Travel and tours, tourism and cargo services.
COZMO Travel World (Private) Limited	100%	100%	India	Travel and tours, tourism and cargo services.
Al Sayara limousine Passengers Transport Per Person Company Owner COZMO Travel LLC	100%	100%	United Arab Emirates	Passengers transport services by rented cars, buses and limousine.
Tune Protection Commercial Brokerage LLC	51%	51%	United Arab Emirates	Commercial brokers.
Information System Associates FZC	100%	100%	United Arab Emirates	IT services to aviation industry.
Action Hospitality	100%	100%	United Arab Emirates	Hospitality services, tourism, managing and operating restaurants and hotels.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

1 Legal status and principal activities (continued)

Name	Legal/ beneficial ownership interest		Country of operation and ownership	Principal activities
	2019	2018		
Joint ventures				
Alpha Flight Services UAE LLC	51%	51%	United Arab Emirates	Flight and retail catering and ancillary services to the Air Arabia PJSC.
Sharjah Aviation Services LLC	50%	50%	United Arab Emirates	Aircraft handling, passenger and cargo services at the Sharjah International Airport.
Air Arabia - Egypt Company S.A.E.	40%	50%	Egypt	International commercial air transportation.
Associates				
Air Arabia Maroc, S.A.	40%	40%	Morocco	International commercial air transportation.
Air Arabia Jordan LLC	49%	49%	Jordan	International commercial air transportation.

2 Basis of preparation and summary of significant accounting policies

a) Basis of preparation

The condensed consolidated interim financial information of the Group has been prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2018.

Accounting policies, related adjustments, estimates and assumptions adopted for the preparation of this condensed consolidated interim financial information are same as those applied in the preparation of the audited consolidated financial statements for the year ended December 31, 2018, except for the changes arising from the adoption of IFRS 16: Leases effective from January 1, 2019 [refer to Note 2(d)].

The condensed consolidated interim financial information has been prepared on the historical cost basis except for derivative financial instruments and investments measured at fair value through other comprehensive income (FVOCI), which are measured at their fair values.

b) Functional and presentation currency

The condensed consolidated interim financial information is presented in United Arab Emirates Dirham ("AED"), which is the Group's functional currency. All values are rounded to the nearest thousands ('000) except where noted otherwise.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

2 Basis of preparation and summary of significant accounting policies (continued)

c) Basis of consolidation

This condensed consolidated interim financial information incorporates the financial information of the Company and entities controlled by the Company. Control is achieved where the Company has the power over 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 the amount of the investor's returns.

d) New standards, interpretations, and amendments adopted by the Group

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16: Leases, effective from January 1, 2019 as explained below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases that it is the lessee, except for short-term leases and leases of low-value assets. The Group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019 and accordingly, the comparative information is not restated. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

The Group has recorded right-of-use assets representing the right to use the underlying assets under property and equipment, net investment in lease representing the net present value of receivables from intermediate lease, and the corresponding lease liabilities to make lease payments under other liabilities.

IFRS 16 transition disclosures also requires the Group to present the reconciliation. The off-balance sheet lease obligations as of December 31, 2018 are reconciled as follows to the recognised the lease liabilities as at January 1, 2019.

	AED '000
Total operating lease commitments as of December 31, 2018	100,501
Discounted using incremental borrowing rate	<u>(14,809)</u>
Total lease liabilities recognised as at January 1, 2019	<u>85,692</u>

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

2 Basis of preparation and summary of significant accounting policies (continued)

d) New standards, interpretations, and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

The change in accounting policy affected the following items in the condensed consolidated statement of financial position on January 1, 2019:

- Right-of-use assets – Increase in net carrying value by AED 9.57 million
- Net investments in lease – Increase by AED 73.89 million;
- Finance lease liabilities – Increase by AED 85.69 million, and
- Accumulated losses – Increase by AED 2.23 million.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rates range from 2.26 % to 5 % as applicable as at January 1, 2019. Lease costs for the period ended June 30, 2019 relating to right-of-use assets amounted to AED 0.66 million and are included under depreciation expenses.

The accounting policies of the Group upon adoption of IFRS 16 are as follow:

I. Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment. The carrying value of right-of-use assets are recognised under property and equipment in the condensed consolidated statement of financial position.

II. Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset and is recognised under other liabilities in the condensed consolidated statement of financial position.

III. Net investments in leases

Leases in which the Group transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the minimum lease payments under the lease agreement, including guaranteed residual value and unamortised initial direct cost which are included in the financial statements as "Net investments in leases".

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

2 Basis of preparation and summary of significant accounting policies (continued)

d) New standards, interpretations, and amendments adopted by the Group (continued)

IFRS 16 Leases (continued)

IV. Interest income on net investments in leases

The Group follows the finance lease method in accounting for recognition of finance lease. The total unearned interest income, i.e. the excess of aggregate instalment contract receivables plus residual value over the cost of the leased asset is deferred and then amortised over the term of the lease, to produce a systematic return on net investments in leases.

V. The Group as an intermediate lessor

The Group acts as an intermediate lessor in a transaction for which an underlying asset is re-leased by the Group ("intermediate lessor") to a third party, and the lease ("head lease") between the head lessor and Group remains in effect.

The Group classifies the sublease as a finance lease or an operating lease as follows:

- If the head lease is a short-term lease that the entity, as a lessee, has accounted for by recognising the lease payments as an expense on a straight-line basis over the term of the lease, the sublease must be classified as an operating lease
- Otherwise, the sublease must be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the economic useful life of the underlying asset (such as the item of property and equipment that is the subject of the lease).

e) Significant accounting estimates and judgments

The preparation of the condensed consolidated interim financial information in conformity with IAS 34, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied in preparation of the consolidated financial statements of the Group as at and for the year ended December 31, 2018.

3 Financial risk management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements of the Group as at and for the year ended December 31, 2018.

4 Property and equipment

During the period ended June 30, 2019, the Group acquired various property and equipment amounting to AED 12.57 million (the period ended June 30, 2018: AED 501.5 million) and recognised carrying amount of right-to-use assets amounting to AED 123.02 million. In addition, the Group recognised net carrying amount of right-of-use assets amounting to AED 9.57 million as a result of the adoption of IFRS 16 (Note 2 [d]).

Depreciation charge on property and equipment for the period ended June 30, 2019 amounted to AED 266.99 million (the period ended June 30, 2018: AED 255.5 million).

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

5 Investments

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Investments measured at fair value through other comprehensive income (Note 5.1)	9,794	10,191
Investment measured at amortised cost (Note 5.2)	-	367,315
Impairment loss	-	(367,315)
	<u>9,794</u>	<u>10,191</u>

5.1 Investments measured at fair value through other comprehensive income

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Quoted	<u>9,794</u>	<u>10,191</u>
In UAE	<u>9,794</u>	<u>10,191</u>

Movements during the period were as follow:

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Opening balance	10,191	324,589
Disposal of investment during the period/year	-	(9,276)
Change in fair value	(397)	(305,122)
	<u>9,794</u>	<u>10,191</u>

The market rate as at June 30, 2019 is considered for the calculation of the fair value of the investments that are quoted on the stock exchange market.

5.2 Investment measured at amortised cost

This represents an investment in the preference shares in an equity, formed to invest in one of the funds being managed by Abraaj Group. This investment has been fully impaired during the year ended December 31, 2018.

6 Other investments at amortised cost

These comprise the amounts placed into short-term investments in order to maximise returns. Other investments are measured at amortised cost.

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Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

7 Bank balances and cash

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
<i>Bank balances:</i>		
Fixed deposits*	1,936,471	1,372,389
Current accounts	121,111	238,014
Call deposits	89,841	28,666
Margin deposits*	-	1,206
	<u>2,147,423</u>	<u>1,640,275</u>
Cash in hand	8,152	4,739
Bank balances and cash	<u>2,155,575</u>	<u>1,645,014</u>

*These deposits carry interest rates ranging from 3% - 4.5% (2018: 3% - 4.5%) per annum.

8 Finance lease liabilities

The Group has entered into leasing agreements with the leasing companies to finance the purchase of aircrafts and hangar. The term of the leases are 8 -15 years for aircrafts and hangar.

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
As at January 1,	3,721,329	3,881,770
Adjustment as at January 1, 2019 (upon adoption of IFRS 16)	85,692	-
Lease liabilities for the period/year	189,941	417,285
Payments made during the period/year	<u>(304,279)</u>	<u>(577,726)</u>
	<u>3,692,683</u>	<u>3,721,329</u>

	Current		Non-current	
	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Lease liabilities	<u>497,124</u>	<u>461,001</u>	<u>3,195,559</u>	<u>3,260,328</u>

The lease agreements are subject to certain financial and operational covenants including compliance with various regulations, restrictions on unapproved subleasing, insurance coverage and maintenance of total debt to equity ratio.

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Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

9 Related parties

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Amount due from related parties		
<i>Included in trade and other receivables</i>		
Receivable from associates and joint ventures (net of provision)	<u>91,990</u>	<u>67,886</u>
Amount due to related parties		
<i>Included in trade and other payables</i>		
Payable to a joint venture	3,575	3,875
Other related parties	<u>9,245</u>	<u>21,345</u>
	<u>12,820</u>	<u>25,220</u>

Amount due from/(to) related parties are unsecured, bear no interest and have no fixed repayment terms. The management considers these to be current assets/current liabilities respectively.

10 Basic and diluted earnings per share

	Three-month period ended June 30, 2019 (Unaudited) AED '000	Three-month period ended June 30, 2018 (Unaudited) AED '000	Six-month period ended June 30, 2019 (Unaudited) AED '000	Six-month period ended June 30, 2018 (Unaudited) AED '000
Profit attributable to the owners of the Company	<u>200,562</u>	110,006	<u>319,803</u>	211,652
Weighted average number of shares (in '000)	<u>4,666,700</u>	4,666,700	<u>4,666,700</u>	4,666,700
Basic and diluted earnings per share (AED)	<u>0.04</u>	0.02	<u>0.07</u>	0.05

11 Operating lease commitments

11.1 The Group is a lessee:

	June 30, 2019 (Unaudited) AED '000	June 30, 2018 (Unaudited) AED '000
Minimum lease payments under operating leases (excluding variable lease rental on the basis of flying hours) recognised in condensed consolidated interim statement of profit or loss for the period	<u>-</u>	<u>7,589</u>

Air Arabia PJSC and its subsidiaries
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Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

11 Operating lease commitments (continued)

11.1 The Group is a lessee: (continued)

The lease commitments for aircraft are as follow:

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Within one year	-	18,338
Between 2 and 5 years	-	66,625
Above 5 years	-	15,538
	<u>-</u>	<u>100,501</u>

11.2 The Group is a lessor:

As at June 30, 2019, the Group has leased out 12 aircrafts (as at December 31, 2018: 12) under non-cancellable operating lease agreements to the related parties.

The leases have varying terms and renewal rights. The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as receivables, are shown below:

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Within one year	150,745	148,201
Between 2 and 5 years	320,498	329,487
Above 5 years	-	2,983
	<u>471,243</u>	<u>480,671</u>

The carrying amount of the leased aircraft owned by the Group under operating leases at the reporting date are as follow:

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Net book value	<u>1,236,070</u>	<u>1,138,016</u>
Accumulated depreciation	<u>726,783</u>	<u>647,090</u>
Depreciation charge for the period/year	<u>51,938</u>	<u>95,253</u>

Air Arabia PJSC and its subsidiaries
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Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

12 Contingent liabilities

	June 30, 2019 (Unaudited) AED '000	December 31, 2018 (Audited) AED '000
Letters of guarantee	92,609	94,149
Letters of credit	-	73,400

Letters of credit mainly comprise letters issued to lessors of aircraft in lieu of placing deposits against leased aircrafts.

13 Capital commitments

The Group has not entered into capital commitments as at June 30, 2019 and December 31, 2018.

14 Segment information

The following table presents revenue and profit information for the Group's operating segments for the period ended June 30, 2019 and June 30, 2018, respectively:

Six-month period ended June 30, 2019 (unaudited)	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
Revenue				
External sales	2,049,174	124,139	-	2,173,313
Inter-segment sales	-	6,117	(6,117)	-
Total revenue	2,049,174	130,256	(6,117)	2,173,313
Result				
Segment result	291,585	53,305	-	344,890
Share of loss of investments in associates and joint ventures				(7,180)
Profit for the period				337,710
Other information				
Additions to property and equipment and deferred charges	12,469	105	-	12,574
Depreciation and amortisation	262,874	4,118	-	266,992

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Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

14 Segment information (continued)

Six-month period ended June 30, 2018 (unaudited)	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
Revenue				
External sales	1,683,575	131,972	-	1,815,547
Inter-segment sales	-	7,128	(7,128)	-
Total revenue	1,683,575	139,100	(7,128)	1,815,547
Result				
Segment result	177,626	50,211	-	227,837
Share of profit of investments in associates and joint ventures				1,698
Profit for the period				229,535
Other information				
Additions to property and equipment and deferred charges	488,568	12,948	-	501,516
Depreciation and amortisation	251,189	6,234	-	257,423

The following table presents assets and liabilities information for the Group's operating segments as at June 30, 2019 and June 30, 2018, respectively:

	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
June 30, 2019 (unaudited)				
Assets				
Segment assets	9,367,457	392,021	(124,760)	9,634,718
Unallocated assets				2,413,698
Total assets				12,048,416
Liabilities				
Segment liabilities	7,015,892	(96,280)	-	6,919,612
	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
June 30, 2018 (unaudited)				
Assets				
Segment assets	10,417,466	448,731	(208,079)	10,658,118
Unallocated assets				2,475,326
Total assets				13,133,444
Liabilities				
Segment liabilities	6,819,402	240,093	(208,079)	6,851,416

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Notes to the condensed consolidated interim financial information (continued)
For the period ended June 30, 2019

14 Segment information (continued)

Inter-segment sales are charged at prevailing market prices.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 to the consolidated financial statements as at and for the year ended December 31, 2018. Segment result represents the profit earned by each segment without considering share of profit/(loss) on equity accounted investments. Segment assets do not include fixed deposits, investments, investment properties and investment in subsidiaries, joint ventures and associate. Goodwill and intangible assets have been allocated to the Airline segment.

15 Dividends

At the Annual General Meeting held on March 17, 2019, Board of Directors did not propose any dividends for the year ended December 31, 2018. However, the shareholders approved dividends of AED 10 fils per share for the year ended December 31, 2017 on March 13, 2018.