

**Air Arabia PJSC
and its subsidiaries**

Condensed consolidated interim
financial information
for the six month period ended 30 June 2013

Air Arabia PJSC and its subsidiaries

Condensed consolidated interim financial information

for the six month period ended 30 June 2013

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

The Board of Directors
Air Arabia PJSC

Introduction

We have reviewed the accompanying 31 March 2013 condensed consolidated interim financial information of Air Arabia PJSC ("the Company") and its subsidiaries (collectively referred to here as "the Group"), which comprises:

- the condensed consolidated statement of financial position as at 31 March 2013;
- the condensed consolidated statements of income and comprehensive income for the three month period ended 31 March 2013;
- the condensed consolidated statement of changes in equity for the three month period ended 31 March 2013;
- the condensed consolidated statement of cash flows for the three month period ended 31 March 2013;
- and,
- notes to the condensed consolidated interim financial information.

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34, 'Interim Financial Reporting'. 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 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 31 March 2013 condensed consolidated interim financial information is not presented, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Other matter

The Group's condensed consolidated interim financial information as at 31 March 2012 and the consolidated financial statements as at 31 December 2012 were reviewed and audited, respectively by another auditor whose reports dated 6 May 2012 and 14 February 2013 expressed an unmodified conclusion and an unmodified opinion, respectively.

KPMG
Vijendra Nath Malhotra
Registration No.: 48 B

05 AUG 2013

Condensed consolidated statement of financial position
as at 30 June 2013

		30 June 2013 (unaudited) AED'000	31 December 2012 (audited) (restated) AED'000
Assets			
Non-current assets			
Property and equipment		3,711,120	3,263,363
Advances for new aircraft		706,910	649,800
Investment properties	5	163,372	163,647
Intangible assets		1,092,347	1,092,347
Goodwill		189,474	189,474
Deferred charges		1,651	4,390
Aircraft lease deposits		11,775	15,809
Available-for-sale investments	6	726,771	738,779
Trade and other receivables		-	16,292
Investment in joint ventures and associates	7	48,876	64,756
Total non-current assets		<u>6,655,296</u>	<u>6,198,657</u>
Current assets			
Inventories		11,651	9,267
Due from related parties		68,802	67,279
Trade and other receivables		473,538	450,489
Short term investment		153,660	-
Bank balances and cash	8	850,400	1,306,775
Total current assets		<u>1,558,101</u>	<u>1,833,810</u>
Total assets		<u>8,213,397</u>	<u>8,032,467</u>
Liabilities and equity			
Non-current liabilities			
Provision for employees' end of service indemnity		44,304	38,467
Trade and other payables		311,683	42,972
Finance lease liabilities	9	1,591,728	1,259,443
Total non-current liabilities		<u>1,947,715</u>	<u>1,340,882</u>
Current liabilities			
Due to related parties		6,531	19,005
Deferred income		238,897	188,560
Trade and other payables		744,530	993,082
Finance lease liabilities	9	74,781	110,295
Total current liabilities		<u>1,064,739</u>	<u>1,250,942</u>
Total liabilities		<u>3,012,454</u>	<u>2,591,824</u>
Equity			
Share capital	10	4,666,700	4,666,700
Statutory reserve		222,337	222,337
General reserve		165,580	165,560
Fair value reserve		16,664	38,672
Retained earnings		135,174	335,669
Equity attributable to owners of the Company		<u>5,216,455</u>	<u>5,428,938</u>
Non-controlling interests		14,538	11,705
Total equity		<u>5,230,993</u>	<u>5,440,643</u>
Total liabilities and equity		<u>8,243,397</u>	<u>8,032,467</u>

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information. 05 AUG 2013

This condensed consolidated interim financial information was approved by the Board of Directors and authorized for issue on



Chairman



Chief Executive Officer



Director of Finance

The independent auditors' report on the condensed consolidated interim financial information is set out on page 1.

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of income for the six month period ended 30 June 2013

	Note	Three month period ended 30 June		Six month period ended 30 June	
		2013 (unaudited) AED'000	2012 (unaudited) (restated) AED'000	2013 (unaudited) AED'000	2012 (unaudited) (restated) AED'000
Revenue		797,041	681,492	1,518,850	1,275,412
Direct costs		(645,976)	(552,725)	(1,293,588)	(1,108,292)
Gross profit		<u>151,065</u>	<u>128,767</u>	<u>225,262</u>	<u>167,120</u>
Selling and marketing expenses		(11,987)	(12,959)	(27,925)	(30,600)
General and administrative expenses		(21,449)	(6,866)	(45,611)	(35,914)
Interest income from bank deposits		11,089	13,779	24,142	28,059
Finance costs		(11,932)	(8,131)	(20,941)	(15,829)
Other (expenses)/income	11	(41,160)	(48,437)	(20,678)	2,603
Profit for the period		<u>75,626</u>	<u>66,153</u>	<u>134,249</u>	<u>115,439</u>
Profit attributable to:					
Owners of the Company		70,781	65,034	126,174	112,694
Non-controlling interests		4,845	1,119	8,075	2,745
Profit for the period		<u>75,626</u>	<u>66,153</u>	<u>134,249</u>	<u>115,439</u>
Basic earnings per share (in AED)	12	<u>0.02</u>	0.01	<u>0.03</u>	0.02

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

The independent auditors' report on the condensed consolidated interim financial information is set out on page 1.

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of comprehensive income for the six month period ended 30 June 2013

	Three month period ended 30 June		Six month period ended 30 June	
	2013 (unaudited) AED'000	2012 (unaudited) (restated) AED'000	2013 (unaudited) AED'000	2012 (unaudited) (restated) AED'000
Profit for the period	75,626	66,153	134,249	115,439
Other comprehensive income:				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
- (Loss)/gain on revaluation of available-for-sale investments	(5,828)	(4,938)	(12,008)	69,584
Total comprehensive income for the period	69,798	61,215	122,241	185,023
Total comprehensive income attributable to:				
Owners of the Company	64,953	60,096	114,166	182,278
Non-controlling interests	4,845	1,119	8,075	2,745
Total comprehensive income for the period	69,798	61,215	122,241	185,023

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

The independent auditors' report on the condensed consolidated interim financial information is set out on page 1.

Air Arabia PJSC and its subsidiaries

Condensed consolidated statement of changes in equity for the six month period ended 30 June 2013

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Fair value reserve AED '000	Retained earnings AED '000	Attributable to owners of the Company AED '000	Non-controlling interests AED '000	Total AED '000
Balance at 1 January 2012 (audited)	4,666,700	180,382	180,382	(9,834)	223,255	5,240,885	8,552	5,249,437
Total comprehensive income for the period								
Profit for the period	-	-	-	-	112,694	112,694	2,745	115,439
Other comprehensive income	-	-	-	69,584	-	69,584	-	69,584
Total comprehensive income for the period	-	-	-	69,584	112,694	182,278	2,745	185,023
Transactions with owners, recorded directly in equity								
Dividend paid	-	-	-	-	(280,002)	(280,002)	(2,450)	(282,452)
Transfer to retained earnings	-	-	(56,777)	-	56,777	-	-	-
Balance at 30 June 2012 (unaudited)	4,666,700	180,382	123,605	59,750	112,724	5,143,161	8,847	5,152,008
Balance at 1 January 2013 (audited)	4,666,700	222,337	165,560	38,672	335,669	5,428,938	11,705	5,440,643
Total comprehensive income for the period								
Profit for the period	-	-	-	-	126,174	126,174	8,075	134,249
Other comprehensive income	-	-	-	(12,008)	-	(12,008)	-	(12,008)
Total comprehensive income for the period	-	-	-	(12,008)	126,174	114,166	8,075	122,241
Transactions with owners, recorded directly in equity								
Dividend paid (refer to note 18)	-	-	-	-	(326,669)	(326,669)	(4,900)	(331,569)
Other movement	-	-	-	-	-	-	(342)	(342)
Transactions with owners of the Company	-	-	-	-	(326,669)	(326,669)	(5,242)	(331,911)
Balance at 30 June 2013 (unaudited)	4,666,700	222,337	165,560	26,664	135,174	5,216,435	14,538	5,230,973

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries
Condensed consolidated statement of cash flows
for the six month period ended 30 June 2013

	Six month period ended 30 June	
	2013	2012
	(unaudited)	(unaudited)
	AED '000	(restated)
		AED '000
Operating activities		
Profit for the period	134,249	115,439
<i>Adjustments for:</i>		
Depreciation of property and equipment	104,535	72,893
Depreciation of investment property	375	375
Amortisation of deferred charges	2,692	2,986
Provision for employees' end of service indemnity	6,763	5,632
Impairment loss on available for sale investments	-	4,800
Unrealised loss on derivative financial instruments	45,765	26,359
Share of profits from joint ventures	(9,983)	(14,096)
Share of loss from associates	-	26,684
Interest income from bank deposits	(24,142)	(28,059)
Dividend income	-	(34,894)
	-----	-----
<i>Operating cash flows before working capital changes</i>	260,254	178,119
<i>Changes in:</i>		
- Trade and other receivables	(52,914)	(18,521)
- Inventories	(2,384)	(2,484)
- Due from related parties	(1,523)	4,589
- Trade and other payables	80,159	200,762
- Deferred income	50,327	119,020
- Due to related parties	(12,474)	(24,235)
Employees' end of service indemnity paid	(926)	(1,920)
	-----	-----
Net cash from operating activities	320,519	455,330
	=====	=====
Investing activities		
Acquisition of property and equipment	(87,504)	(232,108)
Change in advances for new aircraft	(57,110)	(80,954)
Payments for deferred charges	(953)	(145)
Dividend received from joint ventures	24,763	23,254
Payments for investment in associates	-	(26,684)
Change in aircraft lease deposits	4,034	12,924
Change in fixed and margin deposits	464,800	162,718
Interest income from bank deposits	24,142	28,059
Change in short term investment	(183,660)	-
	-----	-----
Net cash from/(used in) investing activities	188,512	(112,936)
	-----	-----
Financing activities		
Dividend paid to non-controlling interests	(4,900)	(2,450)
Dividend paid to owners of the Company	(326,669)	(280,002)
Payments of finance lease obligations	(169,037)	(34,132)
Dividend received	-	34,894
Payment of murabaha payable	-	(32,285)
	-----	-----
Net cash used in financing activities	(500,606)	(313,975)
	-----	-----
Net increase in cash and cash equivalents	8,425	28,419
Cash and cash equivalents at the beginning of the period	93,511	155,427
	-----	-----
Cash and cash equivalents at the end of the period	101,936	183,846
	=====	=====
The details of cash and cash equivalents are as under:		
Bank balances and cash	850,400	1,187,367
Fixed deposits with maturity over 3 months	(746,022)	(1,001,066)
Margin deposits	(2,442)	(2,455)
	-----	-----
	101,936	183,846
	=====	=====

The accompanying notes on pages 7 to 22 are an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information for the six month period ended 30 June 2013

1. Reporting entity

Air Arabia PJSC (the “Company”) was incorporated on 19 June, 2007 as a Public Joint Stock Company in accordance with UAE Federal Law No. 8 of 1984 (as amended). 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 8, Sharjah, United Arab Emirates.

The condensed consolidated interim financial information as at and for the six months ended 30 June 2013 comprises the Company and its subsidiaries (collectively referred to as the “Group”) and the Group's interests in associates and jointly controlled entities.

The licensed activities of the Group are international commercial air transportation, aircraft trading, aircraft rental, aircraft spare parts trading, travel and tourist agencies, 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.

2. Basis of preparation

2.1 Statement of compliance

The condensed consolidated interim financial information has been prepared in accordance with the International Accounting Standard (“IAS”) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended 31 December 2012. The condensed consolidated interim financial information does not include all of the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”), and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2012.

2.2 Functional and presentation currency

This condensed consolidated interim financial information is presented in United Arab Emirates Dirham (“AED”), which is the Group's functional currency.

3. Significant accounting policies

Except as described below, the accounting policies applied by the Group in this condensed consolidated interim financial information are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2012.

The accounting policies in respect of available-for-sale (AFS) investments, investment properties and property and equipment disclosed in the annual audited consolidated financial statements are stated below as required by Securities and Commodities Authority notification dated 12 October 2008.

The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

3. Significant accounting policies (continued)

3.1 Change in accounting policies

Effective 1 January 2013, the following new standards and amendments to standards have become effective and have been applied in preparing the condensed consolidated interim financial information:

- IAS 1 Presentation of Items of Other Comprehensive Income – Amendments to IAS 1
- IFRS 13 Fair Value Measurement
- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- IFRS 12: Disclosure of Interests in Other Entities
- IAS 28: Amendments to Investments in Associates and Joint Ventures (2011)

The adoption of IAS 1 and IFRS 13 does not have a significant impact in the annual consolidated financial statements of the Group or the condensed consolidated interim financial information of the Group. Apart from IAS 1 and IFRS 13, following changes to the Group accounting policies have been made on adoption of the new and amended standards:

Subsidiaries

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees.

In the adoption of IFRS 10, the Group re-assessed the control conclusion for its investees as at 1 January 2013. Based on management's assessment, the control conclusion in respect of its investees remains the same. For the list of the Group's subsidiaries refer to note 3.5.

Joint arrangements

As a result of the adoption of IFRS 11, the Group has changed its accounting policy with respect to its interests in joint arrangements.

Under IFRS 11, the Group assessed its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Based on this evaluation, the Group has concluded that its involvement in its joint arrangements is of the nature of a joint venture. Accordingly, the Group has changed its accounting for its interest in joint venture from proportionate consolidation to the equity accounting method.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

3. Significant accounting policies (continued)

3.1 Change in accounting policy (continued)

Joint arrangements (continued)

The following table summarises the adjustments made to the Group's statements of financial position at 1 January 2012 and 31 December 2012, and its statements of comprehensive income for the period ended 1 January 2012 and 30 June 2012 and cash flows for the six month period ended 30 June 2012 as a result of the adoption of equity method.

Consolidated statement of financial position

	At 1 January 2012		
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Property and equipment	2,423,132	(38,989)	2,384,143
Deferred charges	11,088	(1,035)	10,053
Investment in joint venture	-	63,809	63,809
Inventories	9,092	(2,130)	6,962
Due from related parties	102,329	(2,890)	99,439
Trade and other receivables	416,200	(1,729)	414,471
Bank balances and cash	1,344,900	(23,236)	1,321,664
	-----	-----	-----
Overall impact on total assets		(6,200)	
		=====	
Provision for employees' end of service indemnity	36,987	(5,491)	31,496
Trade and other payables	649,284	(22,689)	626,595
Due to related parties	22,576	21,980	44,556
	-----	-----	-----
Overall impact on total liabilities		(6,200)	
		=====	

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

3. Significant accounting policies (continued)

3.1 Change in accounting policy (continued)

Joint arrangements (continued)

Consolidated statement of financial position (continued)

At 31 December 2012			
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Property and equipment	3,301,569	(38,206)	3,263,363
Deferred charges	5,116	(726)	4,390
Investment in joint venture	-	64,756	64,756
Inventories	11,571	(2,304)	9,267
Due from related parties	68,660	(1,381)	67,279
Trade and other receivables	462,129	(11,640)	450,489
Bank balances and cash	1,329,752	(22,977)	1,306,775
	-----	-----	-----
Overall impact on total assets		(12,478)	
		=====	
Provision for employees' end of service indemnity	45,058	(6,591)	38,467
Trade and other payables	999,873	(23,818)	976,055
Due to related parties	1,074	17,931	19,005
	-----	-----	-----
Overall impact on total liabilities		(12,478)	
		=====	

Statement of comprehensive income

Period ended 1 January 2012			
	As previously reported AED '000	Adjustments AED '000	As restated AED '000
Revenue	2,434,660	(123,378)	2,311,282
Direct costs	(2,112,004)	71,017	(2,040,987)
General and administrative expenses	(105,561)	26,716	(78,845)
Interest income from bank deposits	71,553	(167)	71,386
Other income (refer note (i) below)	39,035	25,812	64,847

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

3. Significant accounting policies (continued)

3.1 Change in accounting policy (continued)

Joint arrangements (continued)

Statement of comprehensive income (continued)

	for the six month period ended 30 June 2012		
	As previously reported AED '000 (unaudited)	Adjustments AED '000	As restated AED '000
Revenue	1,351,493	(76,081)	1,275,412
Direct costs	(1,152,385)	44,093	(1,108,292)
Selling and marketing expenses	(30,855)	255	(30,600)
General and administrative expenses	(54,134)	18,220	(35,914)
Interest income from bank deposits	28,185	(126)	28,059
Other (expenses)/ income (refer note (i) below)	(11,037)	13,640	2,603

(i) The adjustments in other income include the share in profit of investment in joint ventures.

Statement of cash flows

	for the six month period ended 30 June 2012		
	As previously reported AED '000 (unaudited)	Adjustments AED '000	As restated AED '000
<i>Cash flows from:</i>			
Operating activities	483,940	(28,610)	455,330
Investing activities	(104,467)	(8,469)	(112,936)
Financing activities	(349,315)	35,340	(313,975)
	-----	-----	-----
Effect on cash and cash equivalents		(1,739)	
		=====	

3.2 Available-for-sale financial assets

Listed shares held by the Group that are traded in an active market are classified as being available-for-sale and are stated at fair value. The Group also has other investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at fair value because management considers that their fair value can be reliably measured. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the fair value reserve with the exception of impairment losses, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair values reserve is reclassified to profit or loss.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

3. Significant accounting policies (continued)

3.2 Available-for-sale financial assets (continued)

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

3.3 Investment properties

Investment properties are accounted under the cost model of IAS 40. Investment properties, which are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes), are stated at cost less accumulated depreciation and any identified impairment losses. Cost includes the cost of replacing part of existing investment properties at the time that cost is incurred if the recognition criteria are met; and excludes the cost of day to day servicing of investment properties.

Investment properties under development that are being constructed or developed for future use as investment properties are measured initially at cost including all direct costs attributable to the design and construction of the property. Upon completion of construction or development, such properties are transferred to investment properties. Depreciation of these assets, on the same basis as other investment properties, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of investment properties, other than land and investment properties under development, over the estimated useful lives of 20 years, using the straight line method.

Value of land granted by the Government of Sharjah on which investment property is constructed was valued by an external consultant.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the profit and loss in the period of retirement or disposal.

3.4 Property and equipment

Land granted by the Government of Sharjah and acquired through the acquisition of Radisson Blu Hotel and Resort is not depreciated, as it is deemed to have an infinite life.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less impairment loss, if any. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Other property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

3. Significant accounting policies (continued)

3.4 Property and equipment (continued)

Depreciation is calculated on a straight line basis so as to write off the cost of assets (other than freehold land and properties under construction) over their estimated useful lives, as follows:

	Years
Buildings and apartment	15 - 20
Aircraft	15
Aircraft engines	20
Aircraft rotables and equipment	3 - 10
Airport equipment and vehicles	3 - 15
Other property and equipment	3 - 7

The depreciation method, useful lives and residual values of assets are re-assessed at each reporting date. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance are charged to profit or loss when incurred.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3.5 Basis of consolidation

This condensed consolidated interim financial information comprises the condensed consolidated financial position and the condensed consolidated results of operations of the Group on a line-by-line basis together with the Group's share in the net assets of its associates and joint ventures.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is included in the condensed consolidated interim financial information from the date that control commences until the date that control ceases.

Details of the Company's subsidiaries at 30 June 2013 are as follows:

<u>Name of Subsidiary</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activity</u>
COZMO Travel LLC and subsidiaries	Sharjah - U.A.E.	51%	51%	Travel, travel and tours, tourism and cargo services

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

3. Significant accounting policies (continued)

3.5 Basis of consolidation (continued)

Subsidiaries (continued)

COZMO Travel LLC has wholly-owned subsidiaries which comprise COZMO Travel WLL, a limited liability company incorporated in Qatar and COZMO Travel Limited Company, a limited liability company incorporated in the Kingdom of Saudi Arabia. The principal activities of these subsidiaries are travel and tours, tourism and cargo services.

Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

4. Accounting estimates and judgments

The preparation of 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, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation of 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 31 December 2012.

5. Investment properties

Investment properties comprise a building constructed by the Group on a plot of land adjacent to Sharjah International Airport, granted by the Government of Sharjah and an apartment building under progress located in Dubai, UAE.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

6. Available-for-sale investments

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Quoted	11,018	7,312
Unquoted	715,753	731,467
	<u>726,771</u>	<u>738,779</u>
In UAE	359,456	371,464
Outside UAE	367,315	367,315
	<u>726,771</u>	<u>738,779</u>

7. Investment in joint ventures and associates

Investment in joint ventures

The following are the material joint arrangements of the Group classified as joint ventures and accounted for using equity method:

- Alpha Flight Services UAE (L.L.C.) (“AFS”) – AFS is incorporated as a limited liability company in the UAE. The registered office of AFS is PO Box 71232 Sharjah, UAE. AFS’ principal activities are providing flight and retail catering and ancillary services to the Company.
- Sharjah Aviation Services (L.L.C.) (“SAS”) – SAS is incorporated as a limited liability company in the UAE. The registered office of SAS is PO Box 8 Sharjah, UAE. SAS’ principal activities are providing aircraft handling, passenger and cargo services at the Sharjah International Airport.

The following summarises the financial information of the above material joint ventures and reconciles the summarized financial information to the carrying amount of the Group’s interest in the above material joint ventures.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

7. Investment in joint ventures and associates (continued)

Percentage of interest	AFS		SAS	
	50%		50%	
	31December		31December	
	30 June 2013 (unaudited) AED '000	2012 (audited) (restated) AED '000	30 June 2013 (unaudited) AED '000	2012 (audited) (restated) AED '000
Assets	34,892	36,078	119,203	141,794
Liabilities	(15,988)	(18,028)	(49,711)	(40,485)
Net assets	18,904	18,050	69,492	101,309
Group's share in net assets as presented in the statement of financial position	9,452	9,025	34,746	50,655
Profit for the period/year	8,379	14,882	10,183	34,753
Group's share of profit for the period/year	4,190	7,441	5,092	17,376
Cash dividends received by the Group	(3,763)	(6,508)	(21,000)	(20,000)

Furthermore, the Group has interests in a number of other joint ventures none of which are regarded as individually material. The following table summarises, in aggregate, the financial position of all individually immaterial joint ventures that are accounted for using the equity method:

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) (restated) AED '000
Carrying amount of interests in joint ventures	5,778	5,076
Share of profit for the period/year	701	2,638

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

7. Investment in joint ventures and associates (continued)

Investment in associates

Details of the Group's associates at the reporting date are as follows:

<u>Name of associate</u>	<u>Place of incorporation and operation</u>	<u>Proportion of ownership interest</u>	<u>Proportion of voting power held</u>	<u>Principal activities</u>
Air Arabia Maroc, S.A.	Morocco	40%	40%	International commercial air transportation
Air Arabia – Egypt Company (S.A.E.)	Cairo, Egypt	50%	50%	International commercial air transportation

8. Bank balances and cash

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) (restated) AED '000
Bank balances:		
- Current accounts	84,175	88,895
- Call deposits	15,109	3,156
- Fixed deposits	746,022	1,210,834
- Margin deposits	2,442	2,430
	-----	-----
Total bank balances	847,748	1,305,315
Cash on hand	2,652	1,460
	-----	-----
Total bank balances and cash	850,400	1,306,775
	=====	=====
Bank balances:		
In UAE	827,975	1,286,516
Outside UAE	19,773	18,799
	-----	-----
Total bank balances	847,748	1,305,315
	=====	=====

Margin deposits are held by a bank against letters of guarantee.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

9. Finance lease liabilities

The Group has entered into a leasing arrangement with a third party to finance the purchase of 15 aircraft. The term of the lease is 12 years. The finance lease liabilities are secured by these 15 aircraft leased (2012: 12 aircraft leased).

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

10. Share capital

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Authorised, issued and fully paid up share capital (of 4,666,700 thousand shares of AED 1 each)	4,666,700	4,666,700

11. Other (expenses)/income

Other (expenses)/income include unrealised loss on derivative financial instruments amounting to AED 45,765 thousand (six month period ended 30 June 2012: AED 26,359 thousand) and also include share of income on equity accounted entities amounting to AED 9,983 thousand (six month period ended 30 June 2012: share of loss on equity accounted entities of AED 12,589 thousand).

12. Basic earnings per share

	Three month period ended 30 June		Six month period ended 30 June	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
Profit for the period (in AED '000)	75,626	66,153	134,249	115,439
Number of shares (in '000)	4,666,700	4,666,700	4,666,700	4,666,700
Basic earnings per share (in AED)	0.02	0.01	0.03	0.02

13. Operating aircraft lease commitments

a) Where the Group is a lessee:

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Within one year	151,057	179,022
Between two and five years	108,614	175,066

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

13. Operating aircraft lease commitments (continued)

b) *Where the Group is a lessor:*

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Within one year	69,130	83,175
Between two and five years	51,296	58,290
	<u>=====</u>	<u>=====</u>

14. Contingent liabilities

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Letters of credit	40,740	70,984
Letters of guarantee	19,658	18,042
	<u>=====</u>	<u>=====</u>

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

15. Capital commitments

The Group has entered into the following capital commitments:

	30 June 2013 (unaudited) AED '000	31 December 2012 (audited) AED '000
Authorised and contracted:		
Aircraft fleet	4,871,410	7,162,794
	<u>=====</u>	<u>=====</u>
Authorised but not contracted:		
Aircraft fleet	1,422,807	1,422,807
	<u>=====</u>	<u>=====</u>
<i>Aircraft fleet</i>		

The Group has entered into a contract with Airbus S.A.S. for the purchase of 34 Airbus A320 aircraft and there was an option in the contract to purchase further 15 aircraft from Airbus S.A.S., out of which the Group has exercised the option of purchasing 10 aircraft.

As at the reporting date, the total value of the outstanding order of 27 aircraft was approximately USD 1.5 billion (AED: 5.57 billion) (31 December 2012: 30 aircraft, USD 2.1 billion (AED 7.8 billion)) at list prices subject to adjustment in accordance with the Airbus price revision formula. As per the contract, 20% of the purchase price for the outstanding order of 27 aircraft (31 December 2012: 30 aircraft) is payable over the next four years, with the balance being due on delivery.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

16. Related party transactions

During the period, the Group entered into the following transactions with related parties:

	Three month period ended 30 June		Six month period ended 30 June	
	2013 (Unaudited) AED'000	2012 (Unaudited) (restated) AED'000	2013 (Unaudited) AED'000	2012 (Unaudited) (restated) AED'000
Rental income from aircraft operating lease provided to the associates	19,723	20,305	39,805	38,203
Management fees	2,056	1,649	3,743	3,354
Expenses recharged by related parties	27,455	18,453	53,520	42,574
Revenue from related parties	1,242	2,146	2,478	4,364
Rental income from investment property	1,100	825	1,100	1,650

Transactions with related parties were carried out at terms agreed by the management.

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

17. Segment information

Primary reporting format - business segments

Six month period ended 30 June 2013 (unaudited)	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
Revenue				
External sales	1,461,899	56,950	-	1,518,850
Inter-segment sales	823	4,353	(5,176)	-
	-----	-----	-----	-----
Total revenue	<u>1,462,722</u>	<u>61,303</u>	<u>(5,176)</u>	<u>1,518,850</u>
Result				
Segment result	88,663	28,074	-	116,737
Share of profit on equity accounted entities				9,983
Finance costs				(20,941)
Interest income from bank deposits and other income				28,470

Profit for the period				<u>134,249</u>
Other information				
Additions to property and equipment and deferred charges	553,173	1,072	-	554,245
Depreciation and amortisation	107,032	570	-	107,602
Assets				
Segment assets	6,308,510	124,560	(34,364)	6,398,706
	-----	-----	-----	-----
Unallocated Group assets				1,844,691

Total assets				<u>8,243,397</u>
Liabilities				
Segment liabilities	<u>2,986,928</u>	<u>59,860</u>	<u>(34,364)</u>	<u>3,012,424</u>

Air Arabia PJSC and its subsidiaries

Notes to the condensed consolidated interim financial information *(continued)*
for the six month period ended 30 June 2013

17. Segment information (continued)

Primary reporting format - business segments (continued)

Six month period ended 30 June 2012 (unaudited) (restated)	Airline (Restated)	Other Segments (Restated)	Eliminations (Restated)	Total (Restated)
Revenue				
External sales	1,252,291	23,121	-	1,275,412
Inter-segment sales	4,364	-	(4,364)	-
	-----	-----	-----	-----
Total revenue	<u>1,256,655</u>	<u>23,121</u>	<u>(4,364)</u>	<u>1,275,412</u>
Result				
Segment result	66,229	18,082	-	84,311
Share of loss on equity accounted entities				(12,589)
Finance costs				(15,829)
Interest income from bank deposits and other income				59,546

Profit for the period				<u>115,439</u>
Other information				
Additions to property and equipment and deferred charges	359,259	261	-	359,520
Depreciation and amortisation	75,696	558	-	76,254
31 December 2012 (audited) (restated)				
Assets				
Segment assets	5,809,560	135,387	(50,704)	5,894,243
	-----	-----	-----	-----
Unallocated Group assets				2,138,224

Total Assets				<u>8,032,467</u>
Liabilities				
Segment liabilities	<u>2,576,165</u>	<u>66,363</u>	<u>(50,704)</u>	<u>2,591,824</u>

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 31 December 2012. Segment result represents the profit earned by each segment without considering share of profit/(loss) on equity accounted entities, finance cost, profit from bank deposits and other income. Segment assets do not include fixed deposits, available-for-sale investments, investment properties, investment in joint ventures and associates and short term investment. Goodwill and intangible assets have been allocated to the Airline segment.

18. Dividend

At the Annual General Meeting held on 17 March 2013, the shareholders approved a cash dividend of AED 326,669,000 at AED 7 fils per share. This dividend has been paid during the period.