AIR ARABIA P.J.S.C. (AIR ARABIA)
AND SUBSIDIARIES
SHARJAH - UNITED ARAB EMIRATES

Review report and consolidated interim financial information for the period from 1 January 2012 to 31 March 2012

AIR ARABIA P.J.S.C. (AIR ARABIA) AND SUBSIDIARIES

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REPORT ON REVIEW OF CONSOLIDATED INTERIM FINANCIAL INFORMATION

The Board of Directors
Air Arabia P.J.S.C. (Air Arabia)
Sharjah - United Arab Emirates

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of **Air Arabia P.J.S.C. (Air Arabia) (the "Company") and its Subsidiaries (together the "Group"), Sharjah, United Arab Emirates,** as at 31 March 2012 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34: "*Interim Financial Reporting*". Our responsibility is to express a conclusion on this 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 consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34: "*Interim Financial Reporting*".

Deloitte & Touche (M.E.)

Samir Madbak
Registration No. 386
6 May 2012

Condensed consolidated statement of financial position
At 31 March 2012 (continued)

	Notes	31 March 2012 (unaudited) AED'000	31 December 2011 (audited) AED'000
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	4,666,700	4,666,700
Statutory reserve		180,382	180,382
General reserve		180,382	180,382
Cumulative change in fair values		64,688	(9,834)
Retained earnings		270,915	223,255
Equity attributable to owners of the Company		5,363,067	5,240,885
Non-controlling interests		7,728	8,552
Total equity		5,370,795	5,249,437
Non-current liabilities			
Provision for employees' end of service indemnity		39,618	36,987
Trade and other payables		42,000	42,425
Murabaha payable	8	-	32,285
Finance lease liabilities	9	847,553	865,165
Total non-current liabilities		929,171	976,862
Current liabilities			
Due to related parties		11,763	22,576
Deferred income		196,183	157,300
Trade and other payables		693,655	606,858
Murabaha payable	8	64,570	32,285
Finance lease liabilities	9	69,503	68,896
Total current liabilities		1,035,674	887,915
Total liabilities		1,964,845	1,864,777
Total equity and liabilities		7,335,640	7,114,214

Chairman   Chief Executive Officer   Director of Finance

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of income (unaudited)
for the period from 1 January 2012 to 31 March 2012

	Notes	Three month period ended 31 March	
		2012	2011
		AED '000	AED '000
Revenue		**621,930**	513,218
Direct costs		**(568,836)**	(478,026)
Gross profit		**53,094**	35,192
Selling and marketing expenses		**(17,721)**	(7,774)
General and administrative expenses		**(36,546)**	(22,764)
Profit on bank deposits		**14,383**	19,167
Finance costs		**(7,698)**	(3,693)
Other income	**10**	**43,774**	24,138
Profit for the period		**49,286**	44,266
Attributable to:			
Owners of the Company		**47,660**	42,704
Non-controlling interests		**1,626**	1,562
		49,286	44,266
Basic earnings per share (in AED)	**11**	**0.01**	0.01

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of comprehensive income (unaudited)
for the period from 1 January 2012 to 31 March 2012

	Three month period ended 31 March	
	2012	2011
	AED ’000	AED ’000
Profit for the period	**49,286**	44,266
Other comprehensive income		
Gain on revaluation of available-for-sale investments	**74,522**	4,883
Board of Directors’ remuneration	**-**	(1,925)
Other comprehensive income for the period	**74,522**	2,958
Total comprehensive income for the period	**123,808**	47,224
Attributable to:		
Owners of the Company	**122,182**	45,662
Non-controlling interests	**1,626**	1,562
	123,808	47,224

The accompanying notes form an integral part of these condensed consolidated financial statements.

AIR ARABIA P.J.S.C. (AIR ARABIA) AND SUBSIDIARIES

Condensed consolidated statement of changes in equity
for the period from 1 January 2012 to 31 March 2012

	Share capital AED '000	Statutory reserve AED '000	General reserve AED '000	Cumulative change in fair values AED '000	Retained earnings AED '000	Attributable to Owners of the Company AED '000	Non-controlling interests AED '000	Total AED '000
Balance at 31 December 2010 (audited)	4,666,700	153,475	153,475	13,800	383,259	5,370,709	6,220	5,376,929
Profit for the period	-	-	-	-	42,704	42,704	1,562	44,266
Other comprehensive income for the period	-	-	-	4,883	(1,925)	2,958	-	2,958
Total comprehensive income for the period	-	-	-	4,883	40,779	45,662	1,562	47,224
Dividend (see Note 12)	-	-	-	-	(373,336)	(373,336)	(2,450)	(375,786)
Balance at 31 March 2011 (unaudited)	4,666,700	153,475	153,475	18,683	50,702	5,043,035	5,332	5,048,367
Balance at 31 December 2011 (audited)	4,666,700	180,382	180,382	(9,834)	223,255	5,240,885	8,552	5,249,437
Profit for the period	-	-	-	-	47,660	47,660	1,626	49,286
Other comprehensive income for the period				74,522	-	74,522	-	74,522
Total comprehensive income for the period	-	-	-	74,522	47,660	122,182	1,626	123,808
Dividend	-	-	-	-	-	-	(2,450)	(2,450)
Balance at 31 March 2012 (unaudited)	**4,666,700**	**180,382**	**180,382**	**64,688**	**270,915**	**5,363,067**	**7,728**	**5,370,795**

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows (unaudited)
for the period from 1 January 2012 to 31 March 2012

	Three month period ended 31 March	
	2012	2011
	AED '000	AED '000
Cash flows from operating activities		
Profit for the period	**49,286**	44,266
Adjustments for:		
Depreciation of property and equipment	**37,144**	19,258
Depreciation of investment property	**187**	187
Amortisation/impairment of deferred charges	**1,502**	2,069
Provision for employees' end of service indemnity	**3,492**	2,797
Unrealised gain on derivative financial instruments	**(29,786)**	(25,955)
Share of net losses in associates	**26,684**	5,801
Profit on bank deposits	**(14,383)**	(19,167)
Dividend income	**(34,894)**	-
Rental income	**(5,826)**	(825)
Finance costs	**7,698**	3,693
Operating cash flows before changes in operating assets and liabilities	**41,104**	32,124
Increase in margin deposits	**-**	(94)
Increase in trade and other receivables	**(27,698)**	(28,141)
Increase in inventories	**(259)**	(386)
Decrease/(increase) in due from related parties	**20,017**	(4,463)
Decrease in aircraft lease deposits	**5,482**	-
Increase in trade and other payables	**82,563**	54,646
Increase in deferred income	**38,883**	30,912
Decrease in due to related parties	**(10,813)**	(6,109)
Cash generated from operating activities	**149,279**	78,489
Employees' end of service indemnity paid	**(861)**	(1,094)
Interest paid	**(3,464)**	(3,693)
Net cash from operating activities	**144,954**	73,702

The accompanying notes form an integral part of these condensed consolidated financial statements.

Condensed consolidated statement of cash flows (unaudited) for the period from 1 January 2012 to 31 March 2012 (continued)

	Three month period ended 31 March	
	2012	2011
	AED ’000	AED ’000
Cash flows from investing activities		
Purchase of property and equipment - net	**(132,309)**	(18,868)
Increase in advance for new aircrafts	**(113,707)**	(81,450)
Increase in deferred charges - net	**(109)**	(90)
Payments for investment in associates	**(26,684)**	(5,801)
Decrease in fixed deposits	**565,750**	630,818
Profit on bank deposits	**14,383**	19,167
Net cash from investing activities	**307,324**	543,776
Cash flows from financing activities		
Dividends paid to non-controlling interests	**(2,450)**	(2,450)
Decrease in other payables	**(425)**	(125)
Repayments of finance lease obligations	**(17,005)**	(1,475)
Rental income	**5,826**	825
Dividend received	**34,894**	-
Board of Directors’ remuneration paid	**-**	(1,925)
Net cash from/(used in) financing activities	**20,840**	(5,150)
Net increase in cash and cash equivalents	**473,118**	612,328
Cash and cash equivalents at the beginning of the period	**171,162**	838,529
Cash and cash equivalents at the end of the period (Note 13)	**644,280**	1,450,857

Following transactions for the three month period ended 31 March 2012 are not reflected in the condensed consolidated statement of cash flows as those are non-cash transactions.

- Advance paid for purchase of aircraft amounting to AED 57,594 thousand has been adjusted with the purchase of two aircraft.

The accompanying notes form an integral part of these condensed consolidated financial statements.

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 31 March 2012

1. General information

Air Arabia P.J.S.C. (Air Arabia) - Sharjah (the "Company") was incorporated on June 19, 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 "Group" comprises Air Arabia P.J.S.C. (Air Arabia) and its Subsidiaries (Note 3).

The Company's ordinary shares are listed on the Dubai Financial Market, United Arab Emirates.

The Company is domiciled in the United Arab Emirates and the registered office address is P.O. Box 8, Sharjah, United Arab Emirates.

The licensed activities of the Company and its subsidiaries (together referred to as the "Group") are international commercial air transportation, aircraft trading, aircraft rental, aircraft rent, aircraft spare parts trading, travel and tourist agencies, hotels, hotel apartment rentals, airlines companies representative office, passengers transport, cargo services, air cargo agents, documents transfer services, telecommunications devices trading, aviation training and aircraft repairs and maintenance.

2. Standards and Interpretations in issue but not yet effective and not early adopted

The Group has not early applied the following new standards, amendments and interpretations that have been issued but not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• Amendments to IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value.	1 January 2015
• IFRS 10 *Consolidated Financial Statements** uses control as the single basis for consolidation, irrespective of the nature of the investee. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. Accordingly IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates and Joint Ventures** have been amended for the issuance of IFRS 10.	1 January 2013
• IFRS 11 *Joint Arrangements** establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. Accordingly IAS 28 *Investments in Associates and Joint Ventures* has been amended for the issuance of IFRS 11.	1 January 2013

2. Standards and Interpretations in issue but not yet effective and not early adopted (continued)

New and revised IFRSs	**Effective for annual periods beginning on or after**
• IFRS 12 *Disclosure of Interests in Other Entities** combines the disclosure requirements for an entity's interests in subsidiaries, joint arrangements, associates and structured entities into one comprehensive disclosure Standard.	1 January 2013
• IFRS 13 *Fair Value Measurement* issued in May 2011 establishes a single framework for measuring fair value and is applicable for both financial and non-financial items.	1 January 2013
• Amendments to IAS 1 – *Presentation of Other Comprehensive Income*. The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis.	1 July 2012
• Amendments to IAS 12 *Income Taxes* provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property* by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale.	1 January 2012
• Amendments to IAS 19 *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur.	1 January 2013
• IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013
• Amendments to IFRS 7 *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities	1 January 2013
• Amendments to IAS 32 *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities	1 January 2014
• Amendments to IFRS 7 *Financial Instruments: Disclosures* relating to disclosures about the initial application of IFRS 9	1 January 2015 (or otherwise when IFRS 9 is first applied)

*In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2013 or as and when they are applicable and adoption of these new standards, interpretations and amendments may have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. Summary of significant accounting policies

3.1 Basis of preparation

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard No. 34 – "*Interim Financial Reporting*" and also comply with the applicable requirements of the laws in the U.A.E.

These condensed consolidated financial statements are presented in U.A.E. Dirhams (AED in thousands) since that is the currency in which the majority of the Group's transactions are denominated.

These condensed consolidated financial statements are prepared in accordance with the historical cost basis, except for the revaluation of financial instruments.

The accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual audited consolidated financial statements for the year ended 31 December 2011.

These condensed consolidated financial statements do not include all the information required for full annual consolidated financial statements and should be read in conjunction with the Group's audited consolidated financial statements as at and for the year ended 31 December 2011. In addition, results for the three month period ended 31 March 2012 are not necessarily indicative of the results that may be expected for the financial year ending 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:

3.2 AFS financial assets

Listed shares held by the Group that are traded in an active market are classified as being AFS 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 AFS financial assets and stated at fair value because management considers that 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 cumulative change in fair values 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 cumulative change in fair values is reclassified to profit or loss.

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

The fair value of AFS 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. Summary of significant accounting policies (continued)

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 investments properties are measured initially at cost including all direct costs attributable to the design and construction of the property including related staff costs. 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 progress, 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 in 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 any identified impairment loss. 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, plant 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 identified impairment losses.

Depreciation is recognised so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 31 March 2012 (continued)

3. Summary of significant accounting policies (continued)

The useful lives considered in the calculation of depreciation for the assets are as follows:

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

3.5 Basis of consolidation

These condensed consolidated financial statements of Air Arabia P.J.S.C. (Air Arabia) and Subsidiaries (the "Group") incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Subsidiaries

Details of the Company's subsidiaries at 31 March 2012 are as follows:

Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
COZMO Travel L.L.C.	Sharjah - U.A.E.	51%	51%	Travel, travel and tours, tourism and cargo services.
COZMO Travel W.L.L.	Doha – Qatar	51%	100%	Travel, travel and tours, tourism and cargo services.

Red Marketing Communications (FZE) ceased operations and was liquidated during the period. COZMO Travel L.L.C., U.A.E. holds the remaining equity in COZMO Travel W.L.L., Qatar, beneficially through nominee arrangements.

4. Investment properties

Investment properties comprise of 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 at Dubai, U.A.E.

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 31 March 2012 (continued)

5. Available-for-sale investments

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Quoted	**7,900**	6,254
Unquoted	**799,643**	726,767
	807,543	733,021
In U.A.E.	**440,228**	365,706
In other G.C.C. countries	**367,315**	367,315
	807,543	733,021

6. Bank balances and cash

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Bank balances:		
Current accounts	**148,827**	144,516
Call deposits	**39,914**	25,294
Fixed deposits	**1,059,336**	1,171,483
Margin deposits	**2,255**	2,255
Total bank balances	**1,250,332**	1,343,548
Cash on hand	**1,936**	1,352
Total bank balances and cash	**1,252,268**	1,344,900
Bank balances:		
In U.A.E.	**1,247,319**	1,300,090
In other G.C.C. countries	**3,013**	43,458
Total bank balances	**1,250,332**	1,343,548

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

7. Share capital

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Authorised and issued share capital (of 4,666,700 thousand shares of AED 1 each)	**4,666,700**	4,666,700

8. Murabaha payable

The Group entered into a Murabaha agreement with a bank to finance the purchase of hotel property in U.A.E. The Murabaha is secured by mortgage of the hotel property along with endorsement of insurance policy and assignment over revenues earned from this hotel property. Murabaha payable is due for settlement within twelve months from the reporting date.

9. Finance lease liabilities

The Group has entered into a leasing arrangement with a leasing company registered in the Cayman Islands to finance the purchase of eight aircraft. The term of the lease is 12 years. The finance lease liabilities are secured by the eight (2011: eight) aircraft leased.

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

10. Other income

Other income includes unrealised gain on derivative financial instruments amounting to AED 29,786 thousand (3 month period ended 31 March 2011: gain amounting to AED 25,955 thousand) and also includes share of losses from investment in associates.

11. Basic earnings per share

	Three month period ended 31 March	
	2012 (unaudited)	2011 (unaudited)
Profit for the period (in AED '000)	**47,660**	42,704
Number of shares (in '000)	**4,666,700**	4,666,700
Basic earnings per share (in AED)	**0.01**	0.01

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 31 March 2012 (continued)

12. Dividend

At the Annual General Meeting held on 9 April 2012, the shareholders approved a cash dividend of 6% amounting to AED 280,002 thousand for 2011 (2010: cash dividend of 8% amounting to AED 373,336 thousand). The dividends for 2011 were approved by the shareholders after the period ended March 31, 2012 and accordingly are not reflected as a liability in these condensed consolidated financial statements.

The Shareholders also approved transfer of AED 56,777 thousand from general reserve to retained earnings which will be reflected in the condensed consolidated financial statements for the period from 1 January 2012 to 30 June 2012.

13. Cash and cash equivalents

	Three months period ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
	AED '000	AED '000
Bank balances and cash	**1,252,268**	1,826,167
Fixed deposits with maturity over 3 months	**(605,733)**	(373,816)
Margin deposits	**(2,255)**	(1,494)
	644,280	1,450,857

14. Operating aircraft lease commitments

a) Where the Group is a lessee:

	31 March	31 December
	2012	2011
	(unaudited)	(audited)
	AED '000	AED '000
Within one year	**232,552**	248,465
In the second to fifth years inclusive	**304,646**	354,087
	537,198	602,552

14. Operating aircraft lease commitments (continued)

b) Where the Group is a lessor:

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Within one year	**76,968**	66,705
In the second to fifth years inclusive	**90,549**	107,294
	167,517	173,999

15. Contingent liabilities

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Letters of credit	**75,048**	64,147
Letters of guarantee	**14,527**	13,944

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

16. Capital commitments

The Group has entered into the following capital commitments:

	31 March 2012 (unaudited) AED '000	31 December 2011 (audited) AED '000
Authorised and contracted:		
Aircraft fleet	**10,058,976**	10,373,714
Others	**-**	23,638
	10,058,976	10,397,352
Authorised but not contracted:		
Aircraft fleet	**1,422,807**	1,422,807

16. Capital commitments (continued)

Aircraft fleet

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 15 aircraft from Airbus, out of which, the Group has exercised the option of purchasing 10 aircraft. The total value of the 35 aircraft order was approximately USD 2.7 billion (AED: 10.06 billion) (31 December 2011: 36 aircrafts, USD 2.9 billion (AED 11 billion) at list prices subject to adjustment in accordance with the Airbus price revision formula. As per the contract, 20% of the purchase price of 35 (2011: 36) aircraft is payable over the next four years, with the balance being due on delivery.

17. Investment in associates

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

Name of associate	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activities
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.

18. Related party transactions

Transactions:

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

	Three months period ended 31 March	
	2012	2011
	(unaudited)	(unaudited)
	AED ’000	AED ’000
Rental income from investment property	**825**	825
Rental income from operating lease	**17,898**	21,146
Management fees	**-**	1,590

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

19. Segment information

Primary reporting format - business segments

31 March 2012 (unaudited)	Airline	Other segments	Eliminations	Total
	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000
Revenue				
External sales	569,212	23,077	-	592,289
Inter-segment sales	-	1,630	(1,630)	-
Total revenue	569,212	24,707	(1,630)	592,289
Result				
Segment result	14,590	10,654	-	25,244
Share of losses in associate				(26,684)
Share of results in joint ventures				7,375
Finance costs				(7,698)
Profit from bank deposits and other income				51,049
Profit for the period				49,286
Other information				
Additions to property and equipment and deferred charges	189,059	136	-	189,195
Depreciation and amortisation	29,922	7,350	-	37,272
31 March 2011 (unaudited)				
Assets				
Segment assets	4,625,185	657,831	(19,201)	5,263,815
Unallocated Group assets				2,071,825
Total Assets				7,335,640
Liabilities				
Segment liabilities	1,840,587	117,879	(19,201)	1,939,265
Unallocated Group liabilities				25,580
Total Liabilities				1,964,845

Notes to the condensed consolidated financial statements
for the period from 1 January 2012 to 31 March 2012 (continued)

19. Segment information (continued)

Primary reporting format - business segments (continued)

31 March 2011 (unaudited)	Airline	Other segments	Eliminations	Total
	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000	Unaudited AED '000
Revenue				
External sales	484,819	3,727	-	488,546
Inter-segment sales	-	1,857	(1,857)	-
Total revenue	484,819	5,584	(1,857)	488,546
Result				
Segment result	27,220	3,173	-	30,393
Share of losses in associate				(5,801)
Share of results in joint ventures				4,854
Finance costs				(3,693)
Profit from bank deposits and other income				18,513
Profit for the period				44,266
Other information				
Additions to property and equipment and deferred charges	325,015	203	-	325,218
Depreciation and amortisation	17,784	143	-	17,927
31 December 2011 (audited)				
Assets				
Segment assets	4,373,438	650,166	(10,925)	5,012,679
Unallocated Group assets				2,101,535
Total Assets				7,114,214
Liabilities				
Segment liabilities	1,741,503	111,857	(10,925)	1,842,435
Unallocated Group Liabilities				22,342
Total Liabilities				1,864,777

Inter-segment sales are charged at prevailing market prices.

19. Segment information (continued)

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3 to the annual audited financial statements. Segment revenue does not include the Group's share of external revenue of joint ventures, amounting to AED 34,305 thousand (3 month period ended 31 March 2011: AED 26,901 thousand), as the share of their results have been disclosed separately as unallocated under segment result. Segment result represents the profit earned by each segment without considering unallocated costs, shares of profits in joint ventures, share of losses in associates, profit from bank deposits and other income. Segment assets do not include fixed deposits, available-for-sale investments, derivative financial instruments and the Group's share of assets in joint ventures and associates. Goodwill and intangible assets have been allocated to Airline segment. Segment liabilities do not include Group's share of liabilities in joint ventures.

20. Approval of condensed consolidated financial statements

The condensed consolidated financial statements was approved by the Board of Directors and authorised for issue on 6 May 2012.