

**Air Arabia PJSC
and its subsidiaries**

Condensed Consolidated Interim
Financial Information
For the period ended March 31, 2023

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information
For the period ended March 31, 2023

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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 March 31, 2023, and the related condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the three month 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.


GRANT THORNTON

Farouk Mohamed
Registration No. 86
Dubai, United Arab Emirates

08 MAY 2023



Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Condensed consolidated statement of financial position
As at March 31, 2023

	Notes	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
ASSETS			
Non-current assets			
Property and equipment	4	5,295,548	5,402,630
Right-of-use assets		618,037	645,020
Advance for new aircraft		773,520	585,135
Investment properties		149,000	149,000
Net investment in lease		88,964	91,484
Intangible assets		1,339,078	1,338,315
Deferred charges		22,780	24,628
Investments measured at fair value through other comprehensive income	5	46,352	43,166
Investments in associates and joint ventures		129,596	156,200
Trade and other receivables		130,001	369,637
		<u>8,592,876</u>	<u>8,805,215</u>
Current assets			
Inventories		37,744	32,747
Trade and other receivables		924,719	862,850
Bank balances and cash	6	5,071,594	4,736,251
		<u>6,034,057</u>	<u>5,631,848</u>
TOTAL ASSETS		<u>14,626,933</u>	<u>14,437,063</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		4,666,700	4,666,700
Statutory reserve		750,668	750,668
General reserve		189,666	189,666
Other reserves		287,002	379,773
Retained earnings		649,863	1,008,308
Total equity attributable to the owners of the Company		<u>6,543,899</u>	<u>6,995,115</u>
Non-controlling interest		631	520
Total equity		<u>6,544,530</u>	<u>6,995,635</u>
Non-current liabilities			
Provision for staff termination benefits		185,614	170,015
Trade and other payables		1,348,345	1,407,366
Bank borrowings		38,255	30,604
Lease liabilities	7	1,987,091	2,126,498
		<u>3,559,305</u>	<u>3,734,483</u>
Current liabilities			
Deferred income		620,344	513,670
Trade and other payables		3,189,877	2,462,169
Bank borrowings		98,077	108,881
Lease liabilities	7	614,800	622,225
		<u>4,523,098</u>	<u>3,706,945</u>
Total liabilities		<u>8,082,403</u>	<u>7,441,428</u>
TOTAL EQUITY AND LIABILITIES		<u>14,626,933</u>	<u>14,437,063</u>

This condensed consolidated interim financial information was approved and authorised for issue by the Board of Directors on 08 MAY 2023 and were signed on their behalf by:

Chairman

Chief Executive Officer

Director of Finance

The accompanying notes from 1 to 16 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 March 31, 2023

	Note	Three-month period ended March 31, 2023 (Unaudited) AED '000	Three-month period ended March 31, 2022 (Unaudited) AED '000
Revenue		1,429,182	1,128,597
Direct costs		(1,031,653)	(784,303)
GROSS PROFIT		397,529	344,294
Administrative and general expenses		(76,255)	(50,050)
Selling and marketing expenses		(19,846)	(13,435)
Finance income		40,823	14,834
Finance costs		(26,340)	(27,888)
Share of profit on investments in associates and joint ventures		66	10,809
Other income, net		25,694	12,301
PROFIT FOR THE PERIOD		341,671	290,865
<i>Profit for the period attributable to:</i>			
Owners of the Company		341,560	290,865
Non-controlling interest		111	-
		341,671	290,865
Basic and diluted earnings per share (AED)	9	0.073	0.062

The accompanying notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries
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Condensed consolidated statement of comprehensive income
For the period ended March 31, 2023

	Three-month period ended March 31, 2023 (Unaudited) AED '000	Three-month period ended March 31, 2022 (Unaudited) AED '000
Profit for the period	341,671	290,865
Other comprehensive (loss)/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	(700)	(768)
<i>Items that are or may be reclassified subsequently to profit or loss</i>		
Cash flow hedge		
Effective portion of changes in fair value	(92,071)	305,571
Total other comprehensive (loss)/income for the period	(92,771)	305,571
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	248,900	595,668
Total comprehensive income for the period attributable to:		
Owners of the Company	248,789	595,668
Non-controlling interest	111	-
	248,900	595,668

The accompanying notes from 1 to 16 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 March 31, 2023

	Other reserves							Total attributable to the Owners of the Company AED '000	Non- controlling interest 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	Retained earnings AED '000	Total attributable to the Owners of the Company AED '000			
As at January 1, 2023 (audited)	4,666,700	750,668	189,666	6,433	373,340	1,008,308	6,995,115	520	6,995,635	
Profit for the period	-	-	-	-	-	341,560	341,560	111	341,671	
Other comprehensive loss for the period	-	-	-	(700)	(92,071)	-	(92,771)	-	(92,771)	
Total comprehensive income for the period	-	-	-	(700)	(92,071)	341,560	248,789	111	248,900	
<i>Transactions with owners</i>										
Dividends declared (Note 14)	-	-	-	-	-	(700,005)	(700,005)	-	(700,005)	
As at March 31, 2023 (unaudited)	4,666,700	750,668	189,666	5,733	281,269	649,863	6,543,899	631	6,544,530	

The accompanying notes from 1 to 16 form an integral part of this condensed consolidated interim financial information.

Air Arabia PJSC and its subsidiaries
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Condensed consolidated statement of changes in equity (continued)
For the period ended March 31, 2023

	Other reserves					Total attributable to the Owners of the Company AED '000	Non- controlling interest 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, 2022 (audited)	4,666,700	639,834	78,832	11,669	273,072	6,074,966	-	6,074,966
Profit for the period	-	-	-	-	-	290,865	-	290,865
Other comprehensive income for the period	-	-	-	(768)	305,571	304,803	-	304,803
Total comprehensive income for the period	-	-	-	(768)	305,571	595,668	-	595,668
<i>Transactions with owners</i>								
Dividends declared (Note 14)	-	-	-	-	-	(396,669)	-	(396,669)
As at March 31, 2022 (unaudited)	4,666,700	639,834	78,832	10,901	578,643	6,273,965	-	6,273,965

The accompanying notes from 1 to 16 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 March 31, 2023

	Three-month period ended March 31, 2023 (Unaudited) AED '000	Three-month period ended March 31, 2022 (Unaudited) AED '000
OPERATING ACTIVITIES		
Profit for the period	341,560	290,865
<i>Adjustments to reconcile profit to net cash flows:</i>		
Depreciation and amortisation	159,992	154,468
Provision for staff termination benefits	27,743	14,233
Share of profit on investments in associates and joint ventures	(66)	(10,809)
Finance income	(40,823)	(14,834)
Finance cost	26,340	27,888
<i>Operating cash flows before changes in working capital</i>	<u>514,746</u>	<u>461,811</u>
<i>Changes in working capital</i>		
Inventories	(4,997)	(1,509)
Trade and other receivables	(122,356)	(387,319)
Trade and other payables	175,549	439,164
Deferred income	106,674	(10,007)
Cash from operations	<u>669,616</u>	<u>502,140</u>
Staff terminal benefits paid	(12,144)	(985)
Net cash flow from operating activities	<u>657,472</u>	<u>501,156</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment	(23,820)	(8,015)
Proceeds from net investment in lease	3,702	3,620
Payments in relation to advances for new aircrafts-net	(188,385)	(203,768)
Change in fixed and margin deposits	(168,456)	(97,358)
Finance income received	40,823	14,834
Acquisition of intangible assets	(10,991)	(4,001)
Payment of investments in a joint venture	-	(18,207)
Dividend received from joint ventures	23,000	18,733
Dividend received from associates	3,670	1,873
Net cash flow used in investing activities	<u>(320,457)</u>	<u>(292,289)</u>
FINANCING ACTIVITIES		
Payments of finance lease liabilities	(146,832)	(260,227)
Bank borrowings (repaid)/obtained during the period	(3,153)	8,063
Finance cost paid	(16,257)	(12,410)
Net cash flow used in financing activities	<u>(166,242)</u>	<u>(264,574)</u>
Net change in cash and cash equivalents	<u>170,773</u>	<u>(55,707)</u>
Cash and cash equivalents at the beginning of the period	<u>1,050,187</u>	<u>1,148,765</u>
Cash and cash equivalents at the end of the period	<u>1,220,960</u>	<u>1,093,058</u>
Cash and cash equivalents comprise of:		
Bank balances and cash	5,071,594	3,919,657
Fixed deposits with maturity over 3 months	(3,850,634)	(2,826,599)
	<u>1,220,960</u>	<u>1,093,058</u>

The accompanying notes from 1 to 16 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 March 31, 2023

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 March 31, 2023 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
	2023	2022		
Subsidiaries				
International Business Company (FZE)	100%	100%	United Arab Emirates	Dealing in International Business and shares
Air Arabia Holidays L.L.C	100%	100%	United Arab Emirates	Tour operations
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.
COZMO Travel LLC – Sole proprietorship (b)	100%	100%	United Arab Emirates	Travel and tours, tourism and cargo services.
Impact Aviation Services Limited (c)	100%	100%	Ireland	Management of lease contracts
Subsidiaries of International Business Company (FZE) (sub-subsidiaries)				
Olgana Real Estate Development L.L.C (d)	100%	100%	United Arab Emirates	Real estate development
T3 Aviation Academy L.L.C (e)	100%	100%	United Arab Emirates	Aviation training services
Joint ventures				
Alpha Flight Services UAE L.L.C	51%	51%	United Arab Emirates	Flight and retail catering and ancillary services to the Air Arabia PJSC.
Sharjah Aviation Services L.L.C	50%	50%	United Arab Emirates	Aircraft handling, passenger and cargo services at the Sharjah International Airport.
Cozmo Travel (CJSC) ("Cozmo Armenia") (f)	75%	75%	Armenia	Travels and tours, tourism and cargo services
Air Arabia Abu Dhabi L.L.C.	49%	49%	United Arab Emirates	International commercial air transportation.
Air Arabia - Egypt Company S.A.E.	40%	40%	Egypt	International commercial air transportation.
Fly Jinnah Services (Private) Limited	45%	45%	Pakistan	International commercial air transportation.
Armenian National Airlines (CJSC) ("Fly Arna")	49%	49%	Armenia	International commercial air transportation.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended March 31, 2023

1 Legal status and principal activities (continued)

Name	Legal/ beneficial ownership interest		Country of operation and ownership	Principal activities
	2023	2022		
<i>Associates</i>				
Air Arabia Maroc, S.A	44.13%	44.13%	Morocco	International commercial air transportation.
Air Arabia Jordan LLC	49%	49%	Jordan	International commercial air transportation.
Tune Protection Commercial Brokerage LLC	51%	51%	United Arab Emirates	Commercial brokers.

- a) During the year ended December 31, 2022, the Group has fully liquidated Arabian Management Investment FZE.
- b) During the year ended December 31, 2022, the Group has changed the name of COZMO Travel LLC to be “COZMO Travel LLC – Sole proprietorship”.
COZMO Travel LLC – Sole proprietorship controls subsidiaries in Qatar, Kingdom of Saudi Arabia, Kuwait, Bahrain, United Arab Emirates, India, Oman, Jordan and Egypt.
- c) Impact Aviation Services Limited was incorporated on April 19, 2022. However, it started the operations on September 1, 2022.
- d) During the year ended December 31, 2022, the Group incorporated a fully owned subsidiary named “Olgana Real Estate Development L.L.C” through its wholly owned subsidiary, International Business Company (FZE), to manage and develop the investment properties of the Group.
- e) During the year ended December 31, 2022, the Group has obtained full control over T3 Aviation Academy LLC (formerly known as Alpha Aviation Academy UAE LLC - a former joint venture of the Group), as a result of acquiring the remaining 49% shareholding of T3 Aviation Academy LLC (Note 16).
- f) During the year ended December 31, 2022, the Group entered into a joint venture agreement through its wholly owned subsidiary, COZMO Travel LLC – Sole proprietorship, with one of its joint ventures, Armenian National Airlines (CJSC) (“Fly Arna”) to provide travels and tours, tourism and cargo services in Armenia under the name of Cozmo Travel (CJSC) (“Cozmo Armenia”).

During the year ended December 31, 2022, the Group entered into a joint venture agreement, through its wholly owned subsidiary, International Business Company (FZE) (“IBC”) with DAL Group, one of Sudan’s leading privately owned conglomerates to operate low-cost carriers from Sudan, under the name of Air Arabia DAL LLC (“Air Arabia Sudan”). As at March 31, 2023 and up to the date of approving this condensed consolidated interim financial information, the incorporation and related legal formalities of the joint venture is still in process.

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 (IFRSs) and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31, 2022.

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, 2022.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended March 31, 2023

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

a) Basis of preparation (continued)

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.

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) 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, 2022.

2.1 New Standards adopted as at January 1, 2023

Accounting pronouncements which have become effective from January 1, 2023 and have therefore been adopted are as follows:

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice statement 2);
- Definition of Accounting Estimate (Amendments to IAS 8).

These amendments do not have a significant impact on the condensed consolidated financial information.

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, 2022.

4 Property and equipment

During the period ended March 31, 2023, the Group acquired various property and equipment amounting to AED 23.8 million (the period ended March 31, 2022: AED 8.02 million).

Depreciation charge on property and equipment for the period ended March 31, 2023 amounted to AED 158 million (the period ended March 31, 2022: AED 130.97 million).

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Notes to the condensed consolidated interim financial information (continued)
For the period ended March 31, 2023

5 Investments measured at fair value through other comprehensive income

	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
Quoted investments in equity instruments in UAE	8,943	10,321
Unquoted investments in debt instruments in UAE	18,734	14,562
Unquoted investments in debt instruments outside UAE	18,675	18,283
	<u>46,352</u>	<u>43,166</u>

Movement in quoted investments in equity instruments during the period/year were as follow:

	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
Opening balance	10,321	15,556
Change in fair value	<u>(1,378)</u>	<u>(5,236)</u>
	<u>8,943</u>	<u>10,321</u>

The market rates as at March 31, 2023 and December 31, 2022 are considered for the calculation of the fair value of the investments that are quoted on the stock exchange market.

Movement in unquoted investments in debt instruments during the period/year were as follow:

	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
Opening balance	32,845	-
Additions during the year	3,886	-
Change in fair value	678	32,845
	<u>37,409</u>	<u>32,845</u>

The fair values of these debt instruments were determined using market interest rates of similar debt instruments as at March 31, 2023 and December 31, 2022.

6 Bank balances and cash

	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
<i>Bank balances:</i>		
Fixed deposits*	3,846,784	3,686,064
Current accounts	616,617	825,852
Call deposits	597,541	212,680
	<u>5,060,942</u>	<u>4,724,596</u>
Cash in hand	10,652	11,655
Bank balances and cash	<u>5,071,594</u>	<u>4,736,251</u>

*These deposits carry interest rates of 4.04% (2022: 3.62%) per annum.

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Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended March 31, 2023

7 Finance lease liabilities

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

	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
As at January 1,	2,748,723	3,236,607
Additions to lease liabilities for the period/year	-	252,158
Payments made during the period/year	(146,832)	(740,042)
	<u>2,601,891</u>	<u>2,748,723</u>

	Current		Non-current	
	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
Lease liabilities	<u>614,800</u>	<u>622,225</u>	<u>1,987,091</u>	<u>2,126,498</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.

8 Related parties

	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
Amount due from related parties		
<i>Included in trade and other receivables</i>		
Receivable from associates and joint ventures, net of allowance for expected credit losses	63,465	75,726
Other related parties	77,522	70,662
	<u>140,987</u>	<u>146,388</u>
Amount due to related parties		
<i>Included in trade and other payables</i>		
Payable to joint ventures	46,736	68,698
Other related parties	47,270	44,033
	<u>94,006</u>	<u>112,731</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.

Air Arabia PJSC and its subsidiaries
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Notes to the condensed consolidated interim financial information (continued)
For the period ended March 31, 2023

9 Basic and diluted earnings per share

	March 31, 2023 (Unaudited) AED '000	March 31, 2022 (Unaudited) AED '000
Profit attributable to the owners of the Company	341,671	290,865
Weighted average number of shares (in '000)	4,666,700	4,666,700
Basic and diluted earnings per share (AED)	0.073	0.062

10 Operating lease commitments

10.1 The Group is a lessor:

As at March 31, 2023, the Group has leased out 23 aircrafts (as at December 31, 2022: 23) under non-cancellable operating lease agreements to the related parties.

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

	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
Within one year	242,054	249,001
Between 2 and 5 years	501,484	557,720
	743,538	806,721

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

	March 31, 2023 (Unaudited) AED '000	December 31, 2022 (Audited) AED '000
Net book value	1,397,798	1,370,323
Accumulated depreciation	1,619,337	1,611,780
Depreciation charge for the period/year	36,734	158,641

11 Contingent liabilities

The Group have letters of guarantees and credits entered into as part of the normal course of business amounting to AED 43 million as at March 31, 2023 (December 31, 2022: AED 41 million), which at March 31, 2023 are not expected to result in material losses for the Group in the foreseen future and not consider it probable that there will be an outflow of economic resources with regard to these contingent liabilities.

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Notes to the condensed consolidated interim financial information (continued)
For the period ended March 31, 2023

12 Capital commitments

	March 31, 2023 (Unaudited) AED'000	December 31, 2022 (Audited) AED'000
<i>Authorised and contracted:</i>		
Aircraft fleet	<u>23,042,144</u>	<u>23,230,529</u>

13 Segment information

The following table presents revenue and profit information for the Group's operating segments for the period ended March 31, 2023 and March 31, 2022, respectively:

Three-month period ended March 31, 2023 (unaudited)	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
Revenue				
External sales	1,346,576	82,606	-	1,429,182
Inter-segment sales	-	13,490	(13,490)	-
Total revenue	<u>1,346,576</u>	<u>96,096</u>	<u>(13,490)</u>	<u>1,429,182</u>
Result				
Segment result	320,158	21,447	-	341,605
Share of profit of investments in associates and joint ventures				<u>66</u>
Profit for the period				<u>341,671</u>
Other information				
Additions to property and equipment and deferred charges	21,364	2,456	-	23,820
Depreciation and amortisation	<u>154,102</u>	<u>5,890</u>	-	<u>159,992</u>
Three-month period ended March 31, 2022 (unaudited)	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
Revenue				
External sales	1,069,640	58,957	-	1,128,597
Inter-segment sales	-	12,125	(12,125)	-
Total revenue	<u>1,069,640</u>	<u>71,082</u>	<u>(12,125)</u>	<u>1,128,597</u>
Result				
Segment result	258,655	21,401	-	280,056
Share of profit of investments in associates and joint ventures				<u>10,809</u>
Profit for the period				<u>290,865</u>
Other information				
Additions to property and equipment and deferred charges	7,442	573	-	8,015
Depreciation and amortisation	<u>150,493</u>	<u>3,975</u>	-	<u>154,468</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 March 31, 2023

13 Segment information (continued)

The following table presents assets and liabilities information for the Group's operating segments as at March 31, 2023 and March 31, 2022, respectively:

	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
March 31, 2023 (unaudited)				
Assets				
Segment assets	9,838,798	1,256,425	(829,562)	10,265,661
Unallocated assets				4,361,272
Total assets				<u>14,626,933</u>
Liabilities				
Segment liabilities	8,371,655	540,313	(829,565)	8,082,403
	Airline AED '000	Other segments AED '000	Eliminations AED '000	Total AED '000
March 31, 2022 (unaudited)				
Assets				
Segment assets	10,415,241	756,889	(678,269)	10,493,861
Unallocated assets				3,308,282
Total assets				<u>13,802,143</u>
Liabilities				
Segment liabilities	7,445,451	760,996	(678,269)	7,528,178

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, 2022. 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.

14 Dividends

At the Annual General Meeting held on March 13, 2023, Board of Directors proposed, and the shareholders approved a cash dividend of AED'000 700,005 at 15 fils per share for the year ended December 31, 2022 (2021: AED'000 396,669).

15 Corporate Income Tax

On December 9, 2022, the UAE Ministry of Finance released Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Business (Corporate Tax Law or the Law) to enact a Federal corporate tax (CT) regime in the UAE. The CT regime is effective from June 1, 2023 and accordingly, it has an income tax related impact on the financial statements for accounting periods beginning on or after June 1, 2023.

Air Arabia PJSC and its subsidiaries
Condensed Consolidated Interim Financial Information

Notes to the condensed consolidated interim financial information (continued)
For the period ended March 31, 2023

15 Corporate Income Tax (continued)

The Cabinet of Ministries Decision No. 116 of 2022 specifies the threshold of income over which the 9% tax rate would apply and accordingly, the Law is now considered to be substantively enacted from the perspective of IAS 12 – Income Taxes. A rate of 9% will apply to taxable income exceeding AED 375,000 and a rate of 0% will apply to taxable income not exceeding AED 375,000 and a rate of 0% on qualifying income of free zone entities.

The Group will be subject to taxation commencing September 1, 2023. Based on the above, the Group assessed the deferred tax implication and concluded it is not expected to be significant as of and for the three-month period ended March 31, 2023. As certain other cabinet decisions are pending as on the date of these interim financial statements, the Group will continue to assess the impact of these pending cabinet decisions on deferred taxes as and when finalised and published.

16 Business combinations

Acquisition of remaining 49% ownership interest in T3 Aviation Academy UAE LLC

During the year ended December 31, 2022, the Group acquired further 49% ownership interest in T3 Aviation Academy UAE LLC (“T3”) (formerly Alpha Aviation Academy UAE LLC - a former joint venture of the Group) for a total consideration of AED 11 million approximately, thereby increasing its total ownership interest to 100% after this transaction. The details of the acquisition are as follows:

	December 31, 2022 AED'000
Consideration for acquisition of 49% ownership interest	11,025
Fair value of pre-existing interest in the Subsidiary (51%)	11,475
	<u>22,500</u>
Fair value of net assets	22,500
Goodwill arising on acquisition	<u>-</u>

As a result of the above transaction, the Group has derecognized its investment in T3 as a joint venture and has recognized a gain on derecognition of investment in joint venture as follows:

	December 31, 2022 AED'000
Fair value of pre-existing interest (51%)	11,475
Carrying value of investment in T3 Aviation Academy UAE LLC as joint venture	<u>(1,636)</u>
Gain on derecognition of investment in joint venture	<u>9,839</u>

As at March 31, 2023, the Group has completed the measurement of fair values of assets and liabilities at the date of acquisition and accordingly, adjustments resulting from fair valuation of net assets at the date of acquisition of T3 have been recorded in the condensed consolidated interim financial information.