

**ALAFCO AVIATION LEASE AND FINANCE  
COMPANY K.S.C.P.**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)**

**30 JUNE 2016**



Building a better  
working world

Ernst & Young  
Al Aiban, Al Osaimi & Partners  
P.O. Box 74  
18- 21st Floor, Baitak Tower  
Ahmed Al Jaber Street  
Safat Square 13001, Kuwait

Tel: +965 2295 5000  
Fax: +965 2245 6419  
kuwait@kw.ey.com  
ey.com/mena



**BAKER TILLY  
KUWAIT**

Audit, tax and consulting  
P.O.Box 1486 Safat 13015  
Kuwait

T: +965 1 88 77 99  
F: +965 2294 2651

info@bakertillykuwait.com  
www.bakertillykuwait.com

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF ALAFCO AVIATION LEASE AND FINANCE COMPANY K.S.C.P.**

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of ALAFCO Aviation Lease and Finance Company K.S.C.P. (the "parent company") and its subsidiaries (together, the "group") as at 30 June 2016, and the related interim condensed consolidated statement of income and comprehensive income for the three months and nine months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the nine months period then ended. The management of the parent company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

### **Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the parent company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and the executive regulation of Law No. 25 of 2012, nor of the Memorandum of Incorporation and Articles of Association of the parent company during the nine months period ended 30 June 2016 that might have had a material effect on the business of the parent company or on its financial position.

WALEED A. AL OSAIMI  
LICENCE NO. 68 A  
EY  
(AL AIBAN, AL OSAIMI & PARTNERS)

MOHAMMED HAMED AL SULTAN  
LICENCE NO. 100 A  
AL SULTAN & PARTNERS  
MEMBER OF BAKER TILLY  
INTERNATIONAL

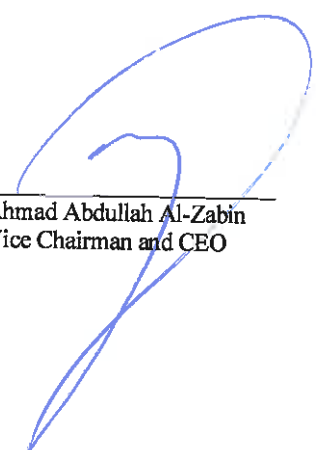
13 July 2016  
Kuwait

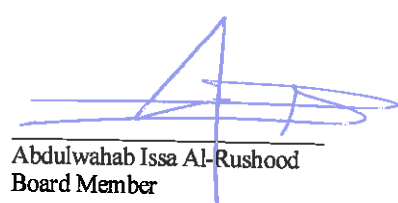
ALAFCO Aviation Lease and Finance Company K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL  
POSITION (UNAUDITED)

As at 30 June 2016

		<b>30 June</b>	<i>(Audited)</i> <b>30 September</b>	<b>30 June</b>
	<i>Notes</i>	<b>2016</b>	<b>2015</b>	<b>2015</b>
		<b>KD</b>	<b>KD</b>	<b>KD</b>
<b>ASSETS</b>				
Aircraft, engines and equipment	4	693,580,511	579,068,258	587,757,769
Capital advances		64,671,514	44,208,091	41,456,037
Receivables		1,731,804	12,765,681	13,475,542
Term deposits		17,217,690	17,237,658	-
Cash and cash equivalents		48,425,791	50,473,240	64,915,579
<b>TOTAL ASSETS</b>		<b>825,627,310</b>	<b>703,752,928</b>	<b>707,604,927</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	5	95,209,348	81,876,015	81,876,015
Share premium		17,829,167	1,162,500	1,162,500
Statutory reserve		19,139,284	19,139,284	17,449,810
Foreign currency translation reserve		12,707,194	13,161,511	13,122,700
Retained earnings		109,443,828	103,597,508	102,594,658
<b>TOTAL EQUITY</b>		<b>254,328,821</b>	<b>218,936,818</b>	<b>216,205,683</b>
<b>LIABILITIES</b>				
Due to financial institutions		437,853,801	363,256,423	373,382,662
Security deposits		15,767,871	15,792,795	15,878,180
Maintenance reserve		106,470,983	96,407,189	93,751,930
Other liabilities		11,205,834	9,359,703	8,386,472
<b>TOTAL LIABILITIES</b>		<b>571,298,489</b>	<b>484,816,110</b>	<b>491,399,244</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>825,627,310</b>	<b>703,752,928</b>	<b>707,604,927</b>

  
Ahmad Abdullah Al-Zabin  
Vice Chairman and CEO

  
Abdulwahab Issa Al-Rushood  
Board Member

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME  
(UNAUDITED)

For the period ended 30 June 2016

	Notes	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Operating lease income		19,330,951	15,791,754	48,511,693	46,425,162
Consultancy and service income		-	43,462	411,881	127,932
Murabaha income		297,863	367,497	839,875	1,070,216
Gain on disposal of aircraft, engines and equipment		-	-	1,258,684	-
Other income		-	11,229	-	41,686
Staff costs		(671,567)	(545,297)	(1,936,890)	(1,642,751)
Depreciation	4	(9,941,569)	(7,706,458)	(25,483,198)	(22,581,321)
Reversal of impairment (impairment charge)		-	224,380	-	(362,220)
Other operating expenses		(948,148)	(395,478)	(4,492,763)	(1,744,003)
Finance costs		(4,013,427)	(2,396,900)	(8,711,666)	(7,369,406)
<b>PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>		<b>4,054,103</b>	5,394,189	<b>10,397,616</b>	13,965,295
Contribution to KFAS		(36,486)	(48,548)	(93,579)	(125,688)
NLST		(101,353)	(134,854)	(259,940)	(349,132)
Zakat		(40,541)	(53,942)	(103,976)	(139,653)
<b>PROFIT FOR THE PERIOD</b>		<b>3,875,723</b>	5,156,845	<b>9,940,121</b>	13,350,822
Basic and diluted earnings per share	3	<b>4.07 Fils</b>	6.30 Fils	<b>10.95 Fils</b>	16.31 Fils

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C.P.  
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF  
 COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2016

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>3,875,723</b>	<b>5,156,845</b>	<b>9,940,121</b>	<b>13,350,822</b>
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified subsequently to interim condensed consolidated statement of income:</i>				
Foreign currency translation adjustment	<b>(80,976)</b>	1,244,623	<b>(454,317)</b>	9,682,172
<b>Other comprehensive (loss) income for the period</b>	<b>(80,976)</b>	1,244,623	<b>(454,317)</b>	9,682,172
<b>Total comprehensive income for the period</b>	<b>3,794,747</b>	<b>6,401,468</b>	<b>9,485,804</b>	<b>23,032,994</b>

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2016

	Share capital KD	Share premium KD	Statutory reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
Balance at 1 October 2015	81,876,015	1,162,500	19,139,284	13,161,511	103,597,508	218,936,818
Profit for the period	-	-	-	-	9,940,121	9,940,121
Other comprehensive loss for the period	-	-	-	(454,317)	-	(454,317)
Total comprehensive (loss) income for the period	-	-	-	(454,317)	9,940,121	9,485,804
Issue of share capital (Note 5)	13,333,333	16,666,667	-	-	-	30,000,000
Cash dividend (Note 5)	-	-	-	-	(4,093,801)	(4,093,801)
<b>Balance at 30 June 2016</b>	<b>95,209,348</b>	<b>17,829,167</b>	<b>19,139,284</b>	<b>12,707,194</b>	<b>109,443,828</b>	<b>254,328,821</b>
Balance at 1 October 2014	77,977,157	1,162,500	17,449,810	3,440,528	97,041,552	197,071,547
Profit for the period	-	-	-	-	13,350,822	13,350,822
Other comprehensive income for the period	-	-	-	9,682,172	-	9,682,172
Total comprehensive income for the period	-	-	-	9,682,172	13,350,822	23,032,994
Issue of bonus shares	3,898,858	-	-	-	(3,898,858)	-
Cash dividend (Note 5)	-	-	-	-	(3,898,858)	(3,898,858)
<b>Balance at 30 June 2015</b>	<b>81,876,015</b>	<b>1,162,500</b>	<b>17,449,810</b>	<b>13,122,700</b>	<b>102,594,658</b>	<b>216,205,683</b>

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C.P.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2016

	Notes	Nine months ended 30 June	
		2016 KD	2015 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period		9,940,121	13,350,822
Adjustments for:			
Depreciation	4	25,483,198	22,581,321
Impairment of aircraft			362,220
Murabaha income		(839,875)	(1,070,216)
Finance costs		8,711,666	7,369,406
Provision for doubtful debts		1,976,856	-
Gain on disposal of aircraft, engines and equipment		(1,258,684)	-
		<u>44,013,282</u>	<u>42,593,553</u>
Changes in operating assets and liabilities:			
Receivables		7,165,645	3,399,549
Payables		(821,271)	799,679
Maintenance reserve		14,294,386	10,198,254
		<u>64,652,042</u>	<u>56,991,035</u>
Cash from operations		<u>(6,040,052)</u>	<u>(7,555,056)</u>
Finance cost paid			
Net cash flows from operating activities		<u>58,611,990</u>	<u>49,435,979</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of aircraft, engines and equipment	4	(149,922,838)	(53,893,058)
Proceeds from disposal of aircraft, engines and equipment		8,452,034	3,308,183
Capital advances for purchase of aircraft, engines and equipment		(20,514,633)	(795,366)
Murabaha income received		686,263	1,015,293
		<u>(161,299,174)</u>	<u>(50,364,948)</u>
Net cash flows used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Financing facilities received		109,275,159	29,827,440
Financing facilities repaid		(34,256,997)	(34,620,074)
Proceeds from issue of additional share capital	5	30,000,000	
Cash dividends paid	5	(4,093,801)	(3,898,858)
		<u>100,924,361</u>	<u>(8,691,492)</u>
Net cash flows from (used in) financing activities			
<b>NET DECREASE CASH AND CASH EQUIVALENTS</b>		<b>(1,762,823)</b>	<b>(9,620,461)</b>
Foreign currency translation adjustment		(284,626)	4,012,509
Cash and cash equivalents at 1 October		50,473,240	70,523,531
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>		<b>48,425,791</b>	<b>64,915,579</b>

The attached notes 1 to 8 form part of this interim condensed consolidated financial information.

As at 30 June 2016

## 1 INCORPORATION AND PRINCIPAL ACTIVITIES

ALAFCO Aviation Lease and Finance Company K.S.C.P. (ALAFCO) (the “parent company”) is a Kuwaiti shareholding company registered and incorporated in Kuwait on 21 March 2000. The parent company is engaged in providing service to buy aircraft and other related assets on behalf of the aviation companies, coordinating with factories, providing asset management services to different aviation companies, providing operating lease or financing lease services commensurate with the needs and desires of aviation company customers. They also provide project financing to buy aircraft wholly or partly in light of the evaluation studies and the renewal of risk factors associated with such projects, marketing of aircraft to meet the medium-and long-term needs of aviation companies, assisting aviation companies in the marketing of their aircraft through selling and leasing, and participation in providing services associated with financing and providing technical support to aviation companies. The parent company operates in accordance with the Islamic Sharia’a principles. The parent company its registered head office is at Kuwait Chamber of Commerce and Industry Building Annexe, Third Floor, Abdul Aziz Hamid Al Sagar Street, Al-Mirqab, Kuwait.

The shares of the parent company are listed on the Kuwait Stock Exchange.

The parent company is an associate of Kuwait Finance House K.S.C.P. (“the Bank”) (Note 5).

The interim condensed consolidated financial information includes transactions and balances of the parent company and wholly owned Special Purpose Companies (“SPC”) (its subsidiaries), together referred to as the “group”. All the transactions of SPC’s are entered on behalf of ALAFCO and are guaranteed by ALAFCO.

The interim condensed consolidated financial information of the group for the nine months period ended 30 June 2016 was authorised for issue in accordance with a resolution of the board of directors on 13 July 2016.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016 cancelled the Companies Law No 25 of 2012, and its amendments. According to article No. 5, the new Law will be effective retrospectively from 26 of November 2012, the executive regulation of Law No. 25 of 2012 will continue until a new set of executive regulation is issued.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the group is prepared in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

The interim condensed consolidated financial information does not contain all information and disclosures required for full financial statements prepared in accordance with the International Financial Reporting Standards. In the opinion of management, all adjustments consisting of normal recurring accruals considered necessary for a fair presentation have been included.

Operating results for the nine months period ended 30 June 2016 are not necessarily indicative of the results that may be expected for the financial year ending 30 September 2016. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 30 September 2015.

The functional currency of the group is US dollars. The interim condensed consolidated financial information is presented in Kuwaiti Dinars.

### **New and amended standards and interpretations**

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the consolidated financial statements for the year ended 30 September 2015, except for the adoption of the following new standards / amendments to IFRS effective as of 1 October 2015:

- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)*
- *Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32*
- *Amendments to IAS 19 Defined Benefit Plans: Employee Contributions*



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

**2 BASIS OF PREPARATION (continued)**

The adoption of these standards did not have any significant or material impact on the interim condensed consolidated financial information of the group and relevant disclosures will be made in the annual consolidated financial statements of the group.

**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the group's interim condensed consolidated financial information are disclosed below. The group intends to adopt these standards, if applicable, when they become effective.

*IFRS 16 Leases*

The IASB issued IFRS 16 Leases (IFRS 16 or the new standard), which requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. Lessees with existing finance leases and lessors carry over existing balances at the date of initial application of the new standard except for intermediate lessors in a sublease. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

*IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

*Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the group given that the group has not used a revenue-based method to depreciate its non-current assets.

*Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. These amendments must be applied prospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the group.

Additional disclosures will be made in the annual consolidated financial statements of the group when these standards become effective.

ALAFCO Aviation Lease and Finance Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

**3 EARNINGS PER SHARE**

Basic and diluted earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares outstanding during the period as follows:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Profit for the period (KD)	<b>3,875,723</b>	5,156,845	<b>9,940,121</b>	13,350,822
Weighted average number of ordinary shares	<b>952,093,482</b>	818,760,149	<b>907,649,037</b>	818,760,149
<b>Basic and diluted earnings per share</b>	<b>4.07 Fils</b>	6.30 Fils	<b>10.95 Fils</b>	16.31 Fils

As there are no dilutive instruments outstanding, basic and diluted earnings per share are identical.

**4 AIRCRAFT, ENGINES AND EQUIPMENT**

	<i>Aircraft and engines</i>	<i>Furniture and fixtures</i>	<i>Office equipment</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Cost</b>				
At 1 October 2015	756,992,594	328,855	140,365	757,461,814
Additions	149,909,241	1,228	12,369	149,922,838
Disposal	(20,655,991)	-	-	(20,655,991)
Foreign currency adjustment	(876,874)	(382)	(163)	(877,419)
<b>At 30 June 2016</b>	<b>885,368,970</b>	<b>329,701</b>	<b>152,571</b>	<b>885,851,242</b>
<b>Depreciation</b>				
At 1 October 2015	178,138,616	220,382	34,558	178,393,556
Depreciation charge for the period	25,447,731	17,011	18,456	25,483,198
Disposal	(11,375,756)	-	-	(11,375,756)
Foreign currency adjustment	(229,940)	(271)	(56)	(230,267)
<b>At 30 June 2016</b>	<b>191,980,651</b>	<b>237,122</b>	<b>52,958</b>	<b>192,270,731</b>
<b>Net carrying amount</b>				
<b>At 30 June 2016</b>	<b>693,388,319</b>	<b>92,579</b>	<b>99,613</b>	<b>693,580,511</b>
At 30 September 2015 (audited)	578,853,978	108,473	105,807	579,068,258
At 30 June 2015	587,740,009	7,389	10,371	587,757,769

Aircraft with carrying value of KD 672,761,533 (30 September 2015: KD 534,532,110 and 30 June 2015: KD 542,586,404) are under finance lease arrangements and are mortgaged against the financing facilities and registered in the name of the lenders.

# ALAFCO Aviation Lease and Finance Company K.S.C.P.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

### 5 SHARE CAPITAL AND ANNUAL GENERAL ASSEMBLY

The authorised, issued and fully paid share capital as at 30 June 2016 comprises 952,093,482 ordinary shares (30 September 2015: 818,760,148 ordinary shares, 30 June 2015: 818,760,148 ordinary shares) of 100 fils each, fully paid in cash.

On 26 November 2015, the shareholders at the annual general assembly of the parent company approved the consolidated financial statements for the year ended 30 September 2015 and approved a cash dividend of 5% for the year ended 30 September 2015 (30 September 2014: 5%) of par value of each share being 5 fils per share (30 September 2014: 5 fils per share) amounting to KD 4,093,801 (30 September 2014: KD 3,898,858), paid subsequently.

The extraordinary general assembly meeting of the shareholders of the parent company held on 26 November 2015 approved an increase in the authorised share capital by 16.28% by issuing 133,333,334 shares for a new strategic shareholder. The share price is 225 fils per share (100 fils par value amounting to KD 13,333,333 and 125 fils share premium amounting to KD 16,666,667). During the reporting period, the capital increase has been completed.

In view of these developments, Kuwait Finance House K.S.C.P. ("the Bank") has re-assessed its interest in the parent company and concluded that it is no longer able to exercise control. Accordingly; the parent company is no longer a subsidiary of the Bank and the Bank has recognised its interest in the parent company as an investment in an associate.

### 6 CAPITAL COMMITMENTS

Potential commitments in respect of purchase of aircraft and engines amount to KD 1,727,017,574 (30 September 2015: KD 1,748,327,796 and 30 June 2015: KD 1,698,091,567).

### 7 RELATED PARTY TRANSACTIONS

Related parties represent the major shareholders, directors and key management personnel of the parent company, and entities controlled, jointly controlled, or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the parent company's management.

Significant transactions with related parties included in the interim condensed consolidated financial information are as follows:

#### Interim condensed consolidated statement of income:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Murabaha income				
- Bank	-	-	3,663	7,563
- Other related parties*	297,863	367,497	836,212	1,062,653
	<u>297,863</u>	<u>367,497</u>	<u>839,875</u>	<u>1,070,216</u>
Consultancy and service income				
- Bank	-	43,462	411,881	127,932
	<u>-</u>	<u>43,462</u>	<u>411,881</u>	<u>127,932</u>
<i>Key management compensation:</i>				
Salaries and other short term benefits	340,637	131,041	903,380	772,260
End of service benefits	30,311	30,524	108,100	101,179
	<u>370,948</u>	<u>161,565</u>	<u>1,011,480</u>	<u>873,439</u>

ALAFCO Aviation Lease and Finance Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 30 June 2016

7 RELATED PARTY TRANSACTIONS (continued)

Interim condensed consolidated statement of financial position:

	<i>Bank KD</i>	<i>Other related parties* KD</i>	<i>Total KD</i>
<b>30 June 2016</b>			
Receivables **	-	279,989	<b>279,989</b>
Cash and cash equivalents ***	4,076,757	44,022,460	<b>48,099,217</b>
Term deposits ***	-	17,217,690	<b>17,217,690</b>
<b>30 September 2015 (Audited)</b>			
Receivables **	-	126,524	126,524
Cash and cash equivalents ***	1,132,501	49,332,684	50,465,185
Term deposits ***	-	17,237,658	17,237,658
<b>30 June 2015</b>			
Receivables **	-	143,596	143,596
Cash and cash equivalents ***	1,502,450	63,402,729	64,905,179

\* Other related parties represent subsidiaries of the Bank.

\*\* Receivable represents accrued murabaha income.

\*\*\* The deposits yield an effective profit rate ranging from 1.25% to 1.75% per annum (30 September 2015: 1.00% to 2.00%, 30 June 2015: 1.75% to 2.00%).

8 SEGMENT INFORMATION

The group is engaged primarily in only one business segment, aircraft leasing segment. However, for management purposes, the group is organised into five geographical segments.

30 June 2016:

	<i>Middle East KD</i>	<i>Asia KD</i>	<i>Europe KD</i>	<i>America KD</i>	<i>Africa KD</i>	<i>Total KD</i>
Segment revenue	<u>12,052,273</u>	<u>26,221,222</u>	<u>9,021,759</u>	<u>1,055,285</u>	<u>2,671,594</u>	<u>51,022,133</u>
Segment results before taxations	<u>4,509,310</u>	<u>7,548,310</u>	<u>(2,931,966)</u>	<u>394,402</u>	<u>877,560</u>	<u>10,397,616</u>
Total assets	<u>191,981,774</u>	<u>373,336,967</u>	<u>209,518,308</u>	<u>19,040,676</u>	<u>31,749,585</u>	<u>825,627,310</u>
Total liabilities	<u>121,463,708</u>	<u>322,478,419</u>	<u>88,727,019</u>	<u>10,273,348</u>	<u>28,355,995</u>	<u>571,298,489</u>
Other segmental information:						
Depreciation	<u>5,822,652</u>	<u>11,439,499</u>	<u>6,561,056</u>	<u>427,090</u>	<u>1,232,901</u>	<u>25,483,198</u>
Provision for doubtful debts	<u>-</u>	<u>-</u>	<u>(1,976,856)</u>	<u>-</u>	<u>-</u>	<u>(1,976,856)</u>
Capital expenditure	<u>20,282</u>	<u>151,125,566</u>	<u>19,291,623</u>	<u>-</u>	<u>-</u>	<u>170,437,471</u>

ALAFCO Aviation Lease and Finance Company K.S.C.P.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 30 June 2016

**8 SEGMENT INFORMATION (continued)**

30 June 2015:

	<i>Middle East KD</i>	<i>Asia KD</i>	<i>Europe KD</i>	<i>America KD</i>	<i>Africa KD</i>	<i>Total KD</i>
Segment revenue	11,796,499	21,082,351	11,132,554	1,034,532	2,619,060	47,664,996
Segment results	4,310,885	5,871,598	2,645,521	356,736	780,555	13,965,295
Total assets	216,609,889	260,119,594	171,439,473	26,013,480	33,422,491	707,604,927
Total liabilities	131,306,591	235,620,165	84,126,689	10,588,859	29,756,940	491,399,244
Other segmental information:						
Depreciation and impairment	5,691,659	9,271,271	6,359,200	417,164	1,204,247	22,943,541
Capital expenditure	164,435	41,807,685	12,716,304	-	-	54,688,424