

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

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

**31 MARCH 2016**



Building a better  
working world

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## **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 31 March 2016, and the related interim condensed consolidated statement of income and comprehensive income for the three months and six months periods then ended, and the related interim condensed consolidated statements of changes in equity and cash flows for the six 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 six months period ended 31 March 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

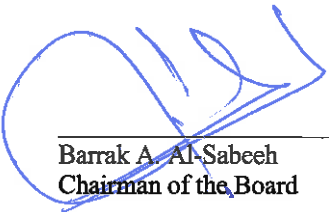
25 April 2016  
Kuwait


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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2016

|                                      |                 | <i>(Audited)</i>    |                    |
|--------------------------------------|-----------------|---------------------|--------------------|
|                                      | <i>31 March</i> | <i>30 September</i> | <i>31 March</i>    |
|                                      | <i>2016</i>     | <i>2015</i>         | <i>2015</i>        |
|                                      | <i>KD</i>       | <i>KD</i>           | <i>KD</i>          |
| <i>Notes</i>                         |                 |                     |                    |
| <b>ASSETS</b>                        |                 |                     |                    |
| Aircraft, engines and equipment      | 4               | 566,038,430         | 579,068,258        |
| Capital advances                     |                 | 57,865,030          | 44,208,091         |
| Receivables                          |                 | 2,746,790           | 12,765,681         |
| Term deposits                        |                 | 17,223,395          | 17,237,658         |
| Cash and cash equivalents            |                 | 83,917,803          | 50,473,240         |
| <b>TOTAL ASSETS</b>                  |                 | <b>727,791,448</b>  | <b>703,752,928</b> |
| <b>EQUITY AND LIABILITIES</b>        |                 |                     |                    |
| <b>EQUITY</b>                        |                 |                     |                    |
| Share capital                        | 5               | 95,209,348          | 81,876,015         |
| Share premium                        |                 | 17,829,167          | 1,162,500          |
| Statutory reserve                    |                 | 19,139,284          | 19,139,284         |
| Foreign currency translation reserve |                 | 12,788,170          | 13,161,511         |
| Retained earnings                    |                 | 105,568,105         | 103,597,508        |
| <b>TOTAL EQUITY</b>                  |                 | <b>250,534,074</b>  | <b>218,936,818</b> |
| <b>LIABILITIES</b>                   |                 |                     |                    |
| Due to financial institutions        |                 | 359,166,994         | 363,256,423        |
| Security deposits                    |                 | 14,650,127          | 15,792,795         |
| Maintenance reserve                  |                 | 95,218,400          | 96,407,189         |
| Other liabilities                    |                 | 8,221,853           | 9,359,703          |
| <b>TOTAL LIABILITIES</b>             |                 | <b>477,257,374</b>  | <b>484,816,110</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |                 | <b>727,791,448</b>  | <b>703,752,928</b> |

  
Barrak A. Al-Sabeeh  
Chairman of the Board

  
Ahmad Abdullah Alzabin  
Vice Chairman and CEO

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 31 March 2016

|  | Notes | <i>Three months ended</i> |                  | <i>Six months ended</i> |                  |
|--|-------|---------------------------|------------------|-------------------------|------------------|
|  |       | <i>31 March</i>           |                  | <i>31 March</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   |       | 14,677,343                | 16,047,933       | 29,180,742              | 30,633,408       |
| Consultancy and service income   |       | -                         | 42,634           | 411,881                 | 84,470           |
| Murabaha income  |       | 325,300                   | 351,298          | 542,012                 | 702,719          |
| Gain on disposal of aircraft, engines and equipment  |       | 1,258,684                 | -                | 1,258,684               | -                |
| Other income   |       | -                         | 10,879           | -                       | 30,457           |
| Staff costs  |       | (642,887)                 | (511,023)        | (1,265,323)             | (1,097,454)      |
| Depreciation   | 4     | (7,671,018)               | (7,707,656)      | (15,541,629)            | (14,874,863)     |
| Impairment of aircraft   |       | -                         | (586,600)        | -                       | (586,600)        |
| Other operating expenses   |       | (2,399,027)               | (830,772)        | (3,544,615)             | (1,348,525)      |
| Finance costs  |       | (2,357,957)               | (2,766,912)      | (4,698,239)             | (4,972,506)      |
| <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>3,190,438</b>          | <b>4,049,781</b> | <b>6,343,513</b>        | <b>8,571,106</b> |
| Contribution to KFAS   |       | (28,714)                  | (36,448)         | (57,092)                | (77,140)         |
| NLST   |       | (79,761)                  | (101,245)        | (158,588)               | (214,278)        |
| Zakat  |       | (31,904)                  | (40,498)         | (63,435)                | (85,711)         |
| <b>PROFIT FOR THE PERIOD</b>   |       | <b>3,050,059</b>          | <b>3,871,590</b> | <b>6,064,398</b>        | <b>8,193,977</b> |
| Basic and diluted earnings per share   | 3     | <b>3.20 Fils</b>          | 4.73 Fils        | <b>6.85 Fils</b>        | 10.01 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 31 March 2016

|  | <i>Three months ended</i> |             | <i>Six months ended</i> |             |
|--|---------------------------|-------------|-------------------------|-------------|
|  | <i>31 March</i>           |             | <i>31 March</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>3,050,059</b>          | 3,871,590   | <b>6,064,398</b>        | 8,193,977   |
| <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>(1,392,996)</b>        | 5,157,838   | <b>(373,341)</b>        | 8,437,549   |
| <b>Other comprehensive (loss) income for the period</b>  | <b>(1,392,996)</b>        | 5,157,838   | <b>(373,341)</b>        | 8,437,549   |
| <b>Total comprehensive income for the period</b>   | <b>1,657,063</b>          | 9,029,428   | <b>5,691,057</b>        | 16,631,526  |

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 31 March 2016

|  | Share capital<br>KD | Share premium<br>KD | Statutory reserve<br>KD | Foreign currency translation reserve<br>KD | Retained earnings<br>KD | Total<br>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                            | -                   | -                   | -                       | -  | 6,064,398               | 6,064,398          |
| Other comprehensive loss for the period          | -                   | -                   | -                       | (373,341)                                  | -                       | (373,341)          |
| Total comprehensive (loss) income for the period | -                   | -                   | -                       | (373,341)                                  | 6,064,398               | 5,691,057          |
| 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 31 March 2016</b>                  | <b>95,209,348</b>   | <b>17,829,167</b>   | <b>19,139,284</b>       | <b>12,788,170</b>                          | <b>105,568,105</b>      | <b>250,534,074</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                            | -                   | -                   | -                       | -  | 8,193,977               | 8,193,977          |
| Other comprehensive income for the period        | -                   | -                   | -                       | 8,437,549                                  | -                       | 8,437,549          |
| Total comprehensive income for the period        | -                   | -                   | -                       | 8,437,549                                  | 8,193,977               | 16,631,526         |
| Issue of bonus shares                            | 3,898,858           | -                   | -                       | -  | (3,898,858)             | -                  |
| Cash dividend (Note 5)                           | -                   | -                   | -                       | -  | (3,898,858)             | (3,898,858)        |
| Balance at 31 March 2015                         | 81,876,015          | 1,162,500           | 17,449,810              | 11,878,077                                 | 97,437,813              | 209,804,215        |

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 31 March 2016

|  | Notes | Six months ended<br>31 March |                     |
|--|-------|------------------------------|---------------------|
|  |       | 2016<br>KD                   | 2015<br>KD          |
| <b>OPERATING ACTIVITIES</b>                                      |       |                              |                     |
| Profit for the period  |       | 6,064,398                    | 8,193,977           |
| Adjustments for:   |       |                              |                     |
| Depreciation   | 4     | 15,541,629                   | 14,874,863          |
| Impairment of aircraft   |       | -                            | 586,600             |
| Murabaha income  |       | (542,012)                    | (702,719)           |
| Finance costs  |       | 4,698,239                    | 4,972,506           |
| Provision for doubtful debts                                     |       | 1,978,689                    | -                   |
| Gain on disposal of aircraft, engines and equipment              |       | (1,258,684)                  | -                   |
|  |       | <u>26,482,259</u>            | <u>27,925,227</u>   |
| Changes in operating assets and liabilities:                     |       |                              |                     |
| Receivables  |       | 6,200,297                    | 3,170,018           |
| Payables   |       | (2,289,676)                  | 10,934              |
| Maintenance reserve  |       | 3,011,261                    | 11,701,317          |
|  |       | <u>6,921,882</u>             | <u>14,882,269</u>   |
| Cash from operations   |       | 33,404,141                   | 42,807,496          |
| Finance cost paid  |       | (4,668,270)                  | (5,027,649)         |
| Net cash flows from operating activities                         |       | <u>28,735,871</u>            | <u>37,779,847</u>   |
| <b>INVESTING ACTIVITIES</b>                                      |       |                              |                     |
| Purchase of aircraft, engines and equipment                      | 4     | (12,250,588)                 | (41,549,438)        |
| Proceeds from disposal of aircraft, engines and equipment        |       | 8,454,419                    | -                   |
| Capital advances for purchase of aircraft, engines and equipment |       | (13,693,516)                 | (99,131)            |
| Murabaha income received   |       | 341,660                      | 632,050             |
| Net cash flows used in investing activities                      |       | <u>(17,148,025)</u>          | <u>(41,016,519)</u> |
| <b>FINANCING ACTIVITIES</b>                                      |       |                              |                     |
| Financing facilities received                                    |       | 18,717,800                   | 29,654,625          |
| Financing facilities repaid                                      |       | (22,506,666)                 | (21,146,162)        |
| Proceeds from issue of additional share capital                  | 5     | 30,000,000                   | -                   |
| Cash dividends paid  | 5     | (4,093,801)                  | (3,898,858)         |
| Net cash flows from financing activities                         |       | <u>22,117,333</u>            | <u>4,609,605</u>    |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                 |       | <b>33,705,179</b>            | <b>1,372,933</b>    |
| Foreign currency translation adjustment                          |       | (260,616)                    | 3,447,704           |
| Cash and cash equivalents at 1 October                           |       | 50,473,240                   | 70,523,531          |
| <b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>                     |       | <b>83,917,803</b>            | <b>75,344,168</b>   |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 31 March 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 six months period ended 31 March 2016 was authorised for issue in accordance with a resolution of the board of directors on 25 April 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 six months period ended 31 March 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 31 March 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. Retrospective application is required, but comparative information is not compulsory.

*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 31 March 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>Six months ended</i> |             |
|---|---------------------------|-------------|-------------------------|-------------|
|   | <i>31 March</i>           |             | <i>31 March</i>         |             |
|   | <i>2016</i>               | <i>2015</i> | <i>2016</i>             | <i>2015</i> |
| Profit for the period (KD)                  | <b>3,050,059</b>          | 3,871,590   | <b>6,064,398</b>        | 8,193,977   |
| Weighted average number of ordinary shares  | <b>952,093,482</b>        | 818,760,149 | <b>885,426,815</b>      | 818,760,149 |
| <b>Basic and diluted earnings per share</b> | <b>3.20 Fils</b>          | 4.73Fils    | <b>6.85 Fils</b>        | 10.01 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                          | 12,239,604                  | 1,228                         | 9,756                   | 12,250,588         |
| Disposal                           | (20,662,836)                | -                             | -                       | (20,662,836)       |
| Foreign currency adjustment        | (626,338)                   | (272)                         | (116)                   | (626,726)          |
| <b>At 31 March 2016</b>            | <b>747,943,024</b>          | <b>329,811</b>                | <b>150,005</b>          | <b>748,422,840</b> |
| <b>Depreciation</b>                |                             |                               |                         |                    |
| At 1 October 2015                  | 178,138,616                 | 220,382                       | 34,558                  | 178,393,556        |
| Depreciation charge for the period | 15,518,071                  | 11,342                        | 12,216                  | 15,541,629         |
| Disposal                           | (11,379,524)                | -                             | -                       | (11,379,524)       |
| Foreign currency adjustment        | (171,004)                   | (200)                         | (47)                    | (171,251)          |
| <b>At 31 March 2016</b>            | <b>182,106,159</b>          | <b>231,524</b>                | <b>46,727</b>           | <b>182,384,410</b> |
| <b>Net carrying amount</b>         |                             |                               |                         |                    |
| <b>At 31 March 2016</b>            | <b>565,836,865</b>          | <b>98,287</b>                 | <b>103,278</b>          | <b>566,038,430</b> |
| At 30 September 2015 (audited)     | 578,853,978                 | 108,473                       | 105,807                 | 579,068,258        |
| At 31 March 2015                   | 584,172,290                 | 18,119                        | 10,310                  | 584,200,719        |

Aircraft with carrying value of KD 544,583,680 (30 September 2015: KD 534,532,110 and 31 March 2015: KD 557,421,055) are under finance lease arrangements and are mortgaged against the financing facilities and registered in the name of the lenders.

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

As at 31 March 2016

**5 SHARE CAPITAL AND ANNUAL GENERAL ASSEMBLY**

The authorised, issued and fully paid share capital as at 31 March 2016 comprises 952,093,482 ordinary shares (30 September 2015: 818,760,148 ordinary shares, 31 March 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 1,734,352,374 (30 September 2015: KD 1,748,327,796 and 31 March 2015: KD 1,688,883,892).

**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>Six months ended</i> |                |
|--|---------------------------|----------------|-------------------------|----------------|
|  | <i>31 March</i>           |                | <i>31 March</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                                 | 3,666                     | 4,063          | 3,666                   | 7,491          |
| - Other related parties*               | 321,634                   | 347,235        | 538,346                 | 695,228        |
|  | <u>325,300</u>            | <u>351,298</u> | <u>542,012</u>          | <u>702,719</u> |
| Consultancy and service income         |                           |                |                         |                |
| - Bank                                 | -                         | 42,634         | 411,881                 | 84,470         |
|  | <u>-</u>                  | <u>42,634</u>  | <u>411,881</u>          | <u>84,470</u>  |
| <i>Key management compensation:</i>    |                           |                |                         |                |
| Salaries and other short term benefits | 224,026                   | 309,126        | 562,743                 | 641,219        |
| End of service benefits                | 30,624                    | 31,481         | 77,789                  | 70,655         |
|  | <u>254,650</u>            | <u>340,607</u> | <u>640,532</u>          | <u>711,874</u> |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2016

7 RELATED PARTY TRANSACTIONS (continued)

Interim condensed consolidated statement of financial position:

|                                    | <i>Bank<br/>KD</i> | <i>Other related<br/>parties*<br/>KD</i> | <i>Total<br/>KD</i> |
|------------------------------------|--------------------|--|---------------------|
| <b>31 March 2016</b>               |                    |  |                     |
| Receivables **                     | -                  | 326,770                                  | 326,770             |
| Cash and cash equivalents ***      | 2,397,931          | 81,261,347                               | 83,659,278          |
| Term deposits ***                  | -                  | 17,223,395                               | 17,223,395          |
| <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>31 March 2015</b>               |                    |  |                     |
| Receivables **                     | -                  | 158,829                                  | 158,829             |
| Cash and cash equivalents ***      | 958,888            | 74,384,497                               | 75,343,385          |

\* 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%, 31 March 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.

31 March 2016:

|                                  | <i>Middle East<br/>KD</i> | <i>Asia<br/>KD</i> | <i>Europe<br/>KD</i> | <i>America<br/>KD</i> | <i>Africa<br/>KD</i> | <i>Total<br/>KD</i> |
|----------------------------------|---------------------------|--------------------|----------------------|-----------------------|----------------------|---------------------|
| Segment revenue                  | 8,121,873                 | 14,476,234         | 6,308,324            | 704,175               | 1,782,713            | 31,393,319          |
| Segment results before taxations | 3,013,382                 | 4,653,330          | (2,141,846)          | 254,804               | 563,843              | 6,343,513           |
| Total assets                     | 229,016,590               | 251,806,158        | 195,534,170          | 19,265,202            | 32,169,328           | 727,791,448         |
| Total liabilities                | 123,804,192               | 223,439,707        | 90,968,714           | 10,369,604            | 28,675,157           | 477,257,374         |
| Other segmental information:     |                           |                    |                      |                       |                      |                     |
| Depreciation                     | 3,892,305                 | 6,085,227          | 4,454,389            | 285,511               | 824,197              | 15,541,629          |
| Provision for doubtful debts     | -                         | -                  | (1,978,689)          | -                     | -                    | (1,978,689)         |
| Capital expenditure              | 24,275                    | 1,151,375          | 24,768,454           | -                     | -                    | 25,944,104          |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 31 March 2016

**8 SEGMENT INFORMATION (continued)**

31 March 2015:

|   | <i>Middle East<br/>KD</i> | <i>Asia<br/>KD</i> | <i>Europe<br/>KD</i> | <i>America<br/>KD</i> | <i>Africa<br/>KD</i> | <i>Total<br/>KD</i> |
|---|---------------------------|--------------------|----------------------|-----------------------|----------------------|---------------------|
| Segment revenue                               | 7,783,099                 | 13,773,914         | 7,481,672            | 683,075               | 1,729,294            | 31,451,054          |
| Segment results<br>before taxation            | 2,782,288                 | 3,255,802          | 1,803,564            | 229,847               | 499,605              | 8,571,106           |
| Total assets                                  | 229,321,542               | 264,867,207        | 158,714,102          | 25,998,448            | 33,635,914           | 712,537,213         |
| Total liabilities                             | 137,665,219               | 238,139,903        | 86,321,238           | 10,629,218            | 29,977,420           | 502,732,998         |
| Other segmental<br>information:               |                           |                    |                      |                       |                      |                     |
| Depreciation and<br>impairment of<br>aircraft | 3,759,354                 | 6,433,581          | 4,197,953            | 275,442               | 795,133              | 15,461,463          |
| Capital expenditure                           | 101,423                   | 41,547,146         | -                    | -                     | -                    | 41,648,569          |