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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 JUNE 2019

EY
Building a better working world

Ernst & Young
Al Aiban, Al Osaimi & Partners
P.O. Box 74
18-20th Floor, Baitak Tower
Ahmed Al Jaber Street
Safat Square 13001, Kuwait

Tel: +965 2 295 5000
Fax: +965 2 245 6419
kuwait@kw.ey.com
ey.com/mena

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 2019, and the related interim condensed consolidated statements 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 account 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, as amended, and its Executive Regulations, as amended, or of the parent company's Memorandum of Incorporation and Articles of Association during the nine months period ended 30 June 2019 that might have had a material effect on the business of the parent company or on its financial position.

BADER A. AL-ABDULJADER
LICENCE NO. 207-A
EY
(AL AIBAN, AL OSAIMI & PARTNERS)

1 August 2019
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2019

	Notes	***30 June 2019 KD***	*(Audited) 30 September 2018 KD*	*30 June 2018 KD*
ASSETS				
Aircraft, engines and equipment	4	**971,081,440**	829,509,062	753,227,593
Capital advances		**295,766,346**	237,501,172	198,512,794
Receivables		**11,484,578**	8,906,295	5,521,135
Cash and cash equivalents		**89,714,245**	47,520,835	79,927,870
TOTAL ASSETS		**1,368,046,609**	1,123,437,364	1,037,189,392
EQUITY AND LIABILITIES				
EQUITY				
Share capital	5	**95,209,348**	95,209,348	95,209,348
Share premium		**17,829,167**	17,829,167	17,829,167
Statutory reserve		**27,666,075**	27,666,075	24,120,022
Foreign currency translation reserve		**13,993,442**	13,959,649	13,686,301
Retained earnings		**159,055,622**	156,759,199	158,560,973
TOTAL EQUITY		**313,753,654**	311,423,438	309,405,811
LIABILITIES				
Due to financial institutions		**871,161,139**	631,159,564	549,280,204
Security deposits		**10,884,846**	10,916,966	10,593,385
Maintenance reserve and provisions		**155,832,100**	153,079,598	152,340,311
Other liabilities		**16,414,870**	16,857,798	15,569,681
TOTAL LIABILITIES		**1,054,292,955**	812,013,926	727,783,581
TOTAL EQUITY AND LIABILITIES		**1,368,046,609**	1,123,437,364	1,037,189,392

Barrak A. Al Sabeeh
Vice Chairman of the Board

Abdulwahab Issa Al-Rushood
Board Member

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2019

	Notes	*Three months ended 30 June* 2019 KD	*Three months ended 30 June* 2018 KD	*Nine months ended 30 June* 2019 KD	*Nine months ended 30 June* 2018 KD
Operating lease income		**26,093,079**	24,776,108	**78,173,194**	74,062,207
Murabaha income		**149,682**	334,885	**444,293**	623,511
Gain on disposal of aircraft, engines and equipment		-	(1,041,786)	-	30,042,106
Other income		**2,327,115**	112,572	**2,327,115**	115,885
Staff costs		**(820,915)**	(621,547)	**(2,715,894)**	(2,101,340)
Depreciation	4	**(12,253,948)**	(10,308,667)	**(35,233,632)**	(33,460,834)
Heavy maintenance and re-lease provision		-	(5,092)	-	(17,041,395)
Other operating expenses		**(764,447)**	(1,339,027)	**(1,998,369)**	(2,303,406)
Allowance for credit loss on receivables	2.2	**(3,189,798)**	-	**(6,376,861)**	-
Finance costs		**(7,371,234)**	(5,600,338)	**(20,670,329)**	(16,500,220)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		**4,169,534**	6,307,108	**13,949,517**	33,436,514
Contribution to KFAS		**(37,526)**	(56,764)	**(125,546)**	(300,929)
NLST		**(177,568)**	(136,068)	**(492,033)**	(1,216,969)
Zakat		**(71,027)**	(54,428)	**(196,813)**	(486,788)
PROFIT FOR THE PERIOD		**3,883,413**	6,059,848	**13,135,125**	31,431,828
Basic and diluted earnings per share	3	**4.08 fils**	6.36 fils	**13.80 fils**	33.01 fils

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2019

	Three months ended 30 June		*Nine months ended 30 June*	
	2019	*2018*	***2019***	*2018*
	KD	*KD*	***KD***	*KD*
Profit for the period	**3,883,413**	6,059,848	**13,135,125**	31,431,828
Other comprehensive (loss) income:				
Items that are not reclassified subsequently to interim condensed consolidated statement of income:				
Foreign currency translation adjustment	**(1,085,401)**	3,079,698	**33,793**	752,650
Other comprehensive (loss) income for the period	**(1,085,401)**	3,079,698	**33,793**	752,650
Total comprehensive income for the period	**2,798,012**	9,139,546	**13,168,918**	32,184,478

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
For the period ended 30 June 2019

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*
Balance at 1 October 2018 before the adoption of IFRS 9 (Audited)	95,209,348	17,829,167	27,666,075	13,959,649	156,759,199	311,423,438
Transition adjustment on initial application of IFRS 9 (Note 2.2)	-	-	-	-	(1,317,767)	(1,317,767)
Adjusted balance as at 1 October 2018	95,209,348	17,829,167	27,666,075	13,959,649	155,441,432	310,105,671
Profit for the period	-	-	-	-	13,135,125	13,135,125
Other comprehensive income for the period	-	-	-	33,793	-	33,793
Total comprehensive income for the period	-	-	-	33,793	13,135,125	13,168,918
Cash Dividend (Note 5)	-	-	-	-	(9,520,935)	(9,520,935)
Balance at 30 June 2019	**95,209,348**	**17,829,167**	**27,666,075**	**13,993,442**	**159,055,622**	**313,753,654**
Balance at 1 October 2017	95,209,348	17,829,167	24,120,022	12,933,651	136,650,080	286,742,268
Profit for the period	-	-	-	-	31,431,828	31,431,828
Other comprehensive income for the period	-	-	-	752,650	-	752,650
Total comprehensive income for the period	-	-	-	752,650	31,431,828	32,184,478
Cash dividend	-	-	-	-	(9,520,935)	(9,520,935)
Balance at 30 June 2018	95,209,348	17,829,167	24,120,022	13,686,301	158,560,973	309,405,811

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2019

	Note	*Nine months ended 30 June* 2019 KD	2018 KD
OPERATING ACTIVITIES			
Profit for the period		**13,135,125**	31,431,828
Adjustments for:			
Depreciation	4	**35,233,632**	33,460,834
Murabaha income		**(444,293)**	(623,511)
Finance costs		**20,670,329**	16,500,220
Allowance for credit loss on receivables		**6,376,861**	-
Heavy maintenance and re-lease provision		**-**	17,041,395
Gain on disposal of aircraft, engines and equipment		**-**	(30,042,106)
		74,971,654	67,768,660
Changes in operating assets and liabilities:			
Receivables		**(10,243,614)**	(3,650,269)
Payables		**(954,190)**	(7,804,744)
Maintenance reserve and provisions		**2,727,254**	5,362,918
Cash from operations		**66,501,104**	61,676,565
Finance cost paid		**(20,748,628)**	(15,269,303)
Net cash flows from operating activities		**45,752,476**	46,407,262
INVESTING ACTIVITIES			
Purchase of aircraft, engines and equipment	4	**(126,817,450)**	(29,368,664)
Proceeds from disposal of aircraft, engines and equipment			184,247,516
Capital advances for purchase of aircraft, engines and equipment		**(108,016,269)**	(109,925,206)
Murabaha income received		**426,588**	609,488
Net cash flows (used in) from investing activities		**(234,407,131)**	45,563,134
FINANCING ACTIVITIES			
Financing facilities received		**359,595,200**	172,735,844
Financing facilities repaid		**(119,108,803)**	(237,870,802)
Cash dividends paid	5	**(9,520,935)**	(9,520,935)
Net cash flows from (used in) financing activities		**230,965,462**	(74,655,893)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**42,310,807**	17,314,503
Foreign currency translation adjustment		**(117,397)**	626,353
Cash and cash equivalents at 1 October		**47,520,835**	61,987,014
CASH AND CASH EQUIVALENTS AT 30 JUNE		**89,714,245**	79,927,870

The attached notes 1 to 9 form part of this interim condensed consolidated financial information.

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, providing 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 needs of medium-and long-term for aviation companies wishing with such services, assisting aviation companies in the marketing of their aircraft through selling and leasing, participation in providing services associated with financing and providing technical support to aviation companies, assistance in the joint investment operations and specialized in aviation industry, Wholly or partly investment in providing aircraft, engines and spare parts as appropriate to needs of aviation companies and factories customers, Management and investment of revenues generated and collected from the above mentioned operations. The parent company may have an interest or to participate in any aspect in other entities conducting similar activities or which may assist in achieving its objectives in Kuwait or abroad and it may establish, participate or buy these bodies or in their equity.

The parent company operates in accordance with the Islamic Sharia'a principles. The parent company's 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") and Gulf Investment Corporation S.A.G. (GIC).

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 2019 was authorised for issue in accordance with a resolution of the board of directors on 1 August 2019.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information of the group is prepared in accordance with International Accounting Standard ("IAS") 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 2019 are not necessarily indicative of the results that may be expected for the financial year ending 30 September 2019. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 30 September 2018.

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

2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP

The accounting policies used in the preparation of the interim condensed consolidated financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 30 September 2018, except for the Changes in accounting policies detailed below for adoption of IFRS 15 – *Revenue from Contracts with Customers* and IFRS 9 – *Financial Instruments* effective from 1 October 2018.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 October 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established 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 group's adoption of IFRS 15 under modified retrospective method had no material impact on the interim condensed consolidated financial information of the group.

IFRS 9 – Financial Instruments

The group has adopted IFRS 9 - *Financial Instruments* issued in July 2014 with a date of initial application of 1 October 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The key changes to the group's accounting policies resulting from its adoption of IFRS 9 are summarized below.

a) Classification of financial assets

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

(1) Financial assets carried at amortised cost;
(2) Financial assets carried at fair value through other comprehensive income (FVOCI); and
(3) Financial assets carried at fair value through profit or loss (FVTPL)

(1) Financial assets at amortised cost:

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a "business model" whose objective is to hold assets to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below. Further, financial assets carried at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Financing income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 – Financial Instruments (continued)

a) Classification of financial assets (continued)

(1) Financial assets at amortised cost (continued):

(i) Business model assessment
The group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). The expected frequency, value and timing of sales are also important aspects of the group's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the group's original expectations, the group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

(ii) SPPI test
As a second step of its classification process the group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of profit within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(2) Financial assets at fair value through other comprehensive income (FVOCI):

(i) Debt instruments at FVOCI

The group applies the new category under IFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Financing income and foreign exchange gains and losses and impairment losses are recognised in interim condensed consolidated statement of income. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss.

(ii) Equity instruments at FVOCI

Upon initial recognition, the group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 – Financial Instruments (continued)

a) Classification of financial assets (continued)

(2) Financial assets at fair value through other comprehensive income (FVOCI) (continued):

(ii) Equity instruments at FVOCI (continued)

This category only includes equity instruments, which the group intends to hold for the foreseeable future and which the group has irrevocably elected to so classify upon initial recognition or transition. The group classified its unquoted equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under IFRS 9.

(3) Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL comprise derivative instruments and quoted equity instruments which the group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. As at 30 June 2019, the group does not have any FVTPL.

b) Reclassification of financial assets
The group does not reclassify its financial assets subsequent to their initial recognition apart in the exceptional circumstances in which the group acquires, disposes of, or terminates a business line.

c) Financial liabilities
The accounting for the group's financial liabilities remains largely the same as it was under IAS 39. Similar to the requirements of IAS 39, IFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in the statement of income.

d) Impairment of financial assets
The adoption of IFRS 9 has fundamentally changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the group to record an allowance for ECLs for all debt financial assets not held at FVTPL. The group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The group has established a provision matrix that is based on the group's historical credit loss experience as adjusted for forward-looking factors.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The group considers a financial asset in default when contractual payment are 120 days past due. However, in certain cases, the group may also consider a financial asset to be in default when internal or external information indicates that the group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the group.

e) Hedge accounting
The group did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the group is not dealing in any derivative instruments.

2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

IFRS 9 – Financial Instruments (continued)

f) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below:

1) Comparative periods have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 October 2018. Accordingly, the information presented for prior period does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for the period ended 30 June 2019 under IFRS 9.

2) The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
   - The determination of the business model within which a financial asset is held.
   - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Impact of adopting IFRS 9

The impact of this change in accounting policy as at 1 October 2018 has been to decrease retained earnings by KD 1,317,767 as follows:

	Retained earnings KD
Closing balance under IAS 39 as at 30 September 2018	156,759,199
Impact on recognition of ECL on receivables:	
ECL under IFRS 9 for receivables at amortised cost	(1,317,767)
Opening balance under IFRS 9 on date of initial application as 1 October 2018	155,441,432

Classification of financial assets on the date of initial application of IFRS 9

The following table shows reconciliation of original measurement categories and carrying value in accordance with IAS 39 and the new measurement categories under IFRS 9 for the group's financial assets as at 1 October 2018.

	Original classification under IAS 39	*New classification under IFRS 9*	*Original carrying amount under IAS 39* KD	*Re-measurement ECL* KD	*New carrying amount under IFRS 9* KD
Financial assets					
Cash and cash equivalents	Loans and receivables	Amortised cost	47,520,835	-	47,520,835
Receivables	Loans and receivables	Amortised cost	8,906,295	(1,317,767)	7,588,528
Total financial assets			**56,427,130**	**(1,317,767)**	**55,109,363**

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities.

2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP (continued)

Judgments, estimates and assumptions

In the process of applying the group's accounting policies, management has made the following judgments, which has the most significant effect in the amounts recognised in the interim condensed consolidated financial information:

Classification of financial assets – policy applicable from 1 October 2018

Assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and profit on the principal amount outstanding.

Impairment of financial assets at amortised cost – policy applicable from 1 October 2018

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

2.3 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

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the finance cost on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. The group is in the process of assessing the impact of IFRS 16 on its consolidated financial statements.

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:

	Three months ended 30 June		*Nine months ended 30 June*	
	2019	*2018*	*2019*	*2018*
Profit for the period (KD)	**3,883,413**	6,059,848	**13,135,125**	31,431,828
Weighted average number of ordinary shares	**952,093,482**	952,093,482	**952,093,482**	952,093,482
Basic and diluted earnings per share	**4.08 fils**	6.36 fils	**13.80 fils**	33.01 fils

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

4 AIRCRAFT, ENGINES AND EQUIPMENT

	Aircraft and engines KD	*Furniture and fixtures KD*	*Office equipment KD*	*Total KD*
Cost				
At 1 October 2018	1,029,039,398	331,946	166,807	**1,029,538,151**
Additions	126,812,147	-	5,303	**126,817,450**
Transfer from capital advances	49,790,267	-	-	**49,790,267**
Foreign currency adjustment	169,724	55	28	**169,807**
At 30 June 2019	**1,205,811,536**	**332,001**	**172,138**	**1,206,315,675**
Depreciation and impairment				
At 1 October 2018	199,628,178	289,580	111,331	**200,029,089**
Depreciation charge for the period	35,195,651	17,199	20,782	**35,233,632**
Foreign currency adjustment	(28,488)	19	(17)	**(28,486)**
At 30 June 2019	234,795,341	306,798	132,096	**235,234,235**
Net carrying amount				
At 30 June 2019	**971,016,195**	**25,203**	**40,042**	**971,081,440**
At 30 September 2018 (Audited)	829,411,220	42,366	55,476	829,509,062
At 30 June 2018	753,117,353	48,040	62,200	753,227,593

Aircraft with carrying value of KD 962,550,468 (30 September 2018: KD 829,411,220 and 30 June 2018: KD 715,281,770) are under finance lease arrangements and are mortgaged against the financing facilities and registered in the name of the lenders.

5 SHARE CAPITAL AND ANNUAL GENERAL ASSEMBLY

The authorised, issued and fully paid share capital as at 30 June 2019 comprises 952,093,482 ordinary shares (30 September 2018: 952,093,482 ordinary shares, 30 June 2018: 952,093,482 ordinary shares) of 100 fils each, fully paid in cash.

On 2 January 2019, the shareholders at the annual general assembly of the parent company approved the consolidated financial statements for the year ended 30 September 2018 and approved a cash dividend of 10% for the year ended 30 September 2018 of par value of each share being 10 fils per share amounting to KD 9,520,935. The shareholders at the annual general assembly of the parent company have also approved directors' remuneration of KD 180,000 for the year ended 30 September 2018.

6 CAPITAL COMMITMENTS

Capital commitments in respect of purchase of aircraft and engines amount to KD 1,564,666,027 (30 September 2018: KD 1,672,763,184 and 30 June 2018: KD 1,642,043,624).

7 CONTINGENT LIABILITIES

As at 30 June 2019, the group has contingent liabilities amounting to KD 11,829,764 (30 September 2018: KD 12,120,473 and 30 June 2018: KD 18,490,138) in respect of letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

8 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 and Board of Directors.

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

Interim condensed consolidated statement of income:

	Three months ended 30 June		*Nine months ended 30 June*	
	2019 KD	*2018 KD*	***2019 KD***	*2018 KD*
Murabaha income				
- Bank	**123,623**	1,262	**247,336**	2,391
- Other related parties*	**26,059**	333,623	**196,957**	621,120
	149,682	334,885	**444,293**	623,511
Finance costs				
- Bank	**1,572,632**	591,700	**4,168,473**	2,754,517
	1,572,632	591,700	**4,168,473**	2,754,517
Key management compensation:				
Salaries and other short-term benefits	**200,837**	302,159	**747,088**	1,058,366
End of service benefits	**25,412**	29,433	**162,492**	98,480
	226,249	331,592	**909,580**	1,156,846

8 RELATED PARTY TRANSACTIONS (continued)

Interim condensed consolidated statement of financial position:

	Bank *KD*	*Other related parties** *KD*	*Total* *KD*
30 June 2019			
Capital advances	-	322,150	**322,150**
Receivables **	49,837	676	**50,513**
Cash and cash equivalents	83,287,646	3,308,768	**86,596,414**
Due to financial institutions	122,534,123	-	**122,534,123**
Other liabilities***	545,116	-	**545,116**
30 September 2018 (Audited)			
Capital advances	322,097	-	322,097
Receivables **	7,521	26,611	34,132
Cash and cash equivalents	14,820,069	29,631,644	44,451,713
Due to financial institutions	95,133,336	-	95,133,336
Other liabilities***	588,856	-	588,856
30 June 2018			
Capital advances	-	321,778	321,778
Receivables **	-	50,893	50,893
Cash and cash equivalents	17,123,685	61,038,822	78,162,507
Due to financial institutions	47,294,459	-	47,294,459
Other liabilities***	209,310	-	209,310

* Other related parties represent subsidiaries of the Bank.
** Receivables represents accrued murabaha income.
*** Other liabilities represent accrued finance cost on Islamic finance facilities obtained from the Bank.

9 SEGMENT INFORMATION

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

30 June 2019:

	Middle East *KD*	*Asia* *KD*	*Europe* *KD*	*America* *KD*	*Africa* *KD*	*Total* *KD*
Segment revenue	21,834,635	50,300,015	2,857,745	3,875,706	2,076,501	80,944,602
Segment results before Taxations	5,828,248	6,482,474	605,939	701,761	331,095	13,949,517
Total assets	286,068,007	653,514,394	226,287,699	175,035,861	27,140,648	1,368,046,609
Total liabilities	468,357,350	504,445,232	33,289,490	25,216,482	22,984,401	1,054,292,955
Other segmental information:						
Depreciation	8,208,114	21,959,383	1,477,800	2,353,224	1,235,111	35,233,632
Capital expenditure	5,303	176,602,414	-	-	-	176,607,717