

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

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

**31 MARCH 2017**



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 2017, and the related interim condensed consolidated statements 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 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 and its Executive Regulations, or of the parent company's Memorandum of Incorporation and Articles of Association, as amended during the six months period ended 31 March 2017 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

2 May 2017  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2017

		<i>(Audited)</i>	
	<i>31 March</i>	<i>30 September</i>	<i>31 March</i>
	<i>2017</i>	<i>2016</i>	<i>2016</i>
<i>Notes</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>ASSETS</b>			
Aircraft, engines and equipment	4	703,154,335	716,963,688
Capital advances		102,981,579	80,585,997
Receivables		2,741,384	1,676,844
Term deposits		-	4,068,900
Cash and cash equivalents		48,370,321	49,348,492
<b>TOTAL ASSETS</b>		<b>857,247,619</b>	<b>852,643,921</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	5	95,209,348	95,209,348
Share premium		17,829,167	17,829,167
Statutory reserve		20,626,586	20,626,586
Foreign currency translation reserve		15,302,287	12,364,993
Retained earnings		118,121,153	112,089,072
<b>TOTAL EQUITY</b>		<b>267,088,541</b>	<b>258,119,166</b>
<b>LIABILITIES</b>			
Due to financial institutions		437,618,823	449,087,316
Security deposits		16,282,538	16,101,419
Maintenance reserve		121,725,179	116,471,406
Other liabilities		14,532,538	12,864,614
<b>TOTAL LIABILITIES</b>		<b>590,159,078</b>	<b>594,524,755</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>857,247,619</b>	<b>852,643,921</b>

Ahmad Abdullah Al-Zabin  
Vice Chairman and CEO

Paul Quigley  
Board Member

The attached notes 1 to 9 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 2017

	Notes	Three months ended 31 March		Six months ended 31 March	
		2017	2016	2017	2016
		KD	KD	KD	KD
Operating lease income		19,460,323	14,677,343	38,499,349	29,180,742
Consultancy and service income		-	-	-	411,881
Murabaha income		140,044	325,300	315,953	542,012
Gain on disposal of aircraft, engines and equipment		-	1,258,684	251,382	1,258,684
Other income		12,822	-	31,064	-
Staff costs		(728,404)	(642,887)	(1,452,110)	(1,265,323)
Depreciation	4	(8,952,348)	(7,671,018)	(18,185,947)	(15,541,629)
Impairment loss on aircraft, engines and equipment	4	(366,200)	-	(670,230)	-
Other operating expenses		(425,196)	(2,399,027)	(933,741)	(3,544,615)
Finance costs		(3,285,384)	(2,357,957)	(6,566,442)	(4,698,239)
<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>5,855,657</b>	<b>3,190,438</b>	<b>11,289,278</b>	<b>6,343,513</b>
Contribution to KFAS		(52,701)	(28,714)	(101,604)	(57,092)
NLST		(146,391)	(79,761)	(282,232)	(158,588)
Zakat		(58,557)	(31,904)	(112,893)	(63,435)
<b>PROFIT FOR THE PERIOD</b>		<b>5,598,008</b>	<b>3,050,059</b>	<b>10,792,549</b>	<b>6,064,398</b>
Basic and diluted earnings per share	3	<b>5.88 fils</b>	3.20 fils	<b>11.34 fils</b>	6.85 fils

The attached notes 1 to 9 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 2017

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>Profit for the period</b>	<b>5,598,008</b>	3,050,059	<b>10,792,549</b>	6,064,398
<b>Other comprehensive income:</b>				
<i>Items that are not reclassified subsequently to interim condensed consolidated statement of income:</i>				
Foreign currency translation adjustment	(1,123,174)	(1,392,996)	2,937,294	(373,341)
<b>Other comprehensive (loss) income for the period</b>	<b>(1,123,174)</b>	(1,392,996)	<b>2,937,294</b>	(373,341)
<b>Total comprehensive income for the period</b>	<b>4,474,834</b>	1,657,063	<b>13,729,843</b>	5,691,057

The attached notes 1 to 9 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 2017

	Share capital KD	Share premium KD	Statutory reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Total KD
Balance at 1 October 2016	95,209,348	17,829,167	20,626,586	12,364,993	112,089,072	258,119,166
Profit for the period	-	-	-	-	10,792,549	10,792,549
Other comprehensive income for the period	-	-	-	2,937,294	-	2,937,294
Total comprehensive income for the period	-	-	-	2,937,294	10,792,549	13,729,843
Cash dividend (Note 5)	-	-	-	-	(4,760,468)	(4,760,468)
<b>Balance at 31 March 2017</b>	<b>95,209,348</b>	<b>17,829,167</b>	<b>20,626,586</b>	<b>15,302,287</b>	<b>118,121,153</b>	<b>267,088,541</b>
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	13,333,333	16,666,667	-	-	-	30,000,000
Cash dividend (Note 5)	-	-	-	-	(4,093,801)	(4,093,801)
Balance at 31 March 2016	95,209,348	17,829,167	19,139,284	12,788,170	105,568,105	250,534,074

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(UNAUDITED)

For the period ended 31 March 2017

	Notes	Six months ended 31 March	
		2017 KD	2016 KD
<b>OPERATING ACTIVITIES</b>			
Profit for the period before KFAS, NLST, and Zakat		11,289,278	6,343,513
Adjustments for:			
Depreciation	4	18,185,947	15,541,629
Impairment loss on aircraft, engines and equipment	4	670,230	-
Murabaha income		(315,953)	(542,012)
Finance costs		6,566,442	4,698,239
Provision for doubtful debts		76,726	1,978,689
Gain on disposal of aircraft, engines and equipment		(251,382)	(1,258,684)
		<u>36,221,288</u>	<u>26,761,374</u>
Changes in operating assets and liabilities:			
Receivables		(1,224,348)	6,200,297
Payables		2,426,812	(1,774,320)
Maintenance reserve		12,888,696	3,011,261
		<u>50,312,448</u>	<u>34,198,612</u>
Cash from operations		50,312,448	34,198,612
Finance cost paid		(6,513,923)	(4,668,270)
KFAS paid		(133,857)	(152,053)
NLST paid		(344,099)	(458,870)
Zakat paid		(137,640)	(183,548)
		<u>43,182,929</u>	<u>28,735,871</u>
Net cash flows from operating activities		43,182,929	28,735,871
<b>INVESTING ACTIVITIES</b>			
Purchase of aircraft, engines and equipment		(9,009,755)	(12,250,588)
Proceeds from disposal of aircraft, engines and equipment		7,322,213	8,454,419
Capital advances for purchase of aircraft, engines and equipment		(26,302,834)	(13,693,516)
Murabaha income received		417,913	341,660
Term deposit		4,114,800	-
		<u>(23,457,663)</u>	<u>(17,148,025)</u>
Net cash flows used in investing activities		(23,457,663)	(17,148,025)
<b>FINANCING ACTIVITIES</b>			
Financing facilities received		11,277,600	18,717,800
Financing facilities repaid		(27,812,107)	(22,506,666)
Proceeds from issue of additional share capital		-	30,000,000
Cash dividends paid	5	(4,760,468)	(4,093,801)
		<u>(21,294,975)</u>	<u>22,117,333</u>
Net cash flows (used in) from financing activities		(21,294,975)	22,117,333
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,569,709)</b>	<b>33,705,179</b>
Foreign currency translation adjustment		591,538	(260,616)
Cash and cash equivalents at 1 October		49,348,492	50,473,240
<b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>		<b>48,370,321</b>	<b>83,917,803</b>

## 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’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 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 2017 was authorised for issue in accordance with a resolution of the board of directors on 2 May 2017.

## 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 2017 are not necessarily indicative of the results that may be expected for the financial year ending 30 September 2017. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 30 September 2016.

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

### **Changes in accounting policies**

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 2016.

### **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 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.



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 31 March 2017

**2 BASIS OF PREPARATION (continued)**

**Standards issued but not yet effective (continued)**

*IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

(a) Sale of goods

Contracts with customers in which the sale of goods (aircrafts) is generally expected to be the only performance obligation are not expected to have any impact on the group's consolidated statement of income. The group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the aircrafts.

(b) Equipment received from customers

When an entity receives, or expects to receive, non-cash consideration, IFRS 15 requires that the fair value of the non-cash consideration is included in the transaction price.

(c) Presentation and disclosure requirements

IFRS 15 provides presentation and disclosure requirements, which are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in group's consolidated financial statements. Many of the disclosure requirements in IFRS 15 are completely new.

*IAS 7 Disclosure Initiative – Amendments to IAS 7*

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted.

*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. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. These amendments are not expected to have any impact on the group.

*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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at 31 March 2017

**2 BASIS OF PREPARATION (continued)****Standards issued but not yet effective (continued)***IFRS 16 Leases (continued)*

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.

**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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Profit for the period (KD)	<b>5,598,008</b>	3,050,059	<b>10,792,549</b>	6,064,398
Weighted average number of ordinary shares	<b>952,093,482</b>	952,093,482	<b>952,093,482</b>	885,426,815
<b>Basic and diluted earnings per share</b>	<b>5.88 fils</b>	3.20 fils	<b>11.34 fils</b>	6.85 fils

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

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

**4 AIRCRAFT, ENGINES AND EQUIPMENT**

	<i>Aircraft and engines KD</i>	<i>Furniture and fixtures KD</i>	<i>Office equipment KD</i>	<i>Total KD</i>
<b>Cost</b>				
At 1 October 2016	920,925,140	329,264	152,869	921,407,273
Additions	13,824,204	300	1,569	13,826,073
Disposal	(46,971,610)	-	-	(46,971,610)
Foreign currency adjustment	10,388,671	3,714	1,724	10,394,109
<b>At 31 March 2017</b>	<b>898,166,405</b>	<b>333,278</b>	<b>156,162</b>	<b>898,655,845</b>
<b>Depreciation and impairment</b>				
At 1 October 2016	204,141,944	242,476	59,165	204,443,585
Depreciation charge for the period	18,161,675	11,459	12,813	18,185,947
Impairment loss on aircraft, engines and equipment	670,230	-	-	670,230
Disposal	(30,113,800)	-	-	(30,113,800)
Foreign currency adjustment	2,312,133	2,741	674	2,315,548
<b>At 31 March 2017</b>	<b>195,172,182</b>	<b>256,676</b>	<b>72,652</b>	<b>195,501,510</b>
<b>Net carrying amount</b>				
<b>At 31 March 2017</b>	<b>702,994,223</b>	<b>76,602</b>	<b>83,510</b>	<b>703,154,335</b>
At 30 September 2016 (Audited)	716,783,196	86,788	93,704	716,963,688
At 31 March 2016	565,836,865	98,287	103,278	566,038,430

Aircraft with carrying value of KD 702,502,902 (30 September 2016: KD 699,085,355 and 31 March 2016: KD 544,583,680) 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 31 March 2017 comprises 952,093,482 ordinary shares (30 September 2016: 952,093,482 ordinary shares, 31 March 2016: 952,093,482 ordinary shares) of 100 fils each, fully paid in cash.

On 20 December 2016, the shareholders at the annual general assembly of the parent company approved the consolidated financial statements for the year ended 30 September 2016 and approved a cash dividend of 5% for the year ended 30 September 2016 (30 September 2015: 5%) of par value of each share being 5 fils per share (30 September 2015: 5 fils per share) amounting to KD 4,760,468 (30 September 2015: KD 4,093,801), which was paid subsequently.

On 20 December 2016, the shareholders at the annual general assembly of the parent company approved directors' remuneration of KD 138,500 for the year ended 30 September 2016 (30 September 2015: KD 115,750).

**6 CAPITAL COMMITMENTS**

Capital commitments in respect of purchase of aircraft and engines amount to KD 1,716,330,164 (30 September 2016: KD 1,730,637,037 and 31 March 2016: KD 1,734,352,374).

**7 CONTINGENT LIABILITIES**

As at 31 March 2017, the group has contingent liabilities amounting to KD 8,869,906 (30 September 2016: KD 8,869,906 and 31 March 2016: KD 8,869,906) in respect of letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

**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:**

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	<i>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Murabaha income				
- Bank	4,147	3,666	4,147	3,666
- Other related parties*	135,897	321,634	311,806	538,346
	<u>140,044</u>	<u>325,300</u>	<u>315,953</u>	<u>542,012</u>
Consultancy and service income				
- Bank	-	-	-	411,881
	<u>-</u>	<u>-</u>	<u>-</u>	<u>411,881</u>
Finance costs				
- Bank	51,914	-	51,914	-
	<u>51,914</u>	<u>-</u>	<u>51,914</u>	<u>-</u>
<i>Key management compensation:</i>				
Salaries and other short term benefits	314,529	224,026	631,990	562,743
End of service benefits	29,885	30,624	68,762	77,789
	<u>344,414</u>	<u>254,650</u>	<u>700,752</u>	<u>640,532</u>

**Interim condensed consolidated statement of financial position:**

	<i>Bank</i>	<i>Other related</i>	<i>Total</i>
	<i>KD</i>	<i>parties*</i>	<i>KD</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>31 March 2017</b>			
Receivables **	-	37,151	37,151
Cash and cash equivalents ***	3,012,254	43,698,802	46,711,056
Due to financial institutions	11,277,600	-	11,277,600
<b>30 September 2016 (Audited)</b>			
Receivables **	-	137,559	137,559
Cash and cash equivalents ***	1,215,784	46,819,113	48,034,897
Term deposits ***	-	4,068,900	4,068,900
<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

\* Other related parties represent subsidiaries of the Bank.

\*\* Receivable represents accrued murabaha income.

\*\*\* The deposits yield an effective profit rate ranging from 0.75% to 1.40% per annum (30 September 2016: 1.25% to 1.75%, 31 March 2016: 1.25% to 1.75%).

The parent company is an associate of Kuwait Finance House K.S.C.P. ("the Bank").

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at 31 March 2017

9 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 2017:

	<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	7,982,827	22,950,769	5,658,428	709,509	1,796,215	39,097,748
Segment results before taxations	2,477,140	6,942,555	965,999	278,885	624,699	11,289,278
Total assets	186,539,710	428,848,620	190,734,801	20,303,403	30,821,085	857,247,619
Total liabilities	118,207,092	350,489,854	83,750,308	10,475,771	27,236,053	590,159,078
Other segmental information:						
Depreciation	3,893,418	10,208,658	2,971,869	286,101	825,901	18,185,947
Impairment loss on aircraft, engines and equipment	304,650	-	365,580	-	-	670,230
Provision for doubtful debts	-	76,726	-	-	-	76,726
Capital expenditure	1,869	13,824,204	-	-	-	13,826,073

31 March 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	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
Impairment loss on aircraft, engines and equipment	-	-	-	-	-	-
Provision for doubtful debts	-	-	1,978,689	-	-	1,978,689
Capital expenditure	10,984	-	12,239,604	-	-	12,250,588

