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

INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

30 JUNE 2020

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 2295 5000
Fax: +965 2245 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 2020, 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 2020 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)

13 August 2020
Kuwait

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)
As at 30 June 2020

	Notes	*30 June 2020 KD*	*(Audited) 30 September 2019 KD*	*30 June 2019 KD*
ASSETS				
Aircraft, engines and equipment	4	**1,186,270,273**	876,397,490	971,081,440
Capital advances	5	**210,438,695**	304,396,402	295,766,346
Receivables		**27,643,443**	8,793,145	11,484,578
Cash and cash equivalents		**24,965,856**	93,441,271	89,714,245
TOTAL ASSETS		**1,449,318,267**	1,283,028,308	1,368,046,609
EQUITY AND LIABILITIES				
EQUITY				
Share capital	6	**95,209,348**	95,209,348	95,209,348
Share premium		**17,829,167**	17,829,167	17,829,167
Statutory reserve		**29,571,005**	29,571,005	27,666,075
Foreign currency translation reserve		**18,771,340**	14,929,164	13,993,442
Retained earnings		**155,487,087**	161,711,950	159,055,622
TOTAL EQUITY		**316,867,947**	319,250,634	313,753,654
LIABILITIES				
Due to financial institutions		**953,831,569**	786,512,749	871,161,139
Security deposits		**11,343,900**	10,798,519	10,884,846
Maintenance reserve and provisions		**152,625,049**	149,668,892	155,832,100
Other liabilities		**14,649,802**	16,797,514	16,414,870
TOTAL LIABILITIES		**1,132,450,320**	963,777,674	1,054,292,955
TOTAL EQUITY AND LIABILITIES		**1,449,318,267**	1,283,028,308	1,368,046,609

Ahmed Abdullah Al-Zabin
Chairman of the Board

Barrak A. Al-Sabeeh
Vice Chairman of the Board

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

For the period ended 30 June 2020

		Three months ended 30 June		*Nine months ended 30 June*	
		2020	*2019*	***2020***	*2019*
	Notes	***KD***	*KD*	***KD***	*KD*
Operating lease income		**29,943,023**	26,093,079	**88,171,865**	78,173,194
Murabaha income		**58,731**	149,682	**466,892**	444,293
Gain on disposal of aircraft, engines and equipment		**-**	-	**1,430,140**	-
Other income		**19,445**	2,327,115	**161,687**	2,327,115
Staff costs		**(798,167)**	(820,915)	**(2,530,539)**	(2,715,894)
Depreciation	4	**(12,695,727)**	(12,253,948)	**(35,326,922)**	(35,233,632)
Impairment loss on aircraft, engines and equipment	4	**-**	-	**(15,509,947)**	-
Other operating expenses		**(583,548)**	(764,447)	**(5,543,803)**	(1,998,369)
Allowance for credit loss on receivables	11	**(1,001,003)**	(3,189,798)	**(1,192,434)**	(6,376,861)
Finance costs		**(8,965,848)**	(7,371,234)	**(28,636,818)**	(20,670,329)
PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		**5,976,906**	4,169,534	**1,490,121**	13,949,517
Contribution to KFAS		**(13,411)**	(37,526)	**(13,411)**	(125,546)
NLST		**(60,589)**	(177,568)	**(60,589)**	(492,033)
Zakat		**(24,236)**	(71,027)	**(24,236)**	(196,813)
PROFIT FOR THE PERIOD		**5,878,670**	3,883,413	**1,391,885**	13,135,125
Basic and diluted earnings per share	3	**6.17 fils**	4.08 fils	**1.46 fils**	13.80 fils

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the period ended 30 June 2020

	Three months ended 30 June		*Nine months ended 30 June*	
	2020 KD	*2019 KD*	***2020 KD***	*2019 KD*
Profit for the period	**5,878,670**	3,883,413	**1,391,885**	13,135,125
Other comprehensive (loss) income:				
Items that are not reclassified subsequently to interim condensed consolidated statement of income:				
Foreign currency translation adjustment	**(697,519)**	(1,085,401)	**3,842,176**	33,793
Other comprehensive (loss) income for the period	**(697,519)**	(1,085,401)	**3,842,176**	33,793
Total comprehensive income for the period	**5,181,151**	2,798,012	**5,234,061**	13,168,918

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 June 2020

	Share capital KD	*Share premium KD*	*Statutory reserve KD*	*Foreign currency translation reserve KD*	*Retained earnings KD*	*Total KD*
Balance as at 1 October 2019	95,209,348	17,829,167	29,571,005	14,929,164	161,711,950	319,250,634
Profit for the period	-	-	-	-	1,391,885	1,391,885
Other comprehensive income for the period	-	-	-	3,842,176	-	3,842,176
Total comprehensive income for the period	-	-	-	3,842,176	1,391,885	5,234,061
Cash dividend (Note 6)	-	-	-	-	(7,616,748)	(7,616,748)
Balance at 30 June 2020	**95,209,348**	**17,829,167**	**29,571,005**	**18,771,340**	**155,487,087**	**316,867,947**
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	-	-	-	-	(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	-	-	-	-	(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

The attached notes 1 to 11 form part of this interim condensed consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the period ended 30 June 2020

	Note	*Nine months ended 30 June* **2020** **KD**	*2019* *KD*
OPERATING ACTIVITIES			
Profit for the period		**1,391,885**	13,135,125
Adjustments for:			
Depreciation	4	**35,326,922**	35,233,632
Impairment loss on aircraft, engines and equipment	4	**15,509,947**	-
Murabaha income		**(466,892)**	(444,293)
Finance costs		**28,636,818**	20,670,329
Allowance for credit loss on receivables		**1,192,434**	6,376,861
Gain on disposal of aircraft, engines and equipment		**(1,430,140)**	-
		80,160,974	74,971,654
Changes in operating assets and liabilities:			
Receivables		**(19,968,785)**	(10,243,614)
Payables		**(1,832,079)**	(954,190)
Maintenance reserve and provisions		**5,991,659**	2,727,254
Cash from operations		**64,351,769**	66,501,104
Finance cost paid		**(28,500,504)**	(20,748,628)
Net cash flows from operating activities		**35,851,265**	45,752,476
INVESTING ACTIVITIES			
Purchase of aircraft, engines and equipment	4	**(139,252,691)**	(126,817,450)
Proceeds from disposal of aircraft, engines and equipment		**29,311,211**	-
Capital advances for purchase of aircraft, engines and equipment		**(146,575,200)**	(108,016,269)
Murabaha income received		**495,694**	426,588
Net cash flows used in investing activities		**(256,020,986)**	(234,407,131)
FINANCING ACTIVITIES			
Financing facilities received		**312,156,596**	359,595,200
Financing facilities repaid		**(154,516,601)**	(119,108,803)
Cash dividends paid		**(7,616,748)**	(9,520,935)
Net cash flows from financing activities		**150,023,247**	230,965,462
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(70,146,474)**	42,310,807
Foreign currency translation adjustment		**1,671,059**	(117,397)
Cash and cash equivalents at 1 October		**93,441,271**	47,520,835
CASH AND CASH EQUIVALENTS AT 30 JUNE		**24,965,856**	89,714,245

The attached notes 1 to 11 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, Second Floor, Abdul Aziz Hamid Al Sagar Street, Al-Mirqab, Kuwait.

The shares of the parent company are listed on Boursa Kuwait.

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 2020 was authorised for issue in accordance with a resolution of the board of directors on 13 August 2020.

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 2020 are not necessarily indicative of the results that may be expected for the financial year ending 30 September 2020. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 30 September 2019.

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 2019, except for the changes in accounting policies detailed below for adoption of IFRS 16 **–** *Leases* effective from 1 October 2019.

IFRS 16 – Leases
IFRS 16 supersedes 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.* The standard 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.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the group is the lessor.

Before the adoption of IFRS 16, the group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance cost and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in the interim condensed consolidated statement of income on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the group applied a single recognition and measurement approach for all leases where the group is the lessee, except for short-term leases and leases of low-value assets. The group recognised lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. The group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 and accordingly, the comparative information is not restated. The group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (‘short-term leases’), and lease contracts for which the underlying asset is of low value (‘low-value assets’).

Summary of new accounting policies
The accounting policies of the group upon adoption of IFRS 16 are as follows:

a) Right of use assets
The group recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right of use assets are subject to impairment.

b) Lease liabilities
At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group and payments of penalties for terminating a lease, if the lease term reflects the group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

IFRS 16 – Leases (continued)

Summary of new accounting policies (continued)

b) Lease liabilities (continued)
In calculating the present value of lease payments, the group uses the incremental profit rate at the lease commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

c) Significant judgement in determining the lease term of contracts with renewal options
The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has the option, under some of its leases to lease the assets for additional terms. The group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

The adoption of this standard did not result in any material change in accounting policies of the group and does not have any material effect on the group's interim condensed consolidated financial information.

Other amendments to IFRSs which are effective for annual accounting period starting from 1 October 2019 did not have any material impact on the accounting policies, financial position or performance of the group.

2.3 CHANGES IN ACCOUNTING ESTIMATES

In accordance with its policy, the group reviews the estimated useful lives of its aircraft and engines on an ongoing basis. As a result of the review, effective 1 October 2019, the group changed its estimates of the useful lives of its aircraft and engines (excluding Buyer Furnished Equipment – wide body aircraft) to better reflect the estimated periods during which these assets will remain in service. The estimated useful lives of the aircraft and engines (excluding Buyer Furnished Equipment – wide body aircraft) that previously averaged 20 years were increased to an average of 25 years. Furthermore, the group has changed its estimate of the residual value of aircrafts and engines from 20% of the purchase price (in aggregate) to 15% of the purchase price (in aggregate) except for BFE – wide body aircraft which does not have a residual value.

The effect of this change in estimate has reduced the depreciation expense recorded for the period ended 30 June 2020 by KD 7,032,841, increased the profit for the period by KD 6,934,605, and increased basic and diluted earnings per share by 7.28 fils.

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*	
	2020	***2019***	***2020***	*2019*
Profit for the period (KD)	**5,878,670**	3,883,413	**1,391,885**	13,135,125
Weighted average number of ordinary shares	**952,093,482**	952,093,482	**952,093,482**	952,093,482
Basic and diluted earnings per share	**6.17 fils**	4.08 fils	**1.46 fils**	13.80 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 2019	1,098,653,125	332,986	164,431	1,099,150,542
Additions	139,244,368	956	7,367	139,252,691
Transfer from capital advances	239,404,444	-	-	239,404,444
Disposals	(39,050,710)	-	-	(39,050,710)
Foreign currency adjustment	13,548,008	4,106	2,028	13,554,142
At 30 June 2020	**1,451,799,235**	**338,048**	**173,826**	**1,452,311,109**
Depreciation and impairment				
At 1 October 2019	222,310,954	313,443	128,655	222,753,052
Depreciation charge for the period	35,287,913	17,525	21,484	35,326,922
Impairment loss on aircraft, engines, and equipment	15,509,947	-	-	15,509,947
Disposals	(10,709,860)	-	-	(10,709,860)
Foreign currency adjustment	3,155,059	3,984	1,732	3,160,775
At 30 June 2020	**265,554,013**	**334,952**	**151,871**	**266,040,836**
Net carrying amount				
At 30 June 2020	**1,186,245,222**	**3,096**	**21,955**	**1,186,270,273**
At 30 September 2019 (Audited)	876,342,171	19,543	35,776	876,397,490
At 30 June 2019	971,016,195	25,203	40,042	971,081,440

Aircraft with carrying value of KD 1,268,140,971 (30 September 2019: KD 828,941,885 and 30 June 2019: KD 962,550,468) are under finance lease arrangements and are mortgaged against the financing facilities and registered in the name of the lenders.

During the period ended 30 June 2020, the group has changed its estimates of the useful lives and residual value of aircraft and engines (excluding Buyer Furnished Equipment – wide body aircraft) effective from 1 October 2019 (Note 2.3).

During the period ended 30 June 2020, the group recorded impairment loss of KD 15,509,947 to write down the carrying value of certain aircraft to its recoverable amount. The recoverable amount was determined based on the higher of the fair value less costs to sell and the value in use.

The fair value less costs to sell is based on models adopted by the management using external valuation reports. The external valuation reports include the value of aircraft in the current period considering the model and date of manufacturing of each aircraft.

The value in use represents the present value of future cash flows of lease rental and residual value of each aircraft. The cash flows were discounted at a rate of 5%.

Key assumptions used in value in use calculations and sensitivity to changes in assumptions

- Future cash flows of lease rental and residual value
- Discount rate

4 AIRCRAFT, ENGINES AND EQUIPMENT (continued)

Key assumptions used in value in use calculations and sensitivity to changes in assumptions (continued)

Future cash flows of lease rental and residual value
Future cash flows of lease rental expected to be received from lessees of aircraft are determined using the signed lease agreements (considering any subsequent amendments made to the lease terms). The future cash flows of residual value are estimated based at 15% of the purchase price of aircraft in accordance with the group's accounting estimate disclosed in Note 2.3.

Discount rates
The discount rate calculation is based on the specific circumstances of the group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the profit-bearing borrowings the group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated periodically based on publicly available market data.

Sensitivity to changes in assumptions
Management performed a sensitivity analysis to assess the changes to key assumptions that could cause the carrying value of the aircraft, engines and equipment to exceed its recoverable amount. These are summarised below:

- A decline in the monthly lease rental by 5%.
- A decline in the residual value of aircraft by 5%.
- A rise in the discount rate by 100 basis points.

The above sensitivity analyses is based on a change in an assumption while holding all other assumptions constant. None of the above movements in risk variables would have resulted in a material impact on the impairment charge for the period ended 30 June 2020.

5 CAPITAL ADVANCES

During the period, the group has filed a legal case against a manufacturer relating to refund of capital advances relating to 40 pre-ordered aircrafts amounting to KD 103,573,008. The manufacturer has defaulted on delivering of the first 10 aircrafts out of total 40 aircrafts, and accordingly, the group has claimed full refund of capital advances from the manufacturer against non-performance of the delivery obligation. Subsequent to the reporting date, the group has withdrawn the legal case and the terms of settlement are under discussion.

6 SHARE CAPITAL AND ANNUAL GENERAL ASSEMBLY

The authorised, issued and fully paid share capital as at 30 June 2020 comprises 952,093,482 ordinary shares (30 September 2019: 952,093,482 ordinary shares, 30 June 2019: 952,093,482 ordinary shares) of 100 fils each, fully paid in cash.

On 31 December 2019, the shareholders at the annual general assembly of the parent company approved the consolidated financial statements for the year ended 30 September 2019 and approved a cash dividend of 8% for the year ended 30 September 2019 of par value of each share being 8 fils per share amounting to KD 7,616,748, which was paid subsequently. The shareholders at the annual general assembly of the parent company have also approved directors' remuneration of KD 217,000 for the year ended 30 September 2019.

7 CAPITAL COMMITMENTS

Capital commitments in respect of purchase of aircraft and engines amount to KD 981,376,523 (30 September 2019: KD 1,561,290,499 and 30 June 2019: KD 1,564,666,027).

8 CONTINGENT LIABILITIES

As at 30 June 2020, the group has contingent liabilities amounting to KD 11,875,158 (30 September 2019: KD 11,838,550 and 30 June 2019: KD 11,829,764) in respect of letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

9 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*	
	2020 KD	*2019 KD*	***2020 KD***	*2019 KD*
Murabaha income				
- Bank	**54,548**	123,623	**434,649**	247,336
- Other related parties*	**4,183**	26,059	**32,243**	196,957
	58,731	149,682	**466,892**	444,293
Finance costs				
- Bank	**1,678,942**	1,572,632	**5,047,885**	4,168,473
	1,678,942	1,572,632	**5,047,885**	4,168,473
Key management compensation:				
Salaries and other short-term benefits	**256,298**	200,837	**783,070**	747,088
End of service benefits	**28,308**	25,412	**100,839**	162,492
	284,606	226,249	**883,909**	909,580

Interim condensed consolidated statement of financial position:

	Bank KD	*Other related parties* KD*	***Total KD***
30 June 2020			
Receivables **	5,297	36	**5,333**
Cash and cash equivalents	20,754,885	1,851,520	**22,606,405**
Due to financial institutions	151,052,669	-	**151,052,669**
Other liabilities***	539,432	-	**539,432**
30 September 2019 (Audited)			
Receivables **	30,676	686	31,362
Cash and cash equivalents	84,708,594	3,335,367	88,043,961
Due to financial institutions	114,290,100	-	114,290,100
Other liabilities***	513,697	-	513,697
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

* 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.

10 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 2020:

	Middle East KD	***Asia KD***	***Europe KD***	***America KD***	***Africa KD***	***Total KD***
Segment revenue	**22,067,108**	**51,836,428**	**4,322,818**	**9,940,215**	**2,064,015**	**90,230,584**
Segment (losses) results before taxations	**(6,674,221)**	**2,224,526**	**1,537,511**	**3,659,450**	**742,855**	**1,490,121**
Total assets	**428,313,764**	**578,099,392**	**171,060,067**	**245,865,762**	**25,979,282**	**1,449,318,267**
Total liabilities	**515,454,029**	**453,576,039**	**55,023,300**	**86,789,582**	**21,607,370**	**1,132,450,320**
Other segmental information:						
Depreciation	**11,120,624**	**18,320,182**	**1,372,317**	**3,556,701**	**957,098**	**35,326,922**
Capital expenditure	**228,485,358**	**-**	**43,217,315**	**106,954,462**	**-**	**378,657,135**

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

11 IMPACT OF COVID-19

The COVID-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by various governments to contain the virus have affected economic activity and the group's business in various significant ways.

The currently known impact of COVID-19 on the group are:

- Allowance for credit loss on receivables amounted to KD 2,520,958.
- Impairment loss on aircraft, engines, and equipment amounted to KD 15,509,947.

In addition to the already known effects of the COVID-19 outbreak and resulting government measures, the macroeconomic uncertainty causes disruption to economic activity, and it is unknown what the longer term impact on the group's business may be. The COVID-19 virus can evolve in various directions. If society, and as a consequence business, is exposed to COVID-19 for a longer period of time, this may result in prolonged negative results and pressure on the group's liquidity.

11 IMPACT OF COVID-19 (continued)

Depending on the duration of the COVID-19 crisis and continued negative impact on economic activity, the group may experience further negative results, liquidity restraints and incur additional impairments on its assets in 2020. Given the ongoing economic uncertainty, the exact impact on the group's activities in the remainder of 2020 and thereafter cannot be predicted at this stage.

This note describes the impact of the outbreak on the group's operations and the significant estimates and judgements applied by management in assessing the values of assets and liabilities as at 30 June 2020.

11.1 Risk management

The management is monitoring and reassessing the risk management objectives and policies based on the current updates on COVID-19. For the period ended 30 June 2020, there were no significant changes to the risk management objectives and policies as compared to the audited consolidated financial statements as at 30 September 2019.

11.1.1 Credit risk

The group is mainly exposed to credit risk on its trade receivables. As at 30 June 2020, the group has considered the impact of COVID-19 on the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate. There were no changes to the payment period given to customers during the period, however, the group will continue to individually assess the situation as more reliable data becomes available and accordingly may change the payment period for certain customers in the subsequent reporting periods. Refer to Note 11.2 for the estimates and assumptions used by the group to determine ECL on its trade receivables and contract assets.

The group is not significantly exposed to credit risk on its cash and cash equivalents. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, management determined that the identified impairment loss was immaterial as these balances are mostly held with counterparties with appropriate credit-ratings assigned by international credit-rating agencies.

11.2 Use of estimates and assumptions

The group based its assumptions and estimates on parameters available when the interim condensed consolidated financial information is prepared. The COVID-19 outbreak has created uncertainty for revenue forecasts, sourcing and workforce availability, credit ratings, etc. but also volatility in stock prices, interest and currency exchange rates. Estimates based on such metrics may be subject to change due to market changes in the near term or circumstances arising that are beyond the control of the group.

Information about key assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets in the next reporting period is described below:

Impairment of aircraft, engines and equipment

As at the reporting date, the group has considered the potential impact of the current economic volatility in the determination of the reported amounts of the aircraft, engines and equipment. Due to the negative impact of the COVID-19 outbreak on the aviation sector, the management has performed an impairment assessment on the carrying values of the aircraft and engines as at 30 June 2020 by comparing the carrying value of the aircraft and engines to their recoverable amounts.

Trade receivables

The group uses the simplified model in calculation of the ECL for trade receivables that do not contain a significant financing component by establishing a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. However, the segmentation applied in previous periods may no longer be appropriate and may need to be revised to reflect the different ways in which the COVID-19 outbreak affects different types of customers (e.g. by extending payment terms for trade receivables or by following specific guidance issued by the government in relation to the collection of lease or other payments).

The group will continue to individually assess significant exposures as more reliable data becomes available and accordingly determine if any adjustment in the ECL is required in subsequent reporting periods.