

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

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

**31 DECEMBER 2020**





Ernst & Young  
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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 December 2020, and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three 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 three months period ended 31 December 2020 that might have had a material effect on the business of the parent company or on its financial position.

We further report that, during the course of our review, we have not become aware of any material violations of the provisions of Law No. 7 of 2010 concerning the Capital Markets Authority and its related regulations during the three months period ended 31 December 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)

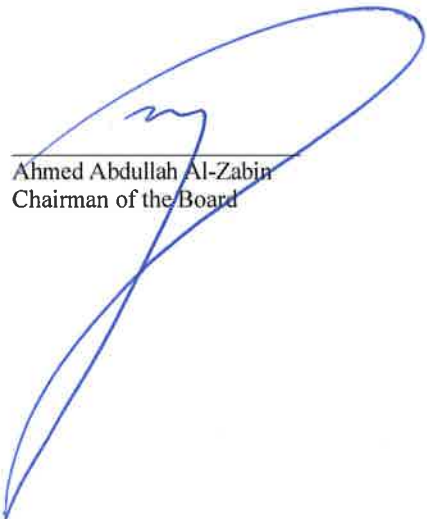
14 February 2021  
Kuwait

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 December 2020

		<i>(Audited)</i>	
	<i>31 December</i>	<i>30 September</i>	<i>31 December</i>
	<i>2020</i>	<i>2020</i>	<i>2019</i>
<i>Notes</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
<b>ASSETS</b>			
Aircraft, engines and equipment	4	1,167,044,543	1,161,111,356
Capital advances		148,232,949	162,874,986
Receivables		44,701,105	57,285,113
Cash and cash equivalents		43,966,512	39,732,227
<b>TOTAL ASSETS</b>		<b>1,403,945,109</b>	<b>1,421,003,682</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		29,571,005	29,571,005
Foreign currency translation reserve		14,192,580	17,110,807
Retained earnings		142,624,530	144,306,710
<b>TOTAL EQUITY</b>		<b>299,426,630</b>	<b>304,027,037</b>
<b>LIABILITIES</b>			
Due to financial institutions		934,925,819	934,051,774
Security deposits		11,604,707	11,526,570
Maintenance reserve and provisions		138,775,201	156,918,631
Other liabilities		19,212,752	14,479,670
<b>TOTAL LIABILITIES</b>		<b>1,104,518,479</b>	<b>1,116,976,645</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,403,945,109</b>	<b>1,421,003,682</b>

  
Ahmed Abdullah Al-Zabin  
Chairman of the Board

  
Barrak A. Al-Sabeh  
Vice Chairman of the Board

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

For the period ended 31 December 2020

	<i>Notes</i>	<i>Three months ended</i>	
		<i>31 December</i>	
		<b>2020</b>	<b>2019</b>
		<b>KD</b>	<b>KD</b>
Operating lease income		<b>25,984,130</b>	30,124,829
Murabaha income		<b>14,956</b>	221,833
Gain on disposal of aircraft, engines and equipment		-	1,430,140
Other income		<b>10,427</b>	142,242
Staff costs		<b>(782,137)</b>	(870,008)
Depreciation	4	<b>(12,646,316)</b>	(9,932,021)
Other operating expenses		<b>(913,758)</b>	(3,391,118)
Allowance for credit loss on receivables	10	<b>(4,782,486)</b>	1,328,524
Finance costs		<b>(8,493,061)</b>	(9,704,772)
<b>(LOSS) PROFIT FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT</b>		<b>(1,608,245)</b>	9,349,649
Contribution to KFAS		-	(84,147)
NLST		<b>(52,811)</b>	(199,369)
Zakat		<b>(21,124)</b>	(79,748)
<b>(LOSS) PROFIT FOR THE PERIOD</b>		<b>(1,682,180)</b>	8,986,385
Basic and diluted (loss) earnings per share	3	<b>(1.77) fils</b>	9.44 fils

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

For the period ended 31 December 2020

	<i>Three months ended</i>	
	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
<b>(Loss) profit for the period</b>	<b>(1,682,180)</b>	8,986,385
<b>Other comprehensive loss:</b>		
<i>Items that are not reclassified subsequently to interim condensed consolidated statement of income:</i>		
Foreign currency translation adjustment	<b>(2,918,227)</b>	(1,321,882)
<b>Other comprehensive loss for the period</b>	<b>(2,918,227)</b>	(1,321,882)
<b>Total comprehensive (loss) income for the period</b>	<b>(4,600,407)</b>	7,664,503

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 31 December 2020

	<i>Share capital KD</i>	<i>Share premium KD</i>	<i>Statutory reserve KD</i>	<i>Foreign currency translation reserve KD</i>	<i>Retained earnings KD</i>	<i>Total KD</i>
Balance as at 1 October 2020	95,209,348	17,829,167	29,571,005	17,110,807	144,306,710	304,027,037
Loss for the period	-	-	-	-	(1,682,180)	(1,682,180)
Other comprehensive loss for the period	-	-	-	(2,918,227)	-	(2,918,227)
Total comprehensive loss for the period	-	-	-	(2,918,227)	(1,682,180)	(4,600,407)
<b>Balance at 31 December 2020</b>	<b>95,209,348</b>	<b>17,829,167</b>	<b>29,571,005</b>	<b>14,192,580</b>	<b>142,624,530</b>	<b>299,426,630</b>
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	-	-	-	-	8,986,385	8,986,385
Other comprehensive loss for the period	-	-	-	(1,321,882)	-	(1,321,882)
Total comprehensive (loss) income for the period	-	-	-	(1,321,882)	8,986,385	7,664,503
Cash dividend	-	-	-	-	(7,616,748)	(7,616,748)
Balance at 31 December 2019	95,209,348	17,829,167	29,571,005	13,607,282	163,081,587	319,298,389

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

ALAFCO Aviation Lease and Finance Company K.S.C.P. and Subsidiaries  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(UNAUDITED)**

For the period ended 31 December 2020

	<i>Note</i>	<i>Three months ended</i>	
		<i>31 December</i>	
		<i>2020</i>	<i>2019</i>
		<i>KD</i>	<i>KD</i>
<b>OPERATING ACTIVITIES</b>			
(Loss) profit for the period		(1,682,180)	8,986,385
Adjustments for:			
Depreciation	4	12,646,316	9,932,021
Murabaha income		(14,956)	(221,833)
Finance costs		8,493,061	9,704,772
Allowance for credit loss on receivables		4,782,486	(1,328,524)
Gain on disposal of aircraft, engines and equipment		-	(1,430,140)
		<u>24,224,727</u>	<u>25,642,681</u>
Changes in operating assets and liabilities:			
Receivables		7,267,758	2,138,028
Payables		5,100,385	827,244
Maintenance reserve and provisions		(16,631,887)	1,067,432
		<u>19,960,983</u>	<u>29,675,385</u>
Cash from operations		(8,200,025)	(9,876,945)
Finance cost paid			
Net cash flows from operating activities		<u>11,760,958</u>	<u>19,798,440</u>
<b>INVESTING ACTIVITIES</b>			
Purchase of aircraft, engines and equipment	4	(15,837,048)	(113,600,768)
Proceeds from disposal of aircraft, engines and equipment		-	20,850,584
Capital advances for purchase of aircraft, engines and equipment		(776,012)	(133,026,090)
Murabaha income received		26,607	223,657
		<u>(16,586,453)</u>	<u>(225,552,617)</u>
Net cash flows used in investing activities			
<b>FINANCING ACTIVITIES</b>			
Financing facilities received		33,633,720	248,050,653
Financing facilities repaid		(24,041,657)	(50,547,976)
		<u>9,592,063</u>	<u>197,502,677</u>
Net cash flows from financing activities			
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<u>4,766,568</u>	<u>(8,251,500)</u>
Foreign currency translation adjustment		(532,283)	(607,542)
Cash and cash equivalents at 1 October		39,732,227	93,441,271
		<u>43,966,512</u>	<u>84,582,229</u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>			

The attached notes 1 to 10 form part of this interim condensed consolidated financial information.

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

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

As at and for the period ended 31 December 2020

### 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 three months period ended 31 December 2020 was authorised for issue in accordance with a resolution of the board of directors on 14 February 2021.

### 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 three months' period ended 31 December 2020 are not necessarily indicative of the results that may be expected for the financial year ending 30 September 2021. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 30 September 2020.

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



NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 December 2020

**2.2 NEW STANDARDS AND AMENDMENTS ADOPTED BY THE GROUP**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those followed in the preparation of the group's annual consolidated financial statements for the year ended 30 September 2020, except for the adoption of new standards effective as of 1 October 2020.

The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time from 1 October 2020, but do not have an impact on the interim condensed consolidated financial information of the group.

**Amendments to IFRS 3: *Definition of a Business***

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial information of the group, but may impact future periods should the group enter into any business combinations.

**Amendments to IFRS 7, IFRS 9 and IAS 39: *Interest Rate Benchmark Reform***

The amendments to IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial information of the group as it does not have any interest rate hedge relationships.

**Amendments to IAS 1 and IAS 8: *Definition of Material***

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial information of, nor is there expected to be any future impact to the group.

**Conceptual Framework for Financial Reporting issued on 29 March 2018**

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

These amendments had no impact on the interim condensed consolidated financial information of the group.

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

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

As at and for the period ended 31 December 2020

### 3 BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

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

	<i>Three months ended</i>	
	<i>31 December</i>	
	<u>2020</u>	<u>2019</u>
(Loss) profit for the period (KD)	<b>(1,682,180)</b>	8,986,385
Weighted average number of ordinary shares	<b>952,093,482</b>	952,093,482
<b>Basic and diluted (loss) earnings per share</b>	<b><u>(1.77) fils</u></b>	<u>9.44 fils</u>

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

### 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>
Cost				
At 1 October 2020	1,444,253,747	336,291	178,207	1,444,768,245
Additions	15,837,048	-	-	15,837,048
Transfer from capital advances	13,849,131	-	-	13,849,131
Foreign currency adjustment	(13,911,995)	(3,239)	(1,717)	(13,916,951)
<b>At 31 December 2020</b>	<b><u>1,460,027,931</u></b>	<b><u>333,052</u></b>	<b><u>176,490</u></b>	<b><u>1,460,537,473</u></b>
Depreciation and impairment				
At 1 October 2020	283,166,533	335,253	155,103	283,656,889
Depreciation charge for the period	12,644,162	130	2,024	12,646,316
Foreign currency adjustment	(2,805,537)	(3,230)	(1,508)	(2,810,275)
<b>At 31 December 2020</b>	<b><u>293,005,158</u></b>	<b><u>332,153</u></b>	<b><u>155,619</u></b>	<b><u>293,492,930</u></b>
<b>Net carrying amount</b>				
<b>At 31 December 2020</b>	<b><u>1,167,022,773</u></b>	<b><u>899</u></b>	<b><u>20,871</u></b>	<b><u>1,167,044,543</u></b>
At 30 September 2020 (Audited)	<u>1,161,087,214</u>	<u>1,038</u>	<u>23,104</u>	<u>1,161,111,356</u>
At 31 December 2019	<u>1,012,892,323</u>	<u>14,585</u>	<u>35,840</u>	<u>1,012,942,748</u>

Aircraft with carrying value of KD 978,489,967 (30 September 2020: KD 968,595,576 and 31 December 2019: KD 980,533,340) 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 December 2020 comprises 952,093,482 ordinary shares (30 September 2020: 952,093,482 ordinary shares, 31 December 2019: 952,093,482 ordinary shares) of 100 fils each, fully paid in cash.

On 27 January 2021, the shareholders at the annual general assembly of the parent company approved the consolidated financial statements for the year ended 30 September 2020 and resolved not to distribute any dividends for the year ended 30 September 2020. The shareholders at the annual general assembly of the parent company have also approved directors' remuneration of KD 24,000 for the year ended 30 September 2020.

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

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

As at and for the period ended 31 December 2020

### 6 CAPITAL COMMITMENTS

Capital commitments in respect of purchase of aircraft and engines amount to KD 957,226,911 (30 September 2020: KD 967,995,400 and 31 December 2019: KD 1,410,842,646).

### 7 CONTINGENT LIABILITIES

As at 31 December 2020, the group has contingent liabilities amounting to KD 11,830,740 (30 September 2020: KD 11,859,538 and 31 December 2019: KD 11,828,788) 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:

	<i>Three months ended</i>	
	<i>31 December</i>	
	<i>2020</i>	<i>2019</i>
	<i>KD</i>	<i>KD</i>
Murabaha income		
- Bank	<b>14,383</b>	16,569
- Other related parties*	<b>573</b>	205,264
	<b>14,956</b>	221,833
Finance costs		
- Bank	<b>1,737,016</b>	2,004,115
	<b>1,737,016</b>	2,004,115
<i>Key management compensation:</i>		
Salaries and other short-term benefits	<b>258,672</b>	267,076
End of service benefits	<b>28,011</b>	33,218
	<b>286,683</b>	300,294

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 December 2020

**8 RELATED PARTY TRANSACTIONS (continued)**

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

	<i>Bank KD</i>	<i>Other related parties* KD</i>	<i>Total KD</i>
<b>31 December 2020</b>			
Receivables **	5,233	-	5,233
Cash and cash equivalents	41,405,919	606,600	42,012,519
Due to financial institutions	170,630,501	-	170,630,501
Other liabilities***	468,051	-	468,051
 30 September 2020 (Audited)			
Receivables **	16,811	43	16,854
Cash and cash equivalents	36,598,153	1,842,549	38,440,702
Due to financial institutions	149,204,914	-	149,204,914
Other liabilities***	1,032,661	-	1,032,661
 31 December 2019			
Receivables **	28,741	557	29,298
Cash and cash equivalents	75,259,412	3,340,116	78,599,528
Due to financial institutions	150,787,602	-	150,787,602
Other liabilities***	587,442	-	587,442

\* 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.

**31 December 2020:**

	<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	4,392,459	16,192,329	1,596,042	3,142,028	686,655	26,009,513
Segment (losses) results before taxations	(3,836,808)	3,313,352	473,647	(749,795)	(808,641)	(1,608,245)
Total assets	425,264,741	552,362,022	174,430,826	226,929,720	24,957,800	1,403,945,109
Total liabilities	519,462,614	417,693,162	62,118,333	82,811,292	22,433,078	1,104,518,479
Other segmental information:						
Depreciation	4,293,224	6,070,922	587,700	1,373,739	320,731	12,646,316
Capital expenditure	-	-	14,634,916	15,051,263	-	29,686,179

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

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

As at and for the period ended 31 December 2020

### 9 SEGMENT INFORMATION (continued)

31 December 2019:

	<i>Middle East</i> <i>KD</i>	<i>Asia</i> <i>KD</i>	<i>Europe</i> <i>KD</i>	<i>America</i> <i>KD</i>	<i>Africa</i> <i>KD</i>	<i>Total</i> <i>KD</i>
Segment revenue	8,297,214	17,660,103	1,574,262	3,704,432	683,033	31,919,044
Segment results before taxations	103,951	6,131,290	926,892	1,979,094	208,422	9,349,649
Total assets	309,025,272	576,524,765	326,634,277	248,340,778	26,208,596	1,486,733,688
Total liabilities	537,790,132	471,887,599	43,621,837	91,802,559	22,333,172	1,167,435,299
Other segmental information:						
Depreciation	2,336,271	6,181,936	259,606	835,169	319,039	9,932,021
Capital expenditure	30,469,746	-	28,183,549	105,304,199	-	163,957,494

### 10 IMPACT OF COVID-19

The COVID-19 outbreak has continued to develop during the current reporting period, 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 impact of COVID-19 on the group for the period ended 31 December 2020 are:

- ▶ Allowance for credit loss on receivables amounted to KD 4,782,486.

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.

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 the upcoming period. Given the ongoing economic uncertainty, the exact impact on the group's activities in the upcoming period 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 31 December 2020.

#### 10.1 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 31 December 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 2020.

##### 10.1.1 Credit risk

The group is mainly exposed to credit risk on its trade receivables. As at 31 December 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 changes to the payment period given to certain customers during the period. The group will continue to individually assess the situation as more reliable data becomes available and accordingly may change the payment period for other customers as well in the subsequent reporting periods. Refer to Note 10.2 for the estimates and assumptions used by the group to determine ECL on its trade receivables and contract assets.

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL  
INFORMATION (UNAUDITED)

As at and for the period ended 31 December 2020

**10 IMPACT OF COVID-19 (continued)**

**10.1 Risk management (continued)**

**10.1.1 Credit risk (continued)**

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.

**10.2 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:

***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.

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.