

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

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

31 MARCH 2023



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 (collectively the “group”) as at 31 March 2023, 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 and Note 6, to the interim condensed consolidated financial information which states that during the period, the Board of Directors considered and General Meeting of Shareholders convened on 27 December 2022 have approved the sale of a substantial portion of the group’s portfolio of aircrafts and transfer of an order book with a manufacturer. Furthermore, the Board of Directors of the parent company acknowledges that there is material uncertainty associated with continuing use of the remaining fleet as market conditions in the future could provide better returns to shareholders through a sale opportunity. These conditions, along with other matters stated in Note 2, indicate the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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. (continued)

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 six months period ended 31 March 2023 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 six months period ended 31 March 2023 that might have had a material effect on the business of the parent company or on its financial position.



ABDULKARIM ALSAMDAN
LICENCE NO. 208-A
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AL AIBAN, AL OSAIMI & PARTNERS

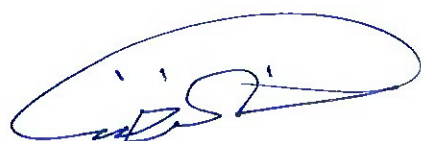
14 May 2023
Kuwait

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


INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 31 March 2023

		<i>(Audited)</i>	
	<i>Notes</i>	<i>31 March 2023 KD</i>	<i>30 September 2022 KD</i>
			<i>31 March 2022 KD</i>
ASSETS			
Aircraft, engines and equipment	5	354,457,247	1,067,295,751
Capital advances		34,831,588	88,478,441
Other assets		37,613,562	25,326,718
Cash and cash equivalents		51,794,100	25,113,155
		<u>478,696,497</u>	<u>1,206,214,065</u>
Assets held for sale	6	708,138,695	-
TOTAL ASSETS		<u>1,186,835,192</u>	<u>1,206,214,065</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	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		16,766,730	19,829,279
Retained earnings		61,392,083	116,000,222
TOTAL EQUITY		<u>220,768,333</u>	<u>224,022,512</u>
LIABILITIES			
Due to financial institutions		798,064,404	833,969,170
Security deposits		4,058,226	12,450,499
Maintenance reserve and provisions		49,555,894	115,121,641
Other liabilities		45,391,358	20,650,243
		<u>897,069,882</u>	<u>982,191,553</u>
Liabilities directly associated with assets classified as held for sale	6	68,996,977	-
TOTAL LIABILITIES		<u>966,066,859</u>	<u>982,191,553</u>
TOTAL EQUITY AND LIABILITIES		<u>1,186,835,192</u>	<u>1,206,214,065</u>



Sami Abdullatif AlNusif
Chairman of the Board



Abdullah Sulaiman AlHaddad
Vice Chairman of the Board

The attached notes 1 to 15 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 March 2023

	Notes	Three months ended		Six months ended	
		31 March		31 March	
		2023	2022	2023	2022
		KD	KD	KD	KD
Operating lease income	8	8,765,146	27,185,534	16,974,322	50,962,439
Murabaha income		48,921	13,280	48,921	25,320
Gain on disposal of aircraft, engines and equipment	5	710,812	2,409,682	1,437,768	2,409,682
Other income	9	7,011,026	724,011	15,788,225	2,022,433
Staff costs		(866,587)	(1,087,036)	(1,523,006)	(1,968,688)
Depreciation	5	(3,898,305)	(12,750,470)	(7,840,099)	(25,484,211)
Impairment loss on aircraft, engines and equipment		-	(13,184,336)	-	(13,184,336)
Other operating expenses		(1,069,916)	(796,048)	(2,061,649)	(1,704,834)
Reversal of (allowance for) credit loss on receivables		616,360	(811,325)	616,360	(159,045)
Finance costs		(12,165,230)	(8,584,928)	(23,632,472)	(17,447,856)
LOSS FOR THE PERIOD BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS), NATIONAL LABOUR SUPPORT TAX (NLST) AND ZAKAT		(847,773)	(6,881,636)	(191,630)	(4,529,096)
Contribution to KFAS		5,905	21,173	-	-
NLST		-	41,850	-	-
Zakat		-	16,740	-	-
LOSS FOR THE PERIOD		(841,868)	(6,801,873)	(191,630)	(4,529,096)
Basic and diluted loss per share	4	(0.88) fils	(7.14) fils	(0.20) fils	(4.76) fils

The attached notes 1 to 15 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 March 2023

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	2023	2022	2023	2022
	KD	KD	KD	KD
Loss for the period	(841,868)	(6,801,873)	(191,630)	(4,529,096)
Other comprehensive income (loss):				
<i>Items that are not reclassified subsequently to interim condensed consolidated statement of income:</i>				
Foreign currency translation adjustment	184,463	1,256,410	(3,062,549)	2,036,126
Other comprehensive income (loss) for the period	184,463	1,256,410	(3,062,549)	2,036,126
Total comprehensive loss for the period	(657,405)	(5,545,463)	(3,254,179)	(2,492,970)

The attached notes 1 to 15 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 March 2023

	<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 2022	95,209,348	17,829,167	29,571,005	19,829,279	61,583,713	224,022,512
Loss for the period	-	-	-	-	(191,630)	(191,630)
Other comprehensive loss for the period	-	-	-	(3,062,549)	-	(3,062,549)
Total comprehensive loss for the period	-	-	-	(3,062,549)	(191,630)	(3,254,179)
Balance as at 31 March 2023	95,209,348	17,829,167	29,571,005	16,766,730	61,392,083	220,768,333
Balance as at 1 October 2021	95,209,348	17,829,167	29,571,005	12,652,803	120,529,318	275,791,641
Loss for the period	-	-	-	-	(4,529,096)	(4,529,096)
Other comprehensive income for the period	-	-	-	2,036,126	-	2,036,126
Total comprehensive income (loss) for the period	-	-	-	2,036,126	(4,529,096)	(2,492,970)
Balance as at 31 March 2022	95,209,348	17,829,167	29,571,005	14,688,929	116,000,222	273,298,671

The attached notes 1 to 15 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 March 2023

	<i>Note</i>	<i>Six months ended</i>	
		<i>31 March</i>	
		2023	2022
		KD	KD
OPERATING ACTIVITIES			
Loss for the period		(191,630)	(4,529,096)
Adjustments for:			
Depreciation	5	7,840,099	25,484,211
Impairment loss on aircraft, engines and equipment		-	13,184,336
Murabaha income		(48,921)	(25,320)
Finance costs		23,632,472	17,447,856
(Reversal of) allowance for credit loss on receivables		(616,360)	159,045
Gain on disposal of aircraft, engines and equipment		(1,437,768)	(2,409,682)
		29,177,892	49,311,350
Changes in operating assets and liabilities:			
Other assets		(11,983,238)	(8,663,656)
Other liabilities		27,617,388	(1,182,588)
Maintenance reserve and provisions		2,145,302	3,578,267
		46,957,344	43,043,373
Cash from operations		(22,839,205)	(16,690,534)
Finance cost paid			
Net cash flows from operating activities		24,118,139	26,352,839
INVESTING ACTIVITIES			
Purchase of aircraft, engines and equipment	5	(1,024,541)	(2,639)
Proceeds from disposal of aircraft, engines and equipment		29,351,988	7,991,631
Capital advances for purchase of aircraft, engines and equipment		(107,467)	(743,706)
Murabaha income received		14,276	25,627
		28,234,256	7,270,913
Net cash flows from investing activities			
FINANCING ACTIVITIES			
Financing facilities received		24,528,000	7,598,750
Financing facilities repaid		(49,804,544)	(67,684,421)
		(25,276,544)	(60,085,671)
Net cash flows used in financing activities			
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		27,075,851	(26,461,919)
Foreign currency translation adjustment		(394,906)	549,822
Cash and cash equivalents at 1 October		25,113,155	42,093,620
CASH AND CASH EQUIVALENTS AT 31 MARCH		51,794,100	16,181,523

The attached notes 1 to 15 form part of this interim condensed consolidated financial information.

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 March 2023

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 six months period ended 31 March 2023 was authorised for issue in accordance with a resolution of the board of directors on 14 May 2023.

2 FUNDAMENTAL ACCOUNTING CONCEPT

The management and the Board of Directors of the parent company have taken a number of actions to ensure best possible returns and meeting liquidity requirements as disclosed in Note 14:

- During the period as disclosed in Note 6, the Board of Directors of the parent company considered and the General Meeting of Shareholders convened on 27 December 2022 have approved the sale of 53 aircrafts (72% of the group's portfolio of aircrafts) and transfer of an order book with a manufacturer.
- The sale transaction is expected to generate net cash proceeds of USD 710 million (approximately, KD 220 million) after settling financing facilities, of which KD 77,772,897 relates to the Bank.
- The Management and the Board of Directors of the parent company expects the execution of the sale to be completed within 12 months of signing the Sale Agreement, but also acknowledges that there is an inherent uncertainty associated with market conditions, buyer's conditions, and legal complexity associated with the transaction that might affect the timely execution and therefore the expected settlement of the related financing facilities.
- During the period, the parent company was able to defer certain instalments relating to unsecured financing facilities which were due within 12 months to become repayable between 15 months to 24 months.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

2 FUNDAMENTAL ACCOUNTING CONCEPT (continued)

- Subsequent to the execution of the sale transaction, the group would still have 23 aircrafts in operations (refer to the future minimum lease rent disclosed in Note 8) for which the Board of Directors of the parent company believes – up to the date of issuance of the interim condensed consolidated financial information – that the best possible return would be through the continuing use in the normal course of business. However, the Board of Directors of the parent company acknowledges that there is material uncertainty associated with continuing use of the remaining fleet as market conditions in the future could provide better returns to shareholders through a sale opportunity, which would be subject to the approval of shareholders.

As such, the Board of Directors of the parent company has a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The interim condensed consolidated financial information do not include any adjustment relating to the recoverability and classification of recorded assets and classification of liabilities which may be necessary if the group is unable to continue as a going concern.

3 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

3.1 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 consolidated 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 2023 are not necessarily indicative of the results that may be expected for the financial year ending 30 September 2023. For more details please refer to the consolidated financial statements and its related disclosures for the year ended 30 September 2022.

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

3.2 New standards, interpretations, 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 2022, except for the adoption of new standards effective as of 1 October 2022.

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 2022, but do not have an impact on the interim condensed consolidated financial information of the group.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

3 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)

3.2 New standards, interpretations, and amendments adopted by the group (continued)

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transitional provisions, the group applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the interim condensed consolidated financial information of the group as there were no modifications of the group's financial instruments during the period.

3.3 Changes to the group's accounting policies

Non-current assets held for sale

The group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Aircraft, engines and equipment are not depreciated once classified as held for sale.

Assets classified as held for sale are presented separately in the interim condensed consolidated statement of financial position.

3.4 Standards issued but not yet effective

The new and amended 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 new and amended standards and interpretations, if applicable, when they become effective.

Amendments to IAS 1: Classification of liabilities as current or non-current

In January 2020, the IASB issued amendments to paragraph 69 to 76 of IAS 1 to specify the requirements for classifying as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement;
- ▶ That a right to defer must exist at the end of the reporting period;
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 31 March 2023

3 BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (continued)**3.4 Standards issued but not yet effective (continued)****Definition of Accounting Estimates - Amendments to IAS 8**

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the group's interim condensed consolidated financial information.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The group is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The group is currently assessing the impact of the amendments.

4 BASIC AND DILUTED LOSS PER SHARE

Basic and diluted loss per share are calculated by dividing loss 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>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Loss for the period (KD)	(841,868)	(6,801,873)	(191,630)	(4,529,096)
Weighted average number of ordinary shares	952,093,482	952,093,482	952,093,482	952,093,482
Basic and diluted loss per share	<u>(0.88) fils</u>	<u>(7.14) fils</u>	<u>(0.20) fils</u>	<u>(4.76) fils</u>

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

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 March 2023

5 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 2022	1,479,869,621	341,344	184,666	1,480,395,631
Additions	1,018,394	-	6,147	1,024,541
Transfer from capital advances	31,082,626	-	-	31,082,626
Disposals	(27,286,432)	-	-	(27,286,432)
Transferred to assets held for sale *	(945,973,904)	-	-	(945,973,904)
Foreign currency adjustment	(20,233,057)	(4,671)	(2,525)	(20,240,253)
At 31 March 2023	518,477,248	336,673	188,288	519,002,209
Depreciation and impairment				
At 1 October 2022	412,586,931	341,155	171,794	413,099,880
Depreciation charge for the period	7,836,250	95	3,754	7,840,099
Disposals	(12,898,553)	-	-	(12,898,553)
Transferred to assets held for sale *	(237,835,209)	-	-	(237,835,209)
Foreign currency adjustment	(5,654,235)	(4,671)	(2,349)	(5,661,255)
At 31 March 2023	164,035,184	336,579	173,199	164,544,962
Net carrying amount				
At 31 March 2023	354,442,064	94	15,089	354,457,247
At 30 September 2022 (Audited)	1,067,282,690	189	12,872	1,067,295,751
At 31 March 2022	1,104,982,294	442	14,943	1,104,997,679

Aircraft with carrying value of KD 354,442,061 (30 September 2022: KD 1,046,153,558 and 31 March 2022: KD 1,072,784,553) are under finance lease arrangements and are mortgaged against the financing facilities and registered in the name of the lenders.

During the period ended 31 March 2023, the group recognized gain of KD 1,437,768 (31 March 2022: KD 2,409,682) from the sale of certain aircraft.

* Aircraft with carrying value of KD 708,138,695 has been transferred to assets held for sale during the period (Note 6).

6 NON-CURRENT ASSETS HELD FOR SALE

On 29 November 2022, the Board of Directors of the Parent Company announced that they have reviewed and discussed the proposal for the sale of certain assets of the group to “Macquarie Airfinance Group Limited” (the Buyer).

The agreements which the group has entered into with the Buyer are relating to the following:

- 1- Sale and purchase agreement for the sale of 53 aircrafts from the group’s portfolio.
- 2- A framework agreement in respect of transferring the order book with Boeing to the Buyer.

The total sale price with regards to sale of 53 aircrafts in addition to transfer of the order book of Boeing, is USD 2.215 billion (approximately, KD 684 million) and expected to generate net cash proceeds of USD 710 million (approximately, KD 210 million).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
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As at and for the period ended 31 March 2023

6 NON-CURRENT ASSETS HELD FOR SALE (continued)

The estimated accounting loss of this transaction is expected to be approximately USD 61.4 million (approximately, KD 18.6 million) after considering the following:

- 1- Net gain from sale of 53 aircrafts amounting to USD 28.1 million (approximately, KD 8.7 million), which will be recorded upon execution of the sale transaction.
- 2- Loss from transfer of the order book amounting to USD 89.51 million (KD 27.275 million), which was recorded in the consolidated statement of income for the year ended 30 September 2022.

The execution of the transaction is expected to:

- Reduce the balance “due to financial institutions” from KD 798.06 million to KD 335.4 million within one year.
- Reduce the capital commitment from KD 963.8 million to KD 698.6 million (Note 10).
- Reduce the minimum lease rent receivable within 5 years from KD 831.8 million to KD 284.6 million (Note 8).

The General Meeting of the Shareholders convened on 27 December 2022 approved the proposed sale transaction referred to by the parent company’s Board of Directors including the economic closing date (ECD) as of 30 September 2022, following which the sale and purchase agreement was signed with the buyer on 27 December 2022. Currently, the management has initiated actions to complete the sale which is expected to be completed within one year. Accordingly, management has re-classified the carrying value of the 53 aircrafts amounting to KD 708,138,695 as of 1 October 2022 from “aircraft, engines and equipment” to “assets held for sale” and re-classified the related liabilities amounting to KD 68,996,977 to “liabilities directly associated with assets classified as held for sale”.

During the current period, the group has also completed the novation of the Boeing order book to the Buyer pursuant to the framework agreement executed on 8 January 2023.

No operating lease income and depreciation expenses relating to the assets classified as held for sale was recorded in the interim condensed consolidated statement of income for the period ended 31 March 2023, in line with the approved sale and purchase agreement for the sale of 53 aircrafts. The operating lease income and depreciation relating to these assets in the corresponding period in the previous year amounted to KD 27,850,086 and KD 16,014,906, respectively. Further, the group has recognised finance income representing compensation from the Buyer for the lost income resulting from pending transfer of the aircrafts to the Buyer with effect from the ECD date (i.e. 1 October 2022) amounting to KD 14,154,457 in other income (Note 9).

Assets held for sale with carrying value of KD 670,138,361 (30 September 2022: KD Nil and 31 March 2022: KD Nil) are mortgaged against the financing facilities and registered in the name of the lenders.

7 SHARE CAPITAL AND ANNUAL GENERAL ASSEMBLY

The authorised, issued and fully paid share capital as at 31 March 2023 comprises 952,093,482 ordinary shares (30 September 2022: 952,093,482 ordinary shares and 31 March 2022: 952,093,482 ordinary shares) of 100 fils each, fully paid in cash.

On 16 February 2023, the shareholders at the annual general assembly meeting (“AGM”) of the parent company approved the consolidated financial statements for the year ended 30 September 2022 and resolved not to distribute any dividends for the year ended 30 September 2022. The shareholders at the annual general assembly of the parent company have also approved directors’ remuneration of KD 45,000 for the year ended 30 September 2022.

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 March 2023

8 OPERATING LEASE INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	2023	2022	2023	2022
	KD	KD	KD	KD
Lease rental income	8,866,656	27,185,534	17,181,486	50,962,439
Amortisation of lease incentive assets	(101,510)	-	(207,164)	-
Operating lease income	8,765,146	27,185,534	16,974,322	50,962,439

The future minimum lease rent receivable on the operating lease is KD 831,817,103 (30 September 2022: KD 854,309,798 and 31 March 2022: KD 765,887,654) and is receivable as follows:

	<i>31 March</i>	<i>(Audited)</i>	
		<i>30 September</i>	<i>31 March</i>
	2023	2022	2022
	KD	KD	KD
Income receivable within one year	116,296,010	104,320,671	101,088,156
Income receivable within one year to five years	402,697,584	395,439,249	355,891,019
Income receivable after five years	312,823,509	354,549,878	308,908,479
	831,817,103	854,309,798	765,887,654

The future minimum lease rent receivable on the operating lease after taking into account the events disclosed in Note 6 is KD 284,580,402 and is receivable as follows:

	<i>31 March</i>
	2023
	KD
Income receivable within one year	34,422,390
Income receivable within one year to five years	140,156,460
Income receivable after five years	110,001,552
	284,580,402

9 OTHER INCOME

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>31 March</i>		<i>31 March</i>	
	2023	2022	2023	2022
	KD	KD	KD	KD
Finance income *	6,974,063	-	14,154,457	-
Reversal of other provisions **	(5,450)	(124,178)	1,535,600	1,128,018
Other miscellaneous income	42,413	848,189	98,168	894,415
	7,011,026	724,011	15,788,225	2,022,433

* The finance income represents compensation from the Buyer of the 53 aircrafts, disclosed in Note 6, for the lost income resulting from pending transfer of the aircrafts to the Buyer. It represents an amount equal to the sale price multiplied by an agreed rate and which will be recorded from 1 October 2022 until the date of transfer of the aircrafts to the Buyer.

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 March 2023

9 OTHER INCOME (continued)

** This represents reversal of other provisions which were recorded under other payables which are mainly relating to legal expenses, securing financing facilities, expenses relating to sale of aircrafts, and other expenses which are no longer required based on a detailed assessment performed by the management of the group during the period.

10 CAPITAL COMMITMENTS

Capital commitments in respect of purchase of aircraft and engines amount to KD 698,557,440 (30 September 2022: KD 977,150,714 and 31 March 2022: KD 1,004,752,041).

Capital commitments as of 31 March 2023 exclude the commitments relating to order book with Boeing which was transferred through a novation agreement with the Buyer pursuant to the framework agreement executed on 8 January 2023 (Note 6).

11 CONTINGENT LIABILITIES

As at 31 March 2023, the group has contingent liabilities amounting to KD 5,466,238 (30 September 2022: KD 5,466,238 and 31 March 2022: KD 5,466,238) in respect of letters of credit arising in the ordinary course of business from which it is anticipated that no material liabilities will arise.

12 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>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Murabaha income				
- Bank	31,742	13,280	31,742	25,320
	31,742	13,280	31,742	25,320
Finance costs				
- Bank	2,359,952	1,266,728	4,438,990	2,797,560
	2,359,952	1,266,728	4,438,990	2,797,560
<i>Key management compensation:</i>				
Salaries and other short-term benefits	186,414	168,455	360,085	475,742
End of service benefits	29,537	23,014	71,755	76,804
	215,951	191,469	431,840	552,546

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 March 2023

12 RELATED PARTY TRANSACTIONS (continued)

Interim condensed consolidated statement of financial position:

	<i>Bank KD</i>	<i>Total KD</i>
31 March 2023		
Cash and cash equivalents	31,477,607	31,477,607
Due to financial institutions	137,995,300	137,995,300
Other liabilities*	401,850	401,850
Other assets**	31,688	31,688
 30 September 2022 (Audited)		
Cash and cash equivalents	19,513,535	19,513,535
Due to financial institutions	142,329,085	142,329,085
Other liabilities*	432,659	432,659
 31 March 2022		
Cash and cash equivalents	15,029,165	15,029,165
Due to financial institutions	141,480,202	141,480,202
Other liabilities*	428,333	428,333

* Other liabilities represent accrued finance costs on Islamic finance facilities obtained from the Bank.

** Other assets represent accrued murabaha income.

13 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 March 2023:

	<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	23,397,164	5,267,556	3,147,725	2,436,791	-	34,249,236
Segment results (losses) before taxations	8,528,513	(3,877,866)	(2,505,347)	(2,336,930)	-	(191,630)
Total assets	271,135,253	439,359,477	252,796,945	223,543,517	-	1,186,835,192
Total liabilities	327,832,850	334,004,009	157,107,446	147,122,554	-	966,066,859
Other segmental information:						
Depreciation	3,478,740	2,420,727	889,413	1,051,219	-	7,840,099
Capital expenditure	6,147	-	-	32,101,020	-	32,107,167

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 March 2023

13 SEGMENT INFORMATION (continued)

31 March 2022:

	<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	14,529,499	29,968,812	3,839,333	7,082,230	-	55,419,874
Segment (losses) results before taxations	(2,314,127)	(6,565,481)	775,328	3,575,184	-	(4,529,096)
Total assets	370,084,391	500,041,315	157,531,596	235,903,813	-	1,263,561,115
Total liabilities	441,687,389	371,376,585	69,891,131	106,215,842	1,091,497	990,262,444
Other segmental information:						
Depreciation	8,438,144	11,525,042	1,618,779	3,902,246	-	25,484,211
Capital expenditure	2,639	-	-	-	-	2,639

14 LIQUIDITY RISK

Liquidity risk is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. The group manages this risk by active cash flow management, short term financing facilities with various financial institutions, investment in short term murabahas and generation of funds from its operations. The maturity profile is monitored by finance department to ensure adequate liquidity is maintained.

Commitments in respect of purchase of aircraft (Note 10) will be funded through the issue of equity, cash generated from operations and through bank borrowings, which will be arranged as the cash flow needs arise.

The table below summarises the liquidity profile of the group's liabilities and reflects the projected cash flows which includes future finance cost payments over the life of these financial liabilities.

31 March 2023	<i>Within 3 months KD</i>	<i>3 to 12 Months KD</i>	<i>1 to 5 years KD</i>	<i>More than 5 years KD</i>	<i>Total KD</i>
Due to financial institutions	48,319,670	208,783,209	475,686,539	169,629,547	902,418,965
Security deposits	-	433,399	1,644,895	1,979,932	4,058,226
Other liabilities (excluded operating lease income received in advance)	42,123	42,380,395	260,168	1,212,344	43,895,030
TOTAL LIABILITIES	48,361,793	251,597,003	477,591,602	172,821,823	950,372,221
Capital commitments	-	-	449,536,920	249,020,520	698,557,440

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 March 2023

14 LIQUIDITY RISK (continued)

30 September 2022 (Audited)	<i>Within 3 months KD</i>	<i>3 to 12 Months KD</i>	<i>1 to 5 years KD</i>	<i>More than 5 years KD</i>	<i>Total KD</i>
Due to financial institutions	30,886,183	179,696,169	573,741,074	169,651,439	953,974,865
Security deposits	-	922,342	3,956,050	7,572,107	12,450,499
Other liabilities (excluded operating lease income received in advance)	53,547	15,463,143	267,898	1,225,844	17,010,432
TOTAL LIABILITIES	30,939,730	196,081,654	577,965,022	178,449,390	983,435,796
Capital commitments	528,445	42,665,844	578,678,189	355,278,236	977,150,714
31 March 2022	<i>Within 3 months KD</i>	<i>3 to 12 Months KD</i>	<i>1 to 5 years KD</i>	<i>More than 5 years KD</i>	<i>Total KD</i>
Due to financial institutions	108,329,209	141,254,051	571,643,968	159,809,101	981,036,329
Security deposits	753,319	894,970	7,056,281	3,195,032	11,899,602
Other liabilities (excluded operating lease income received in advance)	640,805	14,222,442	182,370	2,042,417	17,088,034
TOTAL LIABILITIES	109,723,333	156,371,463	578,882,619	165,046,550	1,010,023,965
Capital commitments	-	63,146,625	632,495,865	309,109,551	1,004,752,041

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 March 2023

15 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarises the maturity profile of the group's assets and liabilities. Maturity of cash and cash equivalents and other assets have been determined on the basis of the remaining period from the reporting date to the contractual maturity date. The maturity profile for aircraft, engine and equipment and capital advances is determined based on management's estimate of liquidation of those assets. The actual maturities may differ from the maturities shown below since borrowers may have the right to prepay obligations with or without prepayment penalties.

The maturity profile of assets and liabilities at 31 March 2023, 30 September 2022, and 31 March 2022 are as follows:

31 March 2023	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Aircraft, engines and equipment	-	354,457,247	354,457,247
Capital advances	-	34,831,588	34,831,588
Other assets	37,613,562	-	37,613,562
Cash and cash equivalents	51,794,100	-	51,794,100
	<u>89,407,662</u>	<u>389,288,835</u>	<u>478,696,497</u>
Assets held for sale	708,138,695	-	708,138,695
Total assets	<u><u>797,546,357</u></u>	<u><u>389,288,835</u></u>	<u><u>1,186,835,192</u></u>
LIABILITIES			
Due to financial institutions	227,010,309	571,054,095	798,064,404
Security deposits	1,336,172	2,722,054	4,058,226
Maintenance reserve and provisions	3,176,206	46,379,688	49,555,894
Other liabilities	43,918,846	1,472,512	45,391,358
	<u>275,441,533</u>	<u>621,628,349</u>	<u>897,069,882</u>
Liabilities directly associated with assets classified as held for sale	68,996,977	-	68,996,977
Total liabilities	<u><u>344,438,510</u></u>	<u><u>621,628,349</u></u>	<u><u>966,066,859</u></u>

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 March 2023

15 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

30 September 2022 (Audited)	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Aircraft, engines and equipment	-	1,067,295,751	1,067,295,751
Capital advances	9,512,010	78,966,431	88,478,441
Other assets	25,326,718	-	25,326,718
Cash and cash equivalents	25,113,155	-	25,113,155
Total assets	59,951,883	1,146,262,182	1,206,214,065
LIABILITIES			
Due to financial institutions	178,719,519	655,249,651	833,969,170
Security deposits	922,342	11,528,157	12,450,499
Maintenance reserve and provisions	4,906,123	110,215,518	115,121,641
Other liabilities	19,157,416	1,492,827	20,650,243
Total liabilities	203,705,400	778,486,153	982,191,553
31 March 2022	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Aircraft, engines and equipment	-	1,104,997,679	1,104,997,679
Capital advances	9,381,960	109,064,437	118,446,397
Other assets	23,935,516	-	23,935,516
Cash and cash equivalents	16,181,523	-	16,181,523
Total assets	49,498,999	1,214,062,116	1,263,561,115
LIABILITIES			
Due to financial institutions	201,163,065	635,888,738	837,051,803
Security deposits	1,648,289	10,251,313	11,899,602
Maintenance reserve and provisions	8,862,551	112,628,614	121,491,165
Other liabilities	17,652,536	2,167,338	19,819,874
Total liabilities	229,326,441	760,936,003	990,262,444

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