

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

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

30 JUNE 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 30 June 2023, 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.

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 nine months period ended 30 June 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 nine months period ended 30 June 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
EY
AL AIBAN, AL OSAIMI & PARTNERS

6 August 2023
Kuwait

ALAFCO Aviation Lease and Finance Company K.S.C.P. and Subsidiaries
 INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
 POSITION (UNAUDITED)
 As at 30 June 2023

		<i>30 June</i> 2023 <i>KD</i>	<i>(Audited)</i> <i>30 September</i> <i>2022</i> <i>KD</i>	<i>30 June</i> <i>2022</i> <i>KD</i>
ASSETS				
Aircraft, engines and equipment	5	351,035,705	1,067,295,751	1,087,627,267
Capital advances		34,888,391	88,478,441	119,316,160
Other assets		27,519,266	25,326,718	23,496,621
Cash and cash equivalents		40,123,671	25,113,155	23,191,003
		453,567,033	1,206,214,065	1,253,631,051
Assets held for sale	6	461,066,326	-	-
TOTAL ASSETS		914,633,359	1,206,214,065	1,253,631,051
EQUITY AND LIABILITIES				
EQUITY				
Share capital	7	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	29,571,005
Foreign currency translation reserve		17,125,527	19,829,279	17,033,681
Retained earnings		58,188,414	61,583,713	97,162,365
TOTAL EQUITY		217,923,461	224,022,512	256,805,566
LIABILITIES				
Due to financial institutions		580,952,211	833,969,170	840,286,731
Security deposits		4,156,666	12,450,499	13,472,487
Maintenance reserve and provisions		38,621,136	115,121,641	124,253,199
Other liabilities		42,754,927	20,650,243	18,813,068
		666,484,940	982,191,553	996,825,485
Liabilities directly associated with assets classified as held for sale	6	30,224,958	-	-
TOTAL LIABILITIES		696,709,898	982,191,553	996,825,485
TOTAL EQUITY AND LIABILITIES		914,633,359	1,206,214,065	1,253,631,051



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 30 June 2023

	<i>Notes</i>	<i>Three months ended</i>		<i>Nine months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		2023	2022	2023	2022
		<i>KD</i>	<i>KD</i>	<i>KD</i>	<i>KD</i>
Operating lease income	8	9,175,439	20,151,196	26,149,761	71,113,635
Murabaha income		112,187	17,074	161,108	42,394
(Loss)/Gain on disposal of aircraft, engines and equipment	5 & 6	(2,341,148)	-	(903,380)	2,409,682
Other income	9	6,694,224	1,560,682	22,482,449	3,583,115
Staff costs		(545,984)	(1,103,060)	(2,068,990)	(3,071,748)
Depreciation	5	(3,994,836)	(12,560,234)	(11,834,935)	(38,044,445)
Impairment loss on aircraft, engines and equipment		-	(15,559,467)	-	(28,743,803)
Other operating expenses		(1,205,946)	(3,109,238)	(3,267,595)	(4,814,072)
Reversal of credit loss on receivables		768,494	1,135,842	1,384,854	976,797
Finance costs		(11,866,099)	(9,370,652)	(35,498,571)	(26,818,508)
LOSS FOR THE PERIOD		(3,203,669)	(18,837,857)	(3,395,299)	(23,366,953)
Basic and diluted loss per share	4	(3.36) fils	(19.79) fils	(3.57) fils	(24.54) 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 30 June 2023

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
	KD	<i>KD</i>	KD	<i>KD</i>
Loss for the period	(3,203,669)	(18,837,857)	(3,395,299)	(23,366,953)
Other comprehensive income (loss):				
<i>Items that are not reclassified subsequently to interim condensed consolidated statement of income:</i>				
Foreign currency translation adjustment	358,797	2,344,752	(2,703,752)	4,380,878
Other comprehensive income (loss) for the period	358,797	2,344,752	(2,703,752)	4,380,878
Total comprehensive loss for the period	(2,844,872)	(16,493,105)	(6,099,051)	(18,986,075)

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 30 June 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	-	-	-	-	(3,395,299)	(3,395,299)
Other comprehensive loss for the period	-	-	-	(2,703,752)	-	(2,703,752)
Total comprehensive loss for the period	-	-	-	(2,703,752)	(3,395,299)	(6,099,051)
Balance as at 30 June 2023	95,209,348	17,829,167	29,571,005	17,125,527	58,188,414	217,923,461
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	-	-	-	-	(23,366,953)	(23,366,953)
Other comprehensive income for the period	-	-	-	4,380,878	-	4,380,878
Total comprehensive income (loss) for the period	-	-	-	4,380,878	(23,366,953)	(18,986,075)
Balance as at 30 June 2022	95,209,348	17,829,167	29,571,005	17,033,681	97,162,365	256,805,566

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 30 June 2023

	<i>Note</i>	<i>Nine months ended</i>	
		<i>2023</i>	<i>2022</i>
		<i>KD</i>	<i>KD</i>
OPERATING ACTIVITIES			
Loss for the period		(3,395,299)	(23,366,953)
Adjustments for:			
Depreciation	5	11,834,935	38,044,445
Impairment loss on aircraft, engines and equipment		-	28,743,803
Murabaha income		(161,108)	(42,394)
Finance costs		35,498,571	26,818,508
Reversal of credit loss on receivables		(1,384,854)	(976,797)
Loss/(Gain) on disposal of aircraft, engines and equipment	5 & 6	903,380	(2,409,682)
		43,295,625	66,810,930
Changes in operating assets and liabilities:			
Other assets		(1,112,732)	(6,936,195)
Other liabilities		20,753,334	(1,082,484)
Maintenance reserve and provisions		(251,406)	5,254,084
Cash from operations		62,684,821	64,046,335
Finance cost paid		(33,531,368)	(26,103,060)
Net cash flows from operating activities		29,153,453	37,943,275
INVESTING ACTIVITIES			
Purchase of aircraft, engines and equipment	5	(1,026,212)	(244,360)
Proceeds from disposal of aircraft, engines and equipment		231,895,779	8,043,051
Capital advances for purchase of aircraft, engines and equipment		(107,642)	(996,251)
Murabaha income received		161,166	43,011
Net cash flows from investing activities		230,923,091	6,845,451
FINANCING ACTIVITIES			
Financing facilities received		24,568,000	39,263,992
Financing facilities repaid		(269,346,175)	(104,357,387)
Net cash flows used in financing activities		(244,778,175)	(65,093,395)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		15,298,369	(20,304,669)
Foreign currency translation adjustment		(287,853)	1,402,052
Cash and cash equivalents at 1 October		25,113,155	42,093,620
CASH AND CASH EQUIVALENTS AT 30 JUNE		40,123,671	23,191,003

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 30 June 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 nine months period ended 30 June 2023 was authorised for issue in accordance with a resolution of the board of directors on 6 August 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:

- 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. On 21 June 2023, the group has completed the sale of 24 aircrafts by transferring the group's shares in the SPCs which are holding those aircrafts to the Buyer.
- The sale of 24 aircrafts has generated net cash proceeds of USD 124.98 million (approximately, KD 38.38 million) after settling secured financing facilities, of which KD 46,065,000 relates to the Bank and KD 112,541,894 relates to other financial institutions.
- The sale of the remaining 29 aircrafts is expected to generate net cash proceeds of USD 371.09 million (approximately, KD 113.96 million) after settling financing facilities, of which KD 30,710,000 relates to the Bank and KD 289,151,127 relates to other financial institutions.
- The Management and the Board of Directors of the parent company expects the execution of the sale for the remaining aircrafts 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 30 June 2023

2 FUNDAMENTAL ACCOUNTING CONCEPT (continued)

- After the execution of the sale transaction for the remaining aircrafts, 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 group will continue 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 does 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 nine months period ended 30 June 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 30 June 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 30 June 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>Nine months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
Loss for the period (KD)	(3,203,669)	(18,837,857)	(3,395,299)	(23,366,953)
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>(3.36) fils</u>	<u>(19.79) fils</u>	<u>(3.57) fils</u>	<u>(24.54) 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 30 June 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	1,020,055	-	6,157	1,026,212
Transfer from capital advances	31,133,315	-	-	31,133,315
Disposals	(27,330,930)	-	-	(27,330,930)
Transferred to assets held for sale	(959,086,719)	-	-	(959,086,719)
Foreign currency adjustment	(6,282,567)	(4,122)	(2,228)	(6,288,917)
At 30 June 2023	519,322,775	337,222	188,595	519,848,592
Depreciation and impairment				
At 1 October 2022	412,586,931	341,155	171,794	413,099,880
Depreciation charge for the period	11,829,426	142	5,367	11,834,935
Disposals	(12,919,588)	-	-	(12,919,588)
Transferred to assets held for sale	(241,132,011)	-	-	(241,132,011)
Foreign currency adjustment	(2,064,141)	(4,116)	(2,072)	(2,070,329)
At 30 June 2023	168,300,617	337,181	175,089	168,812,887
Net carrying amount				
At 30 June 2023	351,022,158	41	13,506	351,035,705
At 30 September 2022 (Audited)	1,067,282,690	189	12,872	1,067,295,751
At 30 June 2022	1,087,612,524	374	14,369	1,087,627,267

Aircraft with carrying value of KD 315,037,473 (30 September 2022: KD 1,046,153,558 and 30 June 2022: KD 1,065,581,616) 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 2023, the group recognized gain of KD 1,437,158 (30 June 2022: KD 2,409,682) from the sale of certain aircraft.

* Aircraft with carrying value of KD 717,954,708 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).

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 30 June 2023

6 NON-CURRENT ASSETS HELD FOR SALE (continued)

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. The management has initiated the 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 717,954,708 as of 1 October 2022 from "aircraft, engines and equipment" to "assets held for sale" and re-classified the related liabilities amounting to KD 69,953,393 to "liabilities directly associated with assets classified as held for sale".

During the current period, on 12 June 2023, the management of the group has signed an amendment agreement with the Buyer in which the total sale price was reduced by USD 6 Mn (approximately, KD 2.67 million) and one aircraft has been removed from the sale transaction. Subsequently, the group has entered into a sale agreement with another buyer in respect of sale of this aircraft. Such amendment agreement was entered into between the parties due to the unprecedented circumstances in the market which is considered immaterial considering the total transaction value.

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 30 June 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 44,322,779 and KD 20,307,490 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 20,843,403 in other income (Note 9).

Movement on assets held for sale during the period ended 30 June 2023 is as follows:

	<i>Assets held for sale KD</i>
As of 1 October 2022	-
Transfer from aircraft, engines, and equipment	717,954,708
Disposal during the year *	(248,227,195)
Foreign currency translation adjustment	(8,661,187)
As of 30 June 2023	<u>461,066,326</u>

Movement on liabilities directly associated with assets classified as held for sale during the period ended 30 June 2023 is as follows:

	<i>Liabilities directly associated with assets classified as held for sale KD</i>
As of 1 October 2022	-
Transfer from aircraft, engines, and equipment	69,953,393
Disposal during the year *	(38,884,540)
Foreign currency translation adjustment	(843,895)
As of 30 June 2023	<u>30,224,958</u>

* During the current period, on 21 June 2023, the group has completed the sale of 24 aircrafts by transferring the group's shares in the SPCs which are holding those aircrafts to the Buyer. The group recognized loss of KD 2,341,148 from the sale of these aircrafts.

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.

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6 NON-CURRENT ASSETS HELD FOR SALE (continued)

The total sale price with regards to sale of the remaining 29 aircrafts, is USD 1.471 billion (approximately, KD 452 million) as per the signed sale and purchase agreements.

The execution of the sale of the remaining 29 aircrafts is expected to:

- Reduce the balance “due to financial institutions” from KD 580.95 million to KD 263.7 million within one year.
- Reduce the minimum lease rent receivable within 5 years from KD 669.8 million to KD 297.6 million (Note 8).

Assets held for sale with carrying value of KD 439,929,064 (30 September 2022: KD Nil and 30 June 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 30 June 2023 comprises 952,096,482 ordinary shares (30 September 2022: 952,093,482 ordinary shares and 30 June 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.

8 OPERATING LEASE INCOME

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
	KD	<i>KD</i>	KD	<i>KD</i>
Lease rental income	9,268,139	20,151,196	26,449,625	71,113,635
Amortisation of lease incentive assets	(92,700)	-	(299,864)	-
Operating lease income	9,175,439	20,151,196	26,149,761	71,113,635

The future minimum lease rent receivable on the operating lease is KD 669,825,275 (30 September 2022: KD 854,309,798 and 30 June 2022: KD 882,065,286 and is receivable as follows:

	<i>(Audited)</i>		
	<i>30 June</i>	<i>30 September</i>	<i>30 June</i>
	2023	2022	2022
	KD	<i>KD</i>	<i>KD</i>
Income receivable within one year	95,998,623	104,320,671	106,804,275
Income receivable within one year to five years	331,330,544	395,439,249	397,038,412
Income receivable after five years	242,496,108	354,549,878	378,222,599
	669,825,275	854,309,798	882,065,286

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 June 2023

8 OPERATING LEASE INCOME (continued)

The future minimum lease rent receivable on the operating lease after taking into account the events disclosed in Note 6 is KD 297,561,960 and is receivable as follows:

	<i>30 June 2023</i> <i>KD</i>
Income receivable within one year	37,097,770
Income receivable within one year to five years	149,238,938
Income receivable after five years	111,225,252
	<u>297,561,960</u>

9 OTHER INCOME

	<i>Three months ended</i> <i>30 June</i>		<i>Nine months ended</i> <i>30 June</i>	
	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>	<i>2023</i> <i>KD</i>	<i>2022</i> <i>KD</i>
Finance income *	6,688,946	-	20,843,403	-
Reversal of other provisions **	(650)	1,485,547	1,534,950	2,613,565
Other miscellaneous income	5,928	75,135	104,096	969,550
	<u>6,694,224</u>	<u>1,560,682</u>	<u>22,482,449</u>	<u>3,583,115</u>

* 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.

** 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 699,696,640 (30 September 2022: KD 977,150,714 and 30 June 2022: KD 1,004,678,364).

11 CONTINGENT LIABILITIES

As at 30 June 2023, the group has contingent liabilities amounting to KD 5,466,238 (30 September 2022: KD 5,466,238 and 30 June 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.

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 30 June 2023

12 RELATED PARTY TRANSACTIONS (continued)

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>Nine months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	2023	2022	2023	2022
	KD	KD	KD	KD
Murabaha income				
- Bank	99,499	17,074	131,241	42,394
	99,499	17,074	131,241	42,394
Finance costs				
- Bank	2,331,587	1,551,705	6,770,577	4,349,265
	2,331,587	1,551,705	6,770,577	4,349,265
<i>Key management compensation:</i>				
Salaries and other short-term benefits	107,678	253,126	467,763	728,868
End of service benefits	29,866	29,236	101,621	106,040
	137,544	282,362	569,384	834,908

Interim condensed consolidated statement of financial position:

	<i>Bank</i>	<i>Total</i>
	<i>KD</i>	<i>KD</i>
30 June 2023		
Cash and cash equivalents	26,213,649	26,213,649
Due to financial institutions	90,937,525	90,937,525
Other liabilities*	1,079,774	1,079,774
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
30 June 2022		
Cash and cash equivalents	20,502,966	20,502,966
Due to financial institutions	141,624,744	141,624,744
Other liabilities*	425,472	425,472

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

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 30 June 2023

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.

30 June 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	<u>30,868,950</u>	<u>8,095,446</u>	<u>4,925,562</u>	<u>3,999,980</u>	<u>-</u>	<u>47,889,938</u>
Segment results (losses) before taxations	<u>8,923,559</u>	<u>(5,112,920)</u>	<u>(3,725,814)</u>	<u>(3,480,124)</u>	<u>-</u>	<u>(3,395,299)</u>
Total assets	<u>272,712,977</u>	<u>306,958,701</u>	<u>162,103,769</u>	<u>172,857,912</u>	<u>-</u>	<u>914,633,359</u>
Total liabilities	<u>271,002,068</u>	<u>222,650,176</u>	<u>85,568,666</u>	<u>117,488,988</u>	<u>-</u>	<u>696,709,898</u>
Other segmental information:						
Depreciation	<u>5,156,149</u>	<u>3,629,554</u>	<u>1,333,555</u>	<u>1,715,677</u>	<u>-</u>	<u>11,834,935</u>
Capital expenditure	<u>6,157</u>	<u>-</u>	<u>-</u>	<u>32,153,370</u>	<u>-</u>	<u>32,159,527</u>

30 June 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	<u>20,878,118</u>	<u>37,191,402</u>	<u>5,748,382</u>	<u>13,330,924</u>	<u>-</u>	<u>77,148,826</u>
Segment results (losses) before taxations	<u>1,204,016</u>	<u>(24,114,681)</u>	<u>(5,794,982)</u>	<u>5,338,694</u>	<u>-</u>	<u>(23,366,953)</u>
Total assets	<u>263,288,949</u>	<u>471,075,765</u>	<u>270,576,517</u>	<u>248,689,820</u>	<u>-</u>	<u>1,253,631,051</u>
Total liabilities	<u>334,093,357</u>	<u>370,448,701</u>	<u>159,949,130</u>	<u>132,334,297</u>	<u>-</u>	<u>996,825,485</u>
Other segmental information:						
Depreciation	<u>8,775,853</u>	<u>16,651,104</u>	<u>6,251,248</u>	<u>6,366,240</u>	<u>-</u>	<u>38,044,445</u>
Capital expenditure	<u>3,733</u>	<u>-</u>	<u>-</u>	<u>707,691</u>	<u>-</u>	<u>711,424</u>

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.

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14 LIQUIDITY RISK (continued)

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.

30 June 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	43,297,530	138,814,589	340,096,252	145,572,172	667,780,543
Security deposits	-	434,106	1,647,578	2,074,982	4,156,666
Other liabilities (excluded operating lease income received in advance)	42,075	39,872,672	265,650	1,237,954	41,418,351
TOTAL LIABILITIES	43,339,605	179,121,367	342,009,480	148,885,108	713,355,560
Capital commitments	-	-	503,966,455	195,730,185	699,696,640
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
30 June 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	117,951,056	142,968,849	549,274,180	173,105,784	983,299,869
Security deposits	-	682,355	6,487,681	6,302,451	13,472,487
Other liabilities (excluded operating lease income received in advance)	429,243	13,161,337	5,795	2,797,202	16,393,577
TOTAL LIABILITIES	118,380,299	156,812,541	555,767,656	182,205,437	1,013,165,933
Capital commitments	-	77,580,403	664,765,361	262,332,600	1,004,678,364

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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 based on 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 30 June 2023, 30 September 2022, and 30 June 2022 are as follows:

30 June 2023	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Aircraft, engines and equipment	-	351,035,705	351,035,705
Capital advances	-	34,888,391	34,888,391
Other assets	27,519,266	-	27,519,266
Cash and cash equivalents	40,123,671	-	40,123,671
	<u>67,642,937</u>	<u>385,924,096</u>	<u>453,567,033</u>
Assets held for sale	461,066,326	-	461,066,326
Total assets	<u><u>528,709,263</u></u>	<u><u>385,924,096</u></u>	<u><u>914,633,359</u></u>
LIABILITIES			
Due to financial institutions	157,492,674	423,459,537	580,952,211
Security deposits	759,632	3,397,034	4,156,666
Maintenance reserve and provisions	-	38,621,136	38,621,136
Other liabilities	41,251,323	1,503,604	42,754,927
	<u>199,503,629</u>	<u>466,981,311</u>	<u>666,484,940</u>
Liabilities directly associated with assets classified as held for sale	30,224,958	-	30,224,958
Total liabilities	<u><u>229,728,587</u></u>	<u><u>466,981,311</u></u>	<u><u>696,709,898</u></u>

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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
30 June 2022	<i>Less than 1 year KD</i>	<i>Over 1 year KD</i>	<i>Total KD</i>
ASSETS			
Aircraft, engines and equipment	-	1,087,627,267	1,087,627,267
Capital advances	9,386,550	109,929,610	119,316,160
Other assets	23,496,621	-	23,496,621
Cash and cash equivalents	23,191,003	-	23,191,003
Total assets	56,074,174	1,197,556,877	1,253,631,051
LIABILITIES			
Due to financial institutions	206,147,227	634,139,504	840,286,731
Security deposits	682,355	12,790,132	13,472,487
Maintenance reserve and provisions	3,067,500	121,185,699	124,253,199
Other liabilities	16,010,068	2,803,000	18,813,068
Total liabilities	225,907,150	770,918,335	996,825,485

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